Department for
Business, Energy
& Industrial Strategy

Annual report and accounts

2016–17

CORRECTION SLIP 1

Title: BEIS Annual Report and Accounts 2016-17

Session: 2017/18

HC 202

Print ISBN: 9781474143059

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Ordered by the House of Commons to be printed 19 July 2017

Correction:

There are two rows missing from the bottom of the table on page 158. The two rows should read:

Low carbon price assumption: Favourable changes: nil, Unfavourable changes: 6,480

High carbon price assumption: Favourable changes: 6,340, Unfavourable changes: nil

CORRECTION SLIP 2

Title: BEIS Annual Report and Accounts 2016-17

Session: 2017/18

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Correction:

Page 81 shows ethnicity data for BEIS as follows:

16% BAME 16% Prefer not to say

35% White 33% Unknown

The corrections data should state:

9% BAME 3% Prefer not to say

51% white 37% unknown

Department for
Business, Energy
& Industrial Strategy

Annual report and accounts 2016–17

For the year ended 31 March 2017

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

Annual Report presented to the House of Commons by Command of Her Majesty

Ordered by the House of Commons to be printed on 19 July 2017

HC 202

This is part of a series of departmental publications which, along with the Main Estimates 2017-18 and the document Public Expenditure: Statistical Analyses 2017, present the Government's outturn for 2016-17 and planned expenditure for 2017-18.

This publication is available at www.gov.uk/government/publications

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Contents

Foreword by the Secretary of State

It's a great pleasure to introduce the first annual report of the Department for Business, Energy and Industrial Strategy.

As the first Secretary of State for this new department, I'm immensely grateful for the hard work and dedication of its staff. Over the last 12 months they've joined together as one team to deliver a truly ambitious programme.

The core purpose of BEIS is to put industrial strategy at the heart of economic policy. It's a mission that encompasses the whole department. Indeed, the scope of the strategy extends across Whitehall and beyond, with BEIS as the focal point.

The industrial strategy green paper was published by the Department in January. I've been hugely encouraged by the scale and breadth of the response to the consultation. From the beginning, we promised to engage with every part of the country and every sector of the economy – and we have. We are therefore well placed to build the industrial strategy with, and not just for, British industry.

One of our early breakthroughs was securing more money for British science and innovation. At the last Autumn Statement, the Chancellor announced the biggest increase in public R&D investment since 1979. As a country we cannot afford to lag behind in the race for the future. That is why, looking further ahead, our target is now to match – and then exceed – the current level of R&D investment among advanced industrial nations.

Getting the best value from these resources is even more important. This is the purpose of the Higher Education and Research Act, which became law in April. It brings together the 7 Research Councils and other funding bodies into a single, strategic agency called UK Research and Innovation. UKRI will encourage collaborative research across the sciences, and closer cooperation between researchers, innovators and entrepreneurs.

Science and technology is the basis for economic progress – and also for the action we need to take on climate change. Over the past year, the UK has ratified the Paris Agreement and passed the fifth carbon budget. BEIS itself was created to align economic and environmental objectives. By working with industry partners, on projects from Hinkley Point C in Somerset to the Siemens wind turbine factory in Hull we are showing that investment in clean energy is also investment in jobs, skills and local growth.

This department's second year will be just as important as its first. In particular, we will work to secure a business-friendly Brexit, endeavouring to represent British enterprise and British workers on this and every other issue.

The Rt Hon Greg Clark MP
Secretary of State for Business, Energy and Industrial Strategy

Report of the Permanent Secretary

Following the creation of the Department in July 2016, we have made good progress against our four headline objectives: to deliver an ambitious industrial strategy; to maximise investment opportunities and bolster UK interests; to promote competitive markets and responsible business practices; and to ensure the UK has a reliable, low-cost and clean energy system. We have also built a strong new department, well equipped to deliver on our ambitious agenda.

This report highlights the key achievements during 2016-17 towards these four objectives.

In January, we launched an industrial strategy green paper to consult on proposals for a modern industrial strategy. As well as receiving nearly 1,900 responses, Ministers and officials engaged extensively with stakeholders through workshops, roundtables and other events, gathering insights which will shape our industrial strategy going forward. We also announced additional investment in sectors including advanced materials and life sciences, and we increased our support for science, research and innovation, with an additional £4.7 billion to be invested over the next 4 years.

We have continued our support for businesses and employees, making £250 million of Start Up loans available since 2012 and announcing £400 million for the British Business Bank to invest in innovative firms planning to scale up. We have seen a further increase to the National Living Wage, rising to £7.50 in April 2017, and a doubling of female representation in boardrooms, up 26% compared to 2011.

To boost our economy and increase the security of our energy supply, we gave the go–ahead to build the first new nuclear power station in a generation at Hinkley Point C. We are continuing to take action to reduce energy bills for consumers, and, as of March 2017, there were nearly 7 million meters operating under our Smart Meter Programme. We have shown our continued commitment to tackling climate change, passing the UK's fifth carbon budget into law, and ratifying the Paris Agreement, which committed signatories to limit global warming to well below 2°C, and to a long-term goal of net zero emissions by the end of the century. This year also saw the first coal-free day in Britain since the 1880s.

Following the result of the EU referendum, we know that there will be new opportunities and challenges ahead. We are continuing to engage with businesses and consumers to ensure that we represent their views and maintain business confidence throughout the negotiations. Alongside this, we are preparing for the significant domestic and legislative changes required to ensure a smooth exit from the EU.

Internally, following the Machinery of Government change, we worked quickly to create a single, fully functioning department of state with a unified identity, budget and systems, whilst continuing to make efficiency savings. We have achieved a lot in a short time and we are ensuring that we have strong leadership and the right people and skills to deliver our vision and objectives.

As our identity, culture and ways of working take root, we are continuing to transform our Department, to ensure that we remain high-performing and impactful, delivering successful outcomes for business and consumers.

Alex Chisholm
Principal Accounting Officer
and Permanent Secretary


Teeside Wind Farm, North Sea

Performance Report

Overview

This section gives a summary of our Department, its purpose, the key risks to the achievement of its objectives, and how it has performed during the past year.

Our purpose

We exist to drive forward the changes which will build an economy that works for everyone, so that there are great places in every part of the United Kingdom for people to work and for businesses to invest, innovate and grow.

What we are aiming to achieve

BEIS ministers set out 4 overarching objectives for our Department to provide a framework for delivering the Government's priorities:

Delivering an ambitious industrial strategy

Promoting competitive markets and responsible business practices

Maximising investment opportunities and bolstering UK interests

Ensuring the UK has a reliable, low-cost and clean energy system

We will deliver these objectives by:

Building a new, high-performing department of state

How we were formed

On 14 July 2016, the Prime Minister, Theresa May, created the Department for Business, Energy and Industrial Strategy (BEIS) and appointed Rt Hon Greg Clark MP as Secretary of State.

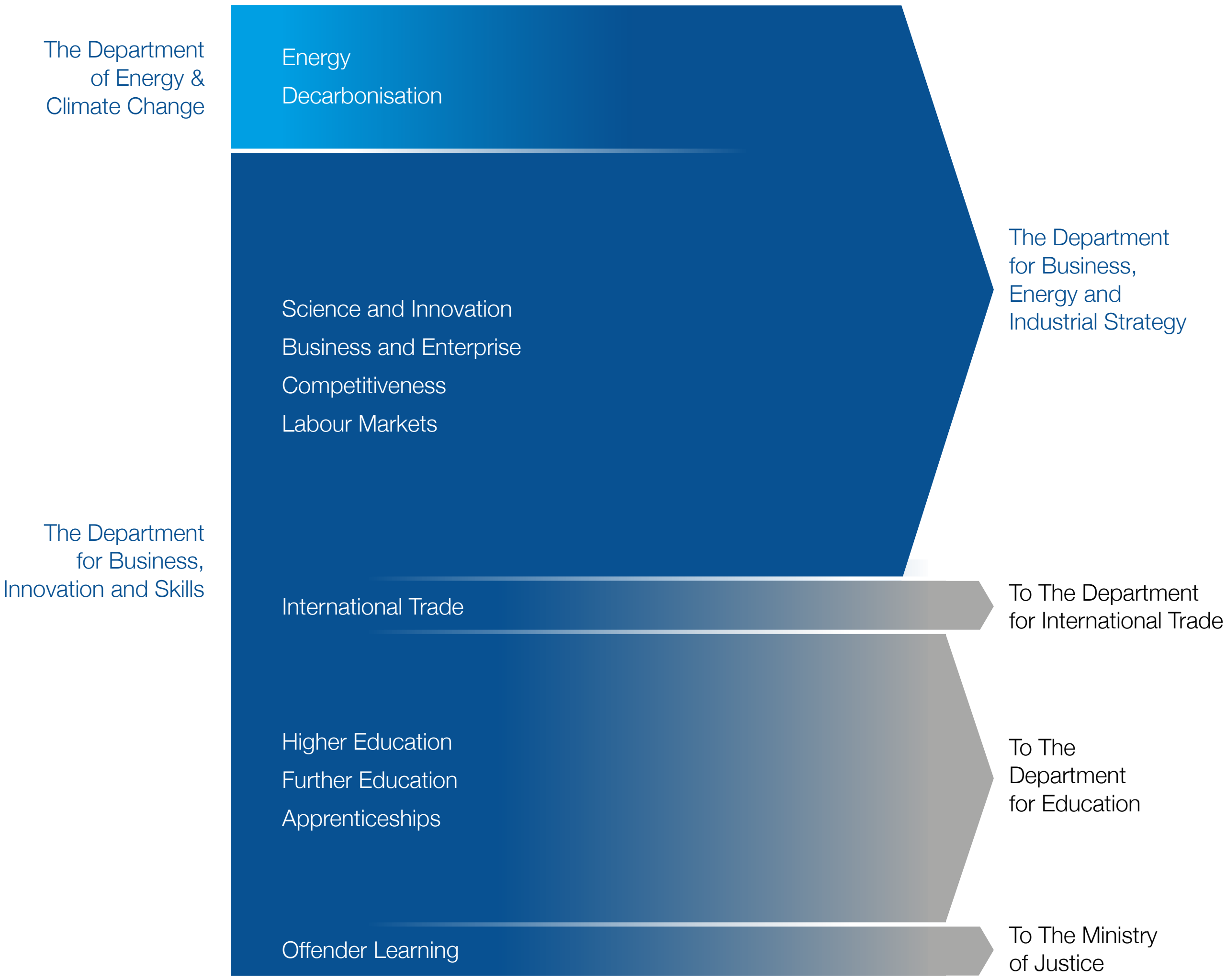
The announcement was part of a reorganisation of central government in response to changing priorities following the referendum vote in favour of leaving the European Union and the subsequent change in political leadership.

BEIS brings together the business and science policy portfolios of the Department for Business, Innovation and Skills (BIS) and the full policy portfolio of the Department of Energy and Climate Change (DECC), building the links between industry, energy and climate change and enabling a united focus on markets, investors and consumers.

The elements of the BIS portfolio that were not transferred to BEIS comprised:

- post-18 education and skills policies, which were transferred to the Department for Education, giving that department complete oversight of education policies.
- offender learning, which was transferred to the Ministry of Justice; and
- international trade policies from BIS and the Foreign and Commonwealth Office, which were brought together to form the Department for International Trade.

Transfer of policy responsibilities



How are we organised

Our Department is led by the Secretary of State for Business, Energy and Industrial Strategy who is responsible to Parliament for the Department as a whole.

Ministers look to the core Department's Accounting Officer, the Permanent Secretary, to delegate within the Department to deliver their decisions and to support them in policy-making and managing public funds.

Public sector bodies are classified based on the level of control the core Department has over them. Executive agencies act as an arm of the core Department, undertaking executive functions, rather than giving policy advice. The other bodies in the Departmental group are separate legal entities, but the core Department usually sets its strategic framework and normally appoints the chair and all non-executive members of the board and is consulted on the appointment of the CEO.

The wider Departmental group includes other public sector bodies which work with us to achieve our objectives, but have more authority over their own policies and are not consolidated into the group financial statements.

Core Department and agencies

The Copyright Tribunal
Council for Science and Technology
Industrial Development Advisory Board
Insolvency Practitioners Tribunal
Low Pay Commission
Office of Manpower Economics
Regulatory Policy Committee
UK Space Agency
Government Office for Science
The Insolvency Service

Consolidated Departmental group

Advisory, Conciliation and Arbitration Service
BIS (Postal Services Act 2011) Company
British Business Bank
Civil Nuclear Police Authority
Coal Authority
Committee on Fuel Poverty
Committee on Radioactive Waste Management
Competition Appeal Tribunal
Competition Service
Electricity Settlements Company
Enrichment Holdings
Fleetbank Funding
The Financial Reporting Council
Low Carbon Contracts Company
Midlands Engine Investments
The NESTA Trust
Northern Powerhouse Investments
Nuclear Decommissioning Authority
Nuclear Liabilities Financing Assurance Board
Oil and Gas Authority
Postal Services Holding Company
South Tees Site Company
Innovate UK
UK Green Investment Bank
UK Shared Business Services
United Kingdom Atomic Energy Authority
UK Atomic Energy Authority
Harwell Science and Innovation Campus Public Sector
UK Climate Investments

Research Councils

The Arts and Humanities Research Council
The Biotechnology and Biological Sciences Research Council
The Economic and Social Research Council
The Engineering and Physical Sciences Research Council
The Medical Research Council
The Natural Environment Research Council
The Science and Technology Facilities Council

Nuclear site licence companies

Dounreay Site Restoration
LLW Repository
Magnox
Sellafield

Wider Departmental group

Ordnance Survey
National Physical Laboratory
Companies House
UK Intellectual Property Office
Met Office
Competition and Markets Authority
HM Land Registry
Gas and Electricity Markets Authority (Ofgem)
National Physical Laboratory
Nuclear Liabilities Fund

Our area of responsibility extends beyond the bodies listed in the wider Departmental group. A more comprehensive picture can be found in our Accounting Officer System Statement, published separately.

Our highlights this year

14th July 2016

The announcement to create BEIS was made on 14 July 2016. We immediately set about creating a fully functioning department of state which has a real impact for consumers and business.

Raised the National Living Wage to **£7.50**

On 1 April 2017, around 1.7 million workers aged 25 and over benefited from a 4.2% pay rise: a 30p increase on their hourly wage to £7.50. For full-time workers (38 hours), this would amount to just under £600 per year.

Publication of our **industrial strategy** green paper

We set out our approach and the early actions we have committed to take to secure the UK's long-term competitiveness, improve our national productivity and deliver growth across the whole country.

Francis Crick Institute opened, supporting **1,250 scientists**

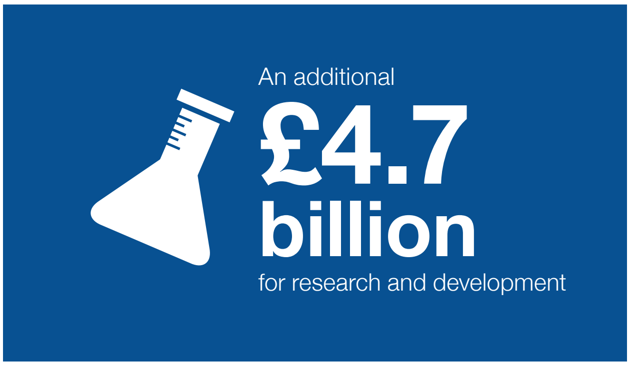
The first wave of scientists moved into the new Francis Crick Institute in London. They will investigate the biological processes that could lead to the creation of pioneering drugs and treatments for illnesses such as cancer, stroke and motor neurone disease.

Low carbon energy for **6 million homes**

We gave the go-ahead to build the first nuclear power station in a generation. When it becomes operational it will provide 7% of the UK's electricity, providing reliable, low carbon energy to 6 million homes for 60 years.

26% female representation in Britain's boardrooms

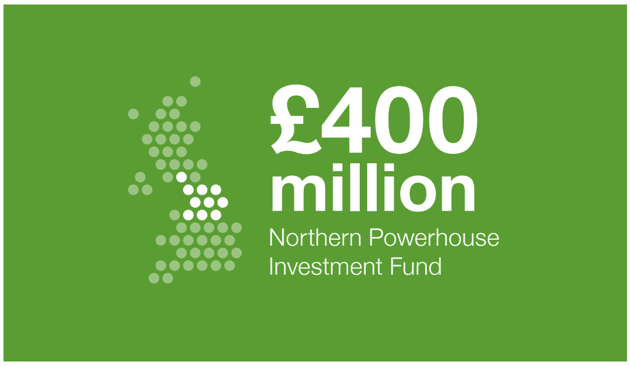
We published Lord Davies' final report on gender balance in Britain's boardrooms. It found that, since his first report in 2011, female representation has doubled to 26%. We have continued this work, publishing the Hampton-Alexander review this year.



We're carrying out the largest reform of the research and innovation landscape in over 30 years and investing at record levels. This year we announced an additional £4.7 billion of funding between now and 2020-21.

When the world came together in Paris last year to reach this ambitious deal, the UK played a major role. This year, we ratified this landmark agreement, continuing our commitment to tackling climate change.

Tim Peake returned to Earth after spending 186 days on the International Space Station, carrying out research and essential maintenance on this unique spacecraft. Tim was the first British European Space Agency astronaut.



The British Business Bank launched the £400 million Northern Powerhouse Investment Fund, aimed at boosting the North of England's economy and helping the region's businesses realise their growth potential.

We continue to tackle financial wrongdoing. The Insolvency Service disqualified 1,214 directors and made 430 referrals to prosecuting authorities this year.

We also fast-tracked the investigation into the circumstances surrounding BHS going into administration.

Research funded by the National Environment Research Council (NERC) found evidence that the ozone layer above Antarctica is healing. In the 1980s, NERC-funded scientists were the first to notice that ozone levels over the continent were dropping, leading to the international agreement to phase out production of the substances responsible.

Where we spent our money in 2016-17

The core Department's gross expenditure for the year was £13.8 billion, as seen in the primary statements that start on page 119. Of this, £3.4 billion related to the Research Councils and £3.2 billion to the Nuclear Decommissioning Authority (NDA). The remaining expenditure was split across:

- grant-in-aid to other Partner Organisations;
- programme costs to deliver the Department's priorities; and
- internal and other costs.

The NDA recognised income of £1 billion from its commercial activities, reducing the net cost of funding by the Department. The income mainly arose from management of spent fuel and waste (including reprocessing). The Department also received £55 million relating to the Regional Venture Capital Fund and a payment of £51 million from surpluses in the Mineworkers' Pension Scheme.

The diagram opposite represents the funding costs of each core Department business. The significant items (more than £250 million) of expenditure recorded in the core Department were:

£1,992 million – funding for the Higher Education Funding Council for England for Science and Research;

£545 million – delivering the Renewable Heat Incentive, a scheme to encourage homes and businesses to install heating systems using renewable heat sources;

£373 million – grants to the UK Space Agency

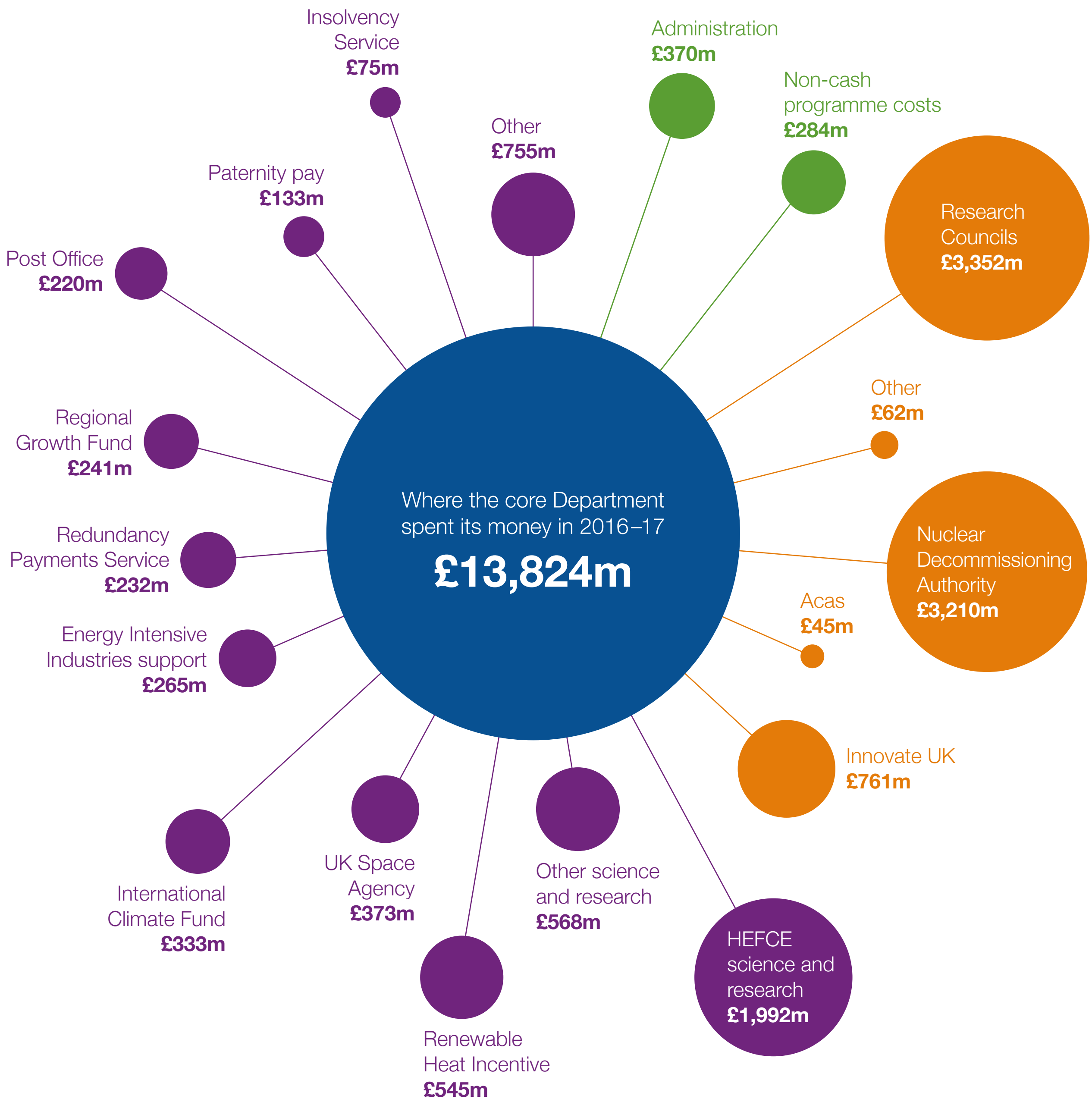
£333 million – International Climate Finance Official Development Assistance, as part of the Government's commitment to spend 0.7% of Gross National Income on overseas aid;

£265 million – support for energy intensive industries;

More details on expenditure can be found in the financial statements from page 119.

Notes:

1. A number of the Department's partner organisations were funded through cash grant-in-aid from the core Department – see Note 4.4 in the accounts.
2. Other programme costs include expenditure on a number of smaller schemes and staff costs that fall within programme.
3. Non-cash programme costs includes an increase in the value of provisions of £72 million, together with depreciation and amortisation costs and other non-cash charges – see Note 4.3 in the accounts.



- **Grant-in-aid**
  Funding payments to Partner Organisations
- **Programme delivery**
  Grants and the purchase of goods and services
- **Internal & other costs**
  Administration and non-cash costs, for example provisions and depreciation

Our performance

Our aims and achievements

Following the creation of BEIS in July 2016, the Secretary of State set out his vision for the Department. This section sets out the key achievements made in 2016-17 towards the Department's four strategic objectives and towards building a new, high-performing department of state.

Our objectives in 2016-17:

Delivering an ambitious industrial strategy

Maximising investment opportunities and bolstering UK interests

Promoting competitive markets and responsible business practices

Ensuring the UK has a reliable, low–cost and clean energy system

We will deliver our objectives by:

Building a new, high-performing department of state

Deliver an ambitious industrial strategy

We are delivering a modern industrial strategy to build on our strengths now and for the future, to close the gap between our best performing companies, industries, places and people and those that are less productive, and make the UK one of the most competitive places in the world to start and grow a business.

We are designing and delivering the Government's industrial strategy to secure the UK's long-term competitiveness, improve our productivity and deliver growth around the whole country.

In January, we launched a green paper on industrial strategy that set out an approach, and series of actions, for addressing long-term challenges to the UK economy. Between then and April, we consulted individuals and organisations from all over the country and received nearly 1,900 responses. Informed by these insights, we will be setting out the next steps on our industrial strategy later this year.

We are investing in science, research and innovation by carrying out the largest reform of the research and innovation landscape in over 30 years, bringing the 9 existing UK research and innovation funding bodies together into a single entity called UK Research and Innovation (UKRI). This is an ambitious undertaking; it requires effective programme management to deliver. We have established the programme in compliance with Government major project guidelines to help ensure successful delivery and manage risks. UKRI will be responsible for spending over £6 billion annually and will have a lead role in advising ministers on the additional £4.7 billion increase in R&D funding for the period 2017-18 to 2020-21 as announced in the 2016 Autumn Statement.

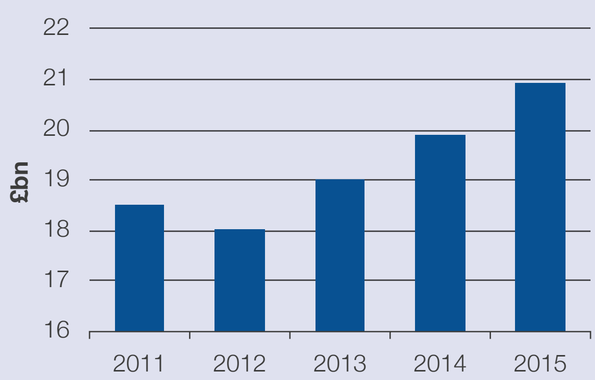
UKRI will provide a single voice and coherent strategic approach for public investment in research and innovation. It is intended to remove structural barriers, supporting multi-disciplinary research; improve collaboration between research and business; and catalyse a more effective approach to addressing future societal challenges.

We have further increased our support for science, research and innovation by:

- providing £100 million for new testing infrastructure for connected and autonomous vehicles (CAVs); and
- opening the £650 million Francis Crick Institute in London, supported by £350 million of government investment.

Increased public investment in research and development has been mirrored in the private sector, with expenditure by UK businesses on research and development also continuing to increase.

Expenditure on research and development in UK businesses[1] (at constant prices)



We are cultivating world-leading sectors by supporting successful UK industries such as automotive, life sciences, and aerospace, and emerging sectors such as robotics and autonomous systems. We also work closely with our business partners to transform their sectors, including exploring targeted 'Sector Deals' for established industries, new entrants and challenger businesses.

As part of our industrial strategy, we announced £229 million of investment in the development of cutting-edge advanced materials and a new centre of excellence for life and physical sciences. This funding comprises:

- £126 million in grants for the Henry Royce Institute, the leading UK body for advanced materials research and innovation; and
- £103 million investment in a new centre of excellence at the Rosalind Franklin Institute.

We are supporting businesses to start and grow by working closely with partners such as the British Business Bank to improve awareness of and access to financial support, and using the Challenger Business Programme to identify and address barriers to expansion for highly innovative businesses with high growth potential.

Since 2012, we have made £250 million of Start Up Loans available to get entrepreneurs up and running. This year we also announced the provision of £400 million for the British Business Bank's venture capital funds to support innovative firms planning to scale up.

1 https://www.ons.gov.uk/economy/governmentpublicsectorandtaxes/researchanddevelopmentexpenditure/bulletins/businessenterpriseresearchanddevelopment/2015

45% (2014: **51%**)

of small business employers expected their turnover to increase over the next 12 months.[2]

26% (2014: **32%**)

of small business employers expected to employ more people in 12 months' time.[3]

We are driving growth across the country by creating a framework to build on the particular strengths of regions and localities, and to address factors that hold them back.

This includes building a Northern Powerhouse, backing regional strengths, supporting Local Enterprise Partnerships, delivering more bespoke Growth Deals[4] with local councils, supporting Business Improvement Districts, and establishing the Productivity Council to encourage and support UK businesses.

Alongside the Department for Communities and Local Government, this year we announced additional funding through Growth Deals for: the Northern Powerhouse; London, the South East and East of England; the South West; and the Midlands.

Maximising investment opportunities and bolstering UK interests

As outlined in the Government's Plan for Britain, as we leave the EU we will build a global, outward-looking Britain that is confident on the world stage. We are working to deliver the best results for the UK through ever stronger global relationships and by building business and investor confidence. In our work to seek out and close investment deals we will ensure our economy is resilient to unforeseen economic shocks.

We are encouraging inward investment through: fostering a competitive investment environment for business and industry; working to establish new partnerships globally to accelerate growth and investment in existing and emerging technologies; and building our business intelligence capability to identify opportunities or external investment in the UK.

We are working to ensure our economy is resilient and best placed to seize opportunities through:

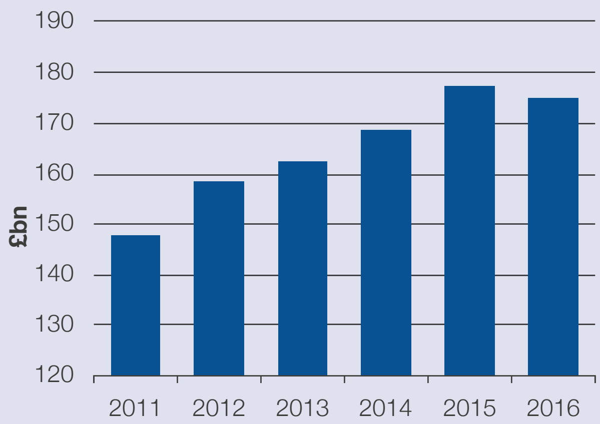
- capturing opportunities presented by internationally mobile investment;
- earlier identification and increased prevention of risk through investigation of future trends and enhanced business intelligence; and
- providing a more effective response to shocks through targeted contingency planning.

2 https://www.gov.uk/government/publications/small-business-survey-2015-businesses-with-employees The Small Business Survey 2015 was carried out between July 2015 and January 2016.

3 As above

4 https://www.gov.uk/government/collections/local-growth-deals

Business investment in the UK[5]



We are promoting the interests of UK businesses and our other stakeholders in the EU exit negotiations. The department is responsible for a wide range of sectors as well as individual and cross-cutting policy areas that will be impacted by the decision to leave the EU. By analysing the impacts and opportunities of an EU exit, and working collaboratively, our Department is ensuring that the views of businesses, consumers, workers and other economic actors are reflected in the Government's negotiating priorities and approach. In addition, we continue to engage fully with ongoing EU business in order to ensure that the negotiating outcomes meet the needs of the UK economy as a whole and the specific concerns of our stakeholders.

We are preparing for the domestic policy changes required as a result of the EU exit. We are working with the Department for Exiting the European Union (DExEU) and the Parliamentary Business and Legislation Committee (PBL) to ensure that the Repeal Bill and the wider legislative programme reflects our needs.

We are maintaining a strong nuclear safeguards regime outside of the European Atomic Energy Community (Euratom). When we triggered Article 50 we committed to leaving Euratom as well as the EU – these are separate treaties but they are legally entwined and share a common EU budget and EU institutions. Our objective in the negotiations will be to continue a constructive relationship of full co-operation with Euratom after we have left. We are confident that the EU wants the same outcome. The UK will continue to meet all its international obligations in respect of nuclear safeguards and non-proliferation, and it was announced in the Queen's Speech that the Government will bring forward legislation to establish a UK nuclear safeguards regime. This change should not have any adverse impact on our existing nuclear fleet or our nuclear new build programme.

We are building the profile of the UK on the international stage through fostering new international relationships to make it easier for our businesses, researchers and innovators to collaborate with international partners and to establish our own trading arrangements with the EU and the rest of the world. The UK's independent trade policy is being developed to maximise the opportunities from new trading arrangements with the rest of the world, and to deliver the best outcomes for business and consumers.

We are also continuing to play a leading role in global efforts to tackle climate change by effectively using UK climate finance to accelerate a low carbon shift within developing countries. For example, our Department's climate finance in 2016 directly supported:

- re-forestation efforts in the Colombian Amazon;
- large scale solar and geothermal projects rolled out in multiple countries; and
- loan schemes for energy efficiency improvements and renewables for small businesses in Africa and Asia.

In total, UK climate finance supported 21 million people to cope with the effects of climate change, improved access to clean energy for 6.6 million people, and reduced or avoided 4.9 million tonnes of CO_2. It continues to build on these results year on year.

5 https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/businessinvestment/octtodec2016revisedresults

Promoting competitive markets and responsible business practices

We are securing better outcomes for consumers by creating a more competitive business environment. We are strengthening the corporate governance framework to support strong businesses that focus on long-term value creation so they can thrive in a global economy, and demonstrate their commitment to their employees and to the communities in which they operate. We are setting clearer expectations for good business citizenship, and cracking down on individuals and businesses that abuse the system so that everyone – however big or small – plays by the same rules. We are protecting and enhancing workers' rights, ensuring that in a modern, flexible economy people are properly protected at work.

We are reforming corporate governance by consulting on reforms aimed at:

- strengthening shareholder control on executive pay and increasing transparency on pay;
- strengthening employee and other stakeholder voices in company boardrooms; and
- ensuring high standards of corporate governance in the UK's largest private businesses.

We are also continuing to enhance transparency over ownership of corporate entities, both improving good governance and trust in business and helping to tackle illicit finance.

In November, we published a green paper on corporate governance reform, which was followed by an extensive consultation exercise on the potential options for reform.

This year, we launched the register of people with significant control, listing the beneficial owners of all companies and limited liability partnerships registered in the UK. It is the first public register of this scale and ambition in the world.

We are promoting fairness in the labour market and improving working conditions by reforming enforcement of the National Minimum Wage and other employment rights.

We raised the National Living Wage to

£7.50

This is 57% of median earnings. We aim to increase the National Living Wage to reach 60% of median earnings by 2020, subject to sustained economic growth.

In 2011, we published Lord Davies' review, Women on Boards, which recommended that FTSE100-listed companies target 25% female representation. Since then, female representation on boards has more than doubled to 26%. This year, we published the initial reports of:

- The Hampton-Alexander review into FTSE women leaders, which sets a target for women to hold one third of FTSE leadership positions by 2020; and
- The Parker review into the ethnic diversity of UK boards, which sets out practical issues, objectives and timescales for progressive business leaders.

The way people work in the UK is changing. We recognise the importance of being open to new and innovative ways of working, but it is also crucial that workers receive a decent wage and benefit from the right balance of flexibility, rights and protections. In November, we launched the Matthew Taylor review of employment practices in the modern economy to consider the implications of new forms of work and our existing regulatory framework on employment.

We are ensuring the UK has the right regulatory frameworks to help meet business and consumer needs through:

- tackling markets that are not working fairly for consumers;
- empowering consumers to make changes;
- continuing the Government's commitment to regulate more efficiently by bringing into scope, through legislation, the activities of a range of regulators; and

As well as leading on better regulation for Government as a whole, we are committed to improving our own regulation and policies by ensuring any new regulation we introduce is effective, targeted and proportionate, and overall costs to business are kept to a minimum.

In the 2015-2017 Parliament, we reduced burdens to business by

£3.9 billion[6]

In March 2016, the Government set a cross-government business impact target of £10 billion of savings to business during the course of the expected Parliament (2015-2020) – our Department's share of this was £4 billion. For the 2015-2017 Parliament, the pro-rated business impact target would be £4.2 billion, of which our share was £1.6 billion.

World Bank 'Ease of Doing Business' Ranking:

7th in 2017[7] (2016: 6th)

The UK improved overall ease of doing business, remaining firmly in the top 10 globally.[8]

In July, the Pubs Code came into force, giving tenants more rights and greater protection when dealing with large pub companies that own tied pubs, including increased transparency about the tied deals available, a fair rent assessment and the right to move to a free-of-tie tenancy in certain circumstances.

We are bringing forward proposals to ensure that critical national infrastructure is protected to safeguard national security.

6 Current estimated figure. Final, validated figures will be published this summer. Interim report available: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/610874/business-impact-target-interim-report-16-17.pdf

7 http://www.doingbusiness.org/rankings

8 Economies are ranked by their 'Distance to Frontier' score. The score helps assess the absolute level of regulatory performance over time. It measures the distance of each economy to the "frontier," which represents the best performance observed on each of the indicators across all economies in the Doing Business sample since 2005. The UK's score improved from 82.73 in 2016 to 82.74 in 2017.

Ensuring the UK has a reliable, low–cost and clean energy system

We are ensuring that the UK has a competitive and well-functioning energy system that will meet our needs for the future, by upgrading and diversifying our energy supplies to make them smarter, cleaner and more secure. We are working to help people with everyday costs and bills by ensuring retail energy markets work in the way they should.

We are delivering affordable energy and clean growth by:

- working to minimise energy costs for UK businesses and consumers;
- managing the changes to energy networks required by the transition to a low carbon economy;
- continuing our efforts to pursue ambitious global action on climate change to help level the playing field for UK companies; and
- making sure that the UK capitalises on its strengths in energy industries and innovation to win a substantial share of global markets.

We are ensuring that our energy system is reliable and secure by:

- working across the electricity, oil and gas sectors to support, upgrade and diversify our energy supplies;
- creating a smarter and more flexible system; and
- obtaining further investment in new nuclear capability.

We have successfully improved our security of supply through 2016-17. Loss of Load Expectation (LOLE) is used to measure security of the electricity supply. It is the expected amount of time per year that the electricity supply cannot meet demand, when National Grid may need to use back-up balancing tools.

The lower the LOLE, the more secure the electricity system, and the Government has a legal target to not exceed 3 hours.

2016-17 LOLE:

0.5 hours

(2015-16: 1.1 hours)

This is the time that the National Grid forecast they may need to use balancing tools in the electricity supply in 2016-17,[9] demonstrating significant resilience in our electrical security.

We also have a very high level of gas security. Gas system capacity is measured on how the system would cope – indicating what percentage of demand could be met – if it lost its largest single piece of infrastructure (the ‘N-1’ indicator).

If the largest piece of gas infrastructure failed,

127%

of demand could be met even in a severely cold winter.[10]

This is a 15 point increase from 112% last year, and shows that we could maintain gas supply even in the most difficult circumstances.

9 http://www2.nationalgrid.com/UK/Industry-information/Future-of-Energy/FES/Winter-Outlook/

10 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/560125/UK_Risk_Assessment_Gas_BEIS_template_Final__4_.pdf

We have taken further steps to increase security of supply by:

- agreeing to proceed with the first nuclear power station in a generation at Hinkley Point C, and taking steps to secure further investment in new nuclear capability;
- providing policy and regulatory support and development to facilitate progress in the shale industry. Four sites have been granted for exploration; and
- launching a call for evidence on smart, flexible energy systems that give consumers choice and control over how they use or generate electricity.

We are delivering affordable energy for households and businesses by encouraging competition and considering how to extend protection currently in place for pre-payment meter customers to a wider group of domestic consumers. We also support households, the public sector and businesses to reduce costs through our energy efficiency policies and schemes.

Smart meters aim to bring bills down by helping consumers understand and save on the cost of the energy they use, enabling new innovative tariffs; and supporting faster and easier switching.

There were over

6.78 million

smart and advanced meters operating in homes and businesses across Great Britain as of 31 March 2017[11] (2016: 3.6 million). The Smart Meter Programme aims to roll-out over 50 million by the end of 2020.

The national communications infrastructure for smart meters went live across the country in November. This will enable the roll-out of the second generation of smart meters across Great Britain – and for consumers to switch energy suppliers without losing their smart service.

We have also continued to tackle fuel poverty by reforming the Energy Company Obligation (ECO), helping people to keep bills down by living in more energy–efficient homes.

The Government has set a target of insulating a million more homes over the next five years, supporting energy efficiency and our commitment to tackle fuel poverty. From the start of May 2015 to the end of January 2017, around 346,000 homes have had at least one insulation measure installed under the ECO or the Green Deal.

We launched a new £320 million capital fund to support investment in low carbon heat networks, expected to leverage up to £2 billion of wider investment by 2020–21.

We are taking action on climate change and low–cost decarbonisation by passing the UK's fifth carbon budget into law, equivalent to a 57% reduction on 1990 levels by 2032, and ratifying the Paris Agreement.

We continue to use our strong domestic record on decarbonisation to press for international action on climate change – at country, region and city level – that keeps the goal set out in the Paris Agreement of limiting global warming to well below 2°C firmly in reach and helps level the playing field for UK companies in global markets.

UK emissions in 2015 were

38% lower

than in 1990 and 4% lower than 2014.[12]

11 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/615057/2017_Q1_Smart_Meters_Report_final.pdf

12 https://www.gov.uk/government/collections/final-uk-greenhouse-gas-emissions-national-statistics

At the same time, GDP has increased. In 2015, GDP was 64% higher than in 1990 and 2% higher than in 2014.

We have consulted on proposals to close unabated coal power stations by 2025, and are currently considering our response.

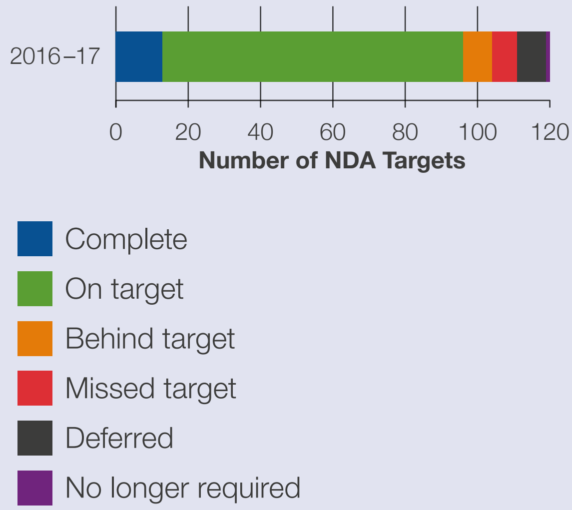
We are also helping to fund promising low carbon technologies where they clearly represent value for money and we are supporting the deployment of renewables by running Contracts for Difference (CfDs) auctions. We launched the second CfD auction which we expect will result in enough renewable electricity to power around one million homes, reducing carbon emissions by around 2.5 million tonnes per year from 2021-22 onwards.

We announced new projects worth £28 million in our Energy Innovation Programme, including:

- a new Offshore Wind Innovation Hub to build on the UK's expertise in offshore wind;
- a competition to develop cost reduction options for large-scale energy storage (including electricity, thermal and power-to-gas);
- a competition to develop smarter energy 'demand side response' technology for businesses or public sector organisations to reduce peak-time energy use and provide flexibility to the energy system;
- an accelerator to develop innovations to reduce energy costs for UK industry through energy efficiency, while leveraging private sector investment;
- a nuclear innovation programme to support innovation in the civil nuclear sector; and
- phase five of the Energy Entrepreneurs Fund, particularly aimed at small and medium-sized enterprises, which supports the demonstration of state of the art energy technologies

We are managing our energy legacy safely and responsibly by working closely with the Nuclear Decommissioning Authority (NDA) to discharge our legal liabilities effectively and manage the security risks from the legacies of our nuclear and coal industries, and other energy interests.

The NDA's business plan covers 120 targets, encompassing site restoration, spent fuels, integrated waste management, business optimisation and critical enablers. Progress against these objectives is summarised below.[13]



The NDA has faced a legal challenge this year regarding Magnox sites. A high court judgement in July 2016 found that the NDA had acted unlawfully in the course of the competition to appoint a new parent body organisation for the Magnox sites. With the support of our Department and Government, the NDA Board judged that claims were best settled out of court, to avoid the risk of prolonged and potentially more damaging litigation. A full and final settlement of these claims came at the cost of £97 million to the public purse.

13 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/600844/Quarterly_Performance_Report_Quarter_2_2016-17__end_of_Sept_2016_.pdf

Separately from the litigation, it became apparent that the Magnox contract awarded to the Cavendish Fluor Partnership (CFP) was at risk of legal challenge. This is because its scope and value had become materially different from that anticipated at the time of award. To avert the risk of further financial exposure to the taxpayer, the NDA Board also decided to terminate the contract, with the support of Government and CFP.

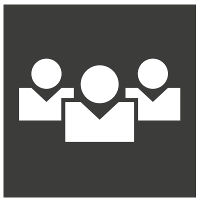
In response to this defective procurement, the Secretary of State requested Steve Holliday, the former Chief Executive of National Grid, to lead an independent inquiry into the procurement, litigation, settlement and termination of the Magnox contract. The inquiry is anticipated to deliver initial findings by Autumn 2017. Our Department is determined that the reasons for this failure should be exposed and understood, that those responsible should properly be held to account, and that it should never happen again.

Our Department also sponsors the Coal Authority to manage the £2.8 billion long-term mining legacy and to regulate the coal industry.

In 2016-17, the Coal Authority achieved

97% (2015-16: 97%)

of its 2016-17 corporate objectives.[14]



Building a new, high-performing department of state

The announcement to create BEIS was made on 14 July 2016, and our key priority is to make sure that our Department has the corporate capability to deliver its objectives now, and in the future.

We have delivered a fully functioning department of state through a successful Transition Programme which:

- moved all London staff into 1 Victoria Street, which required moving around 4,000 people across four locations;
- installed a unified IT system with all staff able to access the same services in 1 Victoria Street
- agreed the organisational structure for the new Department; and
- allocated budgets across the department

The programme cost around £3 million. All key milestones have been achieved, enabling colleagues to continue delivering their ministerial objectives. Rigorous programme management tools and techniques have been applied throughout, supporting effective delivery and ensuring a focus on value for money.

A key strength of the programme has been its engagement with colleagues – drawing on their skills and expertise to shape plans and help deliver activity. This has been facilitated at all levels – with senior leaders playing a particular role in communicating and engaging with staff.

We will continue to build the Department's capability – making sure that we are able to adapt to the challenges and opportunities that may arise in the coming years.

Principal risks and uncertainties

The formation of a new department presents opportunities and challenges associated with Machinery of Government changes. We have continued, however, to manage a range of risks and issues, including uncertainties often outside our direct influence or control.

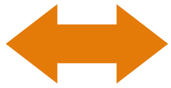
Our wide-ranging and multifaceted objectives, which can have a direct impact on the majority of UK citizens, present us with an equally wide array of risks. Many of these situations, such as Tata Steel, the Nissan manufacturing plant in Sunderland and Hinkley Point C, receive detailed media coverage. But the Department also manages risks that do not get the same level of media scrutiny with the same rigour and control as any other risk. In an unpredictable and ever-changing environment, our risk management processes are designed to adapt to provide us with the best chance of successfully delivering our 4 objectives and improving our corporate performance.

The principal risks that we have faced over the fiscal year are described in the following table.

Key: Icons in the table map the risks to our objectives

- **Delivering an ambitious industrial strategy**
- **Maximising investment opportunities and bolstering UK interests**
- **Promoting competitive markets and responsible business practices**
- **Ensuring the UK has a reliable, low–cost and clean energy system**
- **Building a new, high-performing department of state**

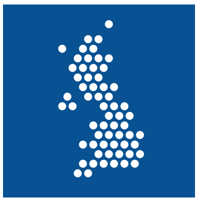
Relative severity	**Change during the year**
High	Increasing risk
Medium	Decreasing risk
Low	Stable

Risk	Mitigating activities	Direction of risk trend at year end
External risks faced by the department		
 **EU exit negotiations** The EU exit negotiations end in suboptimal outcomes for our policy areas and sectors, leading to an adverse impact for the UK economy.	→ Increasing dedicated resources to oversee and monitor EU negotiations. → Engaging intensively at all levels with the Department for exiting the European Union and the Prime Minister's Office, including ministerially. For example, through membership of central steering groups which maximises the Department's influence. → Putting clear, well-organised and well-communicated programme management structures in place. → Working to identify our EU exit priorities and defining the interdependencies between policy teams.	 The uncertainty around EU exit will continue to rise until negotiations are further advanced.
 **Continuity of energy supply** Interruptions to supply owing to industrial action, cyber attack, terrorism, accident or financial failure.	→ Putting a tanker fleet on standby with Army drivers provided by the Ministry of Defence. → Introducing a contingency plan to help manage potential strike actions. → Making investment decisions to maintain the financial viability of Grangemouth and reduce the threat of industrial action. → Putting the National Emergency Plan for Fuel into action.	 We were involved in successful efforts to avoid industrial action at Grangemouth. However, this risk has an array of threats, among them cyber crime which we are managing as the threat increases.

Risk	Mitigating activities	Direction of risk trend at year end
UK steel sector Tata Steel's assets in the UK fail to secure a future and the wider UK steel sector fails to respond to the findings of the capability and capacity study.	→ Monitoring negotiations between Tata Steel, trade unions and pension trustees. → Exploring the contribution Government may be able to provide to secure the future of Port Talbot.	 The Department successfully worked with the steel industry to avoid thousands of job losses. The uncertainty has improved, but the department remains fully engaged.
Climate change The Department cannot demonstrate a credible plan to meet the 2020 renewables target without making significant trade-offs with other objectives – damaging investor confidence, bringing undue costs to the UK consumer, and leading to legal action against the UK.	→ Undertaking continued statistical updates of UK progress against our target. → Maintaining a credible strategy for meeting the target, including contingencies and policy options. → Monitoring the outcome of the Renewable Heat Initiative consultation and the Department for Transport's proposals for increasing deployment of renewable fuels in transport. → Continuing to assess the target in the context of exiting the EU. → Staying on track to deliver the UK's next carbon budget.	 The possibility of weakened commitment to the Paris agreement could threaten success.

Risk	Mitigating activities	Direction of risk trend at year end
Risks internal to the department		
Industrial strategy The industrial strategy fails to deliver its objective to improve productivity and growth across the UK.	→ Engaging closely across Whitehall to ensure the development of wide-ranging and ambitious proposals. → Working with Government to define ambitions and to ensure resources are available for their implementation.	The industrial strategy is a Departmental priority.
Hinkley Point C (HPC) EDF fails to deliver HPC on time and to budget, resulting in 3.2GW of electricity generation not coming online in 2025.	→ Finalising the investment contract. → Setting up cross-governance arrangements to provide sufficient oversight of HPC. → Putting Government initiatives with industry in place to address to potential skills gaps and supply chain issues. → Providing safeguards against unapproved stake ownership by foreign investors.	The current status of the risk is improving but will be closely monitored.
Nuclear Decommissioning Authority – Magnox contract Litigation as a result of failed procurement process.	→ NDA has negotiated settlements of £97 million with Energy Solutions and Bechtel to conclude all the ongoing litigation proceedings against it. → The NDA also terminated the contract with Cavendish Fluor Partnership (CFP) because it became clear that the work required on the Magnox sites was significantly different from that which was tendered. → Aiming to reach an initial view on the new contract delivery model in September.	An independent inquiry into the conduct of the 2012 procurement process has been launched. Initial findings are expected Autumn 2017.
Moving the Green Investment Bank (GIB) into private ownership Failure to complete the successful sale of GIB or being subject to judicial review.	→ Conducting an extensive pre-marketing exercise. → Designing the sale process to attract diverse and relevant potential investors. → Developing a clear and independently assured value for money framework. → Following an active engagement and handling strategy with bidders and with GIB.	The Department continues to engage fully with the asset sale process.

Looking ahead



Delivering an ambitious industrial strategy

We aim to improve living standards and economic growth by increasing productivity and making sure that growth is spread across the whole country.

To do this, we will:

- continue our development of a modern industrial strategy, including by responding to our green paper;
- put investment in our science and research base at the heart of our industrial strategy, including the creation of UK Research and Innovation in 2018 and investment of £4.7 billion in R&D funding, for the period 2017-18 to 2020-21; and
- provide support to businesses across a range of sectors to ensure the UK economy can grow and is best placed to benefit from the challenges of globalisation

Maximising investment opportunities and bolstering UK interests

We aim to ensure that we deliver the best results for the UK and promote UK interests through the process of EU exit and through our wider international engagement.

To do this, we will:

- secure the best possible access for businesses to trade with and operate in the European market;
- engage with businesses and consumers to ensure that their views are represented in EU exit negotiations;
- establish new partnerships with leading non-EU scientific nations to maximise opportunities in global innovation;
- promote UK research and innovation internationally to drive investment and export opportunities; and
- provide £2 billion of funding through the International Climate Fund between 2016 and 2021, to help developing countries tackle climate change and to promote clean growth.

Promoting competitive markets and responsible business practices

We aim to secure better outcomes for consumers and strengthen our corporate governance framework.

To do this, we will:

- respond to the Matthew Taylor review, which is considering how best to protect and enhance worker rights, preserve the flexibility of the UK labour market, and foster innovative business models;
- implement the new National Minimum and National Living Wage rates;
- bring forward proposals to ensure critical national infrastructure is protected to safeguard national security
- engage with businesses and academics across Government to encourage businesses to raise standards of corporate governance.

Ensuring the UK has a reliable, low–cost and clean energy system

We will continue to ensure that the UK has a competitive and well-functioning energy system that can deliver affordable energy and clean growth.

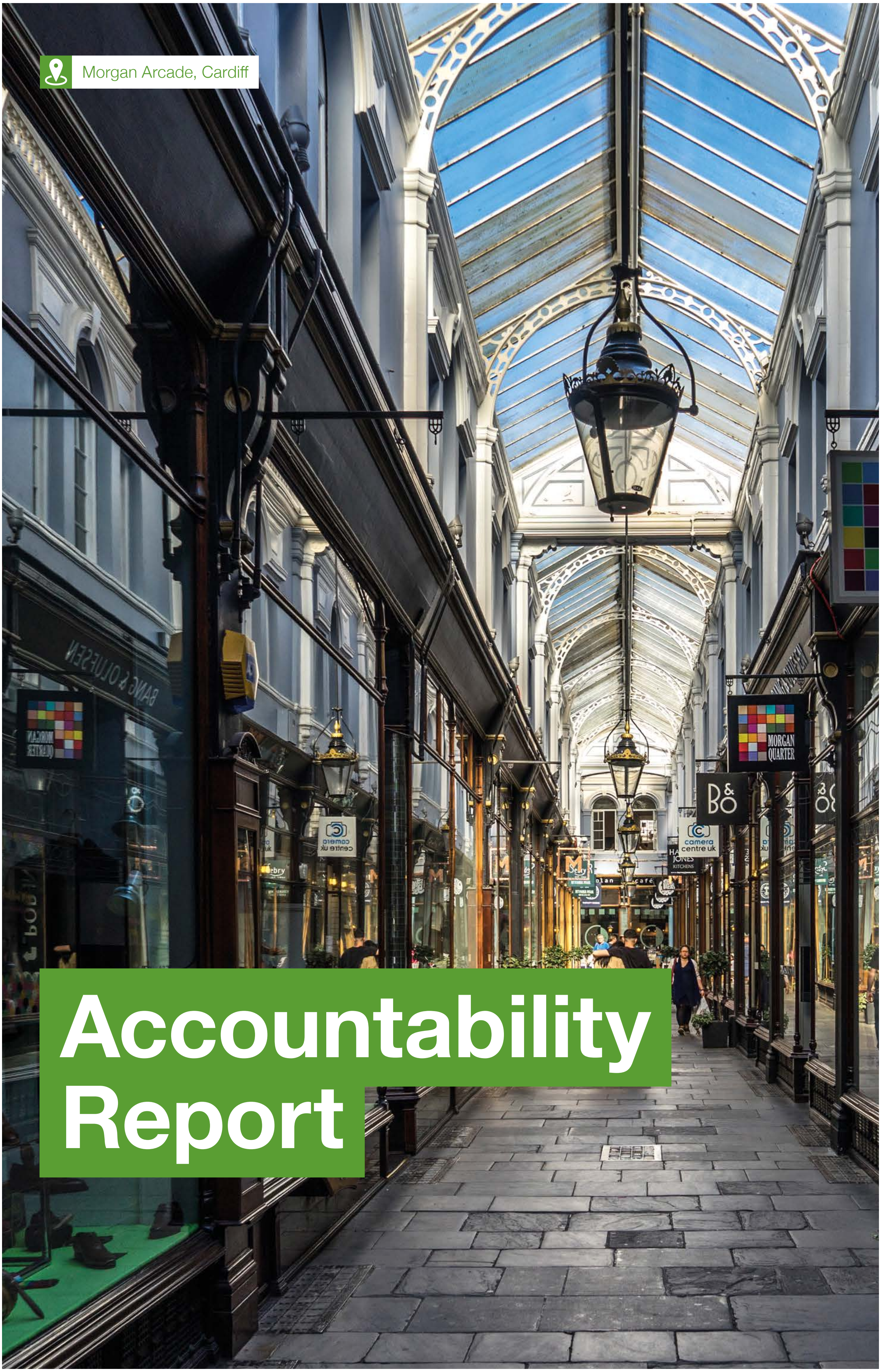
To do this we will:

- ensure that we maintain adequate capacity to secure fuel, gas and electricity supplies through management of the capacity market and operational risks to energy supply;
- advance our long-term plan for investment in new nuclear;
- set out proposals to ensure that the retail energy market works for all;
- draw up a roadmap for bringing down business energy costs;
- support the UK Climate Change Act, including through the publication of a Clean Growth Plan; and
- deliver safe, cost-effective and environmentally sensitive decommissioning of offshore oil and gas infrastructure in the North Sea, while making sure that the UK benefits from the job opportunities this will create.

We will continue to transform the department to ensure we are high-performing and impactful and therefore able to deliver these ambitions and an economy that works for everyone.

Alex Chisholm
Principal Accounting Officer
and Permanent Secretary

13 July 2017



Morgan Arcade, Cardiff

Accountability Report

Directors' Report

Financial Review

The table shown overleaf summarises the position for the 2016-17 budget against outturn. The figures here correspond to the Statement of Parliamentary Supply, on page 98.

Total Departmental Managed Expenditure

In delivering our vision of an economy that works for everyone, the Total Managed Expenditure (see Box 1,) for 2016-17 was £31.3 billion, against which the Department incurred costs of £16.3 billion. The difference of £15.0 billion resulted mainly from an underspend against Annually Managed Expenditure (AME) budget versus outturn.

Comparison of Budget to Outturn Annually Managed Expenditure

Box 1, adjacent, explains expenditure classified as Annually Managed Expenditure (AME) as demand led and therefore volatile. The process for setting AME budgets takes into consideration prudent forecasts so as manage the budget position against a volatile outturn. Overleaf, the table 'Comparison between 2016-17 Budget and Outturn' shows the budget versus outturn for AME resource and AME Capital.

Resource AME

Over half the Departments' expected resource AME costs relate to Contracts for Difference (CfD), more information on CfDs see Box 5 page 39. CfDs are signed by the Department to encourage low carbon electricity generation. Of the £13.8 billion underspend on resource AME, £11.3 billion was due to higher than expected wholesale electricity price projections, which translates into lower CfD costs for the Department. The remaining £2.5 billion was due to lower expenditure by the Nuclear Decommissioning Authority as a result of discount rates to decommissioning costs that span 50 to 100 years.

Capital AME

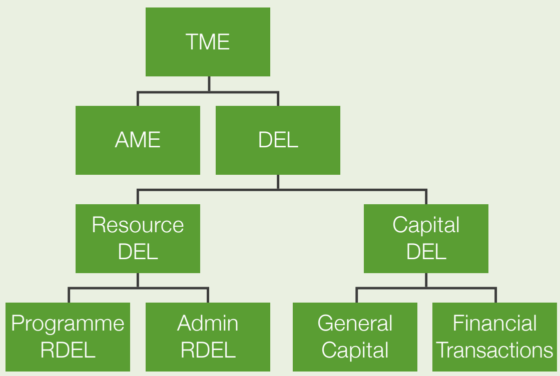
The underspend on capital AME is due to lower than expected demand for Post Office Limited working capital funding as part of government shareholding.

Box 1: HM Treasury Budgeting Framework

The total amount that the department spends is referred to as its Total Managed Expenditure (TME). HM Treasury classifies budgets as either Annually Managed Expenditure (AME) or Departmental Expenditure Limit (DEL) spend.

AME budgets are volatile or demand-led in a way that the Department cannot control. HM Treasury do not set firm budgets but the Department monitors AME forecasts closely.

Cost behaviours of DEL budgets are understood and controllable. At Spending Reviews, which occur every 3 to 5 years, HM Treasury sets firm DEL budget limits for each type of DEL budget.



DEL budgets are split into Capital (CDEL) and Resource (RDEL).

The CDEL budget is further split into:

- 'Financial Transactions' for loans given or shares purchased
- 'General Capital' for spending on all other assets or investments

The RDEL budget is split into:

- 'Programme' budgets for direct frontline service provision
- 'Administration' budgets for the running costs of the department such as back-office staff, rent and IT.

Departmental Expenditure Limit

The total Departmental Expenditure Limit budget was £13.6 billion against which our outturn was £12.8 billion, contributing savings of £0.8 billion to the Total Managed Expenditure. Like AME, Departmental Expenditure Limit is split across Resource and Capital estimates and outturn categories of spend.

Resource DEL

For Resource the estimated 'voted' spend was £3.4 billion, adjusted by a 'non-voted' reduction to £2.3 billion. Outturn against the adjusted estimate was £2.0 billion. As shown in the table below, the department spent less than budget by £365 million. This was due to underspends on innovation, enterprise and business, and market frameworks.

Capital DEL

The 'voted' Capital estimate was £11.3 billion and outturn was £10.8 billion. The Capital DEL outturn was £440 million lower than budget due to underspend on government shareholdings.

The Department's final expenditure (Outturn) compared to its Supplementary Estimate (Budget) is set out in the table below.

Comparison between 2016-17 Budget and Outturn

	Budget	Outturn	Variance	
Control total	**£m**	**£m**	**£m**	**%**
Resource DEL	2,337	1,972	365	15.6
Capital DEL	11,274	10,835	440	3.9
Resource AME	17,412	3,523	13,889	79.8
Capital AME	311	(15)	325	104.5
Total	**31,334**	**16,315**	**15,019**	**47.9**

Comparison of spend to last year

Resource DEL

As shown in the table below, the decrease in Resource DEL expenditure between 2015-16 and 2016-17 was £6.3 billion. This was largely driven by a £5.9 billion reclassification of science and research spend from resource to capital.

Capital DEL

The Department's capital expenditure is made up of a number of ring-fenced areas. As highlighted below, the significant movement within capital DEL was a significant level of spend shifting between resource and capital. The capital increase was £6.0 billion, of which £5.4 billion related to science and research reclassified research and development spend. Other spend increases related to £0.6 billion of financial transactions in the Green Investment Bank and £87 million in the British Business Bank; an increase of £143 million for the Nuclear Decommissioning Authority; and £700 million additional spending on innovation.

Resource AME

During 2015-16 there was a significant change in discount rates (from positive to negative, described in Box 3). This resulted in a significant movement in the non-cash liability for the Nuclear Decommissioning Authority. The comparable movement in 2016-17 was £2.7 billion against £89.8 billion in 2015-16. The remaining amount mainly consists of changes in the movement in the fair value of Low Carbon Contract Company Contracts for Difference for the supply of electricity.

Capital AME

In 2015-16 the Capital AME consisted of £1.4 billion in 'non-voted' income relating to the disposal of Royal Mail, which was not repeated during 2016-17. The £15 million income related to government shareholdings.

Comparison between Outturn in 2016-17 and 2015-16

	2016-17	2015-16	Change	
Control Total	**£m**	**£m**	**£m**	**%**
Resource DEL	1,972	8,318	(6,346)	(76)
Capital DEL	10,835	4,882	5,953	122
Resource AME	3,523	101,945	(98,422)	(97)
Capital AME	(15)	(1,613)	1,598	(99)
Total	**16,315**	**113,532**	**(97,217)**	**(86)**

Key areas of net expenditure for last 3 financial years

	2016-17	2015-16	2014-15
Key net costs incurred	**£m**	**£m**	**£m**
NDA	5,082	92,066	7,910
Science and Research	6,374	6,248	6,246
Contracts for Difference	(273)	10,122	2,485
Innovate UK	801	735	604
Coal Authority	34	1,936	5
Government Electricity Rebate	1	309	308
Green Investment Bank	845	308	178
Renewable Heat Incentive	545	372	161
International Climate Finance	333	319	195
Post Office	220	280	330
Other	2,353	837	445
Total	**16,315**	**113,532**	**18,867**

Financial position

Overall, total assets less total liabilities was £(172.0)bn, compared to £(170.1)bn in 2015-16 and £(66.5)bn in 2014-15.

The significant increase from 2014-15 to 2015-16 was driven by the changes to the valuation of the provisions, particularly the nuclear decommissioning provision. This was due to the change in the long-term discount rate in 2015-16; more detail is provided in Box 3. The value of the provisions has remained relatively stable on an undiscounted basis.

Box 2: Machinery of Government transfers

To complete the MoG changes that created the Department, we agreed the transfer of assets, liabilities and budgets with the Department for Education, the Ministry of Justice and the newly–created Department for International Trade.

Cabinet Office guidance states that after a Machinery of Government (MoG) announcement to transfer policy responsibility from one department to another, sufficient resources should be allocated to support the transfer of functions, based on existing policies and any collectively–agreed changes to these policies.

Budgets totalling £21.95 billion were transferred via Supply and Appropriation Acts in 2017 to reflect the final MoG agreements.

Box 3: Impact of changes on discount rate

Some of our priorities carry obligations that are very long term and will involve expenditure over decades to come. The eventual costs of these long-term projects are uncertain but we are required to present a single number in the annual accounts. This single number is based on our best estimate of costs, technology and other relevant factors, adjusted to reflect the changing value of money over time.

The worth of the Department's future receivable cash inflows are calculated at present value (PV) in accordance with accounting standards. This PV reflects the time value of money.

The accounts use a number of different rates depending on the nature of the transaction and the regulation applicable.

Discount rates used

Category	Rationale	2016-17	2015-16
Nuclear decommissioning provisions			
Short term < 5 years	Set by HM Treasury Public Expenditure System (PES) Secretariat 2 Dec 2016	-2.70%	-1.55%
Medium 6-10 years		-1.95%	-1.00%
Long term > 10 years		-0.80%	-0.80%
CfD financial instruments			
Real rate (as contracts are in real terms)	As above	+0.70%	+0.70%
Coal Pensions			
Real rate + 3% RPI (as contractual figures are in nominal values)	As above: financial instruments discount rate (non-indexed)	+3.70%	+3.70%
Repayable Launch Investments			
Higher of the implicit rate of return or the financial instrument's rate	Risk-free rate for Govt investment appraisal set by the Green Book adjusted for inflation	+3.50% + RPI 2.55%	+3.50% + RPI 2.20%

Typically, in the past, the time value of money has usually been positive which means money could be invested in the present for a return in the future that would exceed the rate of inflation – this is known as a positive 'real' return.

Government bonds are seen as a low risk form of investments. Usually, therefore, government bonds bring a lower rate of return than other investments. As bonds pay a fixed cash amount when they mature, the higher the price paid for the bonds now, the lower the rate of return is considered to be.

Following the global financial crisis, demand for lower–risk investments increased, particularly government bonds. As a result, the price of government bonds rose. This has resulted in government bonds providing a negative 'real' return. The long-term discount rate has been negative since 2015.

When negative discount rates are applied to the Department's long-term obligations, this has the effect of significantly increasing the reported value of the liabilities, even when the cash the Department expects to pay has not changed. But not all rates are negative. For investment appraisal Government continues to use positive rates, to ensure that projects are correctly appraised and generate future benefits. Our accounts use positive discount rates to determine the PV of future income generated from assets and investments. When positive rates have been used to discount future cash receipts, then the present value of them is lower than the cash the department will receive.

The following tables sets out the specific material balances in our accounts that have been discounted. The impact of the discounting can be assessed by comparing the discounted value with the undiscounted value.

Impact on provisions

Both the NDA and the Coal Authority have long-term provisions relating to the expected future cost of managing the energy legacy. The negative discount rates have increased the present value of future cash flows significantly.

Category	2016-17 Discounted liability	2016-17 Undiscounted liability	2016-17 Impact of discounting	2015-16 Discounted liability	2015-16 Undiscounted liability	2015-16 Impact of discounting
	£m	£m	£m	£m	£m	£m
NDA nuclear provision	163,505	118,483	45,022	160,672	117,403	43,269
Coal Authority provision	2,817	1,884	933	2,820	1,899	921

Impact on financial instruments

The fair value of the Contracts for Difference (CfDs) obligation disclosed in the accounts is adjusted using the 0.7% real term discount rate.

Each year, the fair value of the CfDs is reassessed to reflect changes in the expected cash payments that will be made over the life of the contracts, and then the updated expected cash payments are discounted.

Category	2016-17 Discounted liability	2016-17 Undiscounted liability	2016-17 Impact of discounting	2015-16 Discounted liability	2015-16 Undiscounted liability	2015-16 Impact of discounting
	£m	£m	£m	£m	£m	£m
Contracts for Difference liability	31,413	33,388	1,975	27,806	29,800	1,994

Impact on assets

Assets have been discounted at positive rates. For financial instruments we are required to use the prescribed HM Treasury discount rate of 0.7% real and 3.7% nominal, or the rate of return implicit in the contract if higher. For the repayable launch investments we assessed the implicit rate to be 3.5% plus RPI, 2016-17: RPI was 2.55% (2015-16: RPI was 2.2%) giving an implicit rate of 6.05% (2015–16: 5.7%).

Category	2016-17 Discounted assets	2016-17 Undiscounted assets	2016-17 Impact of discounting	2015-16 Discounted assets	2015-16 Undiscounted assets	2015-16 Impact of discounting
	£m	£m	£m	£m	£m	£m
Repayable launch investments	1,205	1,836	(631)	1,389	1,956	(567)
Coal pensions	331	377	(46)	369	428	(59)

Box 4: Nuclear Decommissioning Authority provision

The NDA is responsible for 17 nuclear licensed sites across the country, with a range of facilities including former nuclear power stations, research facilities and nuclear fuel fabrication and reprocessing facilities. Some of these sites date from the earliest days of nuclear power. Unlike modern nuclear facilities, decommissioning of these sites was not built into plans or designs.

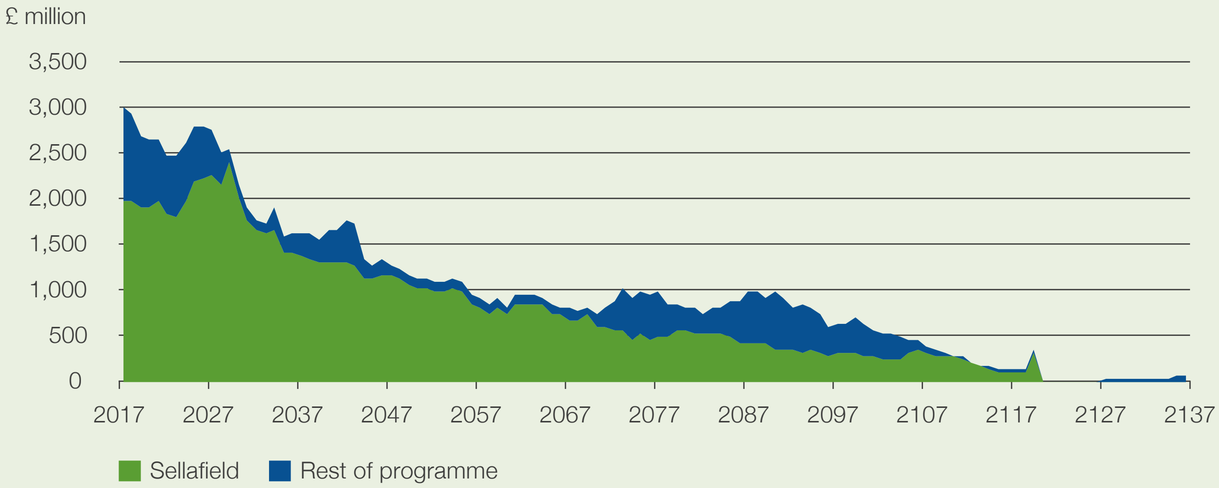
Decommissioning of sites will take many decades. In part, this is because plans often include periods of ‘care and maintenance’, where sites are made safe and put into an interim state, allowing residual amounts of radioactive material to decay over time. By doing this, the final stages of decommissioning will be easier and safer to complete.

The NDA’s best estimate of the future costs of the estate over the next 100+ years on an undiscounted basis is £119.0 billion.

This figure is based on dealing with an assumed inventory of materials with varied radiological characteristics, and using the extant strategy for retrieval and disposal of the resulting materials over several decades. Each of these elements is uncertain in its own right – the cost of developing the necessary technology and plants to deal with these activities is also uncertain. The quality of the forecast becomes less certain the longer the projection.

NDA has reviewed the methodologies used in the calculation, taking into account HM Treasury Green Book guidance and the need to remove optimism bias. Projects like these could typically have a range of estimates from -50% to +300%. In light of uncertainties in the estimate, NDA considers it prudent to present a credible range of outcomes. The range presented for the current year is for undiscounted costs of £97 billion to £222 billion.

NDA provision: forecast undiscounted expenditure



Box 5: Contracts for Difference (CfDs)

CfDs are designed to incentivise investment in a mix of low carbon electricity generation technologies which will help the UK meet its renewable and decarbonisation targets. CfDs do this by agreeing with a generator a strike price for electricity supplied, thereby providing certainty needed for private investment, while protecting consumers from having to continue to pay higher support costs when electricity prices are high. The support payments paid (or repaid) in future will be calculated from the difference between the strike price and the market reference price prevailing at the time.

Low Carbon Contracts Company (LCCC)

Difference payments under the CfDs are funded through a levy paid by licensed energy suppliers. The LCCC is the company established by Government to collect this levy, manage the CfDs and pay or receive the contracted difference payments. Currently the LCCC is managing all 40 recognised CfD contracts and the Hinkley Point C CfD, which has not been recognised, following the novation of the last biomass contract from the core Department in December 2016.

Accounting for fair value (FV)

In order to comply with the relevant accounting standards, the Department is required to estimate the 'fair value' of future CfD payments. Although difference payments under CfDs can be positive (an asset) or negative (a liability), accounting standards only allow for the liability element to be recognised. This figure is calculated using a model that forecasts the rate of generation, expected demand for electricity and electricity prices over the term of the contract. The figures in the financial statements represent management's best current estimate within a range of scenarios and will be subject to change over time.

Movements in fair value of CfDs recognised in the Accounts

	2016-17	2015-16
	£ bn	£ bn
1 April	**30.6**	**21.6**
Changes in FV on existing contracts	-0.8	10.7
Terminations where CfDs are cancelled	–	-1.7
CfD reinstated	1.7	–
Payments made for generation	-0.1	–
31 March	**31.4**	**30.6**

In accordance with accounting standards the initial fair value of any contract is deferred. On 1 April 2016 the total deferred fair value of CfDs disclosed in the accounts was £18 billion. The CFD contract for Hinkley Point was signed in September 2016, but it has not been recognised in the accounts. The fair value at 31 March 2017 was £28.8 billion.

The Department recognises all subsequent movements of fair value on CfD contract recognised in the accounts through the Statement of Comprehensive Net Expenditure (SoCNE) and recognises a liability on the Statement of Financial Position (SoFP).

Effect on the SoFP

	2016-17	2015-16
	£ bn	£ bn
1 April	**12.6**	**2.5**
Changes in FV on existing recognised contracts	-0.8	10.7
Terminations where CfDs are cancelled	–	-0.6
Reinstatement of CfDs	0.6	–
Payments made for generation	-0.1	–
31 March	**12.3**	**12.6**

Further details on the CfDs can be found in note 9 on page 150.

Box 6: Hinkley Point C

Hinkley Point C (HPC) will provide low carbon electricity to 6 million homes, twice as many as the whole of London, for around 60 years. It will provide a vital boost for the national and local economy, creating 25,000 jobs, with at least 5,000 people from Somerset expected to work directly on the project, providing a £40 million boost to the local economy every year. The Funded Decommissioning Programme will make sure that the taxpayer does not pick up the cost of decommissioning the plant in the future.

The Department's CfD means that no costs are passed onto the consumer during the build period of the power station. CfD contracts are explained in box 5 on page 39. The CfD for HPC has been signed with NNB Generation Company, a subsidiary of EDF. It is much longer than contracts for other types of power generation, such as offshore wind, which are typically for 15 years. Some features of the contract are as follows:

- It will expire at the earlier of 35 years after the start date of the second reactor or when the total CfD payments made have reached the Generation Cap (910 TWh).
- The strike price, the amount guaranteed to the generator through the CfD, has been negotiated at £92.5/MWh[15] but this shall be reduced by £3/MWh if there is agreement to commission Sizewell C on or before the HPC start date. The strike price may also be adjusted upwards if the operating expenditure costs are more than assumed and downwards if they are less. This provides a way of mitigating long-term cost risks for both parties.
- There is a construction gain share for HPC, such that if the construction costs of HPC come in under budget, the strike price will be adjusted downwards so that the gain (or saving) is shared with the Department.
- Given the expected generating capacity, and the 35–year contract duration the HPC CfD is extremely large, the fair value in Sept 2016 was £26.8 billion (in 2016 prices), which increased by £2 billion to 31 March 2017, as a result of subsequent movements in forecasts of future wholesale electricity prices.
- The 35–year duration has presented significant challenges to value, and there are a lot of uncertainties, particularly long-term future forecast wholesale electricity prices. Given the uncertainties, the CfD has not been recognised in the accounts, more detail is provided in the Derivative Financial Instrument Note.

Future forecast wholesale electricity prices

Forecast wholesale electricity prices are derived from the Dynamic Dispatch Model (DDM) which has been developed by the Department to facilitate and inform policy decisions by modelling investor behaviour in response to fuel and carbon prices and policy environment. The DDM forecasted wholesale electricity prices do not go beyond 2050. The Department has therefore assumed flat wholesale prices for the 10 years between 2050 and 2060.

Forecasts of future wholesale electricity prices over such a long time period are inherently uncertain as they will be affected by a variety of factors including electricity demand, fossil fuel prices, generation mix, carbon prices and technology. The Department considers that the inherent uncertainties of forecasting future wholesale electricity prices beyond 2040, and up to 2060 mean that the HPC CFD does not meet condition (b) of paragraph 4.38 of the Conceptual Framework, and therefore, this contract has not been recognised in the primary statements.

15 In 2012 prices and inflated using the Consumer Price Index (CPI)

Sensitivity analysis

The following table shows the impact on the fair value (in 2016 prices) of the HPC CfD, classified under level 3 in accordance with IFRS13, by using reasonably possible alternative assumptions:

Change in fair value of HPC if:	Favourable changes £000	Unfavourable changes £000
Electricity prices decrease by 10%	–	4,477,796
Electricity prices increase by 10%	4,477,796	–
At generation cap	–	259,850
10% less load factor	2,882,384	–
Estimated commissioning date moves backwards by one year	481,230	–
Sizewell C strike price adjustment for HPC	2,387,085	–

The fair value is highly dependent upon the actual capacity generated once the plant is built and the electricity prices which will prevail at the time of generation. The favourable and unfavourable changes show how the impact of changes in capacity and prevailing electricity prices will affect the fair value of CfDs due to the change in the level of cash flows.

Levy Control Framework (LCF) budget

Many of our energy policies, including: Contracts for Difference, the Renewables Obligation (RO) and the small-scale Feed-in Tariff scheme, are funded by electricity suppliers who recover their costs via consumer bills.

The LCF was introduced by HM Treasury and the then Department of Energy and Climate Change in 2011 to set caps on consumer-funded expenditure on energy policies and control the costs to consumers. It covers several policies classed as levies.

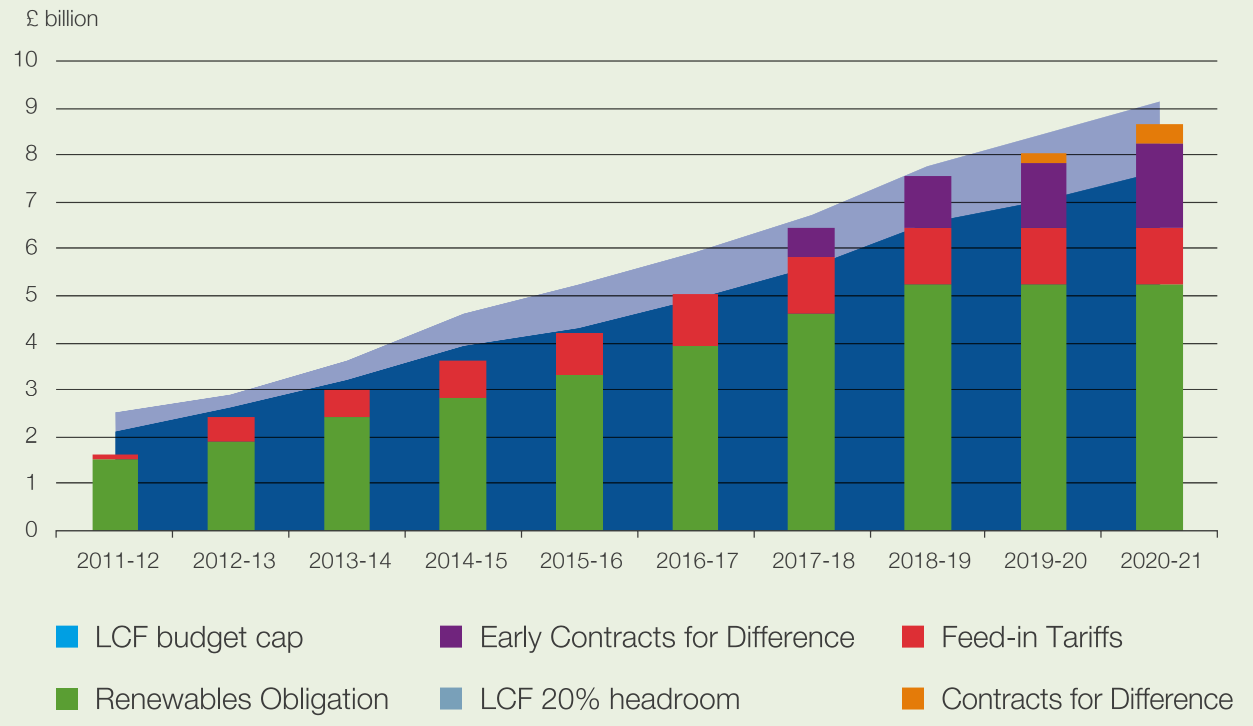
We have taken action on the Feed-in Tariff scheme to set lower tariffs. Our measures seek to maintain a viable solar industry which, in the medium term, can continue to reduce its costs and move towards subsidy–free deployment, and to provide other technology sectors with tapered support over coming years. Keeping the scheme open and introducing deployment caps, based on a £100 million budget, is still expected to facilitate 1,600MW of new capacity and 240,000 new installations by 2020-21.

The RO is being replaced by the competitive 'Contracts for Difference' support scheme. The CfD controls the rate of deployment and uses competition to set prices, improving value for money for bill payers. The Government closed the RO early to solar photovoltaic (PV) and onshore wind. For all other technologies, the scheme closed on 31 March 2017. There are a number of extensions which allow accreditation in certain circumstances up to January 2019 in Great Britain and March 2019 in Northern Ireland. We have also removed guaranteed rates of support for certain solar PV, biomass co-firing and biomass conversions stations.

Actual figures (from 2011-12 to 2015-16) show that LCF spend has not hit the budget cap in any of the years. However, projections to 2020-21 forecast that the LCF cap will be exceeded in each of the remaining years, although the figures are within the 20% 'headroom' agreed by HM Treasury to allow for cost fluctuations (such as wholesale price changes) which are outside the Department's control.

In the Spring Budget 2017, the Government announced that the LCF (as a budgetary framework) will not be renewed post 2020.

Estimates as at January 2017



Official Development Assistance (ODA)

Under agreed statistical reporting methodology, ODA expenditure is reported on a calendar year and cash basis. The Department provided £687 million of ODA in 2016.

In 2016 we have delivered £311 million of climate and energy related ODA. We have also invested £303 million in international climate finance including:

- £152 million through large-scale multilateral funds such as the Green Climate Fund;
- £60 million in the Transformative Carbon Asset Facility that is using results–based finance to support developing countries to implement carbon pricing measures;
- £42 million in the Renewable Energy Performance Platform, a private–sector focussed programme targeting renewables in Africa; and
- £17 million through technical assistance programmes aimed at building the capacity of developing countries.

In 2016 we delivered £377 million in research and innovation related ODA expenditure, including £92 million from the Newton Fund and £71.8 million from the Global Challenges Research Fund (GCRF). The latter became operational as of April 2016. Our ODA-funded research and innovation covered a wide range of social, economic and environmental challenges facing developing countries, with an aim of reducing poverty by generating and putting into use knowledge and technology to address development challenges – from: supporting work to sequence the genetic make-up of the Zika virus and its rapid diagnostics to supporting the engineering profession in sub-Saharan Africa. This expenditure also contributes towards the continued strengths of the UK's research and innovation system, and supports our wider scientific, trade and diplomatic objectives as a globally engaged nation.

Further information on the Department's ODA expenditure in 2016 may be found in the publication 'Provisional UK Official Development Assistance as a Proportion of Gross National Income'.[16]

Charging policy

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

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

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

16 The figures in this section are provisional; taken from the publication: 'Provisional UK official development assistance as a proportion of gross national income: 2016' available at: https://www.gov.uk/government/statistics/provisional-uk-official-development-assistance-as-a-proportion-of-gross-national-income-2016 The split between different funds may not sum due to roundings.

Departmental Board and Leadership Team

1. Greg Clark
Secretary of State for Business, Energy and Industrial Strategy and Chair of the Departmental Board

The Rt Hon Greg Clark was appointed Secretary of State for Business, Energy and Industrial Strategy on 14 July 2016. Prior to this Greg served as Secretary of State for Communities and Local Government from May 2015. He was elected Conservative MP for Royal Tunbridge Wells in 2005. Before entering politics, Greg worked for the Boston Consulting Group, one of the world's top business strategy firms. He was posted to the USA, Mexico, South America and Iceland, as well as working for clients in the UK. He was also Head of Commercial Policy at the BBC.

2. Nick Hurd
Minister of State for Climate Change and Industry

Nick Hurd was appointed Minister of State at the Department for Business, Energy and Industrial Strategy on 16 July 2016. Prior to this Nick served as a Minister in the Department for International Development from November 2015, where his portfolio included climate and environment, and leadership of the Energy Africa campaign. He was elected Conservative MP for Ruislip, Northwood and Pinner in May 2010. He has spent 18 years in business, including 5 years representing a British bank in Brazil.

3. Margot James
Parliamentary Under Secretary of State, Minister for Small Business, Consumers and Corporate Responsibility

Margot James was appointed as Parliamentary Under Secretary of State at the Department for Business, Energy and Industrial Strategy on 17 July 2016. Prior to this Margot served as Assistant Government Whip from May 2015. She was elected Conservative MP for Stourbridge in May 2010. Margot worked in sales and marketing for her father's business, MJI, based in Birmingham. In 1986 she co-founded Shire Health Group, a public relations and medical education business.

4. Lord Prior of Brampton
Parliamentary Under Secretary of State

Lord Prior of Brampton was appointed Parliamentary Under Secretary of State at the Department for Business, Energy and Industrial Strategy on 21 December 2016. Previously he served at the Department of Health as Minister for NHS Productivity from May 2015. He is a Conservative member of the House of Lords. Lord Prior has a wealth of experience including roles in health, finance, manufacturing and engineering.

5. Baroness Neville-Rolfe
Minister of State for Energy and Intellectual Property

Baroness Neville-Rolfe was appointed Minister of State at the Department for Business, Energy and Industrial Strategy on 17 July 2016. She joined the House of Lords as a Conservative peer in October 2013 and served as Parliamentary Under Secretary of State at the Department for Business, Innovation and Skills, and Minister for Intellectual Property from July 2014 until July 2016. She has been an executive director on the Board of Tesco PLC from 2006-13 and has served on several other high-profile boards. She moved from BEIS to become Commercial Secretary to the Treasury in December 2016.

6. Archie Norman
Lead Non-Executive Director and Deputy Chair of the Departmental Board

Archie Norman is one of Britain's leading businessmen with a long track record of business change and value creation. He has led transformations of major British businesses in the UK and abroad, served on the boards of several others, and built strong management teams who are now in leading positions in several major British companies. Archie is the first and only FTSE100 Chairman to be elected a Member of Parliament.

7. Professor Dame Ann Dowling DBE
Non-Executive Director and Chair of the Nominations and Governance Committee

Ann Dowling DBE is a Professor of Mechanical Engineering at the University of Cambridge and chair of the University Gas Turbine Partnership with Rolls-Royce. Ann is President of the Royal Academy of Engineering and a Fellow of the Royal Society. She has held visiting posts at MIT (Jerome C Hunsaker Visiting Professor, 1999) and at Caltech (Moore Distinguished Scholar 2001). Her research is in fluid mechanics, noise, vibration and combustion and is aimed primarily at aeronautical applications. Ann was also a Non-Executive Director for BIS from February 2014.

8. Charles Randell CBE
Non-Executive Director and Chair of the Audit and Risk Assurance Committee

Charles Randell has been an independent director of the Bank of England's Prudential Regulation Authority since it assumed responsibility for supervising UK banks, insurance companies and large investment firms in April 2013. Prior to that he was a senior partner in the law firm Slaughter and May, where he specialised in corporate finance law, with much of his work involving the energy and public sectors. Charles was also a Non-Executive Director for DECC from October 2014.

9. Stephen Carter
Non-Executive Director

Stephen Carter has a unique combination of skills and insights gained through a career equally divided between the public and private sector. Now the CEO of Informa, a FTSE100 company, he brings previous business experience at Alcatel Lucent, NTL (now Virgin Media) and JWT UK & Ireland. His public sector experience includes being the founding CEO of Ofcom, and time as the Minister for Communications, Technology and Broadcasting, when he produced the Digital Britain Blueprint.

10. Carolyn McCall
Non-Executive Director

Carolyn is CEO of EasyJet and has extensive experience in business with a wealth of understanding of the transportation and media industries. Prior to EasyJet she was Chief Executive of the Guardian Media Group. She has been a great champion of diversity, most recently demonstrated through EasyJet's commitment to increase the number of female pilots it trains and employs.

11. Kathryn Parsons
Non-Executive Director

Kathryn Parsons is the co-founder and CEO of DeCoded. She brings with her valuable expertise from the digital enterprise community sitting on the London Mayor's Business Advisory Board and the Government's Cyber Security Board. She also chairs the Digital Skills and Innovation Fund. She has helped over 500 organisations – from FTSE100 companies to Government departments and start-ups – to think and act differently in the digital world.

12. Stuart Quickenden
Non-Executive Director

Stuart Quickenden has had a 20–year career at Boston Consulting Group, a leading global management consultancy, culminating in becoming Managing Partner. He is a leading expert on organisational change, advising large organisations to help drive better performance at lower cost.

13. Rachel Campbell
Non-Executive Member – Nominations and Governance Committee

Rachel Campbell is the Global Head of People, Performance and Culture for KPMG International. She is responsible for the firm's global people strategy and communications. Previously she was Head of People and a board member for both KPMG and Europe LLP firms. Rachel is a chartered accountant and has operated as an audit partner for the firm, working predominantly with global fast-moving consumer goods clients. She is a Fellow of the Chartered Institute of Personnel and Development. Rachel previously served as Non-Executive Director for DECC from September 2014.

14. Claire Davies
Non-Executive Member – Audit and Risk Assurance Committee

Claire Davies is an experienced solicitor, company secretary and compliance professional with more than 30 years' experience in the retail banking and financial services sectors acquired from senior roles with Legal and General Group, Ernst & Young, Lloyds Banking Group, the Co-Operative Group, and Barclays. With a strong interest in governance, she is a regular speaker and contributor of articles to industry conferences and publications.

15. Nigel Johnson
Non-Executive Member – Audit and Risk Assurance Committee

Nigel Johnson is a chartered accountant with an extensive range of audit and advisory experience gained over 30 years working for a large professional services firm, supporting diverse clients across the corporate, not-for-profit and public sectors. Corporate clients included major UK- and US-listed groups such as Tate & Lyle, Trafalgar House Kimberly-Clark, and Hitachi. He has also worked with charities including Scope and Great Ormond St. Hospital.

16. Bryan Ingleby
Non-Executive Member – Audit and Risk Assurance Committee

Bryan Ingleby is a highly experienced chartered accountant. Following a career as an external auditor in the public sector, Bryan now has a portfolio of non-executive and independent roles in several sectors including the NHS, Education, Housing, and local government. Bryan brings experience in sound financial management, risk management, and strong corporate governance.

17. Myriam Madden
Non-Executive Member – Audit and Risk Assurance Committee

Myriam Madden is a leader in the field of accountancy, having served as President of the Chartered Institute of Management Accountants and as Chair of the Joint Venture Board of the Association of International Certified Professional Accountants, both global accounting bodies. She is an experienced Executive Director specialising in business transformation, operational re-structuring and finance, in the UK, US and Europe. Myriam also served as a Non-Executive Director on the Board of the American Institute of Certified Public Accountants.

18. Lucy Shannon
Non-Executive Member – Audit and Risk Assurance Committee

Lucy Shannon is a creative IT professional with experience in cyber security, IT outsourcing, pursuit management, service delivery leadership, and business process automation. As a senior account director with MWR InfoSecurity she has helped many organisations to address cyber security and protect their networks and services. She has also co-founded the Women's Network at Xerox with the aims of inspiring and developing women, connecting externally with clients and internally to support diversity.

19. Alex Chisholm
Permanent Secretary

Alex Chisholm became Permanent Secretary for the Department for Business, Energy and Industrial Strategy in September 2016. He acted as Joint Permanent Secretary for the Department initially, alongside Sir Martin Donnelly, having recently been appointed as the Permanent Secretary for DECC. Prior to this Alex was the Chief Executive for the Competition and Markets Authority.

20. Sam Beckett
Director General, Economics and Markets

Sam has been Director General, Economics and Markets since December 2016. Prior to this she was Director General for Economics and Markets in BIS. She has over 25 years' experience in BIS, the Cabinet Office and HM Treasury, in roles spanning micro- and macro-economics, strategy, policy and corporate services delivery.

21. Gareth Davies
Director General, Business and Science

Gareth Davies has been Director General, Business and Science since December 2016. Prior to this he was a Director General in BIS. Over the last decade Gareth has worked in Downing Street as the Prime Minister's lead adviser on welfare reform, been Head of the Prime Minister's Strategy Unit and was an Executive Board member of both the Cabinet Office and the Department for Innovation Universities and Skills.

22. Clive Maxwell
Director General, Energy Transformation

Clive Maxwell has been Director General, Energy Transformation since December 2016. Prior to this he was Director General, Energy Efficiency and Heat at DECC. Clive was Chief Executive of the Office of Fair Trading from July 2012, after being on its board as an Executive Director and previously working as Senior Director, Services Sector. Prior to joining the OFT, Clive worked in a wide range of roles for HM Treasury from 1992 to 2009.

23. Jeremy Pocklington
Director General, Energy and Security

Jeremy Pocklington has been Director General, Energy and Security since December 2016. Prior to this he was Director General of Markets and Infrastructure at DECC. Jeremy spent many years at HM Treasury, culminating in his role as Director of the Enterprise and Growth Unit. From 2009 to 2012 he also served as Director of the Economic and Domestic Secretariat at the Cabinet Office.

24. Angie Ridgwell
Director General, Corporate Services

Angie Ridgwell has been Director General, Corporate Services since December 2016. Prior to this she was Director General for Finance and Corporate Services at DECC. Before joining DECC she was Strategic Director for Corporate Services and Strategic Director of Organisational Design for Bristol City Council. She has extensive experience working with a range of local authorities, government agencies and in the private sector.

25. Jaee Samant
Director General, Strategy, Growth, People and Legal

Jaee Samant has been Director General, Strategy, Growth, People and Legal since December 2016. Prior to this she was Director General for Skills, Deregulation and Local Growth at BIS. Jaee has been a civil servant for almost 25 years and has worked at the Department of Employment, the Department for Education and Employment and the Cabinet Office before joining the Home Office in 2004. She has also worked on secondment to the Big Lottery Fund and the BBC.

26. Katrina Williams
Director General, International and Growth

Katrina Williams has been Director General, International and Growth since December 2016. Prior to this she was Director General for International, Science and Resilience at DECC. Before joining DECC, Katrina was Director General for Strategy, Evidence and Customers in Defra, advising ministers on the department's strategic focus, overseeing all of its international and EU work and how it gets the evidence it needs to support its work. From 2008 to 2012 she was Director General for Food and Farming in Defra.

27. Professor Tim Dafforn
Chief Entrepreneurial Adviser

Professor Tim Dafforn is Chief Entrepreneurial Adviser. Prior to this appointment he was Chief Scientific Adviser at BIS. Tim has great expertise across biotechnology and life sciences, accumulated over a career that includes authoring more than 100 publications and a lifetime research grant capture of £10 million.

28. Professor John Loughhead OBE FREng FTSE
Chief Scientific Adviser

Professor Loughhead is Chief Scientific Adviser. Prior to this he was Chief Scientific Adviser at DECC. Before joining DECC, John was Executive Director at the UK Energy Research Centre (UKERC). John's professional career has been predominantly in industrial research and development for the electronics and electrical power industries. He has extensive international experience in both industry and academia.

Key to committee membership

- Departmental Board
- Nominations and Governance Committee
- Audit and Risk Assurance Committee
- Executive Committee
- Performance Finance and Risk Committee
- Projects and Investment Committee
- People and Operations Committee
- Strategic Policy Review Committee
- Transition Programme Board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Statement of Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed the Department for Business, Energy and Industrial Strategy to prepare, for each financial year, consolidated resource accounts detailing the resources acquired, held or disposed of, and the use of resources during the year by the Department (inclusive of its executive agencies) and its sponsored non-departmental and other arm's-length public bodies. These other bodies are designated by order made under the GRAA by Statutory Instrument 2016 no 1243 (together known as the 'Departmental group', as consisting of the department and sponsored bodies listed at note 28 to the accounts). The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department and the Departmental group and of the net resource outturn, application of resources, changes in taxpayers' equity and cash flows of the Departmental group for the financial year.

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

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

HM Treasury has appointed the Permanent Head of the Department as Accounting Officer of the Department.

The Accounting Officer of the Department has also appointed the Chief Executives or equivalents of its sponsored non-departmental and other arm's–length public bodies as Accounting Officers of those bodies. The Accounting Officer of the Department is responsible for ensuring that appropriate systems and controls are in place to ensure that any grants that the Department makes to its sponsored bodies are applied for the purposes intended and that expenditure and the other income and expenditure of the sponsored bodies are properly accounted and in order, for the purposes of consolidation within the resource accounts. Under their terms of appointment, the Accounting Officers of the sponsored bodies are accountable for the use, including the regularity and propriety, of the grants received and the other income and expenditure of the sponsored bodies.

The responsibilities of an Accounting Officer are set out in Managing Public Money published by HM Treasury. These include responsibility for the propriety and regularity of the certain public finances for which the Accounting Officer is answerable, for keeping proper records, and for safeguarding the assets of the department or non-Departmental or other arm's–length public body for which the Accounting Officer is responsible.

Accounting Officer's confirmation

I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Department's auditors are aware of that information. I have received appropriate assurances from the former accounting officers who served this department and its predecessors, Sir Martin Donnelly and Stephen Lovegrove. As far as I am aware, there is no relevant audit information of which the Department's auditors are unaware.

The annual report and accounts as a whole is fair, balanced and understandable. I take personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

Alex Chisholm
Principal Accounting Officer
and Permanent Secretary

13 July 2017

Governance Statement

Introduction

Establishing the right governance for the newly formed Department has been a crucial part of creating the best environment to deliver an economy that works for everyone.

This Governance Statement sets out the governance, risk management and internal control arrangements for the Department, in accordance with HM Treasury guidance. It applies to the financial year 1 April 2016 to 31 March 2017 and up to the date of approval of the Annual Report and Accounts. It integrates information about the Department's non-departmental public bodies (NDPBs) included in the consolidated group accounts.

Evidence is provided throughout the statement on how governance has been aligned with Departmental vision and objectives. The statement seeks to show what has been achieved in the Department and to set out the activity that was previously undertaken in BIS and DECC that has since become the responsibility of BEIS.

Report of the Lead Non-Executive Director

When I joined the Department in October we set out, with the support of the Secretary of State and Permanent Secretary, to recruit a new strong Board with highly credible representatives reflecting the new Department's mission and aspirations. As a result, we now have a very strong team, including top executives from the UK's leading companies and professions, science and the entrepreneurial sector. My thanks go to those outgoing Non-Executive Board members from the legacy Departments who helped to ensure a smooth transition. Critically, we were able to retain the services of Ann Dowling and Charles Randell to be part of our new non-executive team.

The Departmental Board was quick to begin work, providing challenge and support for two of our biggest priorities: introducing an industrial strategy and ensuring the UK gets the best deal from Brexit. The Non-Executive Board members have provided a valuable link between the Department and the business community. As part of this they have participated in a range of sector–specific stakeholder engagement events, themed around the 10 pillars of the industrial strategy.

The Department has also undergone an intense period of change over the past year that should not be underestimated. The Departmental Board has overseen the delivery of the Transition Programme to bring the new Department together. It has also played a key role in shaping transformation plans – providing steers on the scope, approach and ambition for the programme prior to Executive Committee sign off. The Board will continue to review progress on transformation, and to deploy the knowledge and expertise of the non-executive team to support delivery.

The Board meetings are chaired and led by the Secretary of State and benefit from full representation from Ministerial and official members. I am pleased with the start our non-executive team has made and I am confident that we will have a great deal to contribute to the work of the Department in the year ahead.

Archie Norman
Lead Non-Executive Director

Governance structures

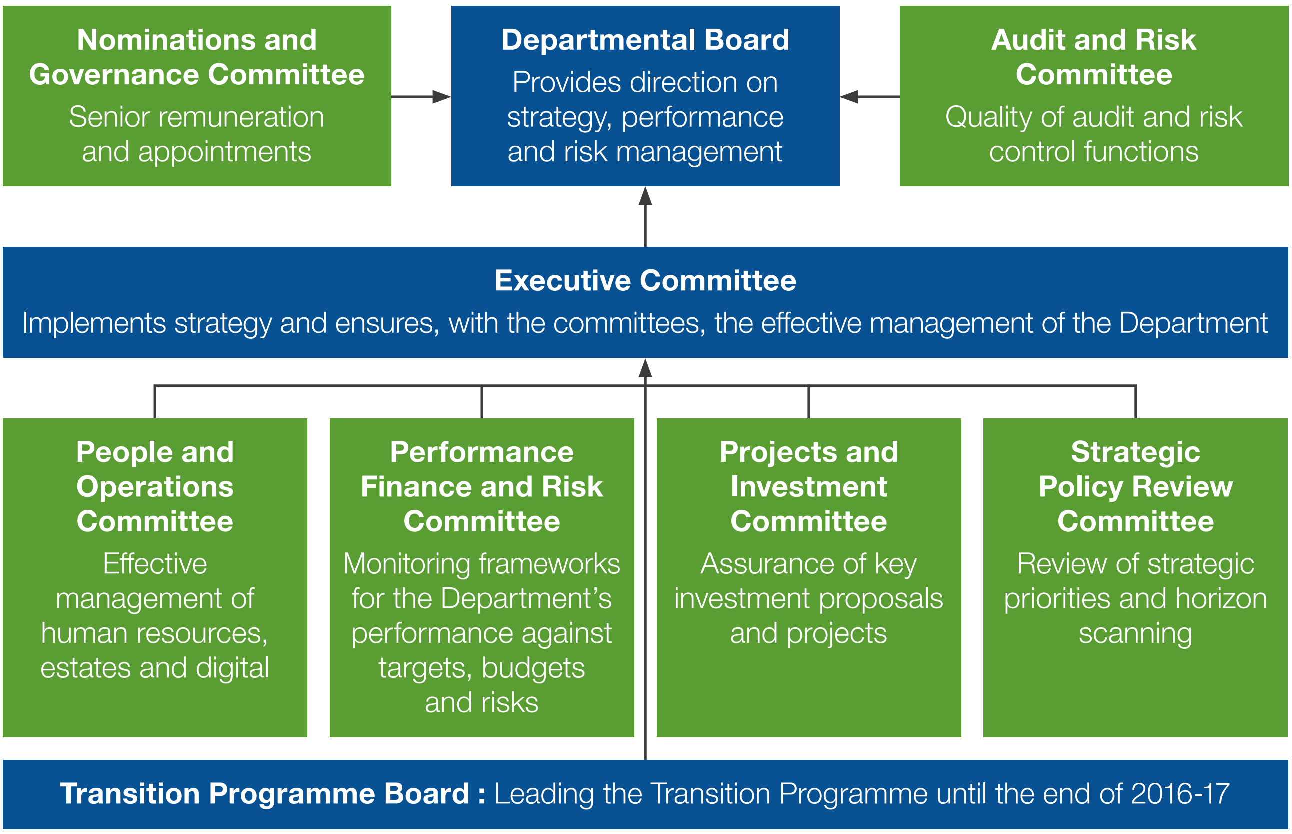
The formation of BEIS in July 2016 provided an opportunity to create a governance structure that both drew on the best practice of the legacy departments and introduced innovations to enable the Department to deliver its vision of an economy that works for all.

At a structural level, the top tier of governance has been established within the Department. During the course of the transition programme, there was an approach of dual-running from July to October, between legacy arrangements with blended participation to support the move to our new structure.

This has ensured that key decisions have received the appropriate scrutiny and approval, while initial feedback has highlighted that there is more to do in 2017-18 to communicate these arrangements and to support different parts of the Department to engage with this tier of governance effectively.

The Department is focused on corporate responsibility and governance, and aims to be at the forefront for raising standards, diversity and inclusion in the way that we designed and implemented our governance structures. We will evaluate their success over the course of 2017-18 and will report on how we have improved and refined our approach in the next Annual Report.

Our top-tier governance structure



Departmental Board

The Departmental Board is now fully established, following the appointment of 7 non-executive Board members by February 2017. The Board is chaired by the Secretary of State, supported by our lead non-executive Board member Archie Norman, and includes ministers, non-executive Board members and the executive team. It provides collective strategic leadership and challenge, with responsibilities for performance, risk, and delivery, including appropriate oversight of non-departmental public bodies (NDPBs). The Board is focused on the Departmental vision as reflected in the areas it has addressed since its first meeting in December 2016.

The Board held three meetings in 2016-17, and there were meetings of the legacy departments' boards prior to the Machinery of Government changes. The Board has agreed to hold 6 meetings a year in future. At each meeting, the Board receives a report from the Permanent Secretary and divides its time between: reviewing progress and risks to our strategic objectives; assuring governance; and supporting the Department to get the right capability and systems in place to deliver high performance. In its first three meetings this has included consideration of the headline issues facing the Department such as the industrial strategy, the UK's exit from the EU, the Department's transition programme and the development of the Single Departmental Plan.

Board activities

	Discussion	Action	Progress
Strategy	Departmental vision and structure	The Board endorsed the vision for the Department and emphasised the importance of an effective industrial strategy to deliver this vision.	The vision has been communicated to all Department staff and is core to strategic planning and Departmental transition.
	EU exit opportunities and challenges	The Board challenged the Department on its readiness and assumptions. They specifically sought further views on the impact of currency depreciation on the UK.	The Board sought a further discussion on the approach and priorities for EU exit work.
	EU exit approach and priorities	The Board stressed the need for the Department to have a lead role in both listening and communicating clearly to business to assure and maintain confidence.	The approach to EU exit is now a standing item for the Board to challenge and support.
	Industrial Strategy Green Paper	The Board challenged the language of the strategy and recommended stakeholder engagement to improve its potential and impact	The Green Paper was launched and the non-executive Board members took an active role in the engagement sessions.
	Critical infrastructure review and mergers Green Paper	The Board provided views on how to strengthen the Green Paper and to ensure it had the right scope and legal scrutiny.	The Green Paper is undergoing further development.
	Entrepreneurship	The Board considered proposals for a review of entrepreneurship and offered a set of challenges to strengthen the approach, ensuring this becomes a core part of the Department's offer to business.	Further work will be done on this for 2017-18.
	Security of gas supply	The Board agreed with the assessment of gas storage capacity in the UK and challenged the Department on whether enough was being done to maximise shale gas opportunities.	No additional progress was discussed at the March Board meeting.

	Discussion	Action	Progress
Governance and risk	Setting Board terms of reference	The Board approved the terms of reference and agreed to work to ensure that the impact of their decisions was assessed over time.	The Board is working to its terms of reference and is preparing for a full evaluation of performance in 2017-18.
	Single Departmental Plan (SDP)	The Board was informed of the approach required to develop an SDP and agreed that Archie Norman would have a lead role for the Board.	The SDP was developed with support from Archie Norman, but publication has been delayed by purdah rules.
	Departmental risk appetite and management	The Board agreed to take an iterative approach to setting risk appetite and challenged the Department to consider the cumulative impact of risk and how to mitigate it.	The Departmental risk framework is in development with the support of the Audit and Risk Assurance Committee.
Operations	Future shape, size and operating model for the Department	The Board made a commitment to ensure the Department becomes one of the best places in Government to work, as part of a need to strengthen performance and talent management.	This was taken forward in the subsequent Board discussion on staff performance enhancement.
	Performance enhancement	The Board agreed with the need to strengthen the offer to staff to attract and retain talent, while being clear on the need to further improve overall leadership and management capability.	Discussions are being taken forward to support this ambition.
	Transformation Programme	The Board recognised that a bold and ambitious approach is needed to make the Department an attractive place to work, providing a challenging mix of work and the opportunity to make a difference.	The programme is now being established to transform the Department over the next three years.

All Board members are required to declare any personal or business interests which may influence their judgement in discharging their obligations, or which may be perceived to do so by a reasonable member of the public. These interests include, without limitation, personal direct and indirect pecuniary interests and any such interests of close family members or of people living in the same household as the Board member. The Department collects this information twice a year from executive and non-executive Board members and on the appointment of new members. Where a Board member has a specific conflict of interest, additional mitigations are put in place. Typically this means not taking part in related discussions at the Board or other meetings.

Three conflicts of interest were raised this year and were managed in line with the relevant procedures.

Due to the relative new state of the Board and its members, there has not been a formal evaluation of Board performance in 2016-17. The Board is committed to assessing and improving performance and will implement a full internal review for 2017-18, with a view to having an independent review in 2020.

The Board is supported by three main committees:

- the Audit and Risk Assurance Committee;
- the Nominations and Governance Committee; and
- the Executive Committee.

"An effective Board is a crucial aspect of good corporate governance. That is why I made it a priority for my Department to both recruit a highly talented and respected set of non-executives and to ensure that the Board meets frequently throughout the year to provide the best possible strategic leadership and challenge. Having set a clear vision for the Department and considered some of the most pressing priorities, including the industrial strategy and the UK's exit from the EU, I am confident we have the right team and governance in place to deliver."

Greg Clark
Secretary of State

Board and committee attendance

The table below sets out attendance for the key governance forums within the Department. Prior to this, similar arrangements were in place for BIS and DECC. A summary of the number of meetings held in each of the legacy departments are set out in the subsequent table.

Where members were unable to attend meetings in person, they have been able to share their views in advance to the chairperson.

Board and Committee attendance for the period 14 July 2016 to 31 March 2017

Board or committee member	Dates served	Departmental Board	Audit and Risk Assurance Committee	Executive Committee
Total meetings during period		3	2	17
Greg Clark		3/3		
Nick Hurd		2/3		
Margot James	Appointed January	2/2		
Baroness Neville-Rolfe	Left December	1/1		
Lord Prior	Appointed December	2/2		
Archie Norman		3/3		
Professor Dame Ann Dowling		2/3		
Charles Randell		3/3	2/2	
Stephen Carter	Appointed March	1/1		
Carolyn McCall	Appointed March	1/1		
Kathryn Parsons	Appointed March	1/1		
Stuart Quickenden	Appointed March	1/1		
Rachel Campbell				
Claire Davies			0/2	
Nigel Johnson			2/2	
Bryan Ingleby	Appointed March		1/1	
Myriam Madden	Appointed March		1/1	
Lucy Shannon			2/2	
Alex Chisholm		3/3		15/17
Sam Beckett				17/17
Gareth Davies				14/17
Clive Maxwell				15/17
Jeremy Pocklington				14/17
Angie Ridgwell		3/3		15/17
Jaee Samant	Appointed January	2/2		15/17
Katrina Williams				15/17
Professor Tim Dafforn				8/17
Professor John Loughhead				14/17

The Nominations and Governance Committee did not meet in 2016-17. The first meeting of the committee was in May 2017.

Board and committee activity for the period 1 April 2016 to 14 July 2016

This table shows the number of meetings held in the legacy departments prior to the Machinery of Government change.

Governance Forum	Number held in BIS	Number held in DECC
Departmental Board	1	1
Audit and Risk Assurance Committee	3	3
Nominations and Governance Committee	1	1
Executive Committee	10	9

Non-executives who left during 2016-17

During the first half of 2016-17 several non-executives ended their work with the Department as they reached the end of their term or as a result of the Machinery of Government change.

Name and role	Role ended
Martin Stewart Lead Non-Executive Board Member for DECC	May 2016
Caroline Mawhood Non-Executive Member of ARAC for DECC	June 2016
Wendy Purcell Non-Executive Board Member for BIS	July 2016
Jayne Scott Non-Executive Member of ARAC for DECC	September 2016
Allan Cook Lead Non-Executive Board Member for BIS	November 2016
Grenville Hodge Non-Executive Member of ARAC for BIS	September 2016
Jonathan Vickers Non-Executive Member of Investment Committee for DECC	November 2016
Dale Murray Non-Executive Board Member for BIS	December 2016
Stephen Bligh Non-Executive Board Member for BIS and Chair of the Audit and Risk Assurance Committee for BIS	December 2016
Tom Kelly Non-Executive Board Member for DECC	December 2016
Juergen Maier Non-Executive Board Member for BIS	December 2016
Rachel Campbell Non-Executive Board Member for DECC	December 2016

Audit and Risk Assurance Committee

"Since July 2016, I have been impressed by the constructive efforts made by colleagues from BIS and DECC to draw together their respective Audit and Risk Assurance Committee (ARAC) arrangements. As Chair, I am grateful to Stephen Bligh, the former BIS ARAC Chair, for his support and I am pleased that we have been able to build a team of non-executive members that draws in both former colleagues and new people who can provide the challenge needed to ensure BEIS has a clear grip on its management of risk and finance."

Charles Randell CBE
Committee Chair

Role of the committee

The purpose of the Audit and Risk Assurance Committee is to support the Departmental Board and Accounting Officer in their responsibility to ensure that the Department is a financially sound and efficient organisation which makes effective use of its resources in pursuit of its strategic objectives. Specifically, the Audit and Risk Assurance Committee reviews the effectiveness of the risk–management framework established by management to identify, assess and manage risk, thereby playing an important role in supporting our reputation for excellent financial and risk management.

The Audit and Risk Assurance Committee advises the Board and Accounting Officer on:

- the effective operation of the overall control, risk and governance arrangements, including ensuring adequate assurance is available to the Accounting Officer for the annual Governance Statement;
- the accounting policies, the accounts, and the annual report of the organisation, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors;
- the planned activity and results of both internal and external audit (including the National Audit Office's (NAO) audit of the Resource Accounts) and their implications for the Department;
- the adequacy of management response to issues identified by audit activity, including calling Directors to account as necessary, and advising on how to make effective improvements as a result;
- proposals, where appropriate, for tendering for either internal or external audit services or for purchase of non-audit services from contractors who provide audit services; and
- anti-fraud policies, whistleblowing processes, and arrangements for special investigations.

Charles Randell was confirmed as the BEIS Audit and Risk Assurance Committee chair in November 2016 and chaired the new Department's first formal Audit and Risk Assurance Committee on 21 November 2016.

Lucy Shannon, Claire Davies and Nigel Johnson were confirmed as Non-Executive Members in March 2017, continuing their role from the previous BIS Audit and Risk Assurance Committee. Bryan Ingleby and Myriam Madden were recruited as Non-Executive Members in March 2017 to ensure the right balance of skills.

Focus since July 2016

Since the MoG changes in July, the focus for the Audit and Risk Assurance Committee has been on:

- shaping the approach for the Annual Report and Accounts to ensure the effects of the Machinery of Government change are appropriately reflected;
- continuous review and improvement of the internal control framework and financial management;
- assuring the Transition Programme, bringing together DECC and BIS to form BEIS;
- examining and challenging the new governance arrangements and control environment in the Department, and assessing the levels of control and assurance during the period prior to embedding these new governance arrangements and controls;
- ensuring the committee is fit for purpose, with the right balance of skills and capabilities; and
- the formation of comprehensive risk management processes, and a single risk register.

Nominations and Governance Committee

> "I firmly believe that the success of any organisation is based on valuing its people and having an effective strategy for their personal and career development. As Chair, I am making it a priority for the committee to scrutinise the Department's plans for senior talent management and succession planning. I and the committee will support and challenge the Department as it seeks to become one of the best employers in Whitehall."
>
> **Professor Dame Ann Dowling**
> Committee Chair

Role of the committee

The purpose of the Nominations and Governance Committee is to support the Departmental Board by challenging and assuring our strategies and plans for senior talent management, and to implement corporate governance policy.

The role of the committee covers the following five central elements:

- scrutinising systems for identifying and developing leadership and high potential;
- providing assurance that Board-level appointments are based on merit, taking into account the benefits of diversity;
- reviewing plans for the orderly succession of appointments to the Board and Director General roles, in order to maintain an appropriate balance of skills and experience;
- assessing incentives and rewards for executive Board members and Directors General, and advising on the extent to which these arrangements are effective at improving performance; and
- assuring plans and implementation of corporate governance policy to ensure the Department is a leader in this field.

In most Government departments this committee is likely to meet once a year in May to align with performance management systems. Meetings did take place in May within the legacy departments and no meetings have taken place within this accounting year, since the creation of BEIS.

The new Department's Nominations and Governance Committee has been fully appointed and met in May 2017 for the first time. Rachel Campbell has been made a Non-Executive Member of the Committee following her involvement as Chair of the DECC Nominations and Governance Committee.

Executive Committee

> "The new BEIS Executive Committee met for the first time on 6 September 2016, rapidly bringing together the senior leadership team from the two legacy Departments. It has met on 16 occasions since. The committee has operated with real pace and purpose, ensuring that delegated governance arrangements were put in place and that there has been clear senior direction for the delivery of our strategic objectives, management of risks and the transformation of our Department."
>
> **Alex Chisholm**
> Committee Chair

Role of committee

The Executive Committee (ExCo) brings together the senior leadership team to support the Permanent Secretary in leading the Department, and as Accounting Officer. ExCo sets out the Department's vision, oversees the delivery of strategy with particular emphasis on corporate delivery and cross-cutting issues, as well as overseeing the monthly performance report review (with advice from Performance, Finance and Risk Committee), regular risk review, and discussion of ad hoc issues.

The committee is responsible for:

- ensuring Ministers are advised on how the portfolio of policies and programmes contribute to the Department's strategic objectives, prioritisation of this portfolio given scarce resources, and resource allocation including thorough annual business planning;
- ensuring individual policies and programmes are implemented effectively, through oversight of delivery, management of risks and issues, and use of resources; and
- operational management of the Department including implementation of internal change and Civil Service reform, people management, and provision of corporate services.

Focus since July 2016

- Key areas of focus for the BEIS Executive Committee following the Machinery of Government changes have been the Department's Transition and Transformation programme, Business Planning, the Efficiency Review, Single Departmental Plan, Diversity and Inclusion Strategy, the People Survey, and Business Continuity Planning. There has been attendance from senior officials in other Government departments for discussions on performance and risk, UK Devolution, and diversity and inclusion. Areas of focus on policy have included industrial strategy and EU Exit.
- The Executive Committee has also delegated key responsibilities to 4 standing committees and a fixed-term Transition Programme Board. These arrangements were established in 2016-17 and have all made a significant positive impact to the delivery of the Department's vision and objectives.

People and Operations Committee

> "The People and Operations Committee was established as a delegated committee of ExCo in October 2016 and is crucial to building the right culture, capability, systems and processes for the Department to succeed. The Committee has worked closely with the Transformation Programme and has been proud to pioneer our shadow committee approach to getting wider views into our governance activity from a range of people across the Department."
>
> **Angie Ridgwell and Jaee Samant,**
> Committee Co-Chairs

Role of the committee

The committee builds on the approach of DECC's Operations and People Committee and BIS's Operations Committee, People Committee and Digital and Data Committee.

It has responsibilities for people:

- ensuring Departmental staff capability is aligned with the Department's business needs and priorities;
- ensuring diversity and inclusion is central to the Department's people agenda, including recruitment, reward, management, and our workforce strategy and culture;
- overseeing pay remit and performance management;
- overseeing shared service needs; and
- overseeing health and safety management.

And it has responsibilities for operations:

- ensuring the smooth running of operations and that the Department complies with operations and people strategies set by the Cabinet Office;
- overseeing the management of the Department's buildings and estates and other physical assets;
- ensuring the provision of effective IT services for the Department;
- overseeing digital and physical security management, including ensuring that provisions are in place to manage major planned or unexpected events, such as protest marches, severe flooding or terrorist attacks;
- overseeing the development and implementation of knowledge management, transparency and digital strategies; and
- escalating areas of concern to the Executive Committee where appropriate.

Focus areas since July 2016

Since the Machinery of Government changes, the focus for the People and Operations Committee has been on:

- agreeing on policy and pay harmonisation, contractual terms and conditions for employment and other people and pay issues;
- considering a shared service single operating platform for the Department;
- reviewing the workforce strategy for the Department;
- reviewing the health and safety policy; and
- overseeing and approving both the leadership and management, and learning and talent offer in the Department.

Performance, Finance and Risk Committee

Sam Beckett and Angie Ridgwell – Committee Co-Chairs

> "Since forming in October, the Performance, Finance and Risk Committee has played a critical role in understanding the challenges faced by the Department and ensuring that bringing together two major portfolios of activity did not lead to a lack of transparency or decision-making when they were needed most."
>
> **Sam Beckett and Angie Ridgwell**
> Committee Co-Chairs

Role of the committee

The Performance, Finance and Risk Committee has responsibility for providing high-level oversight of business planning, budgets and financial management, performance reporting and risk monitoring.

Specific responsibilities are:

- overseeing and approving the strategic planning, preparation, presentation and negotiation of key fiscal events;
- overseeing and approving the development of the Departmental business plan;
- ensuring that the Department deploys a consistent process for aligning objectives and resources, and identifies instances where new priorities may conflict with resources;
- approving the allocation of funding to ensure the Department remains within its agreed budget;
- approving frameworks for the monitoring of performance, finance and risk and setting recommendations on the extent to which variations can be tolerated or need to be escalated to the Executive Committee;
- monitoring risks to the delivery of the Department's objectives, plans and budgets, and ensuring that appropriate mitigating strategies are in place to address these;
- monitoring performance against the Departmental business plan and ensuring that action is taken to address performance issues, where variations are outside agreed tolerances;
- ensuring that effective financial management processes and controls are in place;
- overseeing development of the Department's annual report and accounts and other published data on finances, performance or risk, in line with input from the Audit and Risk Assurance Committee; and
- escalating areas of concern to the Executive Committee as appropriate.

Focus areas since July 2016

Since the Machinery of Government changes, the focus for the Performance Finance and Risk Committee has been on:

- Ensuring the provision of clear and aligned data from the two legacy departments to drive management decisions and effective challenge of data, assumptions and conclusions;
- reviewing and agreeing the Performance and Risk Report;
- overseeing the financial management of the Department and allocating resources as appropriate;
- reviewing and agreeing the Departmental Risk Framework and Risk Register; and
- reviewing and considering any business cases that fall outside the Projects and Investment Committee remit.

Projects and Investment Committee

Gareth Davies and Jeremy Pocklington – Committee Co-Chairs

> "Since creating the Projects and Investment Committee in October 2016 we have built upon the approach of the DECC Investment Committee, and the BIS Investment Gateway, which reviewed business cases ahead of fiscal events. The new Committee makes robust investment decisions on projects and programmes above £20 million, ensuring that planned investments align with the Department's strategic objectives, are deliverable and supported by a good quality business case."
>
> **Gareth Davies and Jeremy Pocklington**
> Committee Co-Chairs

Role of the committee

The Projects and Investment Committee was set up following the Machinery of Government changes, and builds on the work of the former DECC Investment Committee. The £20 million threshold was agreed by the Committee in November 2016, following guidance from HM Treasury and an extensive review of projects and their value across the Department.

The Committee has responsibility for:

- deciding whether planned investments with a whole-life cost of £20 million or above, or that are risky or contentious:
  - align with the Department's strategic priorities;
  - are supported by a sound, good–quality business case that clearly articulates purpose, approach, outputs and outcomes, costs, benefits and risks;
  - are deliverable, with clear goals and credible delivery plans and assessments, and a performance monitoring provision;
  - are affordable and offer value for money;
- ensuring that lessons learned are being identified by each project and used effectively to drive improvements across the Department and where appropriate, across Government;
- ensuring that the Departmental Board and Executive Committee are informed of decisions made to approve, reject or seek Board views on proposed investments;
- providing advice to the Accounting Officer on whether all relevant issues in business cases have been identified, assessed and managed in accordance with the HM Treasury guidance on managing public money;
- ensuring that the Accounting Officer informs the Secretary of State, and, where necessary, obtains ministerial direction whenever a business case does not provide sufficient justification; and
- ensuring that the Departmental assurance framework, assurance plans and outcomes of assurance reviews are robust and effective.

Focus areas since July 2016

Since the Machinery of Government changes, the focus for the Projects and Investment Committee has been:

- agreeing an appropriate threshold for the Committee;
- considering the pipeline of projects coming to the Committee, and the handling of business cases resulting from fiscal events; and
- reviewing stand-alone digital transformation, and science and research business cases, to make investment decisions.

Strategic Policy Review Committee

Clive Maxwell and Katrina Williams – Committee Co-Chairs

> "Strategic Policy Review Committee was set up following the formation of the Department last summer. The Committee did not have a predecessor in either of the former departments. The Strategic Policy Review Committee considers the strategic approach that the Department takes to broad, cross-cutting issues, which have significance for a range of policy teams at the Department. This approach is intended to allow for gaps, tensions and opportunities to be identified. The Committee is still relatively new and is establishing itself and its ways of working to identify how it can add value for policy makers at the Department."
>
> **Clive Maxwell**
> Committee Co-Chair

Role of the committee

The Strategic Policy Review Committee has responsibility for:

- considering strategic policy issues that could benefit from wider perspectives across the Department, with a consistent focus on adding value to policy making;
- considering cross-cutting policy issues in which multiple parts of the Department have an interest, with a particular focus on drawing together linked or shared policy areas that were previously split between DECC and BIS, to ensure strategic coherence;
- considering how the work of the Department fits into the wider aims of Government and identifying any gaps and tensions; and
- reviewing the Department's strategy and assessing potential gaps and tensions, as well as strategic risk and prioritisation issues.

The committee sits outside of standard governance arrangements for Government departments.

Focus areas since July 2016

The focus of the Strategic Policy Review Committee has been:

- agreeing its terms of reference as a newly formed committee;
- agreeing a plan of work for the committee to deliver; and
- considering the Department's approach to a range of cross-cutting areas, such as devolution, social justice, ownership of infrastructure and horizon scanning.

Transition Programme Board

Angie Ridgwell and Jaee Samant – Board Co-Chairs

"The Transition Programme Board has been a really important element of the programme's success. It brought together a range of stakeholders from within and outside of the Department, including the programme director and SROs, policy directors and partner organisation CEOs, to successfully deliver a complex programme to tight deadlines. The Board also provided oversight of communications and engagement with staff during a difficult period of change, which led to significant increases in positive staff feedback on Transition and the new Department."

Angie Ridgwell and Jaee Samant
Board Co-Chairs

Role of the committee

The Transition Programme Board is responsible for:

- making sure the core commitments, objectives and benefits of the Transition Programme are met;
- ensuring that the Transition Programme aligns with the long-term vision for how the Department operates;
- approving work–stream plans and signing off any changes to significant delivery milestones
- oversight of transition costs including approving any work–stream business cases for additional spend outside delegated budgets;
- resolving risks and issues escalated by the work–stream leads; and
- ensuring that dependencies are effectively managed.

Focus areas since July 2016

The Board was set up in October, following a mobilisation phase of activity that ran from July focusing on delivering a smooth transition across a range of areas, including vision and strategy, people and organisational structure, finance, technology and estates, communications and engagement, including:

- Departmental vision and objectives;
- a unified IT system for all colleagues;
- an agreed Departmental budget;
- siting all London-based staff in one building;
- integrated communication to increase staff understanding and engagement;
- planning and scoping the Transformation Programme to create a high-performing department.

The Board's functions rolled into the Transformation Programme Board from June 2017, to oversee the next stage in our journey.

Compliance with the Corporate Governance Code

The Department has complied with the Cabinet Office's Corporate Governance in Central Government Departments: Code of good practice 2015 with the following exception. The Nominations and Governance Committee has not been established and able to meet during this reporting period. The respective Nominations and Governance Committees for BIS and DECC each met once in May 2016.

Board appointments and diversity

The creation of BEIS led to a complete review of the legacy non-executive Board members (NEBMs) from BIS and DECC, to support the creation of a new and effective Departmental Board. Archie Norman was appointed to the position of Lead Non-Executive Board Member and two of the legacy NEBMs were invited to continue in their roles at BEIS and take a lead on the Audit and Risk Assurance Committee and the Nominations and Governance Committee. This provided a strong degree of continuity and leadership to ensure that the Board was able to begin its work formally from December 2016.

The appointment of four additional NEBMs was completed by February 2017 following an open recruitment process, and added significant strength and expertise to the Department. In the absence of having an operational Nominations and Governance Committee at the time of this recruitment, the process was undertaken with support from the Cabinet Office Public Appointments team. The Department sought a diverse mix of NEBMs, who could offer the following skills and experience:

- proven leadership in large and complex organisations in the private (FTSE 250), public or voluntary sectors;
- risk, performance and financial management expertise;
- leadership of major projects from initiation, through development and to delivery;
- an understanding of the key challenges faced by the public sector;
- the ability to contribute and inspire confidence with a wide range of internal and external partners; and
- sound judgement with a high level of integrity.

The Board in its current form exceeds the 33% target for women on boards, set by Lord Davies, with 6 out of the 14 standing members being women (43%). The Board also has one member from a Black, Asian and minority ethnic (BAME) background, in line with the target set for the private sector in the Sir John Parker review.

All new Board members have received an induction to the Department, including briefing on the Board itself, the role of Board members, propriety matters, the work of the Department, and more specific information to support their understanding of issues brought before them.

Project management

Prior to the MoG change in July 2016, legacy departments had undergone audits or reviews of their programme and project management practices in 2015 and had taken action to address the areas raised.

In establishing the new Department's project management framework we have sought to ensure that the best of both legacy departments is maintained in our transition and proposed end-state processes. To help validate this intention, a joint review of our portfolio management proposals was carried out in February 2017 by the Infrastructure and Projects Authority (IPA) and the Government Internal Audit Agency. The review identified that improvements should be introduced to enhance the effectiveness of the framework of governance, risk management and control while recognising the strengths of the legacy Department's processes and engagement with IPA.

We have strengthened our oversight of and support for our projects by:

- refreshing our portfolio management function;
- combining the best elements of the legacy departments;
- establishing a new Projects and Investment Committee with delegated authority from the Executive Committee; and
- revising criteria on project suitability for the Departmental portfolio.

All projects with a lifetime cost in excess of £20 million or those carrying substantial risk are assessed at the three key business case stages, and lessons learned are assessed, shared and utilised to strengthen future delivery.

Approach to risk management

The legacy departments that existed before 14 July had established risk management policies and frameworks supporting their respective Departmental Risk Registers (DRR), which comprised their top risks and were aligned to their Single Departmental Plans (SDP).

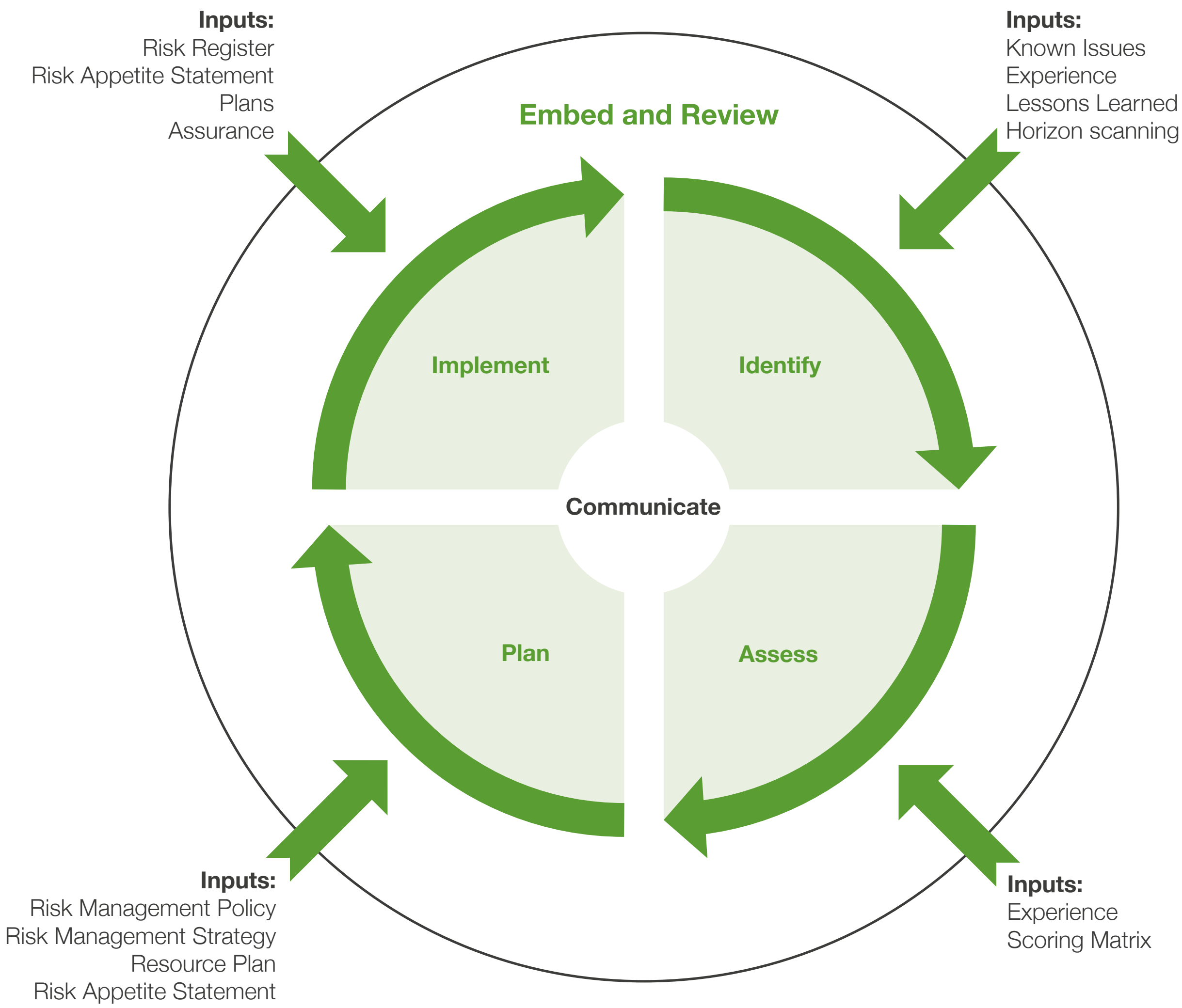
BEIS faced immediate challenges to ensure that significant gaps in controls did not arise during the transition to create a new Department. This required adaptive and responsive risk management and an authoritative approach to direct the Department strategically through a period of significant change.

Bringing together the former departmental risk management processes called for a detailed analysis of approach, governance, control and assurance, as opposed to simply seeking to merge known risks. We needed to understand the criteria by which the legacy departments had rated risks and which types of impact had been given management priority. We also needed to analyse the processes in place to facilitate the management and escalation of risks to ensure the right level of management oversight was applied, especially important during transition to ensure there was never a gap in our risk management. The process that has now been adopted makes best use of the existing approaches from the legacy departments and is illustrated on the next page. This approach is subject to an annual review to ensure continuing improvement and will evolve with the Department to ensure it is effective.

The new DRR includes risks identified and escalated by the business or included directly by the Executive Team or one of its committees. Mitigation measures are identified and all risks in the DRR have mitigation measures in place to reduce them to a target level by an agreed date. The Department has created a new integrated performance and risk report and has drafted a new risk management framework, drawing on the best parts of the process from each legacy department. Key changes to the risks, including any new or escalated threats, are reviewed each month by the Performance, Finance and Risk (PFR) Committee. The risk management framework will be implemented as a priority in 2017-18.

The PFR Committee updates the Executive Committee each month on any significant changes to the Departmental risks as part of a broader report also covering Departmental performance, financial management and human resources.

The Department's approach is to make a distinction between strategic risks and operational or delivery risks. The PFR and the Departmental Board drive the identification of high-level strategic risks that are directly aligned to Departmental objectives as formulated through the SDP. Underneath the strategic risks sit operational and delivery risks relating to the Department's objectives, which take the top risks from group or directorate risk registers. These risks are escalated to the PFR Committee when it appears that they are outside tolerance and threaten the delivery of the objectives in the SDP. This structure allows for movement of risks between levels so that the level of decision-making reflects the impact on the our objectives.



The Departmental Board has overseen the development of this framework, supported by the Audit and Risk Assurance Committee. The Board will agree the levels of Departmental risk appetite in 2017-18 to strengthen our risk management further.

The DRR is supported by underlying risk registers maintained at programme, project and business levels. Key risks are reported each month using a standard highlight report template.

The Department requires each major programme to define its overall risk appetite and all individual risks are required to have target reduction levels to reflect the level of exposure that can be tolerated.

The effectiveness of the Department's risk management arrangements continues to be reviewed by the Audit and Risk Assurance Committee. This year, a number of reviews were carried out on our predecessor department's approaches to risk management. A report on BIS from September 2016 rated risk management as moderate, highlighting progress made since previous reviews while recognising the need for greater consistency of practice and strategic alignment; And a report on DECC from March 2017 rated DECC's risk management as moderate, and recommended greater emphasis on the importance of day-to-day risk management for BEIS officers, improved guidance on managing risks associated with other Government departments, and a more formalised approach to risk–management training. These recommendations will be embedded into our new approach to enhance the adequacy and effectiveness of the new Department's risk management framework.

Our principal risks are described in the Performance Report.

Partner organisation governance

The Machinery of Government (MoG) changes in July 2016 that brought DECC and BIS together substantially changed the partner organisation (PO) landscape, creating a diverse network of organisations for the new Department. The way in which DECC and BIS managed the oversight of their organisations differed, presenting both opportunities and challenges for the new Department.

Given the range and scope of BEIS' POs, good, effective relationships with them is a top priority for the Department. To reflect this, we worked closely with the Cabinet Office developing their partnerships between departments and arm's-length bodies code of good practice, published in February 2017.

A 2016 National Audit Office review of departments' oversight of arm's-length bodies was broadly positive about the former BIS sponsorship approach. Elements of good practice identified in this report, and the Code of Practice, have been retained in the Department. For example:

- governance sponsors, who are either within the Department or within UK Government Investments (UKGI), oversee partner organisations' performance and approach to risk management;
- organisational remits are set out in a Framework Document or similar agreements;
- the recruitment of Chairs, CEOs and key ministerial appointments is led through a central appointments team; and
- risks and assurance relating to the performance of organisations change to are reviewed regularly as part of the Departmental risk management process.

The Department also established networks to bring together experts across our policy areas, UKGI and POs to identify ways to develop and embed best practice into our governance and sponsorship activities.

Our sponsorship approach was reviewed by internal audit in the latter half of the year. An overall rating of 'moderate' was achieved and the report highlighted that improvements would be gained from:

- developing the relationship model to reinforce the lines of accountability so that there is clear authority to take action when required; and
- ensuring framework documents, memoranda of understanding and similar documents are up-to-date, accurate and reviewed regularly.

In parallel, networking events with PO chairs and CEOs identified how we can best support POs to deliver their objectives. These events informed targeted work–streams aligned to the Code of Practice to identify gaps, inconsistencies, and where improvements can be made. In 2017-18 a programme of work will implement the recommendations from these work streams and the Internal Audit review.

Working closely with the Cabinet Office, a programme of tailored reviews for those POs classified as arm's-length bodies has been developed for 2017-18 onwards. The reviews will assess the status, form and function of these organisations, with an emphasis on exploring potential efficiencies and the effectiveness of corporate governance.

2016-2017 reform programme

Before the MoG changes, BIS was undergoing PO landscape reform as part of a wider transformation programme, BIS2020. Although this programme paused following the MoG change, completed actions included:

- closure of the UK Commission for Employment and Skills (UKCES), with some functions continuing via alternative routes;
- divestment of Wave Hub Ltd to Cornwall County Council;
- reclassification of the Industrial Development Advisory Board and Council for Science and Technology as Expert Committees; and
- preparations for the sale of UK Green Investment Bank (GIB) for completion early in the next financial year.

Partner organisation assurance

The Department's senior management and governance structures have an up-to-date view on POs' risks and performance through close working between the Portfolio Office and the Partnerships Team. All POs provide regular assurance assessments that are reviewed internally, with relevant issues escalated through the Performance and Risk Challenge Panel, the Performance, Finance and Risk Committee and the Audit and Risk Assurance Committee. These include assessment of the capabilities of the organisation and associated risks and opportunities. Common risks raised by partners during the year included:

- the outcome of the EU referendum;
- potential changes to EU funding streams; and
- recruitment and retention of skilled staff.

The Public Appointments process continued to feature as an area of risk in the earlier part of the financial year. An internal review identified improvements to existing systems and processes, resulting in a lowering of risk across the department.

Counter fraud and error

The Department and our POs are sharing best practice on counter fraud. Our counter fraud strategy relies on ever-closer working across teams and organisations and the BEIS Group Counter Fraud Network leverages our collective capacity, expertise and data to manage the risks specific to internal and external fraud and error. The network meets regularly to share knowledge, discuss current and emerging trends and develop best practice. We worked closely with the Cabinet Office to develop counter–fraud standards being implemented from April 2017 and assessed the extent to which the Department and our POs comply with these emerging standards. This assessment identified our fraud policy and response plans as existing strengths. In the coming year we will develop ways to monitor our performance in relation to these standards.

We successfully prevented a number of fraud losses during the year, most of which were cyber-enabled. We are helping the police with enquiries for a number of on-going fraud investigations and supporting the wider fight against economic crime. We also work to protect genuine users of our services from fraudsters impersonating our BEIS organisations.

Review of the effectiveness of governance, risk management and internal control

An annual review of the effectiveness of the system of governance, risk management and internal control has been informed by officials, Internal Audit and comments made by the NAO. The Audit and Risk Assurance Committee also provided further assurance.

The governance controls in place within the legacy departments of BIS and DECC were moderate overall and actions were being taken in line with prior audit reports and recommendations set out by the NAO and Public Accounts Committee (PAC).

The Internal Audit process has identified several gaps in policies and internal controls as well as instances of non-compliance that will require leadership action to rectify. This has led to BEIS having a limited level of control over the reporting period.

The Machinery of Government (MoG) change has also had an impact on the overall quality of governance over the reporting period, leading to some short-term challenges linked to risks and governance.

Bringing together two former departments inevitably resulted in some initial duplication of administrative policies that underpin the core internal control environment for BEIS. In practical terms this has meant that some policies and associated controls of the legacy departments have been continued in parallel, but separately, depending upon the relevant circumstances. This was necessary to ensure the new Department could continue to operate through transition. During the course of the Transition Programme some of these policies were reviewed to create new, unified administrative policies for BEIS. However, as at the end of 2016-17 there remained more work to do.

The leadership of the Department has been alert to the risks created by the MoG change and has taken ownership of the situation. This has mitigated the potential impact of the change, reduced the Department's degree of exposure and set in motion actions that have led to immediate improvements, such as those brought about by the Transformation Programme and also in response to its findings.

The leadership of the Department is clear on the longer-term challenge of ensuring the right polices are in place across the Department and that they are effectively communicated and acted upon to build a culture of compliance that strengthens the Department.

In addition, over the course of the year, the NAO have conducted a number of value for money reports and there have been several subsequent PAC hearings. The Department has implemented appropriate actions against all recommendations that it could reasonably be expected to during 2016-17.

Group statements on governance, risk management and internal control

Directors General provide a statement on the effectiveness of the system in-year and at the year-end for their group, and an action plan for improvements. The Head of Internal Audit and the Chair of the Audit and Risk Assurance Committee review each statement with the relevant Director General and discuss the key findings with the Permanent Secretary.

These discussions have highlighted:

- consistently clear and strong levels of staff communication and engagement to ensure that leadership messages are getting through;
- positive action in response to people survey results and clear efforts to improve upon those for 2017-18;
- varying levels of governance control and effective stakeholder management;
- the impact of the Machinery of Government (MoG) and group structure change, resulting in challenges around governance and controls, particularly for the management of finance, risk and HR, where legacy systems and the time taken to bring services together had an impact.

Looking to the future there is recognition of:

- the challenge to ensure that the skills and capability required to deliver can be met within existing headcount controls and can be properly supported by recruitment systems;
- the need to improve risk management in line with the new framework and to ensure a greater focus on risk aggregation and identification of shared dependencies; and
- the importance of engaging staff on values, vision and group objectives, while consistently and effectively applying performance management systems.

Work has started in 2016-17 to address these concerns and will continue into 2017-18.

Transitional governance arrangements

On 14 July 2016, policy responsibilities immediately transferred to the ministers appointed by the Prime Minister. Vocational and higher education (VE and HE) transferred to the Secretary of State for Education; trade policies transferred to the Secretary of State for International Trade; and the remaining policy responsibilities of BIS and the policy responsibilities of DECC were transferred to the Secretary of State for Business, Energy and Industrial Strategy.

In a MoG change, Accounting Officer responsibilities formally transfer once Parliament grants spending authority via a Supply and Appropriation Act.

From 14 July, our Department was led by the previous Permanent Secretaries for BIS and DECC, Sir Martin Donnelly and Alex Chisholm. Initially, the organisation continued to operate under two separate systems as plans to create a single structure were developed.

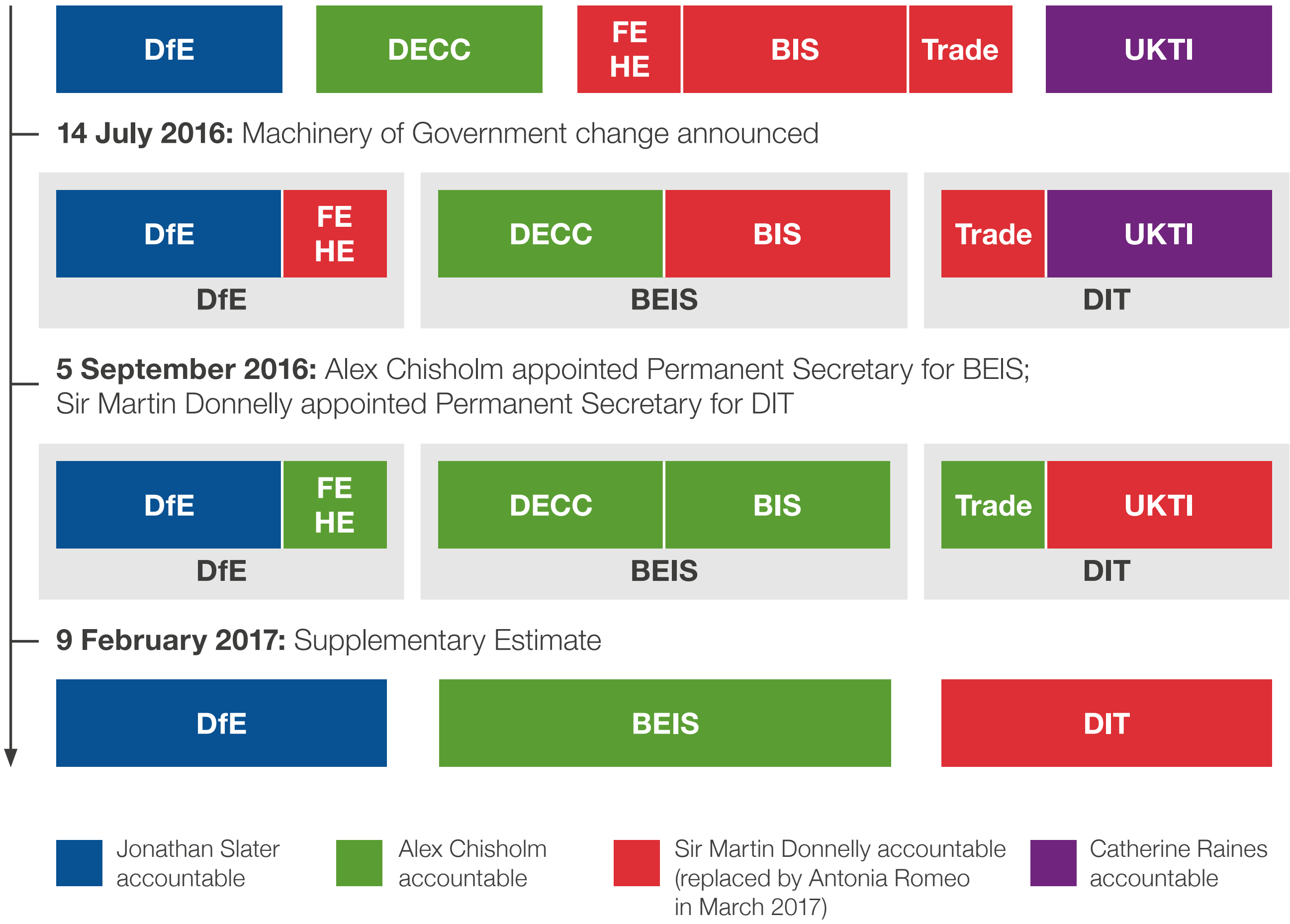
Sir Martin Donnelly also remained formally accountable for the parts of BIS which transferred to other government departments, with BIS systems and staff providing assurance for the Secretaries of State for Education and for International Trade.

Accounting Officer responsibilities were shared along former departmental lines until Alex Chisholm was confirmed as Permanent Secretary on 5 September.

The high-level governance structure for BEIS was confirmed on 20 October. The organisational structure was rolled out from November with all teams in the core Department merged by year end.

Accounting Officer responsibilities were aligned with policy responsibilities at the Supplementary Estimate on 9 February.

Accounting Officer responsibilities over the transitional period



Other governance activity

Local government

The Department has provided grants to local authorities totalling £49.4 million during the year under Section 31 of the Local Government Act 2003.

Shared Service Assurance

We utilised two shared service centres during 2016-17:

- UK Shared Business Services (UK SBS), one of our partner organisations, provides services to the legacy-BIS parts of the department. The core Department receives quarterly assurance reports from UK SBS on the design and effectiveness of their internal control framework. Overall, while noting a need to invest further in ICT systems, UK SBS has reported that the HR, Payroll and Finance are operating effectively. Further narrative is available in the Governance Statement for UK SBS, which is published separately as part of its Annual Report & Accounts.
- Shared Services Connect Ltd (SSCL), a joint venture between Sopra Steria (a private sector company) and the Cabinet Office, provides services to former-DECC parts of the department. The core Department has received assurance from the Cabinet Office over the processes and controls operated by SSCL, including the results of the annual ISAE3402 report. This report confirmed that the vast majority of key controls are operating as designed, but was qualified because of exceptions found in the operation of a number

of controls. Having reviewed these exceptions, we are satisfied that none are likely to be fundamental to our financial statements or governance statement.

Single Departmental Plan

Internally, the Department will monitor its progress against its objectives through the newly established Single Departmental Plan. This is a document establishing an internal accounting framework, based on policy milestones and indicators, to enable on-going monitoring of policy delivery.

Ministerial directions

A ministerial direction is where the Accounting Officer has formally notified a minister of objections to the minister's proposed course of action on regularity, propriety, value for money or feasibility grounds, and the minister overrules that advice. If a direction is given, the Accounting Officer will no longer be challenged by the Public Accounts Committee on why they took forward the policy. However, they might still need to explain the course of action and the minister's reasoning. No ministerial directions were issued in 2016-17.

Quality assurance modelling

The two former Departments had quality assurance guidance and processes for the development, use and governance of analytical models. Quality assurance of models in each department was appropriate and consistent with the Departments' quality assurance guidance, and also with the Aqua Book (a good practice guide for quality assurance across government). Following the inception of BEIS, a single modelling assurance policy was developed, harmonising the approach for the BEIS. The policy will be implemented during 2017–18.

Cyber security

During the year, the core Department maintained the Cyber Essentials accreditation for the ITECC platform, which is a confirmation that the basic measures to protect against a cyber-security incident are in place.

The technical defences against cyber attacks, whether delivered by email or by web traffic, have stood up well, and there have been no serious breaches recorded. The new Common Technology Platform (Cirrus), which is in development, aspires to achieve the same basic standards and adheres to National Security Council best practice.

Denial of service attacks and attacks via malicious software are risks to the Department, mitigated by our security team and our commercial partners' continuous review of risks and mitigations. A business continuity exercise involving Board members also looked at the impact of a cyber-security incident to ensure that we are prepared to respond and recover should such an incident occur.

No significant cyber security breaches were reported in 2016-17.

Information security

There was one data protection incident at BIS between 1 April and 14 July 2016 that needed to be reported to the Information Commissioner's Office (ICO). It involved sensitive personal data, as defined in the Data Protection Act, in its HR department. The breach was contained internally. The ICO decided that regulatory action was not appropriate in this case but recommended specific action for BIS. There were no incidents at DECC during the same period. BEIS has not had any data protection incidents.

The Department has developed a new portal for information security to help staff protect official information. Each business area has a security champion who works with the security unit to build awareness among staff and provide support specifically focused on their particular information security needs.

Internal audit review

In his Annual Report and Opinion, the Group Chief Internal Auditor (GCIA) has provided a 'Limited' opinion on the framework of governance, risk management and control within the Department for 2016-17. This represents a lower level of assurance than the 'Moderate' rating received by both predecessor departments for 2015-16.

The GCIA identified a number of areas of weakness across the Department, reflecting a limited number of areas of poor control design and operation, and weak operational frameworks. Specific areas of concern centred around contract management, health and safety, management of IT equipment and mobile phones, contingent labour, data handling and cyber security.

The GCIA did note, however, that the Department has not seen a wholesale failure of internal control, and he was encouraged by the strong responses of senior management to implement corrective action, such that we are expected to make incremental improvements in consistency, formality and control in 2017-18.

Accounting Officer's conclusion

I have considered the evidence provided regarding the production of the annual Governance Statement and the independent advice and assurance provided by the Audit and Risk Assurance Committee. I conclude that while the evidence in respect of the governance controls in place within the legacy Departments of BIS and DECC during 2015-16 were moderate overall, the evidence gathered during 2016-17 shows that BEIS has had a limited level of control.

The formation of BEIS naturally created some short-term challenges to risk management, governance and internal controls. However evidence from internal audit shows that BEIS inherited some historical gaps in policies and internal controls, alongside instances of non-compliance.

It is clear that the Department has both recognised the scale of the challenges faced and already made significant progress in addressing them and setting plans for future action in terms of both systems and culture change.

During the course of 2017-18, our Department will:

- develop the risk–management framework that identifies our key risks, including consideration of risk tolerance, to ensure it is driving effective mitigation and escalation;
- improve the control environment to provide a suite of unified and defined priority internal policies, with a timetable for aligning all polices; and
- implement a new methodology to effectively engage and work with our Partner Organisations.

Delivering against these in 2017-18 will improve our level of control and further enhance our ability to achieve our business objectives.

In late June, we received the NAO value for money report on our deal for Hinkley Point C. We believe the deal represents value for money and will deliver a number of benefits including 25,000 new jobs and apprenticeships, and the advancement of skills for the UK Nuclear supply chain. We will reflect carefully on the NAO's advice on funding models for future projects. We are already delivering a number of the NAO's recommendations including ensuring stringent governance arrangements for the life of the project, and ensuring the Low Carbon Contracts Company (LCCC) has the information and skills it needs to manage the contract.

Alex Chisholm
Principal Accounting Officer
and Permanent Secretary

13 July 2017

Sustainability Report

The government is committed to mainstreaming sustainable development, in the way we make policy, run our buildings and purchase goods and services, to maximise the positive impacts on the economy, society and the environment.

Sustainable Development Goals

The 17 Global Goals for Sustainable Development[17] will shape the world's approach to growth and sustainable development until 2030. The Goals were agreed by 193 member states of the United Nations (UN) in September 2015 and apply to every country. The underlying aims of the Goals are embedded in our vision and objectives:

Our Objective	UN Development Goal	We are:
Delivering an ambitious industrial strategy	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	→ driving growth across the country → investing in science, research and innovation → cultivating world-leading sectors → supporting businesses to start and grow
	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	→ investing in science, research and innovation
	Make cities and human settlements inclusive, safe, resilient and sustainable	→ supporting businesses to start and grow
Promoting competitive markets and responsible business practices	End poverty in all its forms	→ promoting fairness in the labour market and improving working conditions
	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	→ reforming corporate governance
Ensuring the UK has a reliable, low–cost and clean energy system	Ensure access to affordable, reliable, sustainable and modern energy for all	→ delivering affordable energy for households and businesses → taking action on climate change and decarbonisation
	Ensure sustainable consumption and production patterns	→ ensuring that our energy system is reliable and secure
	Take urgent action to combat climate change and its impacts	→ taking action on climate change and decarbonisation

Progress against our objectives is set out in the performance report on pages 16-25.

17 https://sustainabledevelopment.un.org/

Policy development

Climate change adaptation

We have robust business continuity plans in place to manage occurrences of extreme weather events. Sustainable operational policies include considering Climate Change Adaptation in decision making.

Contributions are made to the cross-government National Adaption Plan published every five years. The plan sets out how the risks of future extreme weather events will be managed in relation to communities, the built environment, businesses and local government.

Rural proofing

We ensure that the social, environmental and financial impacts our policies have on communities and businesses are fully considered before they are implemented. Rural proofing is built into our impact assessments.

Our flagship policy, the industrial strategy, has a consideration of the importance of place at its heart. It will deal with the particular challenges and barriers faced by rural residents, including a shortage of work premises, slow internet connections and a lack of knowledge transfer between business communities spread thinly over wide areas.

Performance against our Greening Government Commitments

Scope

The reporting boundary includes the former Department for Business, Innovation and Skills (BIS), the former Department of Energy and Climate Change (DECC), and those of their arms-length bodies they report on under the Greening Government Commitments (GGCs). For 2016-17 we have continued to report separately under the Greening Government Commitments. From 2017-18 we will be reporting as one combined department with a revised carbon target to reflect our new estates.

The GGC report contains a narrower subset of arms'–length bodies from the rest of the report which corresponds more closely to the financial reporting boundary.

Progress

The former Department of Energy and Climate Change has improved on its 2015-16 performance in three GGC target areas: GHG emissions, domestic flights, and waste; and is on track to meet its 2020 target in all areas except improving recycling rates and water consumption.

Target (by 2019/20 compared to 2009/10 baseline)	Former DECC
Reduce greenhouse gas (GHG) emissions by 32%	↓ 41%
Reduce domestic flights by 30%	↓ 46%
Reduce the amount of waste generated by 25%	↓ 28%
Reduce landfill to less than 10%	↓ 11%
Recycling >72%	↑ 56%
Reduce paper use by 50%	↓ 62%
Reduce total estate water consumption	↑ 32%

The former Department for Business, Innovation and Skills is significantly ahead of target in all areas, both those with specified reduction targets and those requiring an unspecified reduction.

Target (by 2019/20 compared to 2009/10 baseline)	Former BIS
Reduce greenhouse gas (GHG) emissions by 40%	↓ 51%
Reduce domestic flights by 30%	↓ 33%
Continue to reduce the amount of waste generated	↓ 72%
Reduce landfill to less than 10%	↓ 9%
Continue to increase proportion of waste recycled	↑ 79%
Reduce paper use by 50%	↓ 78%
Reduce total estate water consumption	↓ 55%

Greenhouse gas emissions

		2014-15	2015-16	2016-17
Non-financial indicators (tonnes CO2e)	Gross emissions scope 1 (direct)	53,574	16,809	14,141
	Gross emissions scope 2 & 3 (indirect)	138,506	139,723	117,764
	Total emissions - scope 1, 2 & 3	**192,070**	**156,532**	**131,904**
Related Energy Consumption (MWh)	Electricity: non-renewable	240,220	260,010	253,281
	Electricity: renewable	8,773	8,215	4,954
	Gas	94,099	86,715	71,430
	District heating	220	235	255
	Other heat	900	500	949
	Total energy consumption	**344,212**	**355,630**	**330,868**
Financial Indicators (£000s)	Expenditure on energy	25,093	25,830	26,457
	CRC licence expenditure	2,516	2,379	3,340
	Expenditure on official business travel	12,175	11,974	8,940
	Total expenditure on energy and business travel	**39,784**	**40,183**	**36,557**

The Department continues to demonstrate a year-on-year reduction in greenhouse gas emissions. Whilst the conversion factors applicable to Scope 2 emissions have a significant contribution to its performance, both positively and negatively, the underlying energy consumption – the main contributor to the emissions – shows a real reduction of 7%.

A project is underway within 1 Victoria Street to convert office lighting to LED that will deliver a 50% lighting consumption reduction.

Travel

	2014-15	2015-16	2016-17
Number of domestic flights	7,208	5,644	5,445

The Department has reduced the number of domestic flights by 3.5% since last year and by 24% over the last two years.

Water

		2014-15	2015-16	2016-17
Non-financial indicators (m3)	Water consumption	364,570	456,234	377,005
Financial indicators (£'000)	Water supply & sewage costs	1,149	1,001	998

Measures have been taken to cut water use through: fitting timers to, and improving the maintenance of, its hot and cold water dispensers; fixing leaky taps; and installing flow restrictors where appropriate.

Waste

			2014-15	2015-16	2016-17
Non-financial indicators (tonnes)	**Total waste**		**3,833**	**3,445**	**3,148**
	Non-hazardous waste	Landfill	669	487	418
		Reused/recycled	2,312	2,297	2,035
		Composted/ biodigestion	131	144	157
	Total ICT waste	Reused	2	0	0
		Recycled	2	7	68
	Incinerated/energy from waste		424	479	470
	Reams of paper procured		189,426	134,844	34,540
Financial indicators (£'000)	**Total disposal cost**		**1,334**	**1,214**	**1,083**

The Department is working closely with its facilities management provider to actively manage all aspects of the Department's waste, including provision of recycling facilities, data analysis and improving staff awareness, in order to achieve the GGC waste reduction, recycling and landfill diversion targets by 2020.

Sustainable procurement

We are mandated to use Crown Commercial Service frameworks where a suitable framework exists for the procurement of goods and services. The procurement service keeps its policies under regular review and also works with its partners on a case-by-case basis to ensure sustainability goals are achieved.

Small and medium enterprise engagement

We have introduced measures and removed barriers to improve SME engagement. The overall proportion of spend with SMEs for 2016-17 was 26%, an increase from both predecessor Departments (16% – 20% in 2015-16.) We are committed to meeting the cross-Government target of 33% by 2020.

Prompt payment

Our policy is to comply with the Institute of Credit Management's Prompt Payment Code, of which the Department we are an approved signatory. Whilst our standard terms and conditions for the supply of goods or services specify payment within 30 days of receipt of a valid invoice, we aim to pay all valid invoices within five working days of receipt. In 2016-17, 99.4% (2015-16: 99.6%) of undisputed invoices were paid within the 30 day target and 96.3% (2015-16: 97.8%) of undisputed invoices were paid within 5 working days.

The proportion of the aggregate amount owed to trade creditors at the year-end compared with the aggregate amount invoiced by suppliers during the financial year in terms of days equalled less than 1 day.

Staff Report

Staff numbers

The average number of full-time equivalent persons employed during the year is shown in the table below. Average staff numbers are subject to audit.

	2016-17					2015-16 restated
	Permanent employed staff	Others	Ministers	Special Advisers	Total	Total
Core	2,998	150	9	5	**3,162**	**3,635**
Agency	1,510	79	–	–	**1,589**	**1,816**
Non Departmental Public Bodies (NDPBs')	13,197	1,279	–	–	**14,476**	**14,713**
Total	**17,705**	**1,508**	**9**	**5**	**19,227**	**20,164**
Of which:						
Core Department and Agencies	4,508	229	9	5	**4,751**	**5,451**
NDPBs and other designated bodies	13,197	1,279	–	–	**14,476**	**14,713**
Total	**17,705**	**1,508**	**9**	**5**	**19,227**	**20,164**

Staff attitudes

The new Department's first People Survey was undertaken in October 2016, just 3 months after the announcement of the Machinery of Government (MoG) changes. The response rate was 86%, well above the Civil Service average of 65%. It showed our staff's initial reaction to the sudden, unexpected changes which created the department.

The survey returned an engagement index of 54%, a drop on the previous year's results for BIS and DECC, which were 56% and 59% respectively. The drop in engagement was driven by lower scores on the themes 'organisational objectives and purpose' and 'leadership and managing change'. The survey also showed that dissatisfaction with pay and benefits had persisted from both predecessor departments.

The indicator for 'inclusion and fair treatment' was at 79%, the high–performance benchmark for the Civil Service, and for 'learning and development', 56%, above the benchmark.

In response, our Executive Committee agreed to focus on three main areas for improvement:

- organisational objectives and purpose;
- leading and managing change; and
- pay and benefits.

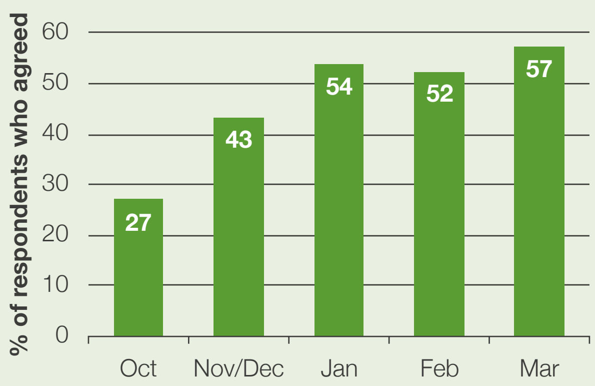
Since the People Survey was taken, the Transition Programme has delivered changes which directly address these issues. Staff engagement was a key focus of the Transition Programme, in recognition of the importance of ensuring involving colleagues and making them feel invested in the creation of the Department. There were over 40 workshops across London and regional offices, providing staff with the opportunity to share their views and shape the development of plans. In November, our Departmental vision and top-level objectives were announced by the Secretary of State.

Monthly 'pulse surveys' were used to track levels of engagement through the Transition Programme. There was an increase across all measures between the baseline survey in October 2016 and the end of March 2017 – for example, staff feeling positive about the future of the Department increased by 75%, and understanding how their work contributed to Department objectives increased by 56%.

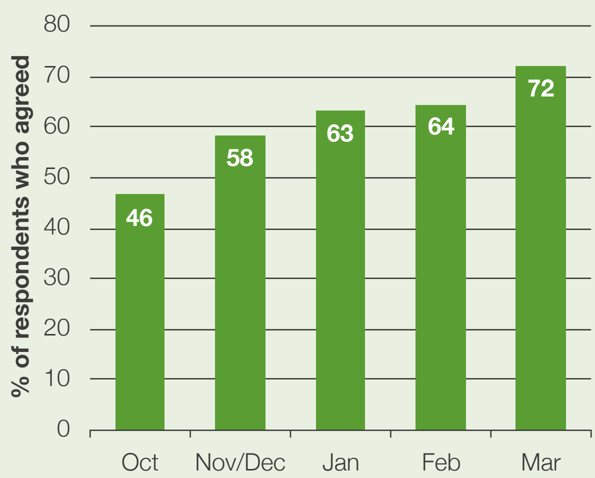
Surveys of the staff that moved to 1 Victoria Street indicated that over 90% of felt their relocation was well organised and effected.

Pulse Survey results

Statement: I have a clear understanding of the Department's purpose



Statement: I understand how my work contributes to the Department's objectives



In addition to organisational level activity, individual team leaders have been working closely with their teams to identify local actions to support improvement in staff attitudes.

Building capability

We are committed to building a skilled, talented, diverse workforce so that we have the right people, with the right skills, available at the right time in the right place. Fundamental to this has been building leadership and management capability. For leadership and managing change, our People Survey score was 41%, 2% below the Civil Service and 11% lower than high performers.

As a new Department with some new challenges, we are building leadership and management programmes aligned to our vision and diversity and inclusion strategy, and the Civil Service vision and leadership statement. We are developing managers at all levels with an ambition to nurture a coaching culture in the Department. We are giving managers the tools and knowledge to get the best from their people through personal development planning, support for professional development, and career and talent discussions. In-house workshops covering capable and resilient leadership, and setting expectations, run alongside programmes for new managers and aspiring managers.

Our workforce strategy sets out future skills and capabilities to match our ambitions and deliverables such as the industrial strategy and EU exit work, along with developing overarching skills for policy, delivery and corporate teams, and senior leaders.

Throughout our transition, we have been assessing our capability and talent priorities to support the development of professional skills, including career pathways, structured development programmes, secondments and qualifications.

Eleven senior policy leads have been undertaking the Executive Master of Public Policy and we are regular participants in the flagship Institute and Projects Authority programmes (MPLA, PLP and OMP). We have also developed our own programme (Policy to Delivery) to address the needs of people whose role brings them into contact with projects; over 250 people attended the bespoke commercial skills programme in 2016-17, and delivery through the in-house Finance Academy, EU Skills Academy and the revised BEIS Seminar programme continued throughout the year.

Our assessment of the skills and resourcing needed to meet the demands of leaving the EU includes negotiation, analysis, policy expertise in a European context, and sector expertise.

Work has begun on an internal programme to build policy capability. Using the framework of standards agreed across the Civil Service's Policy Profession, its priorities include working internationally, with the EU and around EU exit.

The Department participates in the Civil Service High Potential Talent Schemes, including the High Potential Development Scheme (HPDS), Senior Leaders and Future Leaders Schemes (SLS and FLS). There was a significant increase in the number of staff from the Department who were selected for the 2016 Senior and Future Leaders Schemes (11 and 49 staff respectively). The overall diversity outcomes were also positive for the Department in terms of gender (FLS and SLS), BME and Disability (FLS). Three of our Senior Civil Service (SCS) were also selected for the HPDS.

In the period since the creation of the Department we have also been working to develop a comprehensive talent offer for staff at all grades. This will include expanding the existing internal talent programmes that were in place in the legacy departments.

Recruitment practices

Recruitment into the Civil Service, including our Department at all levels, is regulated by the Civil Service Commission. We continue to abide by the principles of the external recruitment freeze announced in May 2010. Within that context, the Department's Executive Committee agrees limits for each Group, and their respective Directors General are responsible for headcount control.

To meet the significant challenges of the Department's delivery, including EU exit and industrial strategy, we review the deployment of our people and our recruitment and resourcing strategies to ensure priority activities are properly resourced. To support this and in line with the Civil Service more widely, on 1 April 2017 we adopted the new Civil Service Recruitment Framework to enable effective business delivery and build capability in key areas.

Diversity and inclusion (D&I)

Inclusion is a priority for the Department and creating a diverse workforce is an important part of making this a reality. We have launched our first D&I strategy, encompassing both internally and externally focused work. Our aim is to become a role model for business and the rest of the Civil Service. We are in a positive position, but there is still work to do. Our areas of focus moving into 2017-18 are:

- representation of:
    - women in the SCS at SCS2 and above;
    - Black, Asian and minority ethnic staff at Grade 7 and above; and
    - people with disabilities across all grades;
- performance management outcomes for people declaring a disability and older workers; and
- 'inclusive by design' equality analysis in all our key decision-making processes.

We have set targets for representation, unconscious bias training, and diversity data return rates. This is supported by our action plan which sets 10 key measureable activities over the coming three years. The Department has 12 diversity networks, and nearly 60 network chairs and champions supporting our D&I work. The D&I strategy is monitored quarterly by the Executive Committee, and is sponsored by 2 Director Generals and the Permanent Secretary. The priority of the strategy is to ensure that D&I is embedded within the core of Departmental objectives, and delivered in a way which benefits staff as well as the public.

All directorates in the Department have been asked to take ownership of the D&I agenda and have consequently pledged actions to improve D&I outcomes. We recognise that, as well as making progress in some areas, movement remains slow in others, so there is still more to do.

In recent months we have:

- launched our D&I strategy, which was developed in consultation with our staff;
- achieved a high success rate across diversity groups for SLS and FLS;
- launched our diversity networks;
- developed a Partnership Agreement with our diversity networks;
- continued to encourage our people to complete their diversity data;
- established a Mental Health and Wellbeing Group for the whole Department; and
- recruited more mental health first–aiders to our Mental Health First Aid Service, which provides support to staff seeking help due to a mental health concern.

The Department is committed to ensuring equality of opportunity for all disabled employees. As we make clear in our job application process, candidates with a disability who apply for a post in the Department (under the Guaranteed Interview Scheme) automatically go forward to the interview stage, provided they satisfy the minimum criteria. The Department is Disability Confident level 2, and is aiming to be level 3 by late 2017. All staff are encouraged to take additional training on disability awareness. The Department undertakes the Summer Diversity Internship Programme every year to encourage a greater diversity of staff. We also promote external vacancies in a range of diversity media.

Our staff are expected to undertake unconscious bias training to increase overall awareness and support within the Department. We will monitor and publish our workforce diversity and equality data annually, which will be available on our external website.

A detailed breakdown of our people is as follows:

Ethnicity

- 9% BAME
- 51% White
- 3% Prefer not to say
- 37% Unknown

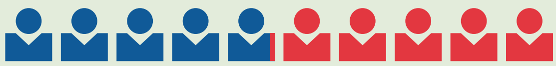
Disability

- 6% Yes
- 60% No
- 2% Prefer not to say
- 32% Unknown

Sexual orientation

- 4% LGB
- 56% Straight
- 14% Prefer not to say
- 26% Unknown

Gender



- 49% Female
- 51% Male

The Department is a proud member of the following schemes:

Communicating with our employees

We have taken great steps to make sure communication is two–way and staff have the opportunity to help shape the projects that affect them and the future of the Department. We adopt a range of communication channels to engage staff and to share information, from face-to-face interaction to town–hall style meetings, stand–ups, huddles, and floor walks. Our digital channels include internet, intranet and webchats. We also have regular formal and informal meetings with a newly formed Departmental Trade Union Side, creating a positive employee relations environment.

A key area of communication and consultation during 2016-17 was about the Transition Programme, including:

- the launch of the Secretary of State's vision for the new Department;
- the launch of our D&I strategy;
- the relocation of teams from 2 buildings into one;
- moving all staff onto a common IT platform, resulting in a single email address and new phone system;
- development of an interim intranet;
- a new organisational structure, supported by the Department workforce strategy; and
- new terms and conditions for new entrants.

The focus for 2017-18 will include:

- the launch of a single set of HR policies;
- a new pay and reward strategy;
- developing a set of Departmental values;
- consulting on a new performance management approach for implementation on 1 April 2018; and
- a new development programme for our managers.

Health, safety and wellbeing

We have a strong record in providing a safe and supportive work environment, and had no accidents to report in accordance with the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013. There were no enforcement actions against the Department. Health, safety and wellbeing is monitored quarterly by the Health and Safety Committee.

An audit report carried out for former BIS by Government Internal Audit Agency was finalised in February 2017. The audit received an overall 'unsatisfactory' assurance, predominantly as former BIS was assessed as having insufficient policies and practices. A programme of building risk assessments, revised policies and supporting processes was agreed with the Health and Safety Committee and prioritised for completion, as well as a change in management accountabilities. Remedial actions were completed within two months. This culminated in a report which held up the BEIS's response as an example of excellent practice.

The Department considers the wellbeing of staff to be paramount and works within the framework of the Civil Service Health and Wellbeing Strategy. The focus is mental health, musculoskeletal health and a healthy lifestyle.

Managing attendance

The Department is committed to supporting the physical and mental health of its people and fostering employee wellbeing is a key element of our focus. Occupational health and an employee assistance provider are in place to offer additional support to our people. The Department has a low sickness absence rate with the average number of working days lost due to sickness reported as 2 days per year.

The focus for 2017-18 will include:

- aligning the attendance management policies of the former departments;
- investing more into our wellbeing strategy to provide greater longer-term resilience, innovation and productivity for our people; and
- ensuring our leaders and managers are equipped to support the focus on wellbeing.

Whistleblowing

The Department has a well-publicised whistleblowing policy and procedure in place which provides clear guidance for employees on the importance of raising concerns and how to do so. Launched by our Permanent Secretary and fully supported by our Executive Committee, the whistleblowing policy was the first internal policy we implemented for our people. The Department monitors all concerns raised and the action taken to address and resolve issues. In 2017-18, as well as continuing to report on whistleblowing activity every six months to the Cabinet Office, we will provide an Annual Report to the Department's Audit and Risk Assurance Committee for review.

Health service

The Department uses independent, confidential occupational health services. Individuals are asked for their consent to a referral to the Department's medical advisers for an assessment of their fitness for work or to help the Department consider reasonable adjustments to support them in the workplace in accordance with our duty under the Equality Act 2010. To help ensure that staff have the best opportunity to continue their employment, the Department also provides dedicated information and a counselling support service through our employee assistance programmes.

Staff costs[18]

	2016-17			2015-16 restated
	Permanently employed staff £m	Others £m	Total £m	Total £m
Wages and salaries	713	68	781	795
Social security costs	70	–	70	64
Other pension costs	145	–	145	153
Sub total	**928**	**68**	**996**	**1,012**
Less recoveries in respect of outward secondments	(4)	–	(4)	(3)
Total net costs	**924**	**68**	**992**	**1,009**
Of which:				
Core Department and Agencies	255	27	282	315
NDPBs and other designated bodies	669	41	710	694
Total net costs	**924**	**68**	**992**	**1,009**

During the year, £13,459,098 of staff costs were capitalised (2015-16: £9,686,662) and 233 employees (2015-16: 209 employees) in the Departmental Group were engaged on capital projects during the reporting period.

Staff severance costs for current and prior year are included in wages and salaries. Further detail on exit packages is included on page 85.

Included within the total net costs of other staff shown above are Ministers' total net costs of £340,369 (2015-16: £406,079) and Special Advisors' total net cost of £354,978 (2015-16: £465,816).

Principal Civil Service Pension Scheme (PCSPS)

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as "Alpha" – are unfunded multi-employer defined benefit schemes in which the Department is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the PCSPS as at 31 March 2012. You can find details in the resource accounts of the Cabinet Office. Civil Superannuation (www.civilservicepensionscheme.org.uk/).

18 Analysis of staff costs is subject to NAO audit opinion

For 2016-17, employer contributions of £48,603,369 were payable to the PCSPS (2015-16: restated: £55,013,173) at one of four rates in the range 20.0% to 24.5% (2015-16: 20.0% to 24.5%) of pensionable pay, based on salary bands.

The Scheme's Actuary reviews employer contributions usually every four years following a full Scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2016-17 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account – a stakeholder pension with an employer contribution. Employers' contributions of £896,929 (2015-16: restated: £1,059,144) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75%. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £6,638 (2015-16: £8,853), 0.5% (2015-16: 0.8% up to 30 September and 0.5% from 1 October 2015) were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill–health retirement of these employees.

Contributions due to the partnership pension providers at 31 March 2017 were £11,440 (2015-16: restated: £13,248). Contributions prepaid at that date were Nil (2015-16: £93,254)

In 2016-17, 16 persons (2015-16: restated: 9 persons) across the Departmental Group retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £229,994 (2015-16: £83,098).

Other Pension Schemes

Employer contributions to other pension schemes in the year amounted to £94,723,424 (2015-16: restated: £86,833,840). Employer contributions include employers' contributions, current service costs and where appropriate past–service costs of funded pension schemes. Further details can be found in the accounts of the Department's NDPBs and other designated bodies. A list of these bodies is provided in note 28.

Nuclear site licence companies

Nuclear site licence staff costs are disclosed separately as they are included in the amounts shown for utilisation in the nuclear decommissioning provision in note 19 rather than being reported as staff costs in the Statement of comprehensive net expenditure.

	2016-17			2015-16
	Permanently employed staff	Others	Total	Total
Number of staff (full-time equivalent)	14,963	1,559	16,522	16,993
Wages and salaries (£m)	782	101	883	908
Social Security Costs (£m)	90	–	90	78
Other Pension costs (£m)	130	–	130	135
Less recoveries in respect of outward secondments (£m)	–	–	–	–
Total (£m)	**1,002**	**101**	**1,103**	**1,121**

Reporting of Civil Service and other compensation schemes – exit packages

	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
Exit package cost band	**2016-17**	**2015-16 restated**	**2016-17**	**2015-16 restated**	**2016-17**	**2015-16 restated**
Less than £10,000	23	12	102	58	125	70
£10,000 - £25,000	23	15	105	211	128	226
£25,000 - £50,000	8	10	83	265	91	275
£50,000 - £100,000	3	5	112	301	115	306
£100,000 - £150,000	–	–	6	8	6	8
£150,000 - £200,000	–	–	5	–	5	–
More than £200,000	–	–	10	–	10	–
Total number of exit packages	**57**	**42**	**423**	**843**	**480**	**885**
Of which:						
Core Department and Agencies	–	9	91	541	91	550
NDPBs and other designated bodies	57	33	332	302	389	335
Total number of exit packages	**57**	**42**	**423**	**843**	**480**	**885**
Total cost (£)	**1,040,737**	**1,055,788**	**17,273,787**	**37,190,539**	**18,314,524**	**38,246,327**
Of which:						
Core Department and Agencies	–	271,458	5,152,252	27,731,701	5,152,252	28,003,159
NDPBs and other designated bodies	1,040,737	784,330	12,121,535	9,458,838	13,162,272	10,243,168
Total	**1,040,737**	**1,055,788**	**17,273,787**	**37,190,539**	**18,314,524**	**38,246,327**

Exit packages disclosure is subject to audit. Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year that the departure is agreed and are based on the expected cost in relation to that financial year. Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

Remuneration Report

Remuneration Policy

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

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

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

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

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

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

Performance and Reward

The Senior Civil Service (SCS) pay system consists of relative performance assessments. The highest performing individuals were awarded a non-consolidated performance reward for their performance against objectives in 2015-16 which was paid in 2016-17. These awards varied in amount within an overall cost envelope set by the Senior Salaries Review Body and approved by the Government. Consolidated base pay awards are limited to a 1% increase to the Department's SCS pay bill. No base pay increases were paid to those assessed to be the lowest 10% of performers.

Further information about the performance and reward arrangement for Senior Civil Servants can be found at www.gov.uk/government/collections/senior-civil-service-performance-management-and-reward.

The following table shows the number of SCS staff in the Core Department by pay range as at 31 March 2017. Bonuses are not included and salary ranges represent full-time equivalent rates. These pay ranges cover those staff employed on open-ended and fixed–term contracts.

Pay Range	No of SCS staff within range as at 31 March 2017	No of SCS staff within range as at 31 March 2016 restated
£55,000 - £59,999	–	1
£60,000 - £64,999	3	18
£65,000 - £69,999	73	60
£70,000 - £74,999	36	39
£75,000 - £79,999	22	21
£80,000 - £84,999	5	3
£85,000 - £89,999	22	26
£90,000 - £94,999	6	8
£95,000 - £99,999	4	7
£100,000 - £104,999	7	6
£105,000 - £109,999	1	1
£110,000 - £114,999	5	2
£115,000 - £119,999	2	3
£120,000 - £124,999	4	3
£125,000 - £129,999	3	2
£130,000 - £134,999	2	4
£135,000 - £139,999	–	2
£140,000 - £144,999	5	5
£145,000 - £149,999	2	–
£160,000 - £164,999	–	1
£175,000 - £179,999	–	1
£180,000 - £184,999	2	–
Total	**204**	**213**

The remuneration of the senior civil servants who are not members of the Departmental or Executive Boards is based on a combination of the performance ratings determined by Permanent Secretary and Directors General and the award amounts determined by the Executive Committee. The Members of Executive Committee for 2016-17 were:

Alex Chisholm	BEIS Permanent Secretary
Sir Martin Donnelly	Former BIS Permanent Secretary (to 5 September 2016)
Steven Lovegrove	Former Acting DECC Permanent Secretary (to 24 April 2016)
Sam Beckett	Director General, Economics and Markets
Gareth Davies	Director General, Business and Science
Clive Maxwell	Director General, Energy Transformation
Jeremy Pocklington	Director General, Energy and Security and Former Acting DECC Permanent Secretary (25 April 2016 – 03 July 2016)
Angie Ridgwell	Director General, Corporate Services
Prof John Loughhead	Chief Scientific Advisor
Katrina Williams	Director General, International and Growth (to 31 March 2017)
Susannah Storey	Former Director Strategy (to 13 November 2016)
Jo Shanmugalingam	Former Director Strategy (to 13 November 2016)
Stephen Speed	Former Acting Director General, Markets and Infrastructure (to 3 July 2016)
Howard Orme	Former Director General, Finance, Commercial and Digital Transformation (to 9 October 2016)
Philippa Lloyd	Former Director General, People, Strategy and Higher Education (to 28 July 2016)
Rachel Sandby – Thomas	Former BIS Solicitor and Director General, Skills, Deregulation and Local Growth (to 4 April 2016)

Service Contracts

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

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

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

Salary and Pension entitlements for Ministers of the Core Department

The remuneration of Ministers is determined in accordance with the provisions of the Ministerial and Other Salaries Act 1975 (as amended by the Ministerial and Other Salaries Order 1996) and the Ministerial and Other Pensions and Salaries Act 1991. The salary and pension entitlements of the Ministers of the Department for Business, Energy and Industrial Strategy for the year ending 31 March 2017 were as follows:

Single total figure of remuneration[1]

	Salary (£)		Pension benefits (to nearest £1,000)[2]		Total (to nearest £1,000)	
Ministers	**2016-17**	**2015-16**	**2016-17**	**2015-16**	**2016-17**	**2015-16**
Secretary of State						
Rt Hon Greg Clark MP (from 14 July 2016)	45,003[3]	–	13,000	–	58,000	–
Rt Hon Sajid Javid MP (until 13 July 2016)[4]	22,502	59,884	4,000	26,000	27,000	86,000
Rt Hon Amber Rudd (until 16 July 2016)[5]	22,502	62,410	4,000	18,000	27,000	80,000
Ministers of State						
Jo Johnson MP[6]	31,680	28,136	8,000	12,000	40,000	40,000
Baroness Neville-Rolfe DBE CMG (until 08 January 2017)[7]	65,975	72,470	–	–	66,000	72,000
Nick Hurd (from 15 July 2016)	22,312[8]	–	6,000	–	28,000	–
Rt Hon Anna Soubry (until 14 July 2016)	17,032[9]	28,136	2,000	12,000	19,000	40,000
Nick Boles MP (until 14 July 2015)	17,288[10]	31,680	2,000	7,000	19,000	39,000
Lord Mark Price (until 15 July 2016)[11]	–	–	–	–	–	–
Andrea Leadsom (until 16 July 2016)[12]	10,560	26,900	2,000	8,000	13,000	35,000
Ed Vaizey MP (until 15 July 2016)[13]	–	–	–	–	–	–
Parliamentary Under-Secretaries of State						
Margot James (from 16 July 2016)	14,917[14]	–	4,000	–	19,000	–
Jesse Norman (from 16 July 2016)	14,917[15]	–	4,000	–	19,000	–
Lord Prior of Brampton (from 09 January 2017)	11,452[16]	–	4,000	–	15,000	–
George Freeman MP (until 15 July 2016)	12,210[17]	22,375	1,000	7,000	13,000	29,000
Lord Bourne of Aberystwyth (until 14 July 2016)[18]	–	–	–	–	–	–

Note:

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

Ministers who transfer from another department continue being paid at the appropriate rate of pay with effect from the first day of the month following the date of appointment. Former ministers who transfer to other departments are paid at their current rate of pay up to the end of the month. Any increase in ministers' salary on transfer from the date of appointment is paid by their new department.

Continued overleaf…

1 This is audited information
2 The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights
3 The full year equivalent is £67,505. 1 April – 31 July salary was paid by Department of Communities and Local Government
4 The full year equivalent is £67,505. 1 August – 31 March salary was paid by Department of Communities and Local Government
5 The full year equivalent is £67,505. Formerly was Secretary of State at the Department of Energy and Climate Change. 1 August – 31 March salary was paid by the Home Office
6 Joint Minister with the Department for Education from 14 July 2016
7 Salary Includes Lord's Office-Holders Allowance. From 14 July 2016, was promoted to Minister of State from Parliamentary Under Secretary of State. 1 Feb – 31 March salary was paid by HM Treasury
8 The full year equivalent £31,680. Formerly was Parliamentary Under Secretary of State for the Department for International Development
9 The full year equivalent is £31,680. £7,920 was paid as contractual severance pay
10 The full year equivalent is £31,680. £7,920 was paid as contractual severance pay
11 Formerly was a joint minister with the Department for Business, Innovation and Skills (BIS) and the Foregin and Commonwealth Office (FCO) between 4 April - 15 July 2016. He was renumerated £32,501 by the FCO.
12 The full year equivalent is £31,680. Formerly was Minister of State at Department of Energy and Climate Change 1 August – 31 March 2017 Salary was paid by Department for Environment, Food and Rural Affairs
13 Salary and pension benefits details can be found in the 2016-17 Department of Culture, Media and Sport's Annual Report and Accounts
14 The full year equivalent £22,375. Formerly was Assistant Government Whip
15 The full year equivalent £22,375.
16 The full year equivalent £68,710. 1 April – 31 January 2017 Salary was paid by the Department for Health
17 The full year equivalent £22,375. £5,594 was paid as contractual severance pay
18 Ministerial Salary is reported under a Lord in waiting as his former Parliamentary Under Secretary of State role was unpaid

Minister[1]	Accrued pension at age 65 at 31 March 2017	Real Increase in pension at age 65	CETV at 31 March 2017	CETV at 31 March 2016	Real increase in CETV
	£000	£000	£000	£000	£000
Secretary of State					
Rt Hon Greg Clark MP (from 14 July 2016)	5-10	0-2.5	93	80	5
Rt Hon Sajid Javid MP (until 13 July 2016)	0-5	0-2.5	55	51	1
Rt Hon Amber Rudd (until 16 July 2016)	0-5	0-2.5	30	26	2
Ministers of State					
Jo Johnson MP	0-5	0-2.5	33	26	3
Baroness Neville-Rolfe DBE CMG (until 08 January 2017)[2]	–	–	–	–	–
Nick Hurd (from 15 July 2016)	0-5	0-2.5	55	49	3
Rt Hon Anna Soubry (until 14 July 2016)	0-5	0-2.5	43	41	1
Nick Boles MP (until 14 July 2015)	0-5	0-2.5	8	6	1
Lord Mark Price (until 15 July 2016)[3]	–	–	–	–	–
Andrea Leadsom (until 16 July 2016)	0-5	0-2.5	16	14	1
Ed Vaizey MP (until 15 July 2016)[4]	–	–	–	–	–
Parliamentary Under-Secretaries of State					
Margot James (from 16 July 2016)	0-5	0-2.5	5	–	3
Jesse Norman (from 16 July 2016)	0-5	0-2.5	8	4	2
Lord Prior of Brampton (from 09 January 2017)	0-5	0-2.5	40	34	3
George Freeman MP (until 15 July 2016)	0-5	0-2.5	12	11	–
Lord Bourne of Aberystwyth (until 14 July 2016)	–	–	–	–	–

Note:

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

1 This is audited information

2 Not a Member of the Parliamentary Contribution Pension Fund

3 Formerly a joint minister with the Department for Business, Innovation and Skills (BIS) and the Foreign and Commonwealth Office (FCO) between 4 April- 15 July 2016

4 Salary and pension benefits details can be found in the Department of Culture, Media and Sport's 2016-17 Annual Report and Accounts

Salary and Pension entitlements for the senior managers of the Department

The salary and pension entitlements of the most senior managers of the Department for Business, Energy and Industrial Strategy are set out in the following table. As well as the current members of the BEIS Departmental or Executive Boards, this table also includes the former members who either left the Department during the year or ceased to be a member. None of the officials of the Department received any benefits-in-kind during the year.

Single total figure of remuneration[1]

Officials	Salary (£'000) 2016-17	Salary (£'000) 2015-16	Bonus payments (£'000) 2016-17	Bonus payments (£'000) 2015-16	Pension benefits (to nearest £1,000)[2] 2016-17	Pension benefits (to nearest £1,000)[2] 2015-16 restated	Total (to nearest £'000) 2016-17	Total (to nearest £'000) 2015-16 restated
Alex Chisholm from 04 July 2016)	120-125 (180-185 full year equivalent)	–	–	–	51,000	–	170-175	–
Sir Martin Donnelly (until 05 September 2016)[3]	70-75 (165-170 full year equivalent)	160-165	–	–	15,000	51,000	85-90	215-220
Stephen Lovegrove (until 24 April 2016)[4]	10-15 (165-170 full year equivalent)	165-170	–	–	9,000	77,000	20-25	245-250
Sam Beckett	125-130	115-120	0-5	–	90,000	81,000	220-225	200-205
Gareth Davies	125-130	125-130	10-15	0-5	80,000	122,000	215-220	245-250
Clive Maxwell	145-150	140-145	–	–	56,000	65,000	200-205	205-210
Jeremy Pocklington	115-120	110-115	–	10-15	79,000	154,000	195-200	275-280
Angie Ridgwell	140-145	140-145	10-15	–	–	56,000	155-160	195-200
Jaee Samant (from 04 April 2016)	95-100 (105-110 full year equivalent)	–	10-15	–	98,000	–	205-210	–
John Loughhead	130-135	125-130	–	–	52,000	50,000	180-185	175-180
Katrina Williams (until 31 March 2017)	120-125	120-125	–	10-15	28,000	39,000[5]	150-155	160-165
Susannah Storey (until 13 November 2016)[6]	45-50 (115-120 full year equivalent)	70-75	5-10	5-10	17,000	27,000	70-75	100-105
Jo Shanmugalingam (until 13 November 2016)[7]	35-40 (85-90 full year equivalent)	55-60	5-10	5-10	15,000	27,000	60-65	90-95
Stephen Speed (until 3 July 2016)[8]	–	–	–	–	–	–	–	–
Howard Orme (until 09 October 2016)[9]	90-95 (160-165 full year equivalent)	160-165	10-15	15-20	20,000	48,000	120-125	220-225
Philippa Lloyd (until 28 July 2016)[10]	35-40 (125-130 full year equivalent)	115-120 (120-125 full year equivalent)	10-15	15-20	23,000	77,000	70-75	205-210
Rachel Sandby-Thomas (until 04 April 2016)	0-5 (130-135 full year equivalent)	130-135	–	10-15	–	31,000	0-5	175-180
Catherine Raines (until 14 Jul 2016)[11]	40-45 (150-155 full year equivalent)	85-90 (150-155 full year equivalent)	–	–	21,000	40,000	60-65	125-130

1 This is audited information

2 The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

3 6 September – 31 March salary and pension benefits details can be found in the Department for International Trade 2016-17 Annual Report and Accounts

Footnotes continued

4 25 April – 31 March salary and pension benefits details can be found in the Ministry of Defence 2016-17 Annual Report and Accounts
5 Revised due to retrospective change to salary history
6 14 November - 31 March salary and pension benefits can be found in the Department for Exiting the European Union. The role was part time
7 14 November - 31 March salary and pension benefits can be found in the Department for Exiting the European Union. The role was part time
8 Acting Director General for Markets & Infrastructure from 25 April - 3 July 2016 and role was unpaid
9 10 October - 31 March salary and pension benefits details can be found in the Department for Education 2016-17 Annual Report and Accounts
10 29 July - 31 March salary and pension benefits details can be found in the Department for Education 2016-17 Annual Report and Accounts. The role was part time
11 15 July - 31 March Salary and pension benefits details can be found in the Department for International Trade 2016-17 Annual Report and Accounts

Pension Benefits[1]

Officials	Accrued pension at age 60 as at 31 March 2017 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2017	CETV at 31 March 2016	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £'000
Alex Chisholm (from 04 July 2016)	15-20	2.5-5	193	155	23	–
Sir Martin Donnelly until 05 September 2016)[2]	70-75 plus lump sum of 220-225	0-2.5 plus lump sum of 2.5-5	1,682	1,610	14	–
Stephen Lovegrove (until 24 April 2016)[3]	25-30	0-2.5	424	418	5	–
Sam Beckett	40-45 plus lump sum of 110-115	2.5-5 plus lump sum of 5-7.5	756	669	55	–
Gareth Davies	35-40	2.5-5	472	410	37	–
Clive Maxwell	45-50 plus lump sum of 120-125	2.5-5 plus lump sum of 0	721	665	22	–
Jeremy Pocklington	35-40 plus lump sum of 20-25	2.5-5 plus lump sum of 0-2.5	486	424	38	–
Angie Ridgwell[4]	–	–	–	95	–	–
Jaee Samant (from 04 April 2016)	30-35 plus lump sum of 85-90	2.5-5.0 plus lump sum of 7.5-10	564	475	66	–
John Loughhead	5-10	2.5-5	119	71	40	–
Katrina Williams (until 31 March 2017)	50-55 plus lump sum of 150-155	0-2.5 plus lump sum 2.5-5	1,031	963[5]	23	–
Susannah Storey (until 13 November 2016)[6]	15-20	0-2.5	183	174	6	–
Jo Shanmugalingam (until 13 November 2016)[7]	15-20 plus lump sum of 40-45	0-2.5 plus lump sum 0-2.5	199	186	4	–
Stephen Speed (until 3 July 2016)	–	–	–	–	–	–
Howard Orme (until 09 September 2016)[8]	25-30	0-2.5	492	464	18	–
Philippa Lloyd (until 28 July 2016)[9]	40-45 plus lump sum of 45-50	0-2.5 plus lump sum of 0-2.5	782	757	20	–
Rachel Sandby-Thomas (until 04 April 2016)	45-50 plus lump sum of 45-50	0-2.5 plus lump sum of 0	816	816	–	–
Catherine Raines (until 14 Jul 2016)[10]	15-20	0-2.5	213	199	11	–

Note: Where senior managers left during the course of the year, their CETV closing balance will be as at their leaving date.

1 This is audited information
2 Pension details can be found in the Department for International Trade's 2016-17 Annual Report and Accounts
3 Pension details can be found in the Ministry of Defence 2016-17 Annual Report and Accounts
4 Chose not to be covered by the Civil Service Pension arrangements for the reporting year
5 Revised due to retrospective change to salary history
6 Pension details can be found in the Department for Exiting the European Union
7 Pension details can be found in the Department for Exiting the European Union
8 Pension details can be found in the Department for Education 2016-17 Annual Report and Accounts
9 Pension details can be found in the Department for Education 2016-17 Annual Report and Accounts
10 Pension details can be found in the Department for International Trade 2016-17 Annual Report and Accounts

Notes:[1]

- The information relates only to the core Department. Similar information relating to the Chief Executives and most senior managers of the executive agencies and other bodies of the BEIS family is given in the separate accounts of those bodies.
- 'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Department and thus recorded in these accounts. In respect of Ministers in the House of Commons, departments bear only the cost of the additional Ministerial remuneration; the salary for their services as an MP (£67,060 from 1 April 2014, £74,000 from 8 May 2015) and various allowances to which they are entitled are borne centrally. However, the arrangement for Ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their Ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the Department and is therefore shown in full in the figures above.
- Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2016-17 relate to performance in 2015-16 and the comparative bonuses reported for 2015-16 relate to the performance in 2014-15.
- None of the most senior managers of the core Department received any benefits-in-kind during the year.

Ministerial pensions

Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute and the rules are set out in the Ministers' etc. Pension Scheme 2015.[2]

Those Ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report). A new MP's pension scheme was introduced from May 2015, although members who were aged 55 or older on 1 April 2013 have transitional protection to remain in the previous final salary pension scheme.

Benefits for Ministers are payable from State Pension age under the 2015 scheme. Pensions are re-valued annually in line with Pensions Increase legislation both before and after retirement. The contribution rate from May 2015 is 11.1% and the accrual rate is 1.775% of pensionable earnings.

The figure shown for pension value includes the total pension payable to the member under both the pre- and post-2015 Ministerial pension schemes.

The Cash Equivalent Transfer Value (CETV) for Ministerial pensions

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

1 This is not audited information

2 Available at http://qna.files.parliament.uk/ws-attachments/170890/original/PCPF MINISTERIAL SCHEME FINAL RULES.doc

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

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined **alpha**. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has 4 sections: 3 providing benefits on a final salary basis (**classic, premium** or **classic plus**) with a normal pension age of 60; and one providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

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**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes.) 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 3% and 8.05% of pensionable earnings for members of **classic** (and members of **alpha** who were members of **classic** immediately before joining **alpha**) and between 4.6% and 8.05% for members of **premium**, **classic plus**, **nuvos** and all other members of **alpha**. 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. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. 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% up to 30 September 2015 and 8% and 14.75% from 1 October 2015 (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of 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 up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 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**, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

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

Cash Equivalent Transfer Values for Civil Service pensions

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

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

Real increase in CETV

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

Compensation for loss of office

No senior managers have received compensation for loss of office.

Fair Pay Disclosure

The pay multiples disclosure is subject to audit. Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest paid director, including any bonuses, in the Department for Business, Energy and Industrial Strategy in the financial year 2016-17 was £180,000 to £185,000 (2015-16: restated: £175,000 to £180,000). This was 4.92 times (2015-16: restated 4.73) the median remuneration of the workforce, which was £37,092 (2015-16 restated: £37,502).

In 2016-17: 2 (2015-16: restated: 3) received remuneration in excess of the highest paid director. Remuneration ranged from £11,670 to £185,111 (2015-16 restated: £13,091 to £280,000).

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

Fees Entitlements for Non-Executive Board Members[1]

Below are the fees entitlements to the Non-Executive Board members for their role on the BEIS Departmental Board. The entitlements for the year to each person were in the following ranges:

Non-executive member	Fees for 2016-17	Fees for 2015-16 restated[2]
	£000	£000
Archie Norman (from 03 October 2016)	10-15 (20 full year equivalent)	–
Professor Dame Ann Dowling	20-25 (20 full year equivalent)	15-20 (15 full year equivalent)
Carolyn McCall (from 01 February 2017)	0-5 (15 full year equivalent)	–
Charles Randell	15-20 (20 full year equivalent)[3]	20-25 (20 full year equivalent)
Kathryn Parsons (from 01 February 2017)	0-5 (15 full year equivalent)	–
Stephen Carter (from 01 February 2017)	0-5 (15 full year equivalent)	–
Stuart Quickenden (from 01 February 2017)	- (15 full year equivalent)[4]	–
Martin Stewart (until 31 July 2016)	5-10 (20 full year equivalent)	20-25 (20 full year equivalent)
Allan Cook (until 14 November 2016)	15-20 (20 full year equivalent)	20-25 (20 full year equivalent)
Professor Wendy Purcell (until 23 July 2016)	0-5 (15 full year equivalent)	15-20 (15 full year equivalent)
Stephen Bligh (until 12 December 2016)	15-20 (20 full year equivalent)	15-20 (20 full year equivalent)
Dale Murray CBE (until 12 December 2016)	10-15 (15 full year equivalent)	15-20 (15 full year equivalent)
Juergen Maier (until 12 December 2016)	10-15 (15 full year equivalent)	15-20 (15 full year equivalent)
Tom Kelly (until 12 December 2016)	10-15 (15 full year equivalent)	15-20 (15 full year equivalent)
Rachel Campbell (until 12 December 2016)	10-15 (24 full year equivalent)[5]	20-25 (24 full year equivalent)

1 This is audited information
2 2015-16 fees restated to recognise remuneration on an accrual basis
3 Waived fee entitlement with effect from 1 March 2017
4 Waived off February and March 2017 fees entitlement
5 Waived off October - December 2016 fees entitlement

Off-payroll Tax Assurance

The Government's review of the tax arrangements of public sector appointees highlighted the possibility for artificial arrangements to enable tax avoidance. BEIS continues to take a robust approach and its tax assurance policy has been promulgated and implemented across the BEIS family. Tax assurance evidence is sought and scrutinised to ensure it is sufficient from all off-payroll appointees. Assurance of compliance with this tax policy has also been sought from our Partner Organisations. Monitoring has shown we are broadly compliant across BEIS and action has been taken to address any slight deviations from this policy.

A summary of the BEIS tax assurance data can be found at https://www.gov.uk/government/publications?departments[]=department-for-business-energy-and-industrial-strategy&publication_type=transparency-data

Parliamentary Accountability and Audit Report

Statement of Parliamentary Supply (SoPS)

In addition to the primary statements prepared under International Financial Reporting Standards (IFRS), the Government Financial Reporting Manual (FReM) requires the Department to prepare a Statement of Parliamentary Supply (SoPS) and supporting notes to show resource against outturn against the Supply Estimate presented to Parliament in respect of each budgetary control limit. The SoPS and related notes are subject to audit.

Summary of resource and capital outturn in 2016-17

								2016-17	2015-16
		Estimate			Outturn			Voted outturn compared with Estimate: saving/ (excess)	Outturn restated
	SoPS Note	Voted	Non-Voted	Total	Voted	Non-Voted	Total		Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Departmental Expenditure Limit									
– Resource	1.1	3,385,099	(1,048,000)	2,337,099	2,999,102	(1,026,768)	1,972,334	385,997	8,317,849
– Capital	1.2	11,274,147	-	11,274,147	10,834,636	-	10,834,636	439,511	4,882,379
Annually Managed Expenditure									
– Resource	1.1	17,137,296	275,000	17,412,296	3,291,704	231,511	3,523,215	13,845,592	101,945,294
– Capital	1.2	310,790	-	310,790	(14,507)	-	(14,507)	325,297	(1,612,974)
Total Budget		32,107,332	(773,000)	31,334,332	17,110,935	(795,257)	16,315,678	14,996,397	113,532,548
Non-Budget									
– Resource	1.1	–	–	–	–	–	–	–	–
Total		**32,107,332**	**(773,000)**	**31,334,332**	**17,110,935**	**(795,257)**	**16,315,678**	**14,996,397**	**113,532,548**
Total Resource	1.1	20,522,395	(773,000)	19,749,395	6,290,806	(795,257)	5,495,549	14,231,589	110,263,143
Total Capital	1.2	11,584,937	-	11,584,937	10,820,129	-	10,820,129	764,808	3,269,405
Total		**32,107,332**	**(773,000)**	**31,334,332**	**17,110,935**	**(795,257)**	**16,315,678**	**14,996,397**	**113,532,548**

Net Cash Requirement 2016-17

		2016-17			2015-16 restated
	Note	Estimate	Outturn	Net total outturn compared with Estimate: saving/(excess)	Outturn
		£'000	£'000	£'000	£'000
Net cash requirement	3	16,154,642	13,504,477	2,650,165	12,533,264

Administration Costs 2016-17

	2016-17		2015-16 restated
	Estimate	Outturn	Outturn
	£'000	£'000	£'000
Total Administration costs	425,553	392,033	521,450

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

Prior year outturn is restated to reflect the changes as result of the Machinery of Government changes in 2016-17.

Further information on these restatements is in note 27 to the financial accounts.

Explanations of the significant variances between Estimate and outturn are given in the DG's Financial Review on pages 33.

The Notes on pages 100-107 form part of these accounts.

Notes to the Statement of Parliamentary Supply

SoPS 1. Net Outturn

SoPS 1.1. Analysis of net resource outturn by section

	2016-17										2015-16 restated
	Outturn							Estimate			Outturn
	Administration			Programme							
	Gross	Income	Net	Gross	Income	Net	Total	Net Total	Net total compared with Estimate	Net total compared with Estimate, adjusted for virements	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Spending in Departmental Expenditure Limit by section											
Voted											
A Science and Research	–	–	–	18,609	(1,239)	17,370	17,370	31,467	14,097	1,239	2,196,528
B Innovation, Enterprise and Business	–	–	–	461,152	(20,703)	440,449	440,449	529,524	89,075	89,075	498,589
C Market Frameworks	5,126	–	5,126	151,224	(87,329)	63,895	69,021	122,542	53,521	53,521	91,389
D Capability	331,276	(42,730)	288,546	24,797	(7,454)	17,343	305,889	455,073	149,184	109,183	351,467
E Government as Shareholder	–	–	–	145,409	–	145,409	145,409	137,710	(7,699)	–	176,092
F Science and Research (ALB) net	935	–	935	256,422	–	256,422	257,357	242,356	(15,001)	–	3,037,774
G Innovation, Enterprise and Business (ALB) net	51	–	51	5,438	–	5,438	5,489	5,500	11	11	637,000
H Market Frameworks (ALB) net	7,362	–	7,362	38,061	–	38,061	45,423	53,994	8,571	8,571	47,667
I Capability (ALB) Net	39,818	–	39,818	–	–	–	39,818	9,800	(30,018)	–	40,248
J Government as Shareholder (ALB) net	162	–	162	(44,348)	–	(44,348)	(44,186)	260	44,446	36,747	(26,245)
K Security and Resilience: ensure the UK has a secure and resilient energy system	–	–	–	11,707	(5,884)	5,823	5,823	10,474	4,651	4,651	11,560
L Keeping bills low: keep energy bills as low as possible for households and businesses	–	–	–	37,519	(1,154)	36,365	36,365	41,519	5,154	5,154	342,329

											2015-16 restated
							Outturn	Estimate		2016-17	Outturn
	Administration			Programme							
	Gross	Income	Net	Gross	Income	Net	Total	Net Total	Net total compared with Estimate	Net total compared with Estimate, adjusted for virements	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
M Decarbonisation: secure ambitious international action on climate change and reduce carbon emissions cost-effectively at home	–	–	–	57,668	(4,781)	52,887	52,887	72,830	19,943	18,534	114,579
N Energy legacy: manage the UK's energy legacy safely and responsibly	–	–	–	282,376	(2,396)	279,980	279,980	287,540	7,560	1,071	306,343
O Oil and Gas Authority	8,048	(11,849)	(3,801)	15,112	(88)	15,024	11,223	11,169	(54)	44	23,388
P Oil and Gas Authority (net)	6,603	–	6,603	4,653	–	4,653	11,256	11,313	57	6,423	–
Q NDA and SLC expenditure	38,195	–	38,195	1,249,250	–	1,249,250	1,287,445	1,336,000	48,555	48,555	1,414,542
R Coal Authority (net)	4,096	–	4,096	22,221	–	22,221	26,317	21,400	(4,917)	–	22,096
S Civil Nuclear Police Authority (net)	1,405	–	1,405	256	-	256	1,661	187	(1,474)	1,474	1,493
T Committee on Climate Change (net)	3,535	–	3,535	–	–	–	3,535	3,561	26	26	3,752
U Low Carbon Contracts Company (net)	–	–	–	(1,136)	–	(1,136)	(1,136)	582	1,718	1,718	1,142
V Electricity Settlements Company (net)	–	–	–	1,707	–	1,707	1,707	298	(1,409)	–	674
Total Voted	**446,612**	**(54,579)**	**392,033**	**2,738,097**	**(131,028)**	**2,607,069**	**2,999,102**	**3,385,099**	**385,997**	**385,997**	**9,292,407**
Non-Voted											
W Nuclear Decommissioning Authority Income (CFER)	–	–	–	–	(1,026,768)	(1,026,768)	(1,026,768)	(1,048,000)	(21,232)	(21,232)	(974,558)
Total Non-Voted	**–**	**–**	**–**	**–**	**(1,026,768)**	**(1,026,768)**	**(1,026,768)**	**(1,048,000)**	**(21,232)**	**(21,232)**	**(974,558)**
Total spending in Departmental Expenditure Limit	**446,612**	**(54,579)**	**392,033**	**2,738,097**	**(1,157,796)**	**1,580,301**	**1,972,334**	**2,337,099**	**364,765**	**364,765**	**8,317,849**
Annually Managed Expenditure by section											
Voted											
X Science and Research	–	–	–	41,888	–	41,888	41,888	(14,194)	(56,082)	–	49,872

Y Innovation, Enterprise and Business	–	–	–	249,667	(42,944)	206,723	206,723	(60,300)	(267,023)	–	(68,032)
Z Market Frameworks	–	–	–	134,029	–	134,029	134,029	198,000	63,971	63,632	101,517
AA Capability	–	–	–	(6,024)	11	(6,013)	(6,013)	25,687	31,700	24,631	(21,807)
AB Government as Shareholder	–	–	–	–	(4,652)	(4,652)	(4,652)	(8,756)	(4,104)	–	(2,338)
AC Science and Research (ALB) net	–	–	–	90,936	–	90,936	90,936	59,680	(31,256)	–	90,315
AD Innovation, Enterprise and Business (ALB) net	–	–	–	(10,378)	–	(10,378)	(10,378)	18,897	29,275	–	7,722
AE Market Frameworks (ALB) net	–	–	–	(58)	–	(58)	(58)	(397)	(339)	–	(168)
AF Capability (ALB) net	–	–	–	(400)	–	(400)	(400)	1	401	401	2
AG Government as Shareholder (ALB) net	–	–	–	(26,653)	–	(26,653)	(26,653)	(12,696)	13,957	9,853	(47,351)
AH Keeping bills low: keep energy bills as low as possible for households and businesses	–	–	–	–	(3,204)	(3,204)	(3,204)	(2,079)	1,125	2,530	(309,667)
AI Decarbonisation: secure ambitious international action on climate change and reduce carbon emissions cost-effectively at home	–	–	–	(1,335,361)	–	(1,335,361)	(1,335,361)	119,467	1,454,828	1,135,406	840,940
AJ Energy legacy: manage the UK's energy legacy safely and responsibly	–	–	–	(245,888)	(12,727)	(258,615)	(258,615)	(200,887)	57,728	56,995	(308,924)
AK Renewable Heat Incentive	–	–	–	545,426	–	545,426	545,426	633,000	87,574	87,574	372,420
AL Oil and Gas Authority	–	–	–	–	–	–	–	(313)	(313)	–	166
AM Oil and Gas Authority (net)	–	–	–	106	–	106	106	(314)	(420)	–	–
AN Nuclear Decommissioning Authority	–	–	–	2,850,516	–	2,850,516	2,850,516	5,340,000	2,489,484	2,489,484	89,797,932
AO Coal Authority (net)	–	–	–	2,061	–	2,061	2,061	94,684	92,623	92,623	1,907,290
AP Civil Nuclear Police Authority (net)	–	–	–	(142)	–	(142)	(142)	(122)	20	20	(826)
AQ Committee on Climate Change (net)	–	–	–	(63)	–	(63)	(63)	(62)	1	1	–
AR Low Carbon Contracts Company (net)	–	–	–	1,065,558	–	1,065,558	1,065,558	10,948,000	9,882,442	9,882,442	9,281,975
Total Voted	**–**	**–**	**–**	**3,355,220**	**(63,516)**	**3,291,704**	**3,291,704**	**17,137,296**	**13,845,592**	**13,845,592**	**101,691,038**
Non-Voted											
AS Market Frameworks	–	–	–	231,511	–	231,511	231,511	275,000	43,489	43,489	254,256
Total Non Voted	–	–	–	231,511	–	231,511	231,511	275,000	43,489	43,489	254,256
Total spending in Annually Managed Expenditure	**–**	**–**	**–**	**3,586,731**	**(63,516)**	**3,523,215**	**3,523,215**	**17,412,296**	**13,889,081**	**13,889,081**	**101,945,294**
Total DEL and AME Resource	**446,612**	**(54,579)**	**392,033**	**6,324,828**	**(1,221,312)**	**5,103,516**	**5,495,549**	**19,749,395**	**14,253,846**	**14,253,846**	**110,263,143**

Explanations of the significant variances between the Outturn and Estimate are included in the Directors' financial review on page 33.

SoPS 1.2 Analysis of net capital outturn by section

						2016-17	2015-16
			Outturn			Estimate	Outturn
	Gross	Income	Net	Net	Net total compared with Estimate	Net total compared with Estimate, adjusted for virements	Net
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Spending in Departmental Expenditure Limit by section							
Voted							
A Science and Research	2,757,049	(10,053)	2,746,996	2,838,927	91,931	9,126	374,354
B Innovation, Enterprise and Business	451,123	(254,500)	196,623	350,635	154,012	154,012	290,167
C Market Frameworks	986	–	986	5,000	4,014	3,599	(10,906)
D Capability	10,191	(10)	10,181	68,708	58,527	54,602	7,585
E Government as Shareholder	79,551	(5,136)	74,415	82,874	8,459	8,459	108,914
F Science and Research (ALB) net	3,453,704	–	3,453,704	3,370,899	(82,805)	–	596,223
G Innovation, Enterprise and Business (ALB) net	803,985	–	803,985	834,859	30,874	30,874	97,551
H Market Frameworks (ALB) net	1,246	–	1,246	831	(415)	-	1,049
I Capability (ALB) Net	480	–	480	307	(173)	–	641
J Government as Shareholder (ALB) net	1,172,445	–	1,172,445	1,331,896	159,451	159,451	1,110,620
K Security and Resilience: ensure the UK has a secure and resilient energy system	(548)	–	(548)	1,437	1,985	1,985	5,071
L Keeping bills low: keep energy bills as low as possible for households and businesses	43,440	(1,239)	42,201	43,609	1,408	1,408	131,102
M Decarbonisation: secure ambitious international action on climate change and reduce carbon emissions cost-effectively at home	343,233	(137)	343,096	357,941	14,845	12,540	374,758
N Energy legacy: manage the UK's energy legacy safely and responsibly	6,295	–	6,295	6,300	5	5	5,017
O Oil and Gas Authority	1,052	400	1,452	186	(1,266)	–	2,635
P Oil and Gas Authority (net)	1,163	–	1,163	332	(831)	–	–

						2016-17	2015-16
			Outturn			Estimate	Outturn
	Gross	Income	Net	Net	Net total compared with Estimate	Net total compared with Estimate, adjusted for virements	Net
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Q NDA and SLC expenditure	1,970,695	–	1,970,695	1,972,000	1,305	1,305	1,827,695
R Coal Authority (net)	5,960	–	5,960	8,100	2,140	2,140	6,821
S Civil Nuclear Police Authority (net)	1,655	–	1,655	–	(1,655)	–	2,787
T Committee on Climate Change (net)	9	–	9	14	5	5	4
U Low Carbon Contracts Company (net)	592	–	592	(411)	(1,003)	–	955
V Electricity Settlements Company (net)	1,005	–	1,005	(297)	(1,302)	–	975
Total Voted	**11,105,311**	**(270,675)**	**10,834,636**	**11,274,147**	**439,511**	**439,511**	**4,287,153**
Non–Voted							
W Nuclear Decommissioning Authority Income (CFER)	–	–	–	–	–	–	(51,639)
Total Non–Voted	**–**	**–**	**–**	**–**	**–**	**–**	**(51,639)**
Total spending in Departmental Expenditure Limit	**11,105,311**	**(270,675)**	**10,834,636**	**11,274,147**	**439,511**	**439,511**	**4,882,379**
Annually Managed Expenditure by section							
Voted							
X Science and Research	834	–	834	–	(834)	–	–
Y Innovation, Enterprise and Business	–	(4,819)	(4,819)	(10,726)	(5,907)	–	(12,797)
Z Market Frameworks	–	–	–	–	–	–	–
AA Capability	–	–	–	–	–	–	–
AB Government as Shareholder	7,661,000	(7,527,000)	134,000	537,000	403,000	270,762	223,000
AC Science and Research (ALB) net	(61,276)	–	(61,276)	–	61,276	54,535	(38,980)
AD Innovation, Enterprise and Business (ALB) net	84,961	–	84,961	65,107	(19,854)	–	17,297
AE Market Frameworks (ALB) net	–	–	–	–	–	–	–
AF Capability (ALB) net	–	–	–	–	–	–	–

						2016-17	2015-16
			Outturn			Estimate	Outturn
	Gross	Income	Net	Net	Net total compared with Estimate	Net total compared with Estimate, adjusted for virements	Net
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
AG Government as Shareholder (ALB) net	(129,934)	–	(129,934)	(242,318)	(112,384)	–	(430,678)
AH Keeping bills low: keep energy bills as low as possible for households and businesses	–	–	–	–	–	–	–
AI Decarbonisation: secure ambitious international action on climate change and reduce carbon emissions cost–effectively at home	–	–	–	–	–	–	2,310
AJ Energy legacy: manage the UK's energy legacy safely and responsibly	12,727	(51,000)	(38,273)	(38,273)	–	–	61,891
AK Renewable Heat Incentive	–	–	–	–	–	–	(22)
AL Oil and Gas Authority	–	–	–	–	–	–	–
AM Oil and Gas Authority (net)	–	–	–	–	–	–	–
AN Nuclear Decommissioning Authority	–	–	–	–	–	–	–
AO Coal Authority (net)	–	–	–	–	–	–	–
AP Civil Nuclear Police Authority (net)	–	–	–	–	–	–	–
AQ Committee on Climate Change (net)	–	–	–	–	–	–	–
AR Low Carbon Contracts Company (net)	–	–	–	–	–	–	–
Total Voted	**7,568,312**	**(7,582,819)**	**(14,507)**	**310,790**	**325,297**	**325,297**	**(177,979)**
Non–Voted							
AS Market Frameworks	–	–	–	–	–	–	–
Government as Shareholder (ALB) net							**(1,434,995)**
Total Non–Voted	–	–	–	–	–	–	**(1,434,995)**
Total spending in Annually Managed Expenditure	**7,568,312**	**(7,582,819)**	**(14,507)**	**310,790**	**325,297**	**325,297**	**(1,612,974)**
Total DEL and AME Capital	**18,673,623**	**(7,853,494)**	**10,820,129**	**11,584,937**	**764,808**	**764,808**	**3,269,405**

Explanations of the significant variances between the Outturn and Estimate are included in the Directors' financial review on page 33.

SoPS 2: Reconciliation of net resource outturn to net operating expenditure

	Note	2016-17 Outturn	2015-16 restated Outturn
		£'000	£'000
Total resource outturn in Statement of Parliamentary Supply	SoPS 1.1	5,495,549	110,263,143
Add:			
NDA remedial decommissioning costs which are capital in budgets but taken through the SoCNE		1,970,695	1,780,384
Capital Grants		1,737,259	1,925,742
Share of profit/loss of joint ventures and associates		242	30,774
Other non-budget		28,090	1,812
Share of minority interest		4,604	3,991
Research and Development costs		6,190,998	0
Less:			
Postal Services Holding net profit on disposal of Royal Mail		0	(1,434,995)
Investments realised		0	(29,384)
Non-budgetary income		(28,468)	0
Ordnance Survey dividend in specie		0	(135,752)
Non-budget, non-voted items in respect of BIS (Postal Services Act 2011) Company Limited and B Company Limited		(88,164)	(103,093)
Expected return on pension scheme assets		(42,266)	(38,060)
Gains/(losses) on defined benefit scheme		(14,260)	7,648
NDA income scored in SOPS only		61,348	69,593
Capital Income in SOCNE		(73,115)	(208,459)
Amortisation of financial guarantees		(7,768)	(14,496)
Research and Development income		(342,822)	0
Other:			
Impact of intra–group transactions		(65,773)	(1,077)
Other differences		16,424	(10,539)
Net Expenditure for the period in Consolidated Statement of Comprehensive Net Expenditure		**14,842,573**	**112,107,232**

The prior year comparatives present the Net Operating Expenditure as reported at 31 March 2017. This is restated following a Machinery of Government change.

SoPS 3: Reconciliation of Net Resource Outturn to Net Cash Requirement

			2016-17
	Estimate	Outturn	Net total outturn compared with Estimate: saving/(excess)
	£'000	£'000	£'000
Resource Outturn	19,749,395	5,495,549	14,253,846
Capital Outturn	11,584,937	10,820,129	764,808
	31,334,332	**16,315,678**	**15,018,654**
Accruals to cash adjustments:			
Adjustments to remove non-cash items:			
Depreciation/Amortisation	(30,424)	(27,392)	(3,032)
New provisions and adjustments to previous provisions	(31,332)	(77,542)	46,210
Movement in fair value - Contracts for Difference	(119,000)	1,337,205	(1,456,205)
Other non-cash items	50,174	(279,927)	330,101
Adjustments for NDPBs:			
Remove voted resource and capital	(25,474,241)	(12,912,859)	(12,561,382)
Add cash grant-in-aid	8,345,364	7,441,033	904,331
Add share purchase	–	716,483	(716,483)
Adjustments to reflect movements in working balances:			
Increase/(decrease) in receivables	1,000,000	(156,468)	1,156,468
(Increase)/decrease in payables	–	40,356	(40,356)
Use of provisions	306,769	301,685	5,084
Financial guarantees called in	–	10,967	(10,967)
	15,381,642	**12,709,219**	**2,672,423**
Removal of non-voted budget items:			
Other adjustment	773,000	795,257	(22,257)
Net cash requirement	**16,154,642**	**13,504,476**	**2,650,166**

SoPS 4: Income payable to the Consolidated Fund

In addition to income retained, the following income was payable to the Consolidated Fund. Cash receipts are shown in italics.

		2016-17		2015-16 restated
		Outturn		Outturn
	Income	*Receipts*	Income	*Receipts*
	£'000	£'000	£'000	£'000
Operating income of the NDA within the Ambit	756,394	*762,000*	935,267	*934,000*
Operating income outside the Ambit of the Estimate	242,526	*242,851*	1,979,730	*1,979,527*
Total income payable to the Consolidated Fund	998,920	***1,004,851***	2,914,997	***2,913,527***

Regularity of expenditure[1]

Losses and special payments

The disclosures in this note are in accordance with *Managing Public Money*, the official guidance on handling public funds.

Losses statement

	2016-17		2015-16 restated	
	Core and Agencies	Departmental Group	Core and Agencies	Departmental Group
Total number of losses	**7,460**	**7,827**	**8,138**	**8,299**
RPS receivable impairment	249	249	261	261
Other losses	39	40	283	284
Total value of losses (£m)	**288**	**289**	**544**	**545**

Details of cases over £300,000

Cash losses

Core Department

£18.9 million was written off in 2016-17 in respect of Hatfield Colliery Partnership Limited. A loan was provided by BEIS in order to preserve the viability of a managed closure plan, but was unable to be fully repaid as the company went into liquidation.

Claims abandoned

Core Department

Redundancy Payment Service (RPS) receivable impairment: most of the redundancy payments made from the National Insurance Fund (NIF) are in respect of employees of insolvent companies. Repayment of debt is recovered from the sale of the assets of the insolvent company. A small part of the debt is preferential but most ranks with ordinary creditors. Therefore most of the debt is irrecoverable. HMRC record the impairment of the RPS receivable in NIF accounts. The RPS receivable impairment for 2016-17 is £249 million (2015-16: £261 million).

Constructive losses

Core Department

The core Department holds onerous leases for properties on the Department's estate, for which we have provided £113 million. The payments made during the course of 2016-17 in respect of these leases amounted to £18.8 million (2015-16: £16.1 million).

Store Losses

Departmental Group

A loss of £900,000 was incurred by the Nuclear Decommissioning Authority from the write off of stores items on nuclear licensed sites.

1 This section is subject to NAO audit opinion

Special Payments
Special payments include extra–contractual, ex–gratia, compensation and special severance payments.

	2016-17		2015-16 restated	
	Core and Agencies	Departmental Group	Core and Agencies	Departmental Group
Total number of special payments	29	53	32	38
Total value of special payments (£m)	1	99	–	1

Details of cases over £300,000

Extra–contractual payments
Core Department

The Department funded a settlement for one of its Partner Organisations with SSCL of £500,000 in 2016-17. This settlement ended the pre-existing contract with SSCL.

Compensation payments
Departmental Group

The Nuclear Decommissioning Authority made special payments in 2016-17 of a) £583,540 in settlement of a tribunal case and b) £85,000,000 to Energy Solutions and £12,345,885 to Bechtel in settlement of legal action relating to procurement of a new parent body organisation for the Magnox nuclear licensed sites.

Remote Contingent Liabilities[1]

Quantifiable

The Departmental Group has entered into the following quantifiable contingent liabilities by offering guarantees, indemnities or letters of comfort. None of these is a contingent liability within the meaning of IAS 37 since the likelihood of a transfer of economic benefit in settlement is too remote. They therefore fall to be disclosed under the requirements of the 'Government Financial Reporting Manual' and 'Managing Public Money'. Measurement is carried out following the requirements of IAS 39, given that the reporting requirements of 'Managing Public Money', and these liabilities, fall outside the scope of IAS 37.

'Managing Public Money' requires that the full potential costs of such contracts be reported to Parliament.

	1 April 2016	Increase/ (Decrease) in year	Liabilities crystallised in year	Obligations expired in year	31 March 2017	Amount reported to Parliament by Departmental Minute
	£m	£m	£m	£m	£m	£m
GIB has provided indemnities relating to costs of decommissioning and restoring sites once they are no longer in use.	103	(70)	–	–	**33**	–
Other	1	–	–	(1)	–	–
BEIS has indemnified Cornwall Council for European Regional Development Fund (ERDF)–related liability, arising from the transfer of Wave Hub.	–	18	–	–	**18**	18
Total	**104**	**(52)**	**–**	**(1)**	**51**	**18**

1 This section is subject to NAO audit opinion

Unquantifiable

BEIS has also incurred the following unquantifiable contingent liabilities. None of these are a contingent liability within the meaning of IAS 37 since the possibility of a transfer of economic benefit in settlement is too remote.

Statutory Guarantees

Core Department

- In the event of BAE Systems plc (BAES) being wound up, other than for the purpose of reconstruction or amalgamation, the Government is contingently liable to discharge any outstanding liability of BAES which vested in them on 01 January 1981 under section 9, British Aerospace Act 1980.

Statutory Indemnities

Core Department

- Indemnities given to UK Atomic Energy Authority by the Secretary of State to cover indemnities given to carriers against certain claims for damage caused by nuclear matter in the course of carriage.
- Indemnities given to bankers of the Insolvency Service against certain liabilities arising in respect of non-transferable “account payee” cheques due to insolvent estates and paid into the Insolvency Service’s account.
- The Police Information Technology Organisation (Home Office) provides the Criminal Enforcement Team (formerly part of BEIS) with access to data from the Police National Computer (PNC). The Insolvency Service (and BEIS) has indemnified the police against any liabilities which they may incur as a result of providing that access.
- Indemnity given to National Grid’s liabilities with regards to the interconnector linking the UK and France.

Other

Core Department

- On 29 March 2017, the UK Government submitted its notification to leave the EU and Euratom in accordance with Article 50 of the Treaty on the European Union and the corresponding provision of the Euratom Treaty. This started a two-year negotiation process. Any subsequent changes in legislation, regulation and funding arrangements are subject to the outcome of the negotiations. As a result, an unquantifiable remote contingent liability is disclosed. In accordance with accounting standards, no contingent assets can be recognised. During this two–year period, which includes the full duration of the next accounting period, the UK remains a full member of the EU and Euratom with all the rights and obligations arising from membership. There are no significant impacts on the financial statements in the short term from making the formal notification.
- Incidents/accidents Insurance claims for exposure to ionising radiation pursued outside the existing UK Atomic Energy Authority insurance scheme.
- A contingent liability in respect of risk associated with the core Department assuming responsibility for uplifts in pension contributions for the UK Atomic Energy Authority’s non-active pension scheme members.
- European Patent Office (EPO): the UK, as one of the contracting states, has a potential liability under Article 40 of the European Patent Convention of 1973.
- World Intellectual Property Organisation: the UK, as a contracting state to the Patent Co-operation Treaty of 1970, has a potential liability under Article 57 of the Treaty.
- Indemnities have been given to the Directors appointed by the Department to wholly owned subsidiaries. These indemnities are against personal liability following any legal action against the relevant company.

- An indemnity has been provided to Pöyry PLC relating to the use of their yield curve data for the sale of GIB. The data was an important component of a bidder's due diligence, risk assessment and ultimately the price they were willing to pay. BEIS has indemnified Pöyry PLC for any liability that occurs as a result of using their information in the sale process that may be brought by bidders in relation to the transaction.
- An indemnity has been provided to the Official Receiver relating to their actions as administrator of SSI Redcar with respect to the administration of the site.
- The Department has a contingent liability relating to ongoing legal cases. The cost is dependent on the outcome of cases which currently cannot be reliably estimated.
- In the event Financial Reporting Council's legal costs fund fall below £1 million in any year, BEIS will make a grant payment to cover legal costs subsequently incurred in that year.
- Nuclear Liabilities Fund – Indemnities have been given to the Trustees of the Fund appointed by the Secretary of State. These indemnities are for personal liability due to potential legal action against the Fund.
- Nuclear Liabilities Fund – Indemnities have been given to the British Energy (now EDF Energy) appointed Trustees of the Fund. These indemnities are for personal liability due to potential legal action against the Fund. These indemnities can only be invoked following a failed recourse to an indemnity from EDF Energy.
- Indemnities have been given to the Directors appointed to the Low Carbon Contracts Company Ltd (formerly CFD Counterparty Company Limited) and to Electricity Settlements Company Ltd. The indemnities are against personal liability following any legal action against the companies. The indemnities make clear that they are the last resort for the companies after all other means have been exhausted i.e. Company and Directors insurance (cover limit of £100m); and the recovery of costs through the levy. This reduces the Department's potential exposure.
- Indemnity provided to Low Carbon Contracts Company Ltd and Electricity Settlements Company Ltd in respect of their Officers. The indemnities make clear that they are the last resort for the companies after all other means have been exhausted i.e. Company and Directors insurance (cover limit of £100m); and the recovery of costs through the levy.
- Statutory liability in the event of a nuclear accident in the UK for third-party claims in excess of the operator's liability.
- Liability for non-compliance with the Cogeneration Directive (2004/8/EC): in the event contractors for the Department incorrectly certify combined heat and power plants.
- Liability for costs of retrieving and disposing of sealed radioactive sources in the event that a company keeping such sources becomes insolvent under the High Activity Sealed Sources (HASS) Directive: Council Directive 2003/122/EURATOM.
- Under section 9 of The Radioactive Contaminated Land (Modification of Enactments) (England) (Amendment) Regulations 2007 SI 2007/3245 the Secretary of State is deemed to be the appropriate person to bear responsibility for remediation of land contaminated by a nuclear occurrence.
- An indemnity for loss or damage caused to other parties to the Energy Research Partnership consortium agreement.
- Under the EU Emissions Trading Scheme, Member States are required to appoint a Single Auction Monitor to oversee the auctioning of allowances in Phase III. The Joint Procurement Agreement for the Single Auction Monitor (JPA) provides for Member States to indemnify the Commission should the Commission be required to compensate a third party or another Member State for damages which arise in connection with the JPA. The contingent liability shall remain in place until such time as the JPA no longer exists in its current form. The JPA will remain in place for as long as the obligation to jointly appoint an auction monitor remains under the EU Auctioning Regulation. This period is not specified.

- The Department has indemnified Elexon Ltd against third-party claims relating to the design and/or implementation of Contracts for Difference (CfD) and Capacity Markets (CM) settlement systems which are not covered by insurance and/or guarantees by their sub-contractors.
- Organisation for Economic Co-operation and Development (OECD) and International Energy Agency (IEA): an indemnity for any loss to the IEA arising from use of its data in the Department's Global Climate Change 2050 Pathways Calculator, limited to maximum of £100,000.
- Nuclear Liabilities Fund - A constructive obligation was created in 2002 when the Government undertook to underwrite the Nuclear Liabilities Fund in respect of uncontracted and decommissioning liabilities of British Energy (now EDF Energy Nuclear Generation Limited (EDFE)) to the extent that the assets of the Fund fall short. The undiscounted estimated liabilities of £19.9 billion (2015-16 £19.7 billion) have a present value of £32.8 billion (2015-16 £33 billion) using the prescribed discount rate from HM Treasury of negative 0.8% (2015-16 negative 0.8%). The value of the Fund is £9.4 billion (2015-16 £9.2 billion) and is likely to increase in the future from investment returns. It is hard to quantify the extent to which the net position of the Fund might represent a contingent liability or asset given the high level of uncertainty relating to estimation of cash outflows and investment returns over a future period exceeding 100 years. In view of changes to actual and expected interest rates and expected rates of inflation experienced during the course of the year, the Trustees are currently reviewing the Fund's asset allocation to help ensure sufficient funding to meet expected liabilities. On this basis, the Department believes it would not be appropriate to consider this as either a contingent liability or asset
- The Department is responsible under the United Nations Convention on the Law of the Sea (UNCLOS) 1982, OSPAR decision 98/3, the Energy Act 2004 and the Petroleum act 1998 for decommissioning most oil, gas and renewable energy installations in the event that operators are unable to fulfil their decommissioning commitments. The potential cost of these liabilities will vary by site and cannot be reliably forecast.

Departmental Group

- STFC collaborates with a number of international partners in the funding, management and operation of technical facilities which it does not own. For each of these facilities STFC may be obliged to contribute to decommissioning costs arising from a decision to discontinue operations. The most significant of these potential liabilities is in respect of CERN and the European Southern Observatory (ESO).

These liabilities are unquantifiable due to the nature of the liability and the uncertainties surrounding them.

Other remote contingent liabilities

Indemnities

Core Department

- The Secretary of State Investor Agreement (SOSIA) provides protections in certain scenarios where the Hinkley Point C Nuclear plant is shut shown for reasons that are political, or due to certain changes in insurance arrangements or certain changes in law. Payments under the SOSIA would be expected in the first instance to be made using funds from the Supplier Obligation but in certain circumstances they could also come direct from the Secretary of State relying on spending powers granted under the relevant Appropriation Act or, if payments were to be made over a period longer than 2 years, seeking a new spending power at the time. The payments could be up to around £22bn excluding non-decommissioning operational costs that may be incurred after any shutdown. However, the liability to make payments under the SOSIA is almost entirely within the control of HM Government.

Departmental ALBs

- The NDA has non-quantifiable contingent liabilities arising from indemnities given as part of the contracts for the management of the nuclear site license companies. These indemnities are in respect of the uninsurable residual risk that courts in a country which is not party to the Paris and Brussels Conventions on third–party liability in the field of nuclear energy may accept jurisdiction to determine liability in the event of a nuclear incident.

  Indemnities are in place in respect of Magnox, LLWR and Dounreay as set out in the relevant Parent Body Agreements. In addition, indemnities are provided to the previous PBO's of Magnox and Sellafield covering the periods of their ownership.

  These are not treated as contingent liabilities within the meaning of IAS 37 since the possibility of a transfer of economic benefit in settlement is considered too remote.

Other potential or expected liabilities

The Department has entered into the following quantifiable arrangements, none of which are a contingent liability requiring disclosure under IAS 37. The following information has been provided in the interests of transparency.

- **Hinkley Point C Funded Decommissioning Programme (FDP) and Waste Transfer Contracts (WTCs)**
  The contract with NNB Generation Company Limited (NNB) to build Hinkley Point C (HPC) nuclear power plant includes a Contract for Difference between NNB and the Low Carbon Contracts Company, an FDP and associated FDP documents including WTCs between NNB and the core Department.

The FDP and related documents including WTCs require NNB to make prudent provision for their waste and decommissioning liabilities. To meet their liabilities, the operator must set up a fund with an independent governance framework and will pay into it so that it is on track to fund the liabilities that arise from decommissioning and waste management. The fund will report annually to the Secretary of State and a full review will be conducted every 5 years to ensure that the fund is on track to meet all its liabilities. If it is off track, the operator will be required to take corrective action. These liabilities are strictly the operator's responsibility and the probability of taxpayers picking up these liabilities is remote.

Alongside the FDP, the Government has entered into 2 WTCs. These set out terms on which the Government will take title to and liability for the spent fuel and intermediate level waste (ILW) from the site after decommissioning in order to dispose of the waste safely. The WTCs have generally been prepared in line with the Government's published waste transfer pricing methodology.[1] Although the WTCs provide a default price based on today's best estimate, they allow the waste transfer price to be set after a specified later date. The final price agreed is subject to a cap, but the likelihood of the future costs exceeding the agreed cap is considered remote.

1 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/42629/3798-waste-transfer-pricing-methodology.pdf

- **Capacity agreements**
  These are statutory arrangements between National Grid, as system operator, and capacity providers. They require the capacity provider to be able to provide a given level of capacity in relevant delivery years when called upon to do so by National Grid. To date three auctions have been held for capacity to be delivered in 2018-19, 2019-20 and 2020-21. These awarded 49.26 GW of capacity agreements at a cost of £1.790 billion, 45.37 GW capacity agreements at a cost of £1.089 billion, and 52.43 GW of capacity agreements at a cost of £2.024 billion respectively. The payments to capacity providers will be funded by a levy on licensed electricity suppliers.

The Department has responsibility for administering the settlement process. This role is carried out by the Electricity Settlements Company (ESC), a company set up and owned by the Department. The obligation for the ESC to make capacity payments only arises when the respective levy is received from licensed suppliers and the generator provides the agreed level of capacity. The potential income and payments arising from these arrangements are set out in the following table.

	As at 31 March 2017				As at 31 March 2016			
	Due within 1 year	Due within 2 to 5 years	Due over 5 years	Total	Due within 1 year	Due within 2 to 5 years	Due over 5 years	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Capacity Market – ESC	–	3,321	1,582	4,903	–	2,010	876	2,886
Income from levy – ESC	–	(3,321)	(1,582)	(4,903)	–	(2,010)	(876)	(2,886)
Total Departmental Group	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

Alex Chisholm
Principal Accounting Officer
and Permanent Secretary

13 July 2017

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

I certify that I have audited the financial statements of the Department for Business, Energy and Industrial Strategy and of its Departmental Group for the year ended 31 March 2017 under the Government Resources and Accounts Act 2000. The Department consists of the core Department and its agencies. The Departmental Group consists of the Department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2016. The financial statements comprise: the Department's and Departmental Group's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report, Staff Report and Parliamentary Accountability disclosures within the Accountability Report that is described in those reports as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Department's and the Departmental Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements 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 Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2017 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's and the Departmental Group's affairs as at 31 March 2017 and of the Department's net expenditure and Departmental Group's net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Emphasis of matter – Provisions for nuclear decommissioning and Contracts for Difference (CfDs) derivative

Without qualifying my opinion, I draw attention to the disclosures made in Notes 1.29 and 19.1 to the financial statements concerning the uncertainties inherent in the provisions relating to the costs of dealing with nuclear decommissioning liability. As set out in these notes, given the complexity and the very long timescales involved, a considerable degree of uncertainty remains over the value of the liabilities. Significant changes to the liabilities could occur as a result of subsequent information and events which are different from the current assumptions adopted.

I also draw attention to the disclosures made in Notes 1.29 and 9 to the financial statements concerning the measurement of liabilities relating to CfDs. As this note describes, the fair value of these liabilities is highly sensitive to assumptions regarding future prices and volumes, particularly in view of the long timescales involved. As disclosed in note 9, the Department has concluded that the uncertainty over the valuation of the CfD for Hinkley Point C is such that the liability does not meet the recognition criteria set out in the Conceptual Framework for Financial Reporting.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report, Staff Report and Parliamentary Accountability disclosures to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance Report and Accountability 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, Staff Report and Parliamentary Accountability disclosures 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.

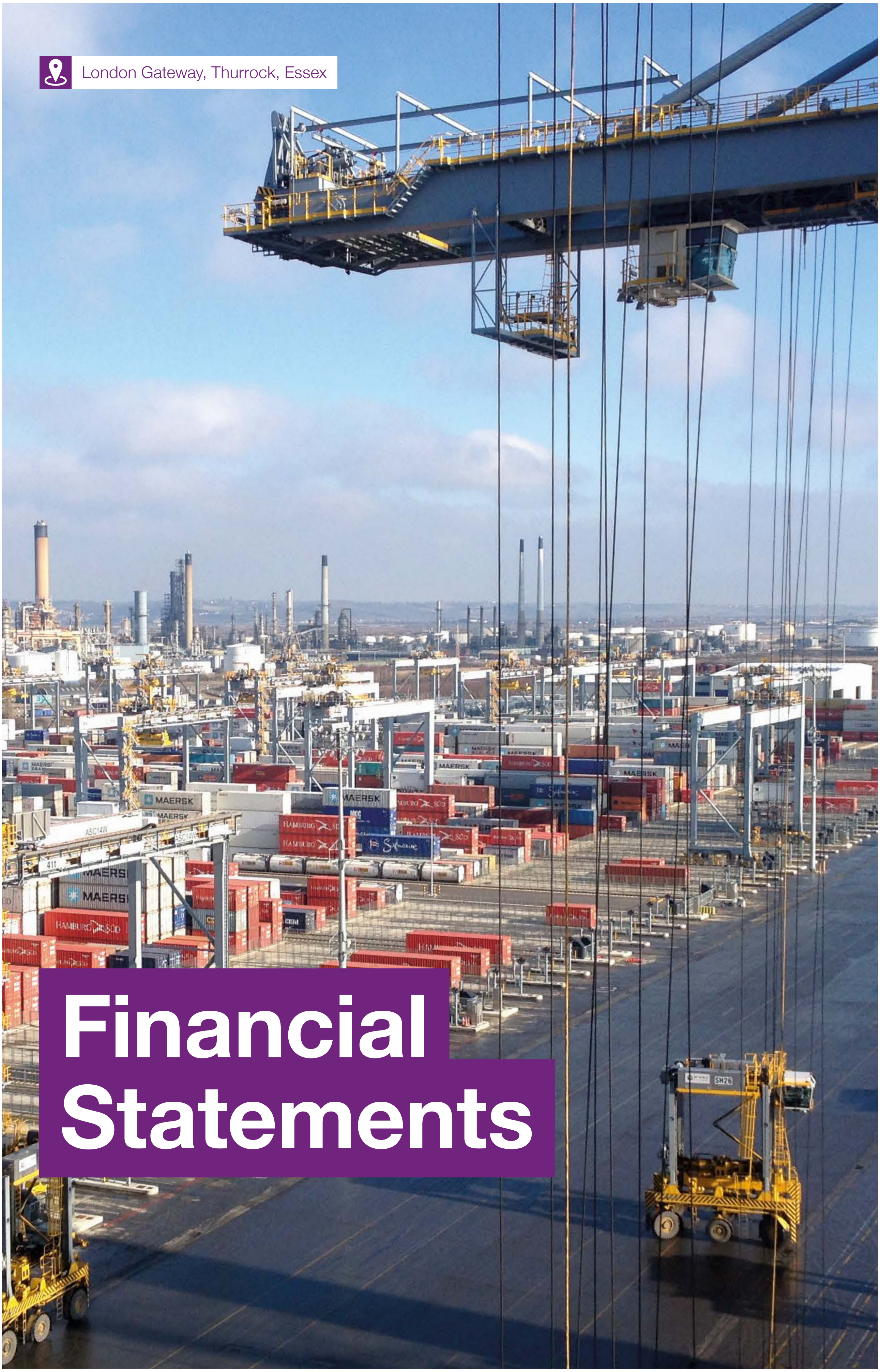
Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

17th July 2017

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



Financial Statements

Primary Statements

Consolidated Statement of Comprehensive Net Expenditure

for the year ended 31 March 2017

	Note	31 March 2017 Core Department and Agencies	31 March 2017 Departmental Group	31 March 2016 restated Core Department and Agencies	31 March 2016 restated Departmental Group
		£m	£m	£m	£m
Income from sale of goods and services	6.1	(286)	(1,782)	(624)	(2,118)
Total operating income		**(286)**	**(1,782)**	**(624)**	**(2,118)**
Staff costs	3	282	992	315	1,009
Purchase of goods and services	4.1	1,629	2,694	1,572	2,483
Depreciation and impairment charges	4.2	445	861	376	621
Provision expense	4.3	72	6,679	210	93,093
Grants	4.4	11,415	7,281	11,307	7,371
Other operating expenditure		(19)	(127)	2	(59)
Profit on disposal of shareholding in Royal Mail plc	10.1	–	–	–	(1,435)
Total operating expenditure		**13,824**	**18,380**	**13,782**	**103,083**
Net operating expenditure		**13,538**	**16,598**	**13,158**	**100,965**
Finance income	6.2	(168)	(252)	(364)	(363)
Finance expense	5	(29)	(1,305)	(23)	1,404
Contracts for difference derivatives	9	(1,337)	(181)	839	10,122
Net expenditure for the year from continuing operations		**12,004**	**14,860**	**13,610**	**112,128**
Net expenditure for the year from discontinuing operations	**15**	**–**	**(18)**	**–**	**(21)**
Net expenditure for the year		**12,004**	**14,842**	**13,610**	**112,107**
Other Comprehensive Income and Expenditure					
Net (gain)/loss on:					
Items that will not be reclassified to net operating expenditure:					
– revaluation of property, plant and equipment		(1)	(145)	2	(146)
– revaluation of intangible assets		–	1	–	(21)
Items that may be reclassified subsequently to net operating costs:					
– revaluation of investments		(241)	(91)	306	1,797
– actuarial (gains)/losses		–	144	–	(111)
– other movements in fair value		(21)	(56)	(86)	(126)
Total other comprehensive net income and expenditure from continuing operations		**(263)**	**(147)**	**222**	**1,393**

	Note	31 March 2017 Core Department and Agencies	31 March 2017 Departmental Group	31 March 2016 restated Core Department and Agencies	31 March 2016 restated Departmental Group
		£m	£m	£m	£m
Total other comprehensive net income and expenditure from discontinuing operations		–	7	–	1
Total other comprehensive net income and expenditure		(263)	(140)	222	1,394
Comprehensive net expenditure for the year		11,741	14,702	13,832	113,501

All operations are continuing apart from those included in note 15. Comparative figures for 2015-16 have been re-stated to reflect the merger of the Department for Business, Innovation and Skills and the Department of Energy and Climate Change to form the Department for Business, Energy and Industrial Strategy (BEIS). There have also been a number of Machinery of Government changes relating to former DECC and former BIS which had an impact on the prior year comparatives.

Further analysis of staff costs can be found in the Staff report in the Accountability Report on page 83.

The Notes on pages 128 to 219 form part of these Accounts.

Consolidated Statement of Financial Position
as at 31 March 2017

	Note	31 March 2017 Core Department and Agencies	31 March 2017 Departmental Group	31 March 2016 restated Core Department and Agencies	31 March 2016 restated Departmental Group	1 April 2015 restated Core Department and Agencies	1 April 2015 restated Departmental Group
		£m	£m	£m	£m	£m	£m
Non–current assets:							
Property, plant and equipment	7	264	3,422	264	3,916	308	3,392
Investment properties		31	151	34	100	–	100
Intangible assets	8	6	101	9	106	10	106
Investment and loans in public bodies	10	2,171	1,331	2,908	1,340	2,676	1,374
Other financial assets	11	1,484	3,965	1,637	4,471	1,939	5,916
Recoverable contract costs	12	–	2,870	–	2,799	–	1,638
Derivative financial instruments		64	70	54	65	–	8
Investment in joint ventures and associates	13	–	347	–	872	–	680
Trade and other receivables	14	305	399	356	437	387	480
Total non–current assets		**4,325**	**12,656**	**5,262**	**14,106**	**5,320**	**13,694**
Current assets:							
Inventories		–	33	–	47	–	42
Non–current assets held for sale	15	1,517	2,609	–	19	–	2
Trade and other receivables	14	438	1,300	549	1,297	1,059	2,077
Investments and loans in public bodies	16	682	682	541	541	293	293
Other financial assets	11	1	1	2	2	5	5
Derivative financial instruments		31	42	–	13	–	–
Cash and cash equivalents	17	1,192	1,817	775	1,495	1,693	2,603
Total current assets		**3,861**	**6,484**	**1,867**	**3,414**	**3,050**	**5,022**
Total assets		**8,186**	**19,140**	**7,129**	**17,520**	**8,370**	**18,716**
Current liabilities:							
Trade payables and other liabilities	18	(2,248)	(4,890)	(1,488)	(3,760)	(2,814)	(5,059)

		31 March 2017		31 March 2016 restated		1 April 2015 restated	
	Note	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
		£m	£m	£m	£m	£m	£m
Provisions	19	(289)	(3,582)	(315)	(3,496)	(648)	(3,829)
Financial guarantees		(18)	(18)	(23)	(23)	(27)	(27)
Non-current liabilities held for sale		–	(1,000)	–	–	–	–
Total current liabilities		**(2,555)**	**(9,490)**	**(1,826)**	**(7,279)**	**(3,489)**	**(8,915)**
Non–current assets plus/ less net current assets/ liabilities		**5,631**	**9,650**	**5,303**	**10,241**	**4,881**	**9,801**
Non–current liabilities:							
Trade payables and other liabilities	18	(1,023)	(2,460)	(1,138)	(3,272)	(322)	(2,020)
Provisions	19	(2,297)	(165,966)	(2,516)	(164,122)	(2,637)	(71,213)
Financial guarantees		(43)	(43)	(37)	(37)	(60)	(60)
Derivative financial instruments	9	–	(12,339)	(1,318)	(12,608)	(520)	(2,503)
Retirement benefit obligations	20	–	(842)	–	(277)	–	(462)
Total non–current liabilities		**(3,363)**	**(181,650)**	**(5,009)**	**(180,316)**	**(3,539)**	**(76,258)**
Total assets less liabilities		**2,268**	**(172,000)**	**294**	**(170,075)**	**1,342**	**(66,457)**
Taxpayers' equity and other reserves:							
General fund		1,364	(175,252)	(353)	(173,156)	449	(71,154)
Revaluation reserve		904	2,813	647	2,685	893	4,310
Non-current assets held for sale revaluation reserve		–	15	–	–	–	–
Charitable funds		–	319	–	311	–	297
Non–controlling interests		–	105	–	85	–	90
Total equity		**2,268**	**(172,000)**	**294**	**(170,075)**	**1,342**	**(66,457)**

Core Department and Agencies comprise the core Department and the UK Space Agency, National Measurement and Regulation Office, Insolvency Service and the Oil and Gas Authority (until 30th September 2016).

The notes on pages 128 to 219 form part of these accounts.

Alex Chisholm
Principal Accounting Officer and Permanent Secretary

13 July 2017

Consolidated Statement of Cash Flows
for the year ended 31 March 2017

	Note	2016–17 Core Department and Agencies	2016–17 Departmental Group	2015–16 restated Core Department and Agencies	2015–16 restated Departmental Group
		£m	£m	£m	£m
Cash flows from operating activities					
Net operating cost		(12,004)	(14,860)	(13,610)	(112,128)
Net operating cost from discontinuing operations		–	18	–	21
Adjustment for non–cash expenditure		(941)	6,048	1,293	103,911
(Increase)/decrease in inventories		–	14	–	(5)
Less movements in inventories relating to items not passing through the Consolidated Statement of Comprehensive Net Expenditure		–	(1)	–	–
(Increase)/decrease in trade and other receivables	14	162	35	541	823
Less movements in receivables relating to items not passing through the Consolidated Statement of Comprehensive Net Expenditure		(5)	(66)	(6)	(6)
Increase/(decrease) in trade payables and other liabilities	18	645	318	(510)	(47)
Less movements in payables relating to items not passing through the Consolidated Statement of Comprehensive Net Expenditure		(394)	334	943	1,344
Use of provisions	19	(301)	(3,157)	(663)	(3,533)
Payments to retirement benefit obligations		–	(155)	–	(153)
Financial guarantees called in		(11)	(11)	(11)	(11)
Expenditure funded by the National Insurance Fund (RPS)	4.1	232	232	254	254
Net cash outflow from operating activities		**(12,617)**	**(11,251)**	**(11,769)**	**(9,530)**
Cash flows from investing activities					
Purchase of property, plant and equipment		(25)	(342)	(16)	(763)
Purchase of investment property		–	–	(15)	(15)
Purchase of intangible assets		(3)	(32)	(3)	(23)
Proceeds of disposal of property, plant and equipment		3	25	(1)	2
Proceeds of disposal of investment property		–	–	10	41
Proceeds of disposal of intangible assets		1	1	–	1
Proceeds of disposal of assets held for sale		–	23	–	2
Loan redeemed from Post Office Limited	16	7,527	7,530	7,288	7,289
Loans made to Post Office Limited	16	(7,661)	(7,661)	(7,511)	(7,511)
Repayments of other current loans and investments		3	3	2	2
Repayments of other non current loans and investments	10	–	–	6	–
Repayments of other loans and investments		47	452	82	2,795
Other investments and loans made		(171)	(1,264)	(237)	(2,736)
Launch investment receipts		144	144	112	112
Venture capital fund redemptions		14	12	–	17
Venture capital fund investments		(13)	(79)	(22)	(66)

	Note	2016–17 Core Department and Agencies	2016–17 Departmental Group	2015–16 restated Core Department and Agencies	2015–16 restated Departmental Group
		£m	£m	£m	£m
Dividends from Joint ventures and associates		–	5	–	5
Disposal of Joint venture and associates		–	47	–	16
Investment in Joint ventures and associates	13	–	(186)	–	(200)
Investment in shares		(753)	(37)	(462)	(229)
Net cash outflow from investing activities		**(887)**	**(1,359)**	**(767)**	**(1,261)**
Cash flows from financing activities					
From Consolidated Fund (supply) – current year		14,750	14,750	11,427	11,427
From Consolidated Fund (supply) – prior year		153	153	140	140
To Consolidated Fund (supply) – prior year		(909)	(909)	–	–
From the National Insurance Fund		232	232	254	254
Payments to the National Insurance Fund		(232)	(232)	(254)	(254)
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts		–	(1)	–	–
Capital contributions from non-controlling interests		–	8	–	–
Issue of share capital		–	–	–	1
Other adjustments relating to financing activities		–	1	–	–
Net Financing		**13,994**	**14,002**	**11,567**	**11,568**
Less movements in cash and cash-equivalents relating to non-current assets held for sale		–	(69)	–	–
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**490**	**1,323**	**(969)**	**777**
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		1,005	77	2,915	979
Payments of amounts due to the Consolidated Fund		(1,078)	(1,078)	(2,864)	(2,864)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**417**	**322**	**(918)**	**(1,108)**
Restated cash and cash equivalents opening balance		**775**	**1,495**	**1,693**	**2,603**
Cash and cash equivalents at the end of the period	**17**	**1,192**	**1,817**	**775**	**1,495**

The notes on pages 128 to 219 form part of these accounts.

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

for the year ended 31 March 2017

	Note	General Fund	Revaluation Reserve	Taxpayers' equity	Total Reserves
		£m	£m	£m	£m
Balance at 1 April 2015 restated		**449**	**893**	**1,342**	**1,342**
Net parliamentary funding – drawn down		11,427	–	11,427	11,427
Net parliamentary funding – deemed		1,594	–	1,594	1,594
National Insurance Fund – RPS	4.1	254	–	254	254
Supply (payable)/receivable adjustment	18	(488)	–	(488)	(488)
Decrease in RPS receivables	14	(6)	–	(6)	(6)
Net expenditure for the year		(13,610)	–	(13,610)	(13,610)
Non–Cash Adjustments:					
Auditors' remuneration	4.1	1	–	1	1
Movements in Reserves:					
Other comprehensive net (expenditure) /income for the year		–	(222)	(222)	(222)
Transfers between reserves		23	(23)	–	–
Other movements		3	(1)	2	2
Balance at 31 March 2016 restated		**(353)**	**647**	**294**	**294**
Net parliamentary funding – drawn down		14,750	–	14,750	14,750
Net parliamentary funding – deemed		(269)	–	(269)	(269)
National Insurance Fund – RPS	4.1	232	–	232	232
Supply (payable)/receivable adjustment	18	(977)	–	(977)	(977)
Income payable to the Consolidated Fund		(11)	–	(11)	(11)
Decrease in RPS receivables	14	(5)	–	(5)	(5)
Net expenditure for the year		(12,004)	–	(12,004)	(12,004)
Non–Cash Adjustments:					
Auditors' remuneration	4.1	1	–	1	1
Movements in Reserves:					
Other comprehensive net (expenditure) /income for the year		–	263	263	263
Transfers between reserves		2	(2)	–	–
Other movements		(2)	(4)	(6)	(6)
Balance at 31 March 2017		**1,364**	**904**	**2,268**	**2,268**

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

for the year ended 31 March 2017

	Note	General Fund	Revaluation Reserve	Non-current Assets Held for Sale Revaluation Reserve	Taxpayers' equity	Charitable Funds – Unrestricted	Non-controlling interests	Total Reserve
		£m	£m	£m	£m	£m	£m	£m
Balance at 1 April 2015 restated		**(71,154)**	**4,310**	–	**(66,844)**	**297**	**90**	**(66,457)**
Net parliamentary funding – drawn down		11,427	–	–	11,427	–	–	11,427
Net parliamentary funding – deemed		1,594	–	–	1,594	–	–	1,594
National Insurance Fund – RPS	4.1	254	–	–	254	–	–	254
Supply (payable)/receivable adjustment	18	(488)	–	–	(488)	–	–	(488)
Income payable to the Consolidated Fund		(935)	–	–	(935)	–	–	(935)
Decrease in RPS receivables	14	(6)	–	–	(6)	–	–	(6)
Net expenditure for the year		(112,107)	–	–	(112,107)	–	–	(112,107)
Amounts paid from distributable reserves		(1,969)	–	–	(1,969)	–	–	(1,969)
Non-Cash Adjustments:								
Auditors’ remuneration	4.1	1	–	–	1	–	–	1
Movements in Reserves:								
Other comprehensive net (expenditure)/income		111	(1,505)	–	(1,394)	–	–	(1,394)
Transfers between reserves		106	(120)	–	(14)	14	–	–
Minority interest		–	–	–	–	–	(5)	(5)
Issue of share capital		1	–	–	1	–	–	1
Other movements		9	–	–	9	–	–	9
Balance at 31 March 2016 restated		**(173,156)**	**2,685**	–	**(170,471)**	**311**	**85**	**(170,075)**
Net parliamentary funding – drawn down		14,750	–	–	14,750	–	–	14,750
Net parliamentary funding – deemed		(269)	–	–	(269)	–	–	(269)
National Insurance Fund – RPS	4.1	232	–	–	232	–	–	232
Supply (payable)/receivable adjustment	18	(977)	–	–	(977)	–	–	(977)
Income payable to the Consolidated Fund		(782)	–	–	(782)	–	–	(782)
Decrease in RPS receivables	14	(5)	–	–	(5)	–	–	(5)

	Note	General Fund	Revaluation Reserve	Non-current Assets Held for Sale Revaluation Reserve	Taxpayers' equity	Charitable Funds – Unrestricted	Non-controlling interests	Total Reserve
Net expenditure for the year		(14,842)	–	–	(14,842)	–	–	(14,842)
Amounts paid from distributable reserves		(194)	–	–	(194)	–	–	(194)
Non-Cash Adjustments:								
Auditors' remuneration	4.1	1	–	–	1	–	–	1
Movements in Reserves:								
Other comprehensive net (expenditure)/income for the year		(144)	284	–	140	–	–	140
Transfers between reserves		127	(150)	15	(8)	8	–	–
Minority interest		–	–	–	–	–	20	20
Other movements		7	(6)	–	1	–	–	1
Balance at 31 March 2017		**(175,252)**	**2,813**	**15**	**(172,424)**	**319**	**105**	**(172,000)**

The notes on pages 128 to 219 form part of these accounts.

Notes to the accounts

1 Accounting policies, judgements and estimates

1.1 Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adapted and interpreted by the HM Treasury 2016-17 Financial Reporting Manual (FReM) and as set out in the Accounts Direction to the Department pursuant to section 5(2) of the Government Resources and Accounts Act 2000 except as described at 1.2 below. Where the FReM permits a choice of accounting policy, the policy selected is that judged to be most appropriate to the particular circumstances of the Department and its consolidated entities (the Group) for the purpose of giving a true and fair view. The policies adopted by the Group are described below; they have been applied consistently to items considered material to the accounts. The consolidated Statement of Financial Position shows significant net liabilities, primarily relating to Contracts for Difference derivatives and provisions for nuclear decommissioning which will be settled over many years. Liabilities in excess of those to be funded by the Group will be met by future funding voted by Parliament annually in Supply and Appropriation Acts. There is no reason to believe the resources to settle these liabilities will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.2 Accounting convention

These accounts have been prepared under the historical cost convention modified to measure property, plant and equipment (except specific waste management assets), intangibles, investment properties and financial instruments at fair value to the extent required or permitted under IFRS as set out in these policies.

The Department has agreed with HM Treasury that specific nuclear waste management assets should be measured at historical cost less any impairment losses where there is no reliable and cost effective valuation methodology; this is a departure from the FReM requirement to report property, plant and equipment at fair value. Public Dividend Capital and shares in bodies held by the core Department are carried at historical cost less any impairment in accordance with the FReM.

1.3 Presentational currency

The financial statements are presented in pounds sterling, the functional currency of the Group. Transactions denominated in a foreign currency are translated into sterling at the rate of exchange on the date of each transaction. In preparing the financial statements, monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing at the reporting date. All translation differences of monetary assets and liabilities are included in Net expenditure for the year. Values are rounded to the nearest million pounds (£m) unless the FReM requires a lower threshold.

1.4 Basis of consolidation

The Group accounts consolidate the balances of the Core Department and designated bodies ('partner organisations' (POs)) listed in note 28, which fall within the departmental boundary as defined in the FReM and make up the 'Departmental Group', excluding transactions and balances between them. Where the Office for National Statistics (ONS) designates a body retrospectively such that the body should have been designated for consolidation in a prior period, the accounts are voluntarily restated to reflect the position from the effective date of classification. The consolidated bodies prepare accounts in accordance with either the FReM or the Companies Act 2006 (for limited companies). For those bodies that do not prepare accounts in accordance with the FReM, adjustments are made at consolidation if necessary where differences would have a significant effect on the accounts. The Department and its POs are all domiciled in the UK.

1.5 Machinery of Government changes

Core Department

The Department for Business, Energy and Industrial Strategy (the core Department) was created on 14 July 2016 comprising all of the former Department of Energy and Climate Change (DECC) and the business, industrial strategy, science and innovation responsibilities of the former Department for Business, Innovation and Skills (BIS). Responsibility for higher and further education and apprenticeships was moved to the Department for Education; and responsibility for overseas trade to the Department for International Trade.

The creation of BEIS is accounted for as a transfer by merger. This means that the Group accounts reflect the combined entity's results as if DECC and the remaining elements of BIS had always been combined. The results and cash flows in these accounts relate to activities undertaken by the new Department from 1 April 2016 to 31 March 2017, adjusted to achieve uniformity of accounting policies. In accordance with the transfer by merger principles, prior year balances have been restated to aid comparability with 2016-17. The historic carrying values of assets and liabilities have not been adjusted to fair value except where required as a result of aligning the accounting policies of the two former departments.

There has also been a number of Machinery of Government changes relating to DECC and BIS, see note 27 for details of all the Machinery of Government changes and the impact of these on the prior year comparatives.

1.6 Changes in accounting policies

Accounting policies are unchanged compared to those in the 2015-16 accounts of the former Core departments and Groups other than a) to set the capitalisation threshold for the new Core Department to £3,000 for non-current tangible and intangible assets (it had been £2,000 in the former DECC), b) to change the valuation basis for non-consolidated subsidiaries of the DECC and NDA and c) to process receipts from the Nuclear Decommissioning Authority and Coal Authority for onward payment to the Consolidated Fund as agent rather than recognising as income in the core Department (this last change impacts the core Department only and has no effect on the Group). The changes have been applied retrospectively. The changed treatment of the receipts aligns with treatment of similar receipts in the former BIS and provides better information relating to Other income in the Core Department's Statement of Comprehensive Net Expenditure since the receipts are paid over to the Consolidated Fund rather than being retained. It has resulted in a reduction in Other income reported by the Core Department of £745 million for 2016-17 and £936 million for 2015-16. Because the receipts are not retained but are paid over to the Consolidated Fund, the change has not affected Taxpayers' equity in the Statement of Financial Position. The Group accounts are unaffected as they are intra-Group payments and receipts.

1.7 New accounting standards adopted in the year and FReM changes

No new accounting standards were incorporated into the FReM in 2016-17.

1.8 Applicable accounting standards issued but not yet adopted and FReM changes for 17-18

The standards below will be applied when adopted by the FReM. IFRS 9 and IFRS 15 are expected to be adopted by the FReM for 2018-19; the date of adoption for IFRS 16 is still to be determined by HM Treasury.

- IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement, simplifying the classification and measurement of financial assets as well as amending when and how impairments are calculated and reported, moving from an incurred loss to an expected loss model. This will result in impairments being recognised earlier than under IAS 39. Changes in classification and measurement means that, changes in the fair value of hybrid debt instruments will be recognised in Net expenditure for the year rather than Other comprehensive income and expenditure.
- IFRS 15 Revenue from Contracts with Customers replaces both IAS 18 Revenue and IAS 11 Construction Contracts, unifying the concepts in these

two standards into a single model to recognise revenue once performance obligations under a contract are satisfied.

- IFRS 16 Leases replaces IAS 17 Leases, removing the distinction between operating leases (off-statement of financial position financing) and finance leases (on-statement of financial position financing). IFRS 16 requires the recognition of all leases with terms over 12 months to be recognised as finance leases. This will result in the recognition of a right-to-use asset, measured at the present value of future lease payments, and a matching liability in the Statement of Financial Position.

The interpretation of these standards into the FReM is currently being determined by HM Treasury. Consultation drafts issued by HM Treasury imply that the adoption of IFRS 9 will have a material impact on the Group due to the changes in impairment calculations and the recognition of gains and losses on hybrid debt instruments. IFRS 15 is not anticipated to have a material impact on the Group. IFRS 16 could have a material effect on the Statement of Financial Position as the Group occupies administrative properties under operating leases but a more limited effect on recognition of expenditure.

No material changes have been proposed to the FReM for 2017-18.

1.9 Operating income

Operating income relates directly to the operating activities of the Group and is measured at the fair value of consideration received or receivable net of trade discounts, value added tax and other taxes. Operating income is recognised when the Group has performed its contractual obligations, the income can be measured reliably and it is probable that the economic benefits will flow to the Group. The Group is required to identify receipts which it collects on behalf of the Consolidated Fund; these are not recognised as income but instead are disclosed in a separate Trust Statement published alongside these accounts and in note 4 in the Statement of Parliamentary Supply in the Accountability Report.

The Low Carbon Contracts Company Ltd and Electricity Supply Company Ltd are permitted to retain levies collected under statute and classified as taxes in the national accounts. This income is recognised by the companies in the same period as the related expenditure; it is only recognised in the Group accounts when an event has occurred that creates an obligation on a counterparty to pay the levy, the amount can be reliably measured and it is probable that the economic benefits will flow to the Group.

1.10 Operating income from contracts

Where the outcome of a contract can be estimated reliably, income and costs are recognised by reference to the stage of completion of contract activity at the reporting date, i.e. the proportion of total contract costs represented by costs incurred to date except where this would not be representative of the stage of completion. Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable they will be recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

A non-current financial asset for recoverable contract costs is recognised where costs incurred plus recognised profits less recognised losses exceed amounts invoiced to date. Where amounts invoiced to date exceed costs incurred plus recognised profits less recognised losses the balance is reported as payments received on account.

1.11 European Funding Grants

European Funding Grants are recognised as income when there is reasonable assurance that there are no conditions attached, or that any such conditions have been complied with and it is certain the grant will be received.

1.12 Staff costs

Staff costs are recognised as expenses when the Group becomes obligated to pay them, including the cost of any untaken leave entitlement.

1.13 Grants payable

Grants payable are recognised when the grant recipient has performed the activity that creates an entitlement to the grant under the terms of the scheme and include estimates for claims not yet received. Grant contributions to international organisations in the form of promissory notes are recognised as expenses when they become payable on demand with the Department exercising no further control over disbursement.

1.14 Taxation

The Core Department and its executive agencies are exempt from corporation tax by way of Crown exemption. Some consolidated bodies are subject to corporation tax on taxable profits. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to HM Revenue and Customs, based on tax rates and laws that are enacted or substantively enacted by the reporting date.

Value Added Tax (VAT) is accounted for in the Accounts, in that the amounts are shown net of VAT except for irrecoverable VAT, which is aggregated with the cost of purchased items.

Deferred taxation

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognised for all tax-deductible temporary differences, carry forward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available in future years against which they can be utilised.

1.15 Property, plant and equipment (PPE)

Assets are capitalised as PPE if they are intended for use on a continuing basis and their original carrying value, on an individual or asset pool basis, exceeds the relevant capitalisation threshold which ranges from £1,000 to £10,000 across the Group. Exceptions are: a) assets held by the Nuclear Decommissioning Authority on designated nuclear sites are only recognised where the economic element of their value at the reporting date exceeds £100,000 and the proportion of asset value relating to commercial activity exceeds 10%; and b) operational mine water schemes and subsidence pumping stations are held by the Coal Authority at nil value because they are used to address pollution caused by past mining activities where the economic benefits have already been received.

To the extent that it has been recognised as a provision under IAS 37, the estimated cost of decommissioning facilities is recognised as part of the carrying value of the asset at initial recognition and depreciated over its useful life.

Valuation of PPE

PPE is carried at fair value except for nuclear waste management assets held at historical cost (note 1.2) and assets under construction which are held at cost. In accordance with the FReM, assets that have short useful lives or are of low value are carried at depreciated historical cost less impairment as a proxy for fair value.

Non-specialist land and buildings are measured at current value in existing use using professional valuations. Specialist land and buildings are measured at depreciated replacement cost which represents the present value of the asset's remaining service potential.

Revaluation of PPE

Any accumulated depreciation at the date of revaluation is eliminated and the resulting net value restated to equal the revalued amount. Any revaluation increase arising is credited to the revaluation reserve except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in which case the increase is credited to Net expenditure for the year to the extent of the decrease previously charged. A decrease in carrying amount arising on revaluation is charged as an expense to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset. On de-recognition, any revaluation surplus remaining in the revaluation reserve attributable to the asset is transferred directly to the General Fund.

Depreciation of PPE

Apart from freehold and long leasehold land which are not depreciated, PPE assets are depreciated to estimated residual values on a straight line basis over the following estimated useful lives:

Freehold buildings	10 – 60 years
Leasehold land and buildings	10 – 60 years or remaining life of lease
Agricultural buildings	Up to 60 years
Dwellings	Up to 60 years
Leasehold improvements	Shorter of estimated remaining useful life or outstanding term of lease
Computer equipment	2 – 10 years
Plant and machinery	3 – 50 years or remaining life of lease
Office machinery (included in plant and machinery), furniture, fixtures and fittings	2 – 11 years or remaining life of lease
Transport equipment	2 – 14 years
Ships (included in transport equipment)	Minimum of 20 years
Aircraft (included in transport equipment)	Minimum of 15 years
Assets under construction	Not depreciated until available for use as intended by management

Residual values and useful lives are reviewed and adjusted if appropriate at each reporting date.

1.16 Investment property

The Group holds a number of properties which have been classified as investment properties and are measured using the fair value model specified in IAS 40. Gains and losses arising from changes in fair value are recognised in Net expenditure for the year.

1.17 Intangible non-current assets

Intangible non-current assets are capitalised if they are intended for use on a continuing basis and their original carrying value, on an individual or asset pool basis, exceeds the relevant capitalisation threshold which ranges from £1,000 to £10,000 across the Group. There are no active markets for any of the Group's intangible non-current assets which are valued at the lower of depreciated replacement cost and value in use using a valuation technique (for example for income-generating assets); where there is no value in use, depreciated replacement cost is used. Assets of low value or with short useful lives are carried at cost less accumulated amortisation and impairment losses as a proxy for fair value. They are amortised on a straight-line basis over the following periods:

Software licences	3 – 10 years
Internally developed software	Up to 10 years
Website development costs	2 – 5 years
Patents, licenses and royalties	7 – 15 years

1.18 Impairment of PPE and intangible non-current assets

The Group reviews carrying amounts at each reporting date. If an indicator for impairment occurs then the recoverable amount of the asset (the higher of fair value less costs to sell and value in use) is estimated and an impairment loss recognised to the extent that it is lower than the carrying amount. Losses arising from a clear consumption of economic benefit are charged to Net expenditure for the year. Losses that do not result from a loss of economic value or service potential are taken to the revaluation reserve to the extent that a revaluation reserve exists for the impaired asset; otherwise to Net expenditure for the year.

1.19 Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the asset is available for immediate sale in its present condition and the asset is actively marketed for sale. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Assets held for sale are measured at the lower of a) carrying amount and b) fair value less costs to sell.

1.20 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and other short-term highly liquid investments which are readily convertible to known amounts of cash are subject to insignificant risk of changes in value and have an original maturity of three months or less. Any bank overdraft amounts are included within Trade payables and other liabilities

1.21 Leases

Leases are classified as finance leases when the risks and rewards of ownership are transferred substantially to the lessee; all other leases are classified as operating leases.

Finance leases

Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Group as lessee

Assets subject to finance leases and the associated liabilities for future payments (if any) are recognised in the SoFP.

Operating leases

Group as lessor

Assets subject to operating leases are recognised in the SoFP with rental income plus initial direct costs incurred in arranging the lease, including incentives to the lessee to enter into the lease, recognised on a straight-line basis over the lease term.

Group as lessee

Rentals payable under operating leases, including benefits received and receivable as incentives to enter into the leases, are expensed on a straight-line basis over the term of the lease.

1.22 Subsidiaries, associates and joint ventures

Subsidiaries and public sector joint ventures are consolidated where designated within the Departmental Group boundary (note 28); those outside the Departmental boundary are measured in accordance with IAS 39. Equity investments in associates or joint ventures outside the public sector are initially recorded at cost and subsequently adjusted to reflect the Group's share of net profit or loss of the associate or joint venture.

1.23 Financial instruments

Financial assets and liabilities are measured initially at fair value plus transaction costs unless carried at fair value through profit or loss in which case transaction costs are charged to Net expenditure for the year. Fair value is determined by reference to quoted prices where an active market exists for the instrument; otherwise it is determined using generally accepted valuation techniques including discounted estimated cash flows.

Financial assets

Financial assets are derecognised when the rights to receive future cash flows have expired or are transferred and the risks and rewards of ownership have been substantially transferred.

Categories of financial asset

Financial assets are categorised as one of the following:

- *Loans and receivables:* are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value and thereafter at amortised cost using the effective interest method less any impairment. The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period.

- *Held to maturity:* are non-derivative financial assets with fixed or determinable payments and fixed maturity where there is the positive intention and ability to hold to maturity. After initial recognition at fair value, they are measured at amortised cost.
- *At fair value through profit or loss (FVTPL):* are financial assets held for trading or designated as being held at FVTPL at initial recognition. Transaction costs and any subsequent movements in the valuation of the asset are recognised in Net expenditure for the year.
- *Available for sale:* are non-derivative financial assets designated as such or not classified in any of the other three categories. After initial recognition, these assets are subsequently carried at fair value. Gains and losses in fair value are recognised directly in equity except for impairment losses which are recognised in Net expenditure for the year. On de-recognition, the cumulative gain or loss previously recognised in equity is recognised in Net expenditure for the year.

Impairment of financial assets

Financial assets other than those at FVTPL are assessed for impairment at each reporting date and impaired where there is evidence that future cash flows have been reduced by one or more events that occurred after initial recognition. The carrying amount is reduced directly except for trade receivables where it is reduced through the use of an allowance account. Impairment losses are recognised in Net expenditure for the year. If, in a subsequent period, the amount of the impairment loss decreases as a result of an event after the impairment was recognised, the previously recognised impairment loss is reversed through Net expenditure for the year to the extent that the carrying amount of the asset does not exceed what it would have been had the impairment not been recognised.

Financial liabilities

Financial liabilities are derecognised when the obligation is discharged, cancelled or expires. The Group's financial liabilities excluding derivatives are initially recognised at fair value including directly attributable transaction costs, and subsequently at amortised cost using the effective interest rate method.

Derivative financial instruments

Derivatives are initially recognised at fair value and subsequently at fair value, gains/losses in fair value are recognised in Net expenditure for the year unless hedge accounting is applied.

The Group has two classes of derivative financial instrument, foreign exchange contracts to which hedge accounting is applied and contracts for difference to which hedge accounting is not applied.

Forward foreign exchange contracts

Forward contracts are held as cash flow hedges to reduce exposure to foreign currency risk. The effective portions of changes in their fair values are recognised in equity. Gains and losses relating to ineffective portions are recognised immediately in Net expenditure for the year. Amounts accumulated in equity are recycled to Net expenditure for the year in the same period as the hedged item.

Contracts for difference (CfDs)

CfDs are held to incentivise investment in low carbon electricity generation by agreeing strike prices with electricity generators which are counterparties to the contracts. The counterparty pays or is paid the difference between the strike price and the reference price (a measure of the average market price of electricity) at the time of electricity supply. CfDs are measured at FVTPL, initially at their transaction price (£nil) with subsequent changes in fair value (as measured by a valuation model) recognised in Net expenditure for the year, along with amortisation over the contracts settlement period of the difference between the transaction price and the valuation model estimate of fair value at initial recognition, which is usually different from the transaction price. Where the valuation model estimate of fair value at initial recognition is different from the transaction price, the difference is deferred and amortised to Net expenditure for the year over the contract settlement period (note 9).

1.24 Financial guarantees

Financial guarantees are initially recognised at fair value on the date the guarantee was given and subsequently re-measured at the higher of a) the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and b) the amount initially recognised less when appropriate, cumulative amortisation in accordance with IAS 18 Revenue.

1.25 Pensions

The accounting for each of the Departmental Group's pension plans is dependent its nature.

Funded defined-benefit pension schemes

The Group has 8 funded defined-benefit pension schemes, the Medical Research Council Pension Scheme (MRCPS), 2 schemes through the NDA and 5 others through the nuclear site licence companies.

The net liabilities recognised in the Statement of Financial Position for funded defined benefit schemes are calculated by independent actuaries by deducting the fair value of scheme assets (at bid prices) from the present value of defined benefit obligations (estimated using the projected unit credit method, less any amounts receivable from third parties). Where the scheme is in surplus, the asset recognised in these statements is limited to the present value of benefits available from future refunds from the plan, reductions in future contributions to the plan or on settlement of the plan and takes into account the adverse effect of any minimum funding requirements. Actuarial gains and losses are recognised as Other Comprehensive Income and Expenditure except for site licence companies where they are included in provision expense relating to the Nuclear Decommissioning Provision.

Unfunded defined benefit pension schemes

The Group contributes towards a number of unfunded defined benefit pension schemes of which employees are members: these include the Principal Civil Service Pension Scheme, the Civil Servant and Other Pension Scheme, the Combined Pension Scheme of the UK Atomic Energy Authority. The participating employers in these schemes are unable to identify their share of the underlying net liability; as such these schemes are accounted for as defined contribution pension schemes, with employers contributions charged to the SoCNE in the period to which they relate.

Defined contribution pension schemes

Contributions are charged to the SoCNE when they become payable. The Group has no further liabilities in respect of benefits to be paid to members.

More information about the Group's pension schemes can be found in the accounts of the consolidated entities, including in note 3 for the Core Department, and of the pension schemes themselves.

1.26 Provisions

A provision is recognised when it is probable that an outflow of economic benefits will be required to settle a present obligation (legal or constructive) that can be reliably measured and which results from a past event. Where the time value of money is material the provision is measured at present value using discount rates prescribed by HM Treasury and based upon the real yield of UK index-linked gilts:

	2016-17	2015-16
Short-term (between 0 and 5 years)	(2.70%)	(1.55%)
Medium-term (between 5 and 10 years)	(1.95%)	(1.00%)
Long-term (over 10 years)	(0.8%)	(0.8%)

Nuclear decommissioning provisions
Where expenditure in settlement of a provision is expected to be recovered from a third party, the recoverable amount is treated as a separate asset (note 12 Recoverable contract costs). Provision charges in the SoCNE are shown net of changes in these recoverable amounts.

1.27 Contingent assets and liabilities

Where an outflow of economic benefits from a past event is possible but not probable, the Department discloses a contingent liability. In addition to contingent liabilities disclosed in these financial statements in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote are disclosed in the Accountability Report for Parliamentary reporting and accountability purposes.

Where an inflow of economic benefits from a past event is probable, the Group discloses a contingent asset. Estimates of the financial effects are disclosed where practicable; where the time value of money is material, contingent liabilities and assets in are stated at discounted amounts and the amount reported to Parliament separately noted. Remote contingent liabilities reported in the Accountability Report are stated at the amounts reported to Parliament.

1.28 Third party assets

The Group holds, as custodian or trustee, certain cash balances belonging to third parties. These balances are not recognised in the financial statements since neither the Group nor Government more generally has a direct beneficial interest in them.

1.29 Judgements, estimates and assumptions

Preparation of financial statements requires management to make judgements, estimates and assumptions based on experience and expected events that affect the reported amounts of assets and liabilities, income and expenditure. Key accounting judgements applied in these statements are described below.

Estimates
In accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, revisions to accounting estimates are recognised prospectively. Revisions of the estimates and assumptions below could cause material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Income recognition (note 6.1)

The percentage of completion method used to measure income on contracts (note 1.10) requires the Group to estimate the work performed to date as a proportion of the total work to be performed.

Useful lives of non-current assets

There is uncertainty in relation to estimated useful lives of non-current assets; these are reviewed as at the reporting date and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence or legal or other limits on their use.

Impairment of assets (note 4.2, 7, 8, 10 and 11)

Impairment is measured by comparing the carrying value of the asset or cash generating unit with management's estimate of its recoverable amount.

Fair value of Repayable Launch Investments (note 11)

The econometric model used to estimate future cash flows from Repayable Launch Investments includes a number of assumptions including on future economic growth.

Fair value of private equity investments (note 11)

A range of valuation techniques are used for private equity investments, including discounted cash flows and net asset values.

Redundancy Payments Service receivable (note 14)

There is uncertainty in the estimate of the amount to be realised by the Insolvency Service from sale of assets of insolvent employers.

CfD contracts (note 9)

The significant uncertainties affecting measurement of FIDeR and CfD contracts, which facilitate investment in low-carbon electricity generation, are described in note 9.

Fair value of financial guarantees

Fluctuations in the fair value of financial guarantees measured using modelling techniques.

Provisions (note 19)

Provision discount rates set by HM Treasury are updated annually and have a material effect on liabilities. There are other significant uncertainties in relation to measurement of the liabilities reported in note 19, in particular in relation to future decommissioning costs to be incurred by the UK Atomic Energy Authority, Nuclear Decommissioning Authority and Coal Authority, which are described in the note.

1.30 Prior Period Adjustments

In accordance with the FReM, where a prior period adjustment is identified as a result of an error, the Departmental Group will correct all material prior period errors retrospectively in the first set of financial statements authorised for issued after their discovery by:

- restating the comparative amounts for the prior periods presented in which the error occurred;
- if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

However, if it is impracticable to determine the period-specific effects of an error on comparative information for one or more prior periods presented, the Departmental Group will restate the opening balances of assets, liabilities and equity for the earliest period for which retrospective restatement is practicable.

The prior period adjustments and their impact on the comparative amounts for the prior periods represented in which the error occurred are detailed in Note 27.

2 Reporting by operating segment

In accordance with the relevant reporting requirements, including IFRS 8, the Statement of Parliamentary Supply and supporting notes reflect net resource and capital outturn in line with the control totals voted by Parliament. The figures within SoPS 1.1 provide the income and expenditure totals associated with key business activities within the Group and therefore reflect the management information reporting to Board during the period.

3 Staff costs

Staff costs comprise:

			2016-17	2015-16 restated
	Permanently employed staff	Others	Total	Total
	£m	£m	£m	£m
Wages and salaries	713	68	**781**	795
Social security costs	70	–	**70**	64
Other pension costs	145	–	**145**	153
Sub total	**928**	**68**	**996**	**1,012**
Less recoveries in respect of outward secondments	(4)	–	**(4)**	(3)
Total net costs	**924**	**68**	**992**	**1,009**
Of which:				
Core Department and Agencies	255	27	282	315
NDPBs and other designated bodies	669	41	710	694
Total net costs	**924**	**68**	**992**	**1,009**

For further information on staff costs and numbers, please see the Staff Report and the Remuneration Report which includes staff costs for nuclear site license companies which are not included in the table above.

4 Operating expenditure

4.1 Purchase of goods and services

	2016-17		2015-16 restated	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Rentals under operating leases	35	50	39	54
Accommodation and office equipment costs	49	202	55	189
Legal, professional and consultancy costs	115	198	180	245
Finance, HR, IT and support costs	77	81	62	74
Training and other staff costs	8	27	11	29
Travel and subsistence costs	10	49	9	45
Advertising and publicity	1	8	5	11
Programme management and administration of grants and awards	18	339	68	240
Professional and international subscriptions	332	578	276	453
Enforcement costs of employment related policies	17	17	12	12
Donations	–	19	–	16
Funding Paternity, Adoption and Shared Parental Leave policy	133	133	103	103
Purchase of geographical and scientific equipment	79	99	81	89
Purchase of weather information and weather related services	97	97	95	95
Redundancy payments service	232	232	254	254
Sponsorship costs	1	1	1	1
Payment of taxes and levies	–	14	3	1
Subsidy to Post Office Limited	140	140	180	180
Innovation subsidies	5	5	3	3
Energy intensive industries subsidies	265	265	129	129
Other purchase of goods and services cost	15	140	6	260
Total	**1,629**	**2,694**	**1,572**	**2,483**

Audit fees
Audit fees are included under the heading 'Legal, professional and consultancy costs'.

Core Department
During the year the core Department did not purchase any non-audit services from its auditor, the National Audit Office. The non-cash auditors' remuneration of £705,750 (2015-16: £995,200) comprises £650,000 (2015-16: £941,000) for the cost of the audit of the Departmental Group, £20,000 (2015-16: £20,000) for the trust statement, and £35,750 (2015-16: £34,200) for the audit of the UK Atomic Energy Authority Pension Scheme Accounts.

Agencies
During the year the Agencies did not purchase any non-audit services from their auditor, the National Audit Office. Details of the non-cash auditors' remuneration of £159,000 (2015-16: £189,500) can be found in the accounts of the individual agencies.

NDPBs and other designated bodies
The cash remuneration of £2,403,219 (2015-16 restated: £2,391,462) relates to the statutory audit of NDPBs and other designated bodies. Of this amount, £1,980,352 (2015-16 restated: £2,012,660) was payable to the NAO and £422,867 (2015-16 restated: £378,802) was payable to auditors other than the NAO.

In 2016-17, £nil was payable to the NAO (2015-16 restated: £nil) and £182,093 was payable to auditors other than the NAO (2015-16 restated: £210,429) for non-audit services. Further details can be obtained from the accounts of the NDPBs and other designated bodies.

Redundancy Payments Service
The core Department is responsible for the approval and processing of claims under the Redundancy Payment Service (RPS), which is financed from the National Insurance Fund. Redundancy payments are made from the National Insurance Fund to employees whose employers have failed to make payments due or who were insolvent. The RPS is administered by the Insolvency Service who have a service level agreement with HM Revenue and Customs. Claims processed fall into 2 categories: RP1 (which covers redundancy pay, holiday pay and arrears of pay) and RP2 (pay in lieu of notice). The average payment for RP1 during 2016-17 was £2,829 (2015-16: £3,343). An average amount of £1,253 was paid during 2016-17 for RP2 (2015-16: £1,350).

There is associated income arising from 2 sources:

- Solvent Recovery – where monies are recovered over a period of up to 3 years from companies, by setting up a standing order, that are continuing to trade but would not be able to do so if they had to meet the full costs of redundancy payments at that time; and
- Insolvent Recovery – the core Department becomes a creditor receiving a dividend if there are sufficient funds on the winding up of the company.

Expenditure in respect of RPS in 2016-17 totalled £269 million (2016-17: £285 million) against income of £37 million (2015-16: £31 million). The net amount totalled £232 million (2015-16: £254 million).

4.2 Depreciation and impairment charges

	2016-17		2015-16 restated	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Amortisation of recoverable contract costs	–	203	–	243
Depreciation	23	260	23	250
Amortisation	5	33	4	51
Impairment of property, plant and equipment	–	76	1	36
Impairment of intangible assets	–	1	–	2
Impairment of investments[1]	417	288	348	39
Total	**445**	**861**	**376**	**621**

1. The 2016-17 investment impairment figure for core Department and Agencies includes £138 million (2015-16: £285 million) impairment of Postal Services Holding Company Limited (PSH). This impairment is eliminated on consolidation and is treated as a downward revaluation movement in the Departmental Group, for which details are disclosed in Note 10.1

4.3 Provision expense

	2016-17		2015-16 restated	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Increase/(decrease) in bad debt provision	(6)	(5)	–	–
Increase/(decrease) in provisions	81	6,687	222	93,105
Increase/(decrease) in financial guarantee liabilities	(3)	(3)	(12)	(12)
Total	**72**	**6,679**	**210**	**93,093**

Included in the increase/(decrease) in provisions of £6,687 million above (2015-16: £93,105 million) are the amounts provided in year of £2,304 million (2015-16: £3,247 million), provisions not required written back credit of £940 million (2015-16: £318 million), and discount to present value of £4,964 million (2015-16: £89,474 million) in note 19.1. Also included in the £6,687 million above are amounts provided in year of £252 million (2015-16: £244 million), provisions not required written back credit of £150 million (2015-16: credit of £117 million) and discount to present value of £35 million (2015-16: £2,105 million) in note 19.2.

4.4 Grants

	2016-17		2015-16 restated	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Research and development	100	148	103	183
Grant in aid	7,441	–	7,404	–
Post Office Network Reform	80	80	100	100
Market frameworks	58	58	61	61
Science and research	2,346	4,861	2,311	4,930
International Climate Fund – Official Development Assistance	332	332	306	306
Global Threat Reduction Programme	11	11	12	12
Renewable Heat Incentive	545	545	372	372
Innovation programme	497	1,244	499	1,171
Energy Markets and Consumers	7	7	5	5
Heat Infrastructure Team	13	13	–	–
Other grants	(15)	(18)	134	231
Total	**11,415**	**7,281**	**11,307**	**7,371**

The 2015-16 Departmental group other grants figure of £231 million includes £94 million relating to the gift of shares to Royal Mail plc employees (2% of issued Royal Mail plc shares) as part of the disposal of the Government's shareholding in Royal Mail plc. See Note 10.1 for further details.

5 Finance Expense

	2016-17		2015-16 restated	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Change in fair value – Financial Assets	(3)	(4)	(11)	(4)
Net loss/(gain) on foreign exchange	1	(3)	–	(6)
Expected return on funded pension scheme assets	–	(42)	–	(38)
Interest on pension liabilities	–	38	–	37
Unrealised foreign exchange rate gains/losses	1	3	–	–
Interest payable	–	3	–	3
Unwinding of discount on provisions/assets/liabilities	(28)	(1,300)	(12)	1,412
Total	**(29)**	**(1,305)**	**(23)**	**1,404**

The impact of HM Treasury-prescribed discount rates for provisions in 2014-15 was to decrease undiscounted liabilities for the Departmental Group, the unwinding of which in 2015-16 gave rise to a positive expense for Unwinding of discount on provisions. This was reversed when the long-term rate became negative in 2015-16, application of which had the effect of increasing liabilities, hence the negative expense on unwinding in 2016-17.

6 Income

6.1 Operating income

	Note	2016–17 Core Department and Agencies	2016–17 Departmental Group	2015–16 restated Core Department and Agencies	2015–16 restated Departmental Group
		£m	£m	£m	£m
Income from sales of goods and services:					
Income from other Government departments:					
Department of Health funding for The Francis Crick Institute		9	9	141	141
European Union funding		3	17	–	19
Fees, charges and recharges to/from external customers and central Government organisations		134	222	135	245
Levy income		20	154	16	22
Sales of goods and services		2	1,045	187	1,300
Current grants and capital grants		49	143	66	185
Venture capital and Repayable launch investment income		26	28	22	26
Miscellaneous income		43	164	57	180
Total operating income		**286**	**1,782**	**624**	**2,118**

6.2 Finance income

	Note	2016–17 Core Department and Agencies	2016–17 Departmental Group	2015–16 restated Core Department and Agencies	2015–16 restated Departmental Group
		£m	£m	£m	£m
Effective interest:					
Repayable launch investments	11.1	44	44	57	57
Other		17	16	(29)	(29)
Dividend and interest income		107	192	336	335
Finance income		**168**	**252**	**364**	**363**

In 2016-17 the core Department recognised dividend income of £98 million (2015-16: £332 million). This includes a £86 million dividend from Enrichment Holdings Limited (EHL) (2015-16: £172 million). The 2016-17 EHL dividend represents the 2016 year-end dividend from URENCO. The 2015-16 EHL dividend was higher, as it represented the 2014 and 2015 year-end dividends from URENCO. The EHL dividend is eliminated upon consolidation.

In 2016-17 the Departmental Group received dividend income of £124 million (2015-16: £283 million) included within the total dividend and interest income shown above of £192 million (2015-16: £335 million). The departmental group recognised the 2015-16 year-end dividend from URENCO of £86 million (2015-16: £90 million).

Recognised in both the core Department and the Departmental Group in 2015-16 was a one-off 'notional' super dividend of £135 million from Ordnance Survey Trading Fund (OSTF) as a result of OSTF transferring its trade and assets into a Government owned limited company, Ordnance Survey Limited (OSL), for which further details are disclosed in note 10.1.

7 Property, plant and equipment

Departmental Group 2016-17

Departmental Group 2016-17	Land	Freehold Buildings	Dwellings	Leasehold Improvements	Information Technology	Plant and Machinery	Furniture, Fixtures and Fittings	Transport Equipment	Assets under Construction	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Cost or valuation										
Balance at 1 April 2016 (restated)	**417**	**4,051**	**36**	**75**	**229**	**6,598**	**22**	**323**	**416**	**12,167**
Additions	–	–	–	–	7	36	2	5	293	343
Disposals	(3)	(49)	–	–	(33)	(196)	(5)	(5)	(3)	(294)
Impairments	(10)	(9)	–	–	(9)	(23)	(1)	(7)	(22)	(81)
Transfers in/(out) of boundary	–	–	–	–	1	–	1	–	–	2
Reclassifications	(31)	51	(5)	(3)	14	(432)	–	4	(223)	(625)
Revaluations	1	66	8	–	1	74	1	6	1	158
At 31 March 2017	**374**	**4,110**	**39**	**72**	**210**	**6,057**	**20**	**326**	**462**	**11,670**
Depreciation										
Balance at 1 April 2016 (restated)	**(6)**	**(2,761)**	**–**	**(32)**	**(147)**	**(5,125)**	**(16)**	**(164)**	**–**	**(8,251)**
Charged in year	–	(54)	(1)	(7)	(37)	(171)	(2)	(19)	–	(291)
Disposals	1	31	–	–	27	181	4	4	–	248
Impairments	6	–	–	–	–	(2)	1	–	–	5
Reclassifications	–	–	–	2	1	51	–	–	–	54
Revaluations	(1)	(32)	1	–	7	15	–	(3)	–	(13)
At 31 March 2017	**–**	**(2,816)**	**–**	**(37)**	**(149)**	**(5,051)**	**(13)**	**(182)**	**–**	**(8,248)**
Carrying amount at 31 March 2017	**374**	**1,294**	**39**	**35**	**61**	**1,006**	**7**	**144**	**462**	**3,422**
Carrying amount at 31 March 2016	**411**	**1,290**	**36**	**43**	**82**	**1,473**	**6**	**159**	**416**	**3,916**
Asset financing:										
Owned	362	1,294	39	35	58	1,006	7	135	462	3,398
Finance leased	12	–	–	–	–	–	–	9	–	21

Departmental Group 2016-17	Land	Freehold Buildings	Dwellings	Leasehold Improvements	Information Technology	Plant and Machinery	Furniture, Fixtures and Fittings	Transport Equipment	Assets under Construction	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
On balance sheet (SoFP) PFI and other service concession arrangements	–	–	–	–	3	–	–	–	–	3
Carrying amount at 31 March 2017	**374**	**1,294**	**39**	**35**	**61**	**1,006**	**7**	**144**	**462**	**3,422**
Of the total:										
Core Department and Agencies	18	102	–	32	7	73	2	–	30	264
NDPBs and other designated bodies	356	1,192	39	3	54	933	5	144	432	3,158
Carrying amount at 31 March 2017	**374**	**1,294**	**39**	**35**	**61**	**1,006**	**7**	**144**	**462**	**3,422**

Departmental Group 2015-16 (restated)	Land	Freehold Buildings	Dwellings	Leasehold Improvements	Information Technology	Plant and Machinery	Furniture, Fixtures and Fittings	Transport Equipment	Assets under Construction	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Cost or valuation										
Balance at 1 April 2015	**394**	**4,061**	**36**	**50**	**223**	**6,237**	**24**	**311**	**444**	**11,780**
Additions	–	13	–	1	6	545	2	3	194	764
Disposals	(1)	(82)	–	–	(10)	(291)	(4)	–	–	(388)
Impairments	–	(62)	(1)	(1)	–	(6)	–	–	(7)	(77)
Transfers in/(out) of boundary	–	–	–	–	–	1	–	–	(1)	–
Reclassifications	(39)	89	(5)	25	9	103	–	7	(231)	(42)
Revaluations	63	32	6	–	1	9	–	2	17	130
At 31 March 2016	**417**	**4,051**	**36**	**75**	**229**	**6,598**	**22**	**323**	**416**	**12,167**
Depreciation										
Balance at 1 April 2015	**(6)**	**(2,843)**	**–**	**(24)**	**(116)**	**(5,234)**	**(18)**	**(147)**	**–**	**(8,388)**
Charged in year	–	(53)	–	(8)	(40)	(138)	(1)	(16)	–	(256)

Departmental Group 2015-16 (restated)	Land	Freehold Buildings	Dwellings	Leasehold Improvements	Information Technology	Plant and Machinery	Furniture, Fixtures and Fittings	Transport Equipment	Assets under Construction	Total
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Disposals	–	82	–	–	10	263	3	–	–	358
Impairments	–	45	–	–	–	(4)	–	–	–	41
Transfers (in)/out of the boundary	–	–	–	–	–	(8)	–	–	–	(8)
Reclassifications	–	(15)	–	–	–	1	–	–	–	(14)
Revaluations	–	23	–	–	(1)	(5)	–	(1)	–	16
At 31 March 2016	**(6)**	**(2,761)**	**–**	**(32)**	**(147)**	**(5,125)**	**(16)**	**(164)**	**–**	**(8,251)**
Carrying amount at 31 March 2016	**411**	**1,290**	**36**	**43**	**82**	**1,473**	**6**	**159**	**416**	**3,916**
Carrying amount at 1 April 2015	**388**	**1,218**	**36**	**26**	**107**	**1,003**	**6**	**164**	**444**	**3,392**
Asset financing:										
Owned	398	1,290	36	43	79	1,473	6	147	416	3,888
Finance leased	13	–	–	–	–	–	–	12	–	25
On balance sheet (SoFP) PFI and other service concession arrangements	–	–	–	–	3	–	–	–	–	3
Carrying amount at 31 March 2016	**411**	**1,290**	**36**	**43**	**82**	**1,473**	**6**	**159**	**416**	**3,916**
Of the total:										
Core Department and Agencies	18	103	–	38	12	72	2	–	19	264
NDPBs and other designated bodies	393	1,187	36	5	70	1,401	4	159	397	3,652
Carrying amount at 31 March 2016	**411**	**1,290**	**36**	**43**	**82**	**1,473**	**6**	**159**	**416**	**3,916**

Property, plant, and equipment (PPE) held by the Departmental Group

The professional valuations of land and buildings undertaken within the Departmental Group were prepared in accordance with the Royal Institute of Chartered Surveyors (RICS) Valuation Standards (6th Edition), the 'Red Book'. Unless otherwise stated, land and buildings are professionally revalued every 5 years and where appropriate in the intervening period, relevant indices are used. The most significant land and buildings at 31 March 2017 were held by MRC, BBSRC, STFC and NERC. Revaluations for these entities were conducted by Powis Hughes Limited for MRC, GVA Grimley Limited for BBSRC and STFC, and NERC were jointly revalued by GVA Grimley Limited and Powis Hughes Limited.

In accordance with the FReM the majority of Leasehold improvements, Information Technology, Furniture, Fixtures and Fittings and Plant and Machinery are held at depreciated historic cost as a proxy for fair value as the assets have short useful lives or low values. Land, Freehold Buildings, Dwellings, Transport Equipment and the remainder of Plant and Machinery are held at fair value based on professional valuations.

Within the Departmental Group, a variety of valuation techniques are used depending upon whether the PPE asset is a specialised asset or a non-specialised asset. Where the PPE asset is a specialised asset, then a depreciated replacement cost valuation is used for example by scientific institutes. Where the PPE asset is a non-specialised asset, then an existing-use valuation is used, for example for land and office buildings. Depreciated replacement cost (DRC) valuations are based on a number of unobservable inputs; these would be classified as level 3 in accordance with IFRS 13. Existing-use value (EUV) valuations are based on a number of market corroborated but unobservable inputs e.g. land valuations are based on similar prices per hectare adjusted for the specific location of the land, whilst other EUV valuations use specific unobservable inputs, e.g. rental yields. The EUV valuations inputs are classified as level 2 and level 3 in accordance with IFRS 13.

The Departmental Group does not hold any material individual PPE assets. Therefore there are no individually material level 3 assumptions included in the overall Departmental Group fair value of PPE. For there to be a material movement in the fair value of PPE, this would require a significant increase in a number of level 3 valuation assumptions across the Departmental Group. This is unlikely, given that the fair value movement in PPE in 2016-17 was £145 million (2015-16: £146 million).

Further information can be found in the financial statements of the individual bodies' accounts.

8 Intangible Assets

Departmental Group 2016-17	Assets under Construction	Information Technology	Software Licences	Websites	Patents	Total
	£m	£m	£m	£m	£m	£m
Cost or Valuation						
Balance at 1 April 2016 (restated)	**17**	**128**	**24**	**1**	**268**	**438**
Additions	4	14	16	–	–	34
Disposals	(1)	–	(1)	–	–	(2)
Impairments	–	(2)	–	–	–	(2)
Reclassifications	(12)	(6)	13	–	–	(5)
Transfers in/(out)	(1)	2	–	–	–	1
Revaluations	–	–	–	–	(1)	(1)
At 31 March 2017	**7**	**136**	**52**	**1**	**267**	**463**
Amortisation						
Balance at 1 April 2016 (restated)	**–**	**(92)**	**(19)**	**(1)**	**(220)**	**(332)**
Charged in year	–	(18)	(10)	–	(7)	(35)
Disposals	–	–	1	–	–	1
Impairments	–	1	–	–	–	1
Reclassifications	–	3	–	–	–	3
At 31 March 2017	**–**	**(106)**	**(28)**	**(1)**	**(227)**	**(362)**
Carrying amount at 31 March 2017	**7**	**30**	**24**	**–**	**40**	**101**
Carrying amount at 31 March 2016	**17**	**36**	**5**	**–**	**48**	**106**
Asset financing:						
Owned	7	30	24	–	40	101
Carrying amount at 31 March 2017	**7**	**30**	**24**	**–**	**40**	**101**
Of the total:						
Core Department and Agencies	4	1	1	–	–	6
NDPBs and other designated bodies	3	29	23	–	40	95
Carrying amount at 31 March 2017	**7**	**30**	**24**	**–**	**40**	**101**

Departmental Group 2015-16 (restated)	Assets under Construction	Information Technology	Software Licences	Websites	Patents	Total
	£m	£m	£m	£m	£m	£m
Cost or Valuation						
At 1 April 2015	**8**	**109**	**25**	**1**	**247**	**390**
Additions	16	6	1	–	–	23
Disposals	(1)	(3)	(3)	–	–	(7)
Impairments	(1)	(1)	–	–	–	(2)
Reclassifications	(3)	8	1	–	–	6
Transfers in/(out)	(2)	9	–	–	–	7
Revaluations	–	–	–	–	21	21
At 31 March 2016	**17**	**128**	**24**	**1**	**268**	**438**
Amortisation						
At 1 April 2015	**–**	**(77)**	**(18)**	**(1)**	**(188)**	**(284)**
Charged in year	–	(17)	(3)	–	(32)	(52)
Disposals	–	2	2	–	–	4
At 31 March 2016	**–**	**(92)**	**(19)**	**(1)**	**(220)**	**(332)**
Carrying amount at 31 March 2016	**17**	**36**	**5**	**–**	**48**	**106**
Carrying amount at 1 April 2015	**8**	**32**	**7**	**–**	**59**	**106**
Asset financing:						
Owned	17	36	5	–	48	106
Carrying amount at 31 March 2016	**17**	**36**	**5**	**–**	**48**	**106**
Carrying amount at 1 April 2015	**8**	**32**	**7**	**–**	**59**	**106**
Of the total:						
Core Department and Agencies	3	5	1	–	–	9
NDPBs and other designated bodies	14	31	4	–	48	97
Carrying amount at 31 March 2016	**17**	**36**	**5**	**–**	**48**	**106**

All software licenses are acquired separately.

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

The Departmental Group holds its intangible assets at valuation. In accordance with the FReM, the Departmental Group adopts cost less amortisation as a proxy for fair value as the intangible assets have short lives. The exception to this are patents which are held at fair value based on a valuation model.

The model uses a variety of assumptions to estimate the value of future income streams from the patents to determine their fair value; these include an estimate for future royalty income derived from the consensus forecast data from industry specialists, which are adjusted for expected future USD/GBP exchange rates, the territories in which the patents are applicable and potential threats to future income (such as competitor products and regulatory approval). In accordance with IFRS 13, these assumptions would be classed as level 3 assumptions. The carrying amount of the patents at year end is £40 million (2015-16: £48 million) and there would need to be a substantial increase in expected royalty income to result in a material increase in the fair value of the patents.

9 Derivative Financial Instruments

The most significant items included within Derivatives on the Consolidated Statement of Financial Position are Contracts for Difference (CfDs).

Contracts for Difference (CfDs)

Contracts for Difference are a mechanism used to support investment in UK low carbon generation projects. CfDs have been established as a contract between the 'Generator' and the Low Carbon Contracts Company (LCCC), a company wholly owned by the Government and consolidated within the Department's Accounts.

CfDs, other than the CfD relating to Hinkley Point C (HPC), nuclear generating plant, have been classified as derivatives in accordance with International Accounting Standard 39 and recognised at their 'fair value' by deferring the difference between fair value and transaction price. Any subsequent gain or loss in fair value is recognised in the Statement of Comprehensive Net Expenditure. The HPC CfD has not been recognised in these accounts and its accounting treatment is described under heading 'Hinkley Point C' of this note.

The fair value of any derivative recognised in these accounts is assessed by reference to IFRS13 (Fair Value) which provides three options for assessment. The different options are hierarchical and classed as Level 1, 2, or 3, where Level 1 is based on market prices, Level 2 is based on observable data other than market prices and Level 3 is used where Level 1 or 2 data is unavailable and can include use of an entity's own data, models and assumptions.

The fair value of the Department's CfDs recognised in these accounts has been calculated using the income approach based on Level 3 inputs, which reflects the present value (PV) of future cash flows that are expected to occur over the contract term of the CfD. The discount rate which has been used to determine the PV for financial reporting is the financial instrument real rate of 0.7% set by HM Treasury Public Expenditure System (PES) Secretariat on 2 Dec 2016.

By contrast, for investment decisions and project appraisal the Department is required to use the social discount rate of 3.5% published in HM Treasury's Green Book. The Department has signed CfDs that span 15 and 35 years. With the assumption of even cash flows in each year, those in later years are more sensitive to the differing discount rates, being 0.7% for financial reporting and 3.5% for economic appraisal purposes.

The deferred difference between the fair value of the liability on day one and the transaction price is amortised over the contract life of the CfDs, which commences from the earlier of i) the actual start date of generation or ii) the end of the Target Commissioning Window (TCW) identified in the CfD, as this is the point at which the contractual liability will start to unwind (i.e. it is the point at which the potential payment period under the CfD commences).

The significance of these two dates is that they are the part of the contractual provisions which determine when the right to potential CfD payments starts. The contract payment period is typically for 15 years, but specific exceptions exist:

- for contracts relating to biomass conversion which have an expiration date in 2027; and
- the contract for HPC) which will expire at the earlier of 35 years after the start date of the second reactor or when the total CfD payments made have reached the Generation Cap (i.e. 910,000,000 MWh).

CfDs may be signed many years in advance of actual generation. The main benefit to generators is the fact that they can derive economic benefit from these contracts across the payment period life of the contract and the added certainty which the CfD contract provides helps them to finance the project.

Typically, if generators start generating within their TCW (which is specified in the contract) then the generation period starts from the date of generation and subject to all conditions being met, the generator can extract benefit for the full term of the contract. If generators miss the end of their TCW (and it is not extended under the terms of the contract) then the payment life period commences at the end of their TCW even if the generator is not in a position to generate. If the generator does not achieve the required minimum generation capacity by the contractual 'Longstop Date', the LCCC has a right to terminate the CfD.

There is an obligation placed on licensed electricity suppliers to fund the CfD liabilities as they crystallise. The future levy amounts which will be received from the licensed suppliers will be accounted for within the LCCC and will be triggered by the generation and supply of low carbon electricity.

As at 31 March 2016 the LCCC was counterparty to 38 contracts. Of those, 14 contracts were related to 8 CfD projects under the government's "Final Investment Decisions enabling Renewables" programme (FIDeR). Subsequently, 2 additional CfDs were entered into or transferred to the LCCC during the financial year.

- The Drax FIDeR contract was transferred to the LCCC from the Core Department in December 2016. The Drax biomass project has a capacity of 637MW of low carbon generation.In addition, in March 2017, a previously terminated CfD contract was reinstated following the results of a tribunal decision.
- The Hinkley Point C contract was signed on 29 September 2016. Details of the contract, which has not been recognised in these accounts, are further explained in the section entitled "Hinkley Point C" in this note.

At 31 March 2017 the LCCC was counterparty to 40 contracts recognised in the accounts.

The transaction price for CfDs differs from the fair value at initial recognition (measured using a valuation model) because the transaction price on day one was zero as the generators were awarded the CfD contracts at nil consideration through a competitive process. However the future anticipated cash flows do have a fair value determined using projections of wholesale electricity prices from the Dynamic Dispatch Model with significant unobservable inputs and based on IFRS 13 Level 3 valuation technique. The Departments financial instruments are therefore recognised at the transaction price and any difference between the transaction price and fair value at initial recognition measured using a valuation model is deferred and disclosed in the accounts.

The following table shows the movement of the CfD liability on the SoFP:

	Core Department and Agencies	LCCC CfDs exc. HPC	Departmental Group Total
	£m	£m	£m
CfD liability as at 1 April 2015 recognised on the Consolidated Statement of Financial Position	498	1,987	2,485
CfD liability transferred during the year	(896)	896	–
Re-measurement of the CfD liability	1,735	8,965	10,700
CfD liability released during the year	–	(578)	(578)
CfD liability as at 31 March 2016 recognised on the Consolidated Statement of Financial Position	**1,337**	**11,270**	**12,607**
CfD liability transferred during the year	(1,111)	1,111	–
CfD reinstated during the year	–	575	575
Re-measurement of the CfD liability	(226)	(571)	(797)
Payments to the CfD generators	–	(92)	(92)
Deferred difference recognised during the year	–	41	41
CfD liability as at 31 March 2017 recognised on the Consolidated Statement of Financial Position	**–**	**12,334**	**12,334**

Movement in deferred measurement differences

The following table shows the movement in deferred day one loss.

	Core Department and Agencies	LCCC CfDs exc. HPC	Departmental Group Total
	£m	£m	£m
Deferred measurement differences as at 1 April 2015	**2,315**	**16,808**	**19,123**
Measurement differences deferred on contracts transferred from BEIS	(816)	816	–
Measurement differences recognised in respect of terminated CfDs		(1,088)	(1,088)
Deferred measurement differences as at 31 March 2016	**1,499**	**16,536**	**18,035**
Measurement differences deferred relating to a reinstated CfD	–	1,085	1,085
Measurement differences deferred on contract transferred from BEIS	(1,499)	1,499	–
Measurement differences deferred during the year	–	–	–
Deferred measurement differences recognised during the year	–	(41)	(41)
Deferred measurement differences as at 31 March 2017	**–**	**19,079**	**19,079**

Fair value measurement of CfDs

The fair value of CfDs (which excludes the HPC CfD which has not been recognised in these accounts) represents the LCCC's best estimate of the payments which the LCCC will be committed to make, if and when the generators supply low carbon electricity in accordance with their contractual terms. They are based upon the estimates of future fossil fuel prices estimated, using the central projections of fossil fuel prices and rising carbon prices to forecast the potential liabilities using the Dynamic Dispatch Model (DDM) owned by BEIS.

Should no low carbon electricity be supplied in accordance with the contractual terms, then the LCCC is not under any obligation to make these payments.

Fair value of CfDs (financial liabilities at fair value through profit and loss)

The following table shows the impact on the fair value of the CfDs which have been recognised in these accounts, classified under Level 3 by using the assumptions described below:

	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Core Department and Agencies	–	–	2,836	2,836
LCCC	–	–	27,806	27,806
As at 31 March 2016	**–**	**–**	**30,642**	**30,642**
LCCC	–	–	771	771
As at 31 March 2017	**–**	**–**	**31,413**	**31,413**

Reconciliation of CfDs

The following table shows the impact of changes to the fair value of CfDs which have been recognised in these accounts, classified under Level 3:

	Core Department and Agencies	LCCC CfDs exc. HPC	Departmental Group Total
	£m	£m	£m
As at 1 April 2015	**2,813**	**18,795**	**21,608**
Transferred during the year	(1,712)	1,712	–
Change in fair value during the year	1,735	8,965	10,700
CfD terminated during the year	–	(1,666)	(1,666)
As at 31 March 2016	**2,836**	**27,806**	**30,642**
Additions during the year	–	–	–
CfD reinstated during the year	–	1,660	1,660
Transferred during the year	(2,610)	2,610	–
Change in fair value during the year	(226)	(571)	(797)
Payments to the CfD generators	–	(92)	(92)
Deferred measurement differences as at 31 March 2017	**–**	**31,413**	**31,413**

The fair value of the CfDs has been estimated using a discounted cash flow model. This method involved the projection ofa series of cash flows and application of a discount rate to establish the present valueof the expenses associated with the liability. The valuation requires management to make certain assumptions about the model inputs, including cash flows, the discount rate, credit risk and volatility.

Key Assumptions (excluding HPC CfD)

Management's estimate of each CfD fair value takes into account many factors and inputs within ranges that consider the most likely outcome across the life of the CfD. Annual cash flow is estimated as reference price less strike price multiplied by estimated generation delivered. The series of cash flows is then discounted using the HM Treasury discount rate of 0.7% (2015-16: 0.7%). The following six assumptions are key to the CfD valuation:

1. Transmission Loss Multiplier (TLM)

TLM reflects the fact that electricity is lost as it passes through the transmission system from generators to suppliers. If the TLM is incorrect, this will have implications for the volume of electricity subject to CfD payments. Any change in TLM will be corrected through adjustments in strike prices although the change in TLM is expected to be immaterial.

2. Start date

Generators nominate a Target Commissioning Date (TCD) in their binding application form for a CfD, and this date is specified in their CfD following contract award. However, the generator is free to commission at any time within their Target Commissioning Window (TCW), a period of one year from the start of the TCW for most technologies, with no penalty, or after the end of the TCW and up to their 'Longstop Date' (one to two years after the end of the TCW depending on technology) with a penalty in the form of reduction of contract length for each day they are late in commissioning after the end of the TCW. The contract can be terminated if the generator has not commissioned 95% (or 85% for offshore wind) of their revised installed capacity estimate by the end of the Longstop Date. Any change to the start date will change the timing of future cash flows and impact on the discounted fair value.

3. Strike price

The strike price is an agreed price which determines the payments made to the generator under the contract with reference to its low carbon output and the market reference price. The relevant strike price is specified in each CfD and is not intended to change for the duration of the project, other than through indexation to CPI and certain network charges, or in the event of certain qualifying changes in law.

4. Future forecast wholesale electricity prices

Forecast wholesale electricity prices are derived from the Dynamic Dispatch Model (DDM) which has been developed by BEIS to facilitate/inform policy decisions by modelling investor behaviour in response to fuel and carbon prices and policy environment. The DDM estimates the wholesale price by:

- using the Short Run Marginal Cost (SRMC) for each plant, adjusted to take into account start-up and shut-down costs;
- half hourly demand for electricity taking into account wind and solar profiles and generation, interconnector flows, pumped storage, auto-generation; and
- projecting the future generation mix, taking into account announced government policy and illustrative assumptions on future policy.

Economic, climate, policy, generation and demand assumptions are external inputs to the model including demand load curves for both a range of sample days for each season, including business and non-business days, and high and low demand days. Inherent limitations exist within forecasting wholesale electricity prices across the long term (>20 years).

5. Installed Capacity

The figure for the maximum installed capacity was provided by the generator in its application for a CfD and specified in its CfD contract following allocation. The installed capacity cannot be increased after contract signature, but can be reduced by the generator by no more than 25% with no penalty between contract signature and the completion of the first contractual milestone by its contractual deadline (i.e. the Milestone Requirement which must be completed 12 months after contract award). Thereafter the installed capacity figure can only be reduced by the generator for a permitted contractual construction event (which is a narrowly defined concept) or by the difference by which the relevant project has an installed capacity of 95% (or 85% in the case of offshore wind) of its current contractual installed capacity figure and 100%. The actual output of the generator will depend on the load factor.

6. Load Factor

Load Factor is defined as the actual power output of a project as a proportion of its rated installed capacity. It is a percentage figure which is used to transform installed capacity into actual power output (generation). Load factor assumptions are based on reference factors for given technology types; however, actual power outputs are sensitive to technological and environmental factors which may impact actual cash flows.

Sensitivity analysis (excluding HPC CfD)

The following table shows the impact on the fair value of CfDs excluding HPC (in 2016 prices), classified under Level 3 in accordance with IFRS 13, by using reasonably possible alternative assumptions:

Change in fair value of CfDs recognised in the accounts if:

	Favourable changes	Unfavourable changes
	£m	£m
Electricity prices decrease by 10%	–	1,858
Electricity prices increase by 10%	1,858	–
10% more load factor	–	3,141
10% less load factor	3,141	–
Estimated Commissioning Date moves back one year	553	–
Generation starts at earliest possible date	–	359

The fair value is highly dependent upon the actual capacity generated once the plant is built and the electricity prices which will prevail at the time of generation. The favourable and unfavourable changes show how the impact of changes in capacity and prevailing electricity prices will affect the fair value of CfDs due to the change in the level of cash flows. The Group auditors continue to include an emphasis of matter paragraph in their audit certificate concerning the uncertainty around valuation of these CfD contracts.

Significant unobservable inputs

The following table discloses the valuation techniques and significant unobservable inputs for CfDs recognised at fair value and classified as Level 3 along with the range of values used for these significant unobservable inputs.

	Fair value of CfDs	Valuation technique	Significant unobservable inputs	Range Min-Max	Units
	£m			(min – max)	
2016	30,642	DCF	Future electricity prices	37.6 - 54.02	£/MWh
2017	31,413	DCF	Future electricity prices	35.2 - 53.42	£/MWh

Hinkley Point C

The Department entered into the HPC Contract on 29 September 2016. This project has a maximum cumulative capacity of 910,000,000 MWh. The HPC contract will expire at the earlier of 35 years after the start date of the second reactor or when the total CfD payments made have reached the Generation Cap (i.e. 910,000,000 MWh).

The valuation of the HPC CfD requires that an assumption be made of wholesale electricity prices in each year out to 2060. The Department uses a dynamic despatch model to develop scenarios-based estimates of future wholesale electricity prices. This model currently extends only as far as 2050 and the Department has therefore assumed flat wholesale prices for the ten years 2050-2060. Moreover there is an inherent limitation in accurate estimation beyond 2040 because there is a paucity of independent third-party information beyond this point from which to validate the Department's assumptions. The unavoidable uncertainty over possible scenarios so far into the future extend to a variety of factors including electricity demand, fossil fuel prices, generation mix, carbon prices and technology.

Under International Financial Reporting Standards (IFRS) the Conceptual Framework sets out the concepts which underlie the preparation and presentation of financial statements. The Conceptual Framework deals with, amongst other things, the definition, recognition and measurement of the elements from which financial statements are constructed. Paragraph 4.38 of the Conceptual Framework states that an element should be recognised in the accounts if:

a) it is probable that any future economic benefit associated with the item will flow to or from the entity; and

b) the item has a cost or value that can be measured with reliability [defined as: using information that is complete, neutral and free from error].

In comparison to other CfDs the Department considers the CfD for HPC to have materially different characteristics from the other CfDs which currently exist. The European Pressurised Reactor is a much more complex asset than the wind turbines or bio-mass generators associated with our other CfDs. It has very high levels of safety, reinforcement and containment incorporated into the design, which make it more expensive and complex to build and result in a significant lead time before generation commences (planned for 2025). Until these challenges are overcome and the asset is built, no payments will be made by the UK Government under the CfD. This unavoidably long lead time before generation commences is relevant to condition (a) of paragraph 4.38 of the Conceptual Framework.

The HPC CfD contract duration is also more than double (35 years) the length of other CfDs (15 years) so far entered into by the Department. This makes it considerably more challenging to provide a single point fair value estimate, as required for accounting purposes, as that requires estimation of future wholesale electricity prices in every year out to 2060. This means that there are considerable but unavoidable uncertainties in creating a fair value estimate for the HPC CfD because of the unusually long time period involved.

Uncertainty increases with time and so the choice of discount rate plays a significant part in determining how much uncertainty is weighted into a present value calculation; a higher discount rate places less weight on increasingly more uncertain later years of a present value calculation. For example, in conducting the economic appraisal for the HPC project the Department used the social discount rate of 3.5% per year, as required by the HM Treasury Green Book. However for valuing financial instruments like CfDs the Department is obliged to use the financial instrument discount rate of 0.7%, as required by the HM Treasury Financial Reporting Manual. Therefore, compared to an economic appraisal, a present value estimate for a financial instrument includes progressively more weight from the less certain later years of the appraisal period. For comparison, using the social discount rate of 3.5% would lead to a valuation of £15.6bn compared to £28.8bn using HM Treasury Financial Reporting Manual discount rate of 0.7%.

This is particularly relevant to the HPC CfD fair value because external forecasts for wholesale electricity prices are not currently readily available beyond 2040. It has not been possible for the Department to satisfactorily verify whether a single point fair value estimate for the HPC CfD is complete, neutral and free from error. (Verifiability is one of the qualitative characteristics of useful financial information for financial statements as set out in the Conceptual Framework.) The Department has therefore concluded that for the time being the HPC CfD fails to meet the recognition criterion (b) as outlined above. Therefore, the HPC CfD has not been recognised as a transaction in these primary statements. It is expected that when the HPC CfD meets the recognition criteria (a) and (b) of paragraph 4.38 of the Conceptual Framework the HPC CfD will be recognised at the prevailing fair value at that point in time. The fair value at the date of recognition will be determined in accordance with IFRS 13 and the difference between the fair value and the transaction price of zero will be deferred and amortised in the same way as the other CfDs described above. Changes in fair value after the date of recognition will be recognised in subsequent reporting periods and accounted for in the Statement of Comprehensive Net Expenditure and the Statement of Financial Position as they arise.

The Department has nonetheless set out below its best estimation of the fair value of the contract, and its sensitivity to assumptions underlying the valuation, in the interests of transparency. This follows a 'Level 3' methodology under IFRS 13, which allows for use of the entity's own models and assumptions.

Fair value measurement of HPC

The Department has set out below its best estimation of the fair value of the contract, and the assumptions which have been considered in its valuation. This follows a Level 3 methodology under IFRS 13 (Fair Value), which allows for use of the entity's own models and assumptions. This disclosure is consistent with IAS 39 (Financial Instruments) where the initial recognition of a financial instrument like the HPC CfD requires a deferred liability disclosure rather than a transaction of the initial fair value estimate through the primary statements.

The following table provides an analysis of the fair value of HPC, grouped into Levels 1 to 3 within the fair value hierarchy based on the degree to which the fair value is observable:

	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
As at 31 March 2016	–	–	–	–
As at 31 March 2017	**–**	**–**	**28,824**	**28,824**

Information on other factors which impact on the fair value of HPC CfD is set out below:

Start date

The Target Commissioning Date (TCD: current expected start date) for reactor one and reactor two of the Hinkley Point C project are 1 May 2025 and 1 November 2025 respectively.

The generator is free to commission at any time within their Target Commissioning Window (TCW), a period of one year from the start of the TCW for most technologies, with no penalty, or after the end of the TCW and up to their 'Longstop Date' (one to two years after the end of the TCW depending on technology) with a penalty in the form of reduction of contract length for each day they are late in commissioning after the end of the TCW. The contract can be terminated if the generator has not commissioned 95% (or 85% for offshore wind) of their revised installed capacity estimate by the end of the Longstop Date. The TCW for reactor one is 1 May 2025 to 30 April 2029. The TCW for reactor two is 1 November 2025 to 31 October 2029.

Any change to the start date will change the timing of future cash flows and impact on the discounted fair value.

Equity gain share for Hinkley Point C

- The equity gain share mechanism consists of two separate components: (i) a mechanism to capture gains above specified levels where the Hinkley Point C project outperforms relative to the original base case assumptions; and (ii) a mechanism to capture gains above specified levels arising from the sale of equity and economic interests (direct or indirect) in the Hinkley Point C project.

In each case, as and when the Internal Rate of Return (IRR) thresholds are reached:

- If the relevant IRR is more than 11.4%, the LCCC will receive 30% of any gain above this level.
- If the relevant IRR is more than 13.5%, the LCCC will receive 60% of any gain above this level.

The equity gain share mechanism forms part of the Secretary of State Investor Agreement and does not therefore impact the fair value of Hinkley Point C.

Installed Capacity
Hinkley Point C which does not have an installed capacity cap, is only entitled to CfD payment support up to a Generation Cap of 910,000,000 MWh.

Strike price
The strike price is an agreed price which determines the payments made to the generator under the contract with reference to its low carbon output and the market reference price. The relevant strike price is specified at £92.50 in real 2012 terms and is not intended to change for the 35 year contract duration, other than through indexation to CPI and certain network charges, or in the event of certain qualifying changes in law.

In addition to the factors mentioned above, Hinkley Point C's strike price change is also subject to the following three additional factors:

1. Construction gain share for Hinkley Point C

If the construction costs of Hinkley Point C come in under budget, the strike price will be adjusted downwards so that the gain (or saving) is shared with the LCCC. The gain share is 50/50 for the first billion pounds, with savings in excess of this figure being shared 75% to the LCCC and 25% to the generator, NNB Generation Company (HPC) Limited (NNBG).

If the outturn cost of construction is less than assumed then by reducing the strike price the amounts paid out to NNBG under the CfD will reduce and hence the benefit of the lower construction costs is shared between NNBG and ultimately consumers. There is, however, no similar upward adjustment if the construction cost of Hinkley Point C is over budget.

2. OPEX reopener for Hinkley Point C

The strike price may be adjusted upwards if the operational expenditure costs are more than assumed and downwards if they are less. There are two operational expenditure reopener dates, at 15 years and 25 years after the first reactor start date. The rationale behind the reopener is that the strike price is based on long-term assumptions on operational expenditure costs. The reopener provides a way of mitigating long-term cost risks for both parties.

3. Sizewell C strike price adjustment for Hinkley Point C

If the Sizewell C condition is not satisfied on or before the reactor one start date, there shall be no strike price adjustment. However, if the Sizewell C condition is satisfied after the reactor one start date, then the applicable strike price shall be reduced with effect from the date of satisfaction of the Sizewell C condition by £3/MWh.

Sensitivity analysis
Using a Level 3 technique to assess the value of the Hinkley Point C CfD is permissible when there is no observable input against which to assess the valuation. The Department has used internally generated models and assumptions consistent with an emissions pathway towards the Government's decarbonisation commitments to generate the wholesale electricity price scenarios used in the valuation of the HPC CfD. There is unavoidable uncertainty inherent in all such modelling and as such the results should be interpreted as a range of plausible scenarios rather than a single point value. However, IFRS13 requires that a single amount be declared for fair value and so to satisfy this condition the Department has adopted its central scenario when valuing the HPC CfD.

To provide transparency for the reader, it is important to highlight the uncertainty inherent in material values over a long period of time such is the nature of this CfD. The predicted price series from the Dynamic Dispatch Model between 2025 and 2050 (flat-lined from 2050 to 2060) has a higher degree of certainty in the early years (2025-2040) and a lower degree of certainty in later years (2040-2060). The Department has illustrated some empirical impact of changes in assumptions on the fair value of the HPC CfD (in 2016 prices). These are shown in the table below:

Change in fair value of HPC if:

	Favourable changes	Unfavourable changes
	£m	£m
Electricity prices decrease by 10%	–	4,478
Electricity prices increase by 10%	4,478	–
At generation cap	–	260
10% less load factor	2,882	–
Estimated Commissioning Date moves back one year	481	–
Sizewell C Strike price adjustment for HPC	2,387	–
Low carbon price assumption	–	6,480
High carbon price assumption	6,340	–

10 Investments and loans in other public sector bodies

	Ordinary shares	Public Dividend Capital	Other loans and investments	Core Department and Agencies Total	Elimination of shares and other investments and loans held in NDPBs	NDPBs Ordinary Shares	Departmenta Group Total
	£m	£m	£m	£m	£m	£m	£m
Balance at 1 April 2015 restated	**2,469**	**115**	**92**	**2,676**	**(2,094)**	**792**	**1,374**
Additions	462	–	148	**610**	(332)	–	**278**
Redemptions	–	(34)	(6)	**(40)**	6	–	**(34)**
Impairments	(326)	–	1	**(325)**	315	–	**(10)**
Revaluations	12	–	–	**12**	–	(255)	**(243)**
Unwinding of discount	–	–	2	**2**	–	–	**2**
Loans repayable within 12 months transferred to current assets	–	–	(27)	**(27)**	–	–	**(27)**
Balance at 31 March 2016 restated	**2,617**	**81**	**210**	**2,908**	**(2,105)**	**537**	**1,340**
Additions	753	–	168	**921**	(822)	–	**99**
Redemptions	–	–	–	**–**	–	–	**–**
Impairments	(148)	–	–	**(148)**	148	–	**–**
Revaluations	18	–	–	**18**	–	(115)	**(97)**
Reclassification	(1,517)	–	(5)	**(1,522)**	1,517	–	**(5)**
Unwinding of discount	–	–	3	**3**	–	–	**3**
Loans repayable within 12 months transferred to current assets	–	–	(9)	**(9)**	–	–	**(9)**
Balance at 31 March 2017	**1,723**	**81**	**367**	**2,171**	**(1,262)**	**422**	**1,331**

10.1 Ordinary Shares in other public sector bodies

	31 March 2017		31 March 2016	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Balance at 1 April	**2,617**	**1,146**	**2,469**	**1,171**
Additions	753	37	462	229
Impairments	(148)	–	(326)	(11)
Revaluations	18	(97)	12	(243)
Reclassification	(1,517)	–	–	–
Balance at reporting date	**1,723**	**1,086**	**2,617**	**1,146**
Comprising				
Ordinary Shares held within the Departmental boundary – held at cost	1,059	–	2,007	–
Ordinary Shares held outside the Departmental boundary – held at fair value	664	1,086	610	1,146
Balance at reporting date	**1,723**	**1,086**	**2,617**	**1,146**

Ordinary Shares in other public sector bodies held within the Departmental boundary

In accordance with the FReM, ordinary shares held within the Departmental boundary are carried at historical cost less any provision for impairment. They are eliminated on consolidation.

Green Investment Bank (GIB)

The core Department holds 1,517,450,000 shares of £1 each (31 March 2016: 1,034,850,000) in GIB. BEIS made £483 million (31 March 2016: £60 million) capital injections into GIB during the year in exchange for share capital. The Core Department's holding had a cost of £1,517 million at 31 March 2017 (31 March 2016: £1,035 million).

The principal objective of the company is to accelerate private sector investment in the clean energy sector.

On the 20 March 2017, the core Department had committed to the sale of GIB. The core Department's shareholding in GIB met the classification criteria of a non-current asset held for sale in accordance with IFRS 5. The shareholding was reviewed for impairment (of which no impairment was identified) prior to being reclassified as a non-current asset held for sale. See Note 15 for further details.

British Business Bank Plc (BBB)

The core Department holds 1,071,407,935 ordinary shares (31 March 2016: 837,525,846), each with a nominal value of £1. BEIS made £234 million (31 March 2016: £173 million) capital injections in BBB during the year in exchange for share capital, to allow BBB to make investments that could not be financed with free capital. The core Department's holding had a cost less provision for impairment of £1,046 million at 31 March 2017 (31 March 2016: £815 million).

The principal objective of the company is to address long-standing, structural gaps in the supply of finance and bring together in one place Government finance support for small and mid-sized businesses.

UK Shared Business Services Limited (UKSBS)

The core Department holds 62,016,358 non-voting shares and one voting share in UKSBS, held at cost less provision for impairment of £6 million at 31 March 2017 (31 March 2016: £12 million).

The company is a specialist business services organisation that provides finance, procurement, grants, information systems and HR and payroll services to the public sector. Its main objective is to improve the economy, efficiency and effectiveness of corporate services to BEIS bodies.

Postal Services Holding Company Limited (PSH)

The Secretary of State for BEIS owns 50,005 ordinary shares in PSH which is 100% of the issued share capital at a historic cost of £430 million at 31 March 2017 (31 March 2016: £430 million). The Secretary of State for BEIS also owns one special share in PSH, relating to certain areas for which Special Shareholder's consent is required.

The core Department's holding had a cost less provision for impairment of £7 million at 31 March 2017 (31 March 2016: £145 million), reflecting the reduction in the value of investments held by PSH. The impairment is reversed in the Departmental Group and recognised as a fair value movement in Post Office Limited (POL).

The principal objective of the company is to hold and manage its shares in POL.

Low Carbon Contracts Company Ltd (LCCC)

The core Department holds one ordinary share in LCCC with a nominal value of £1.

The principal objective of the company is to be the counterparty to and manage Contracts for Difference (CFD's) throughout their lifetime.

Electricity Settlements Company Ltd (ESC)

The core Department holds one ordinary share in ESC with a nominal value of £1.

The principal objective of the company is to oversee settlement of the Capacity Market agreements.

Enrichment Holdings Limited (EHL)

The core Department holds two shares of £1 each in EHL with a nominal value of £2.

EHL has been set up as a holding company, along with a subsidiary company, Enrichment Investments Limited (EIL), solely to hold the Government's one-third share in Urenco Limited, an entity operating in the civil uranium enrichment sector.

BIS (Postal Services Act 2011) Company Limited

The core Department holds one ordinary share in BIS (Postal Services Act 2011) Company Limited with a nominal value of £1.

The principal objective of the company is to dispose of the assets transferred to it from the Royal Mail Pension Plan (RMPP).

Wave Hub Limited

The core Department held one ordinary share in Wave Hub Limited with a nominal value of £1.

The principal objective of the company is to provide test platforms for companies performing research and development in wave energy technologies on the Cornwall Coast. On 31 March 2017 Wave Hub was transferred to Cornwall Council.

South Tees Site Company Limited (STSC)

The core Department holds one ordinary share in STSC with a nominal value of £1.

The principal objective of the company is to secure and manage the South Tees Site.

Ordinary Shares held outside of the Departmental boundary

Shares held outside of the Departmental boundary are carried at fair value in accordance with IAS 39.

Post Office Limited (POL) and Royal Mail plc

The core Department holds 100% of the shares in the Postal Services Holding Company Limited (PSH), the company which wholly owns Post Office Limited (POL) and up to the end of 2015-16 held the department's investment in Royal Mail plc.

PSH holds 50,003 ordinary shares in POL at a nominal value of £1 each which is 100% of the issued share capital. There is a special share in POL (nominal value of £1) which is held directly by the Secretary of State for BEIS. This shareholding is held at fair value, but as there is no active market for these shares the net asset value of POL is considered to be a reasonable approximation for fair value. The fair value as at 31 March 2017 was £nil (31 March 2016: £137 million).

The principal objective of POL is to provide retail post office services through its national network of branches.

During 2015-16 PSH's shareholding of 299,913,077 ordinary shares in Royal Mail plc was reduced to nil through a combination of sales (28% of issued Royal Mail plc shares) and gifts to employees (2% of issued Royal Mail plc shares). A total realised profit on disposal of £1,435 million was recognised in 2015-16, as shown in the Statement of Comprehensive Net Expenditure. £94 million was incurred in 2015-16 for the gift of shares to employees and is shown in Note 4.4 under other grants.

British Nuclear Fuels Limited (BNFL)

The core Department holds 50,000 ordinary shares in BNFL at a nominal value of £1 each. The Secretary of State for BEIS owns 49,999 ordinary shares and the Treasury Solicitor owns one ordinary share.

The core Department's shareholding is held at fair value, but because there is no active market for these shares the net asset value of BNFL is considered to be a reasonable approximation of fair value. The fair value as at 31 March 2017 was £324 million (31 March 2016: £322 million).

Ordnance Survey Limited (OSL)

The core Department holds 34,000,002 ordinary shares in OSL at a nominal value of £1 each which is 100% of the issued share capital. BEIS acquired the ordinary shares in OSL for £170 million on 1 April 2015 as part of the Ordnance Survey Trading Fund transferring its trade and assets into OSL.

The shareholding is held at fair value, but as there is no active market for these shares the net asset value of OSL is considered to be a reasonable approximation for fair value. The fair value as at 31 March 2017 was £189 million (31 March 2016: £174 million).

The principal objective of OSL is to produce mapping products and mapping data information.

NPL Management Limited (NPLML)

The core Department holds 57 ordinary shares in NPLML which is 100% of the issued share capital.

The shareholding is held at fair value, but as there is no active market for these shares the net asset value of NPLML is considered to be a reasonable approximation for fair value. The fair value as at 31 March 2017 was £75 million (31 March 2016: £49 million).

NNL Holdings Limited (NNLHL)

The core Department holds two shares of £1 each in NNL Holdings Limited (NNHL) with a nominal value of £1 each.

NNLHL has been set up as a holding company, to hold all the shares in the National Nuclear Laboratory Limited.

The shareholding is held at fair value but because there is no active market for these shares the net asset value of NNLHL is considered to be a reasonable approximation of fair value. The fair value as at 31 March 2017 was £76 million (31 March 2016: £65 million).

Nuclear Liabilities Fund

The primary objective of the Nuclear Liabilities Fund Limited is to produce sufficient returns to cover the cost of decommissioning 8 existing nuclear power stations, all now owned by EDF Energy Nuclear Generation Limited (EDFE) and to cover certain of EDFE's uncontracted liabilities (principally the removal and storage of spent fuel). A remote contingent liability has been disclosed in relation to these costs in the Parliamentary Accountability and Audit Report.

The Fund is owned by the Nuclear Trust, the members of which also constitute the Fund's Board. The Secretary of State has powers to set the Fund's investment policy and appoints three of the trustees. The other two trustees are appointed by EDFE. In addition to the ordinary shares jointly owned by the trustees, the Secretary of State and EDFE each own a special share in the Fund (note 10.4). The fair value of the Fund (i.e. assets less liabilities as recognised in the accounts) as at 31 March 2017 was £nil (31 March 2016: £nil).

NDA subsidiaries

The NDA controls the following subsidiaries, all of which are outside the Departmental Group boundary and not consolidated into these accounts. The holdings are valued at fair value. As there is no active market, the net assets of the entities are considered the most appropriate approximation of fair value of £422 million as at 31 March 2017 (31 March 2016: £399 million).

Name	Country of incorporation	Nature of business	Holding entity	Proportion of ordinary shares held
Direct Rail Services Limited	UK	Rail transport services within the UK	NDA	100%
International Nuclear Services France SAS (i)	France	Transportation of spent fuel	NDA	100%
International Nuclear Services Japan KK (i)	Japan	Transportation of spent fuel	NDA	100%
International Nuclear Services Limited	UK	Contract management and the transportation of spent fuel, reprocessing products and waste	NDA	100%
NDA Properties Limited	UK	Property management	NDA	100%
Pacific Nuclear Transport Limited (i)	UK	Transportation of spent fuel, reprocessing products and waste	NDA	68.75%
Rutherford Indemnity Limited	Guernsey	Nuclear insurance	NDA	100%

(i) Ownership through International Nuclear Services Limited.

10.2 Public Dividend Capital (PDC)

	Companies House	UKIPO	Ordnance Survey	Met Office	Total
	£m	£m	£m	£m	£m
Balance at 1 April 2015	**16**	**6**	**34**	**59**	**115**
Additions	–	–	–	–	**–**
Redemptions	–	–	(34)	–	**(34)**
Impairments	–	–	–	–	**–**
At 31 March 2016	**16**	**6**	**–**	**59**	**81**
Additions	–	–	–	–	**–**
Redemptions	–	–	–	–	**–**
Impairments	–	–	–	–	**–**
At 31 March 2017	**16**	**6**	**–**	**59**	**81**

PDC is held by the Core Department.

In accordance with the FReM, PDC is carried at historical cost less any impairment.

On 1 April 2015 the trade and assets of Ordnance Survey were transferred to the newly incorporated Limited Company, Ordnance Survey Limited (OSL). BEIS is the sole shareholder of OSL. Ordnance Survey was a trading fund owned by BEIS, but outside of the departmental boundary. BEIS's investment in the trading fund was recorded as PDC. The transfer of the trade and assets from Ordnance Survey to OSL resulted in the £34 million PDC investment BEIS had in the Trading Fund being repaid and £170 million of ordinary share capital for OSL being recognised, 100% of the issued ordinary share capital in OSL. The £170 million ordinary share capital issued was equal to the net assets of Ordnance Survey trading fund at the date of the transfer.

10.2.1 Share of net assets and results for Public Dividend Capital holdings outside the Departmental consolidation boundary

The Department is required to disclose its share of the net assets and the results for the year of other public sector bodies, which are outside of the departmental boundary. The following disclosures relate to the Department's trading funds.

	Companies House	UKIPO	Met Office
	£m	£m	£m
Net Assets/(Liabilities) at 31 March 2016	75	86	250
Turnover	66	83	227
Surplus/profit (deficit/loss) for the year before financing	(2)	4	9
Net Assets/(Liabilities) at 31 March 2017	79	85	246
Turnover	66	88	227
Surplus/profit (deficit/loss) for the year before financing	4	7	5

For all bodies, information for 2016-17 was derived from their draft unaudited accounts. The information for 2015-16 was derived from their audited accounts. The accounts were prepared on an IFRS basis, in accordance with the requirements of the FReM.

10.3 Other investments and loans in public sector bodies

	31 March 2017		31 March 2016 Restated	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Balance at 1 April	**210**	**113**	**92**	**88**
Additions	168	62	148	49
Repayments	-	-	(6)	-
Impairments	-	-	1	1
Unwind of discount	3	3	2	2
Reclassification	(5)	(5)	-	-
Loans repayable within 12 months transferred to current assets	(9)	(9)	(27)	(27)
Balance at reporting date	**367**	**164**	**210**	**113**

Core Department

Loans in other public sector bodies

Loans in other public sector bodies are classified as 'loans and receivables' and measured at amortised cost in accordance with IAS 39.

The balance comprises a number of loans to public sector bodies, the most significant loans making up the balance are detailed below

Energy Efficiency Loans and Recyclable Energy Efficiency Loans (EELs and REELs)
The core Department's energy efficiency loans scheme was set up under the Environmental Protection Act 1990 to help businesses and public sector organisations reduce their energy costs by providing interest free loans for the implementation of energy efficiency projects.

The total carrying amount of EELs and REELs with public sector bodies is £137 million at 31 March 2017 (31 March 2016: £92 million). The non-current element of the loans is £107 million at 31 March 2017 (31 March 2016: £68 million), and the current element of these loans is £30 million at 31 March 2017 (31 March 2016: £24 million), which is included in note 16.

These loans are to non-consolidated public sector entities and are not eliminated on consolidation.

Fleetbank Funding Limited Loan (Enable Funding programme)
The core Department's loan to Fleetbank Funding Limited is to provide funding to support the Enable Funding programme, managed

by the British Business Bank and launched in November 2014, aimed at improving the provision of asset and lease finance to smaller UK businesses. Fleetbank Funding Limited was designated as a consolidated body in 2016-17, resulting in the loan being reclassified as a loan to a public sector entity from a loan to a private sector entity. This was adjusted in the opening balances as part of changes in the departmental boundary.

The carrying amount of the Fleetbank Funding Limited loan is £130 million at 31 March 2017 (31 March 2016: £93 million), the increase is due to additions in year of £37 million (31 March 2016: £93 million).

This loan is to a consolidated body and is eliminated on consolidation.

Northern Powerhouse Investment Limited and Midlands Engine Investment Limited loans

The core Department has loans with Northern Powerhouse Investment Fund and Midlands Engine Investment Fund. The funds are matched by funding from the European Investment Bank. The funds are set up to provide commercially-focused finance to help small and medium sized enterprises start up and grow.

The carrying amount of the loan investments in these entities is £58 million at 31 March 2017 (31 March 2016: £nil). The loan investments were made during 2016-17. The loans are accounted for at cost under IAS 27 in the core Department.

These loans are to consolidated bodies and are eliminated on consolidation.

10.4 Special Shares

The Secretary of State holds one Special Share in each of the entities listed below. The list is a summary and does not claim to be a comprehensive record of the terms of each respective shareholding. Further details can be obtained from the annual report and financial statements of each body or their Articles of Association.

The core Department does not recognise the special or 'golden' shares on its Statement of Financial Position.

Body in which Share is held and type and value of Share	Significant terms of Shareholding
Postal Services Holding Company Limited. £1 Special Rights Preference Share	• Created in January 2001 (formerly called Royal Mail Holdings plc). • It may be redeemed at any time by the shareholder. • The consent of the special shareholder is required for a number of decisions, including: – Appointments to the Board (the special shareholder can also make appointments to the Board) – Setting (and approving any material changes in) the remuneration packages of the Directors – Borrowing – Disposing of substantial assets of the business and shareholdings – Issuing or allotment of shares in the Post Office network company (Post Office Limited) – Voluntary winding-up of the company – Varying certain of the company's Articles of Association, including the rights of the special shareholder – Exercising of voting rights in Royal Mail plc

Body in which Share is held and type and value of Share	Significant terms of Shareholding
Post Office Limited ("POL") £1 Special Rights Redeemable Preference Share	• Created in April 2012. • Special Shareholder is entitled to attend and speak at any general meeting or any meeting of any other class of shareholders of POL, but the Special Share does not carry voting rights or any other rights at any such meeting. • It may be redeemed at any time by the Special Shareholder. POL cannot redeem the Special Share without prior consent of the Special Shareholder. • The consent of the special shareholder is required for a number of decisions, including: – Varying POL's Articles of Association, including the rights of the special shareholder; – Appointment or removal from office of any Director of POL; – Approval of (including material variations) Directors' remuneration and terms of employment; – Adoption of (and any material variation in) POL's strategic plan; – Substantial alterations in the nature of the business carried on by POL; – Sale of material assets in the absence of which POL would not be able to deliver its strategic plan; – Incurring of any borrowing exceeding pre-set limits as agreed with HM Treasury; – Issuing or allotment of shares or granting of share rights in the company; and – Voluntary winding-up of the company or member of the group.
BAE Systems plc £1 Special Rights Preference Share	• Created in 1985 (but subsequently amended). • No time limit. • Provides for a 15% limit on any individual foreign shareholding, or group of foreign shareholders acting in concert, in the company. • Requires a simple majority of the Board and the Chief Executive to be British. • Requires any Executive Chairman to be British and, if both the Chairman and Deputy Chairman are non-executives, requires at least one of them to be British.
Rolls Royce Holdings plc £1 Special Rights Non-Voting Share	• Created in 1987 (but subsequently amended and transferred to Rolls-Royce Holdings plc). • No time limit. • Provides for a 15% limit on any individual foreign shareholding, or group of foreign shareholders acting in concert, in the company. • Requires a simple majority of the Board to be British. • Allows either the Chairman or the Chief Executive to be either an EU or US citizen provided that the other is a British citizen. • Provides for a veto over the material disposal of assets of the group. • Provides for a veto for a proposed voluntary winding up.
EDF Energy Nuclear Generation Group Limited (formerly British Energy Group plc) £1 Special Share	• British Energy Group plc Special Share created on 13 January 2005 and held jointly by the Secretary of State for Business, Energy and Industrial Strategy and the Secretary of State for Scotland. • The consent of the Special Shareholder, which can only be refused on grounds of national security (except in relation to an amendment to the company's Articles of Association), is required in respect of: – various amendments to the company's Articles of Association; – any purchase of more than 15% of the company's shares; – the issue of shares carrying voting rights of 15% or more in the company; – variations to the voting rights attaching to the company's shares; and the giving of consent in respect of the issue of shares by the sale of shares in or amendments to the Articles of Association of various subsidiaries in certain cases.

<table>
<tr><th>Body in which Share is held and type and value of Share</th><th>Significant terms of Shareholding</th></tr>
<tr><td>British Energy Limited (formerly British Energy Holdings plc) £1 Special Share</td><td>British Energy Holdings plc Special Share created on 13 January 2005 and held jointly by the Secretary of State for Business, Energy and Industrial Strategy and the Secretary of State for Scotland.
The consent of the Special Shareholder, which can only be refused on grounds of national security (except in relation to an amendment to the company’s Articles of Association), is required in respect of:
various amendments to the company’s Articles of Association, and the giving of consent in respect of the issue of shares by the sale of shares in or amendments to the Articles of Association of various subsidiaries in certain case.</td></tr>
<tr><td>EDF Energy Nuclear Generation Limited (formerly British Energy Generation Ltd) £1 Special Share</td><td>British Energy Generation Ltd Special Share created in 1996 is held solely by the Secretary of State for Business, Energy and Industrial Strategy.
The consent of the Special Shareholder, which can only be refused on grounds of national security (except in relation to an amendment to the company’s Articles of Association), is required in respect of:
various amendments to the company’s Articles of Association;
the disposal of any of the nuclear power stations owned by the company; and prior to the permanent closure of such a station, the disposal of any asset which is necessary for the station to generate electricity.</td></tr>
<tr><td>British Energy Ltd (formerly British Energy plc) £1 Special Share</td><td>British Energy plc Special Share created in 1996 is held solely by the Secretary of State for Business, Energy and Industrial Strategy.
The consent of the Special Shareholder, which can only be refused on grounds of national security (except in relation to an amendment to the company’s Articles of Association), is required in respect of:
various amendments to the company’s Articles of Association; and
the giving of consent in respect of the issue of shares by, the sale of shares in or amendments to the Articles of Association of various subsidiaries in certain cases
The company has no significant assets or liabilities as a result of the restructuring scheme, which came into effect on 14 January 2005.</td></tr>
<tr><td>Nuclear Liabilities Fund Ltd

£1 Special Rights Redeemable Preference Share</td><td>Created in 1996.
The Secretary of State for Business, Energy and Industrial Strategy has a Special ‘A’ Share (there is also a ‘B’ Share held by British Energy).
The consent of the Special Shareholder is required for any of the following:
to change any of the provisions in the Memorandum of Association or Articles of Association;
to alter the share capital or the rights attached thereto;
the company to create or issue share options;
the ‘B’ Special Shareholder or any of the Ordinary shareholders to dispose or transfer any of their rights in their shares;
the company to pass a members voluntary winding-up resolution;
the company to recommend, declare or pay a dividend;
the company to create, issue or commit to give any loan capital;
the company to issue a debenture; or
the company to change its accounting reference date.</td></tr>
</table>

10.5 Membership Fund

The Secretary of State for Business, Energy and Industrial Strategy has a share in the membership fund of Carbon Trust. The members’ fund at 31 March 2017 was nil (31 March 2016: nil).

11 Other financial assets

	Note	31 March 2017		31 March 2016 restated	
		Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
		£m	£m	£m	£m
Balance at 1 April (restated)		**1,639**	**4,473**	**1,944**	**5,921**
Transfer		–	7	(35)	–
Reclassifications		5	(1,267)	(1)	(1)
Additions		17	1,281	116	688
Repayments		(206)	(508)	(126)	(2,142)
Effective interest		45	45	58	58
Unwinding of discount		–	2	–	–
Revaluations		(7)	(7)	(297)	(21)
Impairments		(8)	(60)	(20)	(43)
Impairment reversals		–	–	–	13
Balance at reporting date		**1,485**	**3,966**	**1,639**	**4,473**
Comprising:					
Repayable Launch Investments	11.1	1,205	1,205	1,389	1,389
Other Financial assets	11.2	280	2,761	250	3,084
Balance at reporting date		**1,485**	**3,966**	**1,639**	**4,473**

Other financial assets analysed between current and non-current assets:

	31 March 2017		31 March 2016 restated	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Due within twelve months	1	1	2	2
Due after twelve months	1,484	3,965	1,637	4,471
Total	**1,485**	**3,966**	**1,639**	**4,473**

11.1 Repayable launch investments

	31 March 2017		31 March 2016 restated	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Balance at 1 April	**1,389**	**1,389**	**1,740**	**1,740**
Repayments	(144)	(144)	(112)	(112)
Effective interest	44	44	57	57
Revaluations	(84)	(84)	(296)	(296)
Balance at period end date	**1,205**	**1,205**	**1,389**	**1,389**

Repayable launch investments are held by the core Department.

The core Department has determined that repayable launch investments are to be classified as ‘available for sale financial assets’ and measured at fair value, in accordance with IAS 39.

The core Department, under the provisions of the 1982 Civil Aviation Act, provides repayable launch investment to companies to fund a proportion of the non-recurring eligible design and development capital costs on civil aerospace development products. Each product supported is covered by separate contractual terms and conditions. Under these contracts, periodic repayments become due when products are delivered or at other specific points. The portfolio of investments is valued twice annually and the valuations are based on forecast annual income arising under each contract.

Measurement and carrying values

Repayable launch investment contracts are initially recognised at fair value which is the transaction price. After initial recognition, the value is the discounted forecast value of future income streams, excluding accrued income which is included in receivables when products are delivered. The value of future income streams is predominantly driven by the core Department’s view of the applicable programme’s performance in the global market over the period of the contract’s life. A number of activities inform this view and some are described below.

The core Department uses a variety of sources to inform a forecast of deliveries for individual programmes. This can include using: an internal delivery forecast model and market share model, forecast delivery schedules and other data directly provided from the RLI recipient companies, publicly available aircraft delivery forecasts, specifically commissioned consultant programme forecasts as well as commentary and vies from industry experts.

The approach taken is entirely dependent on the programme in question.

Other valuation variables include inflation measures – or proxies (such as RPI, RPIX, gilt rates and GDP deflators). Some contracts entitle the core Department to a share of aircraft or engine spare part and support income, and the valuation of these contracts is based on analysis of past income streams and forecasts of future demand. The forecast income streams are adjusted by inflation of 2.55% and are discounted to present value using a constant discount rate of 3.5% representing the effective rate of return of the investment portfolio.

The carrying value of launch investments is influenced by the interaction of key drivers such as deliveries and economic variables. The core Department uses Monte Carlo simulation to understand the effect of different scenarios for these drivers on the valuation of each contract. The core Department considers that the carrying value is a reasonable approximation of the fair value of launch investments.

Where the valuation exceeds historical cost, increases in value are taken to the revaluation reserve and are released to the Consolidated Statement of Comprehensive Net Expenditure as investments are realised. Any permanent diminution in value is charged to the Consolidated Statement of Comprehensive Net Expenditure. Fluctuations in fair value are adjusted through the revaluation reserve. The balance on the Revaluation Reserve pertaining to launch investments was a £268 million credit at 31 March 2017 (31 March 2016: £116 million credit restated). The revaluation reserve was restated as a result of an over-release of income in prior years. This was not material in any one financial year, but resulted in a material diminution in the value of the revaluation reserve over time. Therefore, this adjustment has been treated as a prior year adjustment, with the 2014-15 and 2015-16 reserve position restated. This is further explained in note 27.

The carrying value of the investments derived from the discounted cash flow model at 31 March 2017 was £1,205 million (31 March 2016: £1,389 million). The historic cost excluding accrued income of the portfolio at 31 March 2017 was £600 million (31 March 2016: £706 million).

Sensitivity analysis

The core Department has developed a Monte Carlo-based approach which uses the software package @Risk to assess the impact of uncertainty on forecast income, overall contract values, and enhance the robustness of the valuation process. Uncertainties are addressed by constructing different scenarios for the key drivers and then assigning probabilities to these scenarios to implement a Monte Carlo simulation of the contracts on a contract-by-contract basis. The key variables include: programme development delays, changes to entry into service and out of service dates, production levels, market shares and economic variables used as inflation measures.

The contracts are highly complex and generally distinct from each other in their terms and structure, yet there are cases of significant interdependencies between contracts and correlations between variables.

The model is iterated 10,000 times to produce distributions of income for each contract and thus the overall portfolio. Each iteration of the model produces an income forecast. These are collated and used to form an income distribution. It is from this distribution that the value of the portfolio is calculated.

In order to give an assessment of potential volatility for the portfolio, we calculate the 5th and 95th percentiles from the income distribution – 90% of all the iterations outputted from the Monte Carlo simulation lie between these particular percentile points. The lower (5th) and upper (95th) points which define this interval were £1,179 million and £1,229 million respectively, at 31 March 2017 (2015-16: £1,353 million and £1,410 million).

Risk

Market Risk

This constitutes the largest area of potential risk in the portfolio as the primary method of the calculation of income streams is based on the forecasts of aircraft or engine deliveries. The core Department uses internal analysis, company information and third party information to forecast deliveries and ultimately future income on each investment over the life of the investment period. Deliveries in the short term are driven by variables which include manufacturer production plans, market cycles, customer demand and availability of financing. Medium and longer-term deliveries will be affected by overall market growth and the market attractiveness of an aircraft programme. A negative shift in outlook may result in the core Department not being able to recover its investment in whole or in part, although once deliveries have commenced some level of income is usually due to the core Department. The core Department aims to minimise risk of under-recovery of investments by carrying out a full evaluation of each business case submitted for launch investment support, and by monitoring programmes for the substantive life of the contracts to allow it to assess exposure to risks (including project risk, market risk and technical risk).

Interest Rate Risk

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

Foreign Exchange Risk

The core Department has a small number of contracts which may deliver a US dollar denominated income in their later stages which would be translated into pounds sterling. We assess these income streams as relatively low value and low likelihood, thus exchange-rate risk exists but is minimal in the context of the overall portfolio.

Credit Risk

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

Other Risk

The Core Department's investments are exposed to wider risks such as economic downturns or market shocks from natural or non-natural events. These risks may adversely impact the value and timing of the income received by the core Department. The core Department seeks to manage this risk by actively monitoring such events when they arise to assess any potential impact.

11.2 Other loans and investments

	Gilts and bonds	Term deposits	Private sector loans	Property related holdings	Equities (listed securities)	Private equities	Investment funds	Other investments	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 April 2015 restated	**139**	**17**	**322**	**213**	**1,559**	**578**	**785**	**568**	**4,181**
Reclassifications	–	–	–	–	–	–	(1)	–	(1)
Additions	45	–	246	–	1	23	313	60	688
Redemptions	(135)	(2)	(41)	(133)	(1,466)	(163)	(78)	(12)	(2,030)
Revaluations	7	–	–	3	112	47	36	70	275
Effective interest	–	–	1	–	–	–	–	–	1
Impairments	(1)	–	(19)	–	–	–	(19)	(4)	(43)
Impairment reversals	–	–	–	–	–	–	13	–	13
Balance at 1 April 2016 restated	**55**	**15**	**509**	**83**	**206**	**485**	**1,049**	**682**	**3,084**
Transfers in/(out)	–	–	6	–	–	–	–	1	7
Reclassifications	–	–	(255)	–	–	–	(51)	(961)	(1,267)
Additions	–	–	141	–	70	14	275	781	1,281
Redemptions	(12)	(1)	(95)	(23)	(41)	(118)	(81)	7	(364)
Revaluations	3	–	(2)	5	31	62	108	(130)	77
Effective interest	–	–	1	–	–	–	–	–	1
Unwinding of discount	–	–	2	–	–	–	–	–	2
Impairments	–	–	(1)	–	–	–	(55)	(4)	(60)
Balance at 31 March 2017	**46**	**14**	**306**	**65**	**266**	**443**	**1,245**	**376**	**2,761**
Of the total:									
Core Department and Agencies	–	–	2	–	–	–	278	–	280
NDPBs and other designated bodies	46	14	304	65	266	443	967	376	2,481
Balance at 31 March 2017	**46**	**14**	**306**	**65**	**266**	**443**	**1,245**	**376**	**2,761**

Core Department

Private Sector Loans:

Private Sector Loans are classified as 'loans and receivables' and measured at amortised cost in accordance with IAS 39.

The prior year included loans to the Green Deal Finance Company (GDFC). The carrying value is £nil at 31 March 2017 (31 March 2016: £23 million) as the loans were sold in the year.

Green Deal Finance Company Loans comprised a Stakeholder Loan and Senior Facility Loan. The stakeholder loan was fully impaired in 2014-15. In November 2014, the Department provided a facility of up to £34 million of additional funding to GDFC, in the form of a senior facility loan. This facility expired at the end of December 2015 after which no further drawdowns were possible.

On 13 January 2017 the core Department sold GDFC and the full amount of £23 million was recovered on sale.

Investment Funds

Investment Funds are classified as 'available for sale financial assets' and measured at fair value in accordance with IAS 39. After initial recognition the carrying value is based upon the valuations prepared by the fund managers. They are taken from the most recent set of annual accounts for each of the funds and, where available, updated with interim fund manager valuations. These investments support private-sector-led venture capital to stimulate private investment into early stage small- and medium-sized enterprise (SME) businesses.

The UK Innovation Investment Fund (UKIIF) is the largest Investment Fund of the core Department. The Fund was announced in June 2009 to drive economic growth and create highly skilled jobs by enabling investment in growing small businesses, start-ups and spin-outs in key technology areas such as life sciences, clean technology and low carbon, digital technologies, and advanced manufacturing. The funds are managed by 2 private sector fund managers – Hermes GPE and the European Investment Fund. The UKIIF was valued at £130 million at 31 March 2017 (31 March 2016: £84 million).

NDPBs and other designated bodies

Gilts and Bonds

Nesta Trust held investments in gilts. The investments in gilts were classified as 'available-for-sale financial assets' and were measured at fair value in accordance with IAS 39 based on market quotes. The value of Gilts held by the NDPBs and other designated bodies as at 31 March 2017 was £nil (31 March 2016: £11 million).

The movement in the value of gilts is primary a result of repayments of £12 million (31 March 2016: £135 million).

BIS (Postal Services Act 2011) Company Limited and Nesta Trust hold investments in bonds. The investments in corporate bonds are classified as 'available-for-sale financial assets', and are measured at fair value in accordance with IAS 39 based on market quotes. The value of bonds held by the NDPBs and other designated bodies as at 31 March 2017 was £46 million (31 March 2016 restated: £43 million).

Private sector loans

GIB, BBB, STFC, Nesta Trust and Fleetbank Funding Limited have entered into loan agreements with parties within the private sector. The loans within the Departmental Group are carried at historic cost as a proxy for amortised cost because the NDPBs and other designated bodies have determined that there is no material difference between historical cost and amortised cost. As at 31 March 2017, £304 million of loans were held by NDPBs and other designated bodies (31 March 2016 restated: £480 million).

During the reporting period BBB made loans of £70 million (31 March 2016: £65 million) to private companies through the BFP Small Business and Investment Programme schemes. The fair value of loans held by BBB as at 31 March 2017 was £170 million (31 March 2016: £104 million). The conditions attached to each loan vary depending on the details of the arrangement. Repayment schedules have been agreed and all loans are expected to be repaid at the end of the loan term.

During 2016-17 Fleetbank Funding Limited made loans of £34 million (31 March 2016: £89 million) to private companies through the Enable Loan Programme scheme. The fair value of loans held by Fleetbank Funding Limited as at 31 March 2017 was £122 million (31 March 2016: £89 million).

Fleetbank Funding Limited (an SPV set up to hold the Enable Loan Programme investments) was designated a central government entity in 2016-17. It is now consolidated as part of the Departmental Group, with the opening balances restated.

Included in the £255 million reclassification balance is £260 million relating to GIB's private sector loans which on 20 March 2017, were reclassified as non-current assets held for sale. Prior to reclassification the fair value of loans held by GIB was £260 million (31 March 2016: £277 million).

Property-related holdings

BIS (Postal Services Act 2011) Company Limited and Nesta Trust have property-related holdings. At 31 March 2017 the value of the holdings was £65 million (31 March 2016: £83 million).

During the period, BIS (Postal Services Act 2011) Company Limited disposed of £21 million of property related investments (31 March 2016: £130 million). The fair value of the investments held by BIS (Postal Services Act 2011) Company Limited as at 31 March 2017 was £65 million (31 March 2016: £81 million). These investments relate to holdings in a number of marketable real estate investment funds and are held as 'available for sale financial assets' in accordance with IAS 39.

Equities (listed securities)

At 31 March 2017 the Departmental Group held £266 million of listed equities (31 March 2016: £206 million). The investments are held by BIS (Postal Services Act 2011) Company Limited, and Nesta Trust.

During 2015-16, PSH's investment in Royal Mail Plc was reduced to nil through a combination of sales (28% of issued Royal Mail Plc shares) and gifts to employees (2% of issued Royal Mail Plc shares). Further details are disclosed in Note 10.1.

Private Equities

BIS (Postal Services Act 2011) Company Limited, Nesta Trust, STFC and NERC have investments in private equity. These investments have been classified as 'available for sale' assets in accordance with IAS 39. The value invested at 31 March 2017 was £443 million (31 March 2016: £485 million).

The fair value of the remaining investments in BIS (Postal Services Act 2011) Company Limited as at 31 March 2017 was £428 million (31 March 2016: £469 million). These investments primarily comprised investments in European and North American unquoted shares.

The fair values are estimated based on a variety of valuation techniques, adopted by the investment managers that comply with the International Private Equity and Venture Capital (PEVC) Valuation Guidelines or the valuation guidelines produced by the British Venture Capital Association (BVCA). Valuation techniques used include the use of earnings multiples, discounted cash flows analysis, and net asset values.

Investment Funds

BBB, GIB, Nesta Trust and BIS (Postal Services Act 2011) Company Limited hold investment funds. The value invested at 31 March 2017 was £967 million (31 March 2016 restated: £827 million). In accordance with IAS 39, the investments of BBB, GIB and Nesta Trust are classified as 'available for sale' assets, those of BIS (Postal Services Act 2011) Company Limited are held at 'fair value through profit and loss'.

BBB held investment funds valued at £956 million at 31 March 2017 (31 March 2016: £764 million). The most significant investment is in the Business Finance Partnership (BFP) for medium-sized businesses at 31 March 2017, this was valued at £584 million (31 March 2016: £500 million). The BFP aims to increase the supply of capital through non-bank lending channels and, in the longer term, to help to diversify the sources of finance available to businesses. BBB also has an investment fund in Enterprise Capital Funds which were valued at £155 million at 31 March 2017 (31 March 2016: £136 million). BBB provides invoice discount finance and peer-to-peer lending through the Investment Programme funds which were valued at £122 million at 31 March 2017 (31 March 2016: £50 million).

On 20 March 2017, GIB's investment fund balance of £53 million was reclassified as a non-current asset held for sale. Prior to reclassification the fair value of loans held by GIB was £53 million (31 March 2016: £52 million).

Other Investments

Other investments includes Enrichment Holdings Limited investment in URENCO. This is measured as an ‘available for sale’ financial asset in accordance with IAS 39. The fair value of this investment at 31 March 2017 was £350 million (31 March 2016: £508 million).

The remaining other investments are held by GIB, Nesta Trust, Northern Powerhouse Investment Fund and the Medical Research Council, and are classified as ‘available for sale’ in accordance with IAS 39. The fair value of these other investments at 31 March 2017 was £26 million (31 March 2016: £19 million).

The reason for the reduction in remaining other investments is due to GIB’s other investments balance of £961 million being reclassified as a non-current asset held for sale on 20 March 2017. Prior to reclassification the fair value of other investments held by GIB was £961 million (31 March 2016: £155 million). The movement in GIB’s other investments value was primarily due to additions of £777 million (31 March 2016: £61 million) of which £681 million is the purchase by GIB’s Off-shore Wind Fund of Lincs Offshore Wind Farm in 2016-17. As the Lincs Offshore Wind Farm is not a designated body, it is not consolidated in the BEIS departmental group and in accordance with the FReM is recognised as an investment under IAS 39.

12 Recoverable contract costs

The Group has commercial agreements in place under which some or all of the expenditure required to settle nuclear provisions will be recovered from third parties. Net recoverable costs at 31 March 2017 were £2.87 billion (31 March 2016: £2.799 billion).

Recoverable contract costs relating to nuclear provisions	31 March 2017 Departmental Group	31 March 2016 Departmental Group
	£m	£m
Gross recoverable contract costs	6,885	7,221
Less applicable payments received on account	(3,445)	(3,576)
Less associated contract loss provisions	(570)	(846)
Balance at reporting date	**2,870**	**2,799**

The above balances relate to the Nuclear Decommissioning Authority. The movements in gross recoverable contract costs during the year were:

Gross recoverable contract costs

	31 March 2017 Departmental Group	31 March 2016 Departmental Group
	£m	£m
Gross recoverable contract costs at 1 April	**7,221**	**5,661**
Increase/(decrease) in year	175	2,071
Unwinding of discount	(42)	35
Release in year – continuing operations	(266)	(303)
Amortisation of recoverable contract costs	(203)	(243)
Gross recoverable contract costs at 31 March	**6,885**	**7,221**

The gross balance of recoverable contract costs of £6,885 million comprises £2,011 million (31 March 2016: £2,213 million) of past costs which were incurred before the revenue recognition period of the related contracts and will be amortised in future years in line with revenue and £4,874 million (31 March 2016: £5,008 million) of probable future costs which form part of the nuclear decommissioning provision (note 19) and will be released as they are incurred. Further details are published in the NDA's accounts.

13 Investments in Joint Ventures and Associates

	31 March 2017		31 March 2016 restated	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Balance at 1 April	**–**	**872**	**–**	**680**
Reclassifications	–	(682)	–	–
Additions	–	186	–	200
Dividends	–	(5)	–	(5)
Disposals	–	(47)	–	(16)
Profit/(Loss)	–	18	–	(24)
Revaluations	–	5	–	37
Balance at reporting date	**–**	**347**	**–**	**872**

NDPBs and other designated bodies
Green Investment Bank, MRC, STFC, UKAEA and BBB plc have joint ventures and/or associates. The most significant holdings are:

The Francis Crick Institute Limited
The Francis Crick Institute was established in 2010 to deliver a world-class interdisciplinary biomedical research centre. MRC holds 42% (31 March 2016: 42%) of the ordinary shares in the Francis Crick Institute Limited. The remaining shares are held by Cancer Research UK, University College London, the Wellcome Trust, Kings College London and Imperial College of Science, Technology and Medicine. The Institute became fully operational in 2016-17 following the completion of the Crick building. Accordingly, the value of the BEIS investment at 31 March 2017 is £266 million (31 March 2016: £268 million), after revaluing to reflect BEIS's share of net assets.

Green Investment Bank
Green Investment Bank holds a number of joint ventures and associates, the most significant holdings are below. At 20 March 2017 the carrying value of joint ventures and associates held by GIB were reclassified as a non-current asset held for sale.

These include the following:

Scira Offshore Energy Limited (Sheringham Shoal Wind Farm)

In November 2014, the Green Investment Bank (GIB) purchased a 20% share in Sheringham Shoal, a wind-farm operator based off the coast of Norfolk, through its wholly owned subsidiary UK Green Investment Sheringham Shoal Limited. This investment was part of GIB's wider strategy to strengthen the UK offshore wind sector. Subsequently in March 2015 GIB sold their holding in UK Green Investment Sheringham Shoal Limited to the Offshore Wind Fund in which GIB have a holding. The investment in Sheringham Shoal is accounted for as an associate and its value at 31 March 2017 is £209 million (31 March 2016: £220 million).

Rampion Offshore Wind Limited

The Green Investment Bank (GIB) holds a 25% (31 March 2016: 25%) share in Rampion Offshore Wind Limited through its wholly owned subsidiary UK Green Investment Rampion Limited. BEIS accounts for this investment as an associate under IFRS 11 (equity method), with a carrying value of £195 million at 31 March 2017 (31 March 2016: £75 million). This investment is part of GIB's wider strategy to strengthen the UK offshore wind sector. Construction of this project commenced in May 2015 and is progressing in line with expectations. The wind farm is expected to become fully operational during 2018.

For further financial information on the investments shown above, please see the individual accounts of the entities.

14 Trade and other receivables

	31 March 2017		31 March 2016 restated	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Amounts falling due within one year:				
Trade receivables	93	535	215	544
Deposits and advances	–	–	–	5
Other receivables:				
VAT and other taxation	18	131	35	129
Staff receivables	1	2	1	3
RPS receivables	135	135	140	140
Other	89	109	71	132
Prepayments and accrued income	102	388	87	344
	438	**1,300**	**549**	**1,297**
Amounts falling due after more than one year:				
Trade receivables	4	60	16	60
Deposits and advances	–	1	–	–
Other receivables	301	300	340	341
Prepayments and accrued income	–	38	–	36
	305	**399**	**356**	**437**
Total Receivables	**743**	**1,699**	**905**	**1,734**

The Redundancy Payment Scheme (RPS) receivable is shown net of an annual impairment.

The impairment is calculated by the Insolvency Service using a model which is approved by HMRC. The model calculates the recoverable debt as £135 million as at 31 March 2017 (31 March 2016: £140 million). There is a risk that the estimation of 14% is over-optimistic and therefore would result in a downward revision in future years. Additionally the model has been created using only 11 years of available data with 14 years of data required for a full model to be effective. However, the model is designed to self-check against recovery rates and for data available there is only a small annual variation from the 14% target. This variation is not material and therefore does not render the model invalid. The model is also designed to be monitored and amended annually as required. Additionally, reporting is on a monthly basis to ensure early warning of any trends outside the parameters set in the model.

Coal Pensions receivables included in Other receivables are held by the core Department, and represent the amounts due to the Government relating to its relationship with the British Coal Staff Superannuation Scheme (BCSSS) and the Mineworkers' Pension Scheme (MPS). After privatisation of the British Coal Corporation in 1994 the Government gave financial guarantees in relation to certain benefits payable to members and beneficiaries of the 2 schemes. The balance of Coal Pensions receivables at 31 March 2017 is £331 million (31 March 2016: £369 million). As part of those agreements the Government is entitled to a portion of any periodic valuation surpluses. Recommended cash flows to Government are generally determined by the Government Actuary following their triennial valuations. The most recent valuations were at 31 March 2015 for BCSSS and 30 September 2014 for MPS. More details can be found at https://www.bcsss-pension.org.uk/ and http://www.mps-pension.org.uk/.

The Coal Pensions receivables have been classified as loans and receivables in accordance with IAS 39: Financial Instruments: Recognition and Measurement. They are valued at fair value which equates to the cash flows being discounted at a rate of 3.7%, which is the Treasury's real Financial Instrument discount rate of 0.7% plus appropriate indexation.

15 Non-current assets and liabilities held for sale

	31 March 2017		31 March 2016	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Balance of assets at 1 April	**-**	**19**	**-**	**2**
Additions and reclassifications	1,517	2,605	-	19
Disposals	-	(23)	-	(2)
Revaluations	-	8	-	-
Carrying amount of assets at reporting date	**1,517**	**2,609**	**-**	**19**
Balance of liabilities at 1 April	**-**	**-**	**-**	**-**
Additions and reclassifications	-	(1,000)	-	-
Carrying amount of liabilities at reporting date	**-**	**(1,000)**	**-**	**-**
Carrying amount at reporting date	**1,517**	**1,609**	**-**	**19**

Core department

The most significant items held as 'Non-current assets classified as held for sale' in accordance with IFRS 5 comprise the core Department's shareholding in Green Investment Bank plc ("GIB"). Prior to reclassification as a non-current asset held for sale the shareholding was held at cost less impairment. In accordance with IFRS 5, the shareholding is held at the lower of the carrying value (cost less impairment) and fair value less cost to sell. The shareholding is held at the carrying value as at 31 March 2017 of £1.517 billion. This core Department shareholding is eliminated on consolidation.

Green Investment Bank

On 3 March 2016, the Secretary of State formally launched a process for the sale of the shares in the Green Investment Bank ("GIB"). On 19 April 2017, the Secretary of State signed a deal to sell the shares to Macquarie Group Limited. The negotiations with Macquarie Group Limited were sufficiently advanced by 31 March 2017 for GIB to be classified as a non-current asset held for sale. The sale is expected to be completed during 2017.

Of the total additions to assets held for sale of £2,605 million shown above, £2,565 million relates to the assets of GIB. Of the total additions to liabilities held for sale of £1,000 million shown above, £1,000 million relates to the liabilities of GIB.

The results of GIB for the year are presented below:

	31 March 2017	31 March 2016
	£m	£m
Income from sale of goods and services	(145)	(24)
Total operating income	**(145)**	**(24)**
Staff costs	19	17
Purchase of goods and services	59	23
Depreciation and impairment charges	35	11
Other operating expenditure	(12)	(33)
Total operating expenditure	**101**	**18**
Finance income	(6)	(30)
Finance expense	32	15
Net expenditure	**(18)**	**(21)**

The major classes of assets and liabilities of GIB as held for sale as at 31 March 2017 are, as follows:

	Note	31 March 2017
		£m
Non-current assets:		
Property, plant and equipment	7	474
Intangible assets		5
Other financial assets	11	1,264
Investment in joint ventures and associates	13	682
Total non-current assets		**2,425**
Current assets:		
Inventories		1
Trade and other receivables		61
Other financial assets		9
Cash and cash equivalents		69
Total current assets		**140**
Total assets		**2,565**
Current liabilities:		
Trade payables and other liabilities	18	(748)
Total current liabilities		**(748)**
Non-current assets plus/less net current assets/ liabilities		**1,817**
Non-current liabilities:		
Trade payables and other liabilities	18	(202)
Provisions		(50)
Total non-current liabilities		**(252)**
Total assets less liabilities		**1,565**
Amounts included in accumulated OCI:		
Revaluation reserve		15
Reserve of disposal group classified as available for sale		**15**

The net cash flows incurred by GIB are as follows:

	31 March 2017	31 March 2016
	£m	**£m**
Cash flows: Net cash inflow from operating activities	354	704
Cash flows: Net cash outflow from investing activities	(889)	(828)
Cash flows: Net Financing	482	–
Cash flows: Net increase/(decrease) in cash equivalents in the period	**(53)**	**(124)**

16 Investments and loans in public sector bodies: current

	31 March 2017	31 March 2016 restated
	£m	£m
Balance at 1 April	**541**	**293**
Additions	7,662	7,511
Repayments	(7,530)	(7,290)
Loans repayable within 12 months transferred from non-current assets	9	27
Balance at reporting date	**682**	**541**

The most significant item included above is a loan facility to Post Office Limited (POL). Since October 2003 the core Department has made available to POL a revolving loan facility of up to £950 million. This is to help the company fund its daily in-branch working capital requirements to deliver services through the network, such as social benefits payments and access to cash. The facility currently matures in March 2018. The outstanding balance at 31 March 2017 was £649 million (31 March 2016: £515 million) which is included in the £682 million above.

17 Cash and cash equivalents

	31 March 2017		31 March 2016	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Balance as at 1 April	**775**	**1,495**	**1,693**	**2,603**
Net change in cash and cash equivalent balances	417	322	(918)	(1,108)
Balance as at period end date	**1,192**	**1,817**	**775**	**1,495**
The following balances at 31 March were held at:				
The Government Banking Service (GBS)	1,191	1,606	774	1,294
Commercial banks and cash in hand	1	211	1	201
Balance at period end date	**1,192**	**1,817**	**775**	**1,495**

18 Trade payables and other liabilities

	31 March 2017		31 March 2016 restated	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Amounts falling due within one year:				
VAT, social security and other taxation	8	91	9	109
Trade payables	–	310	–	212
Other payables	28	355	41	212
Accruals and deferred income	1,020	2,930	662	2,434
Amounts issued from the Consolidated Fund for supply but not spent at year end	977	977	488	488
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund:				
Received	215	227	288	305
	2,248	**4,890**	**1,488**	**3,760**
Amounts falling due after more than one year:				
Trade Payables	–	2	–	3
Other payables, accruals and deferred income	1,023	2,456	1,138	3,266
Finance leases	–	2	–	3
	1,023	**2,460**	**1,138**	**3,272**
Total payables	**3,271**	**7,350**	**2,626**	**7,032**

Included under accruals and deferred income are: a) promissory note liabilities with maturities of less than one year of £446 million (31 March 2016: £136 million) and with maturities greater than one year of £1,022 million (31 March 2016: £1,137 million) which represent amounts owed for various ODA (Official Development Assistance) projects to which the Department has contributed and b) sums received on account by the Nuclear Decommissioning Authority relating to income from long term contracts to be recognised within one year of £719 million (31 March 2016: £695 million) and after one year of £1,416 million (31 March 2016: £1,424 million); more details are available in the accounts of the Nuclear Decommissioning Authority.

19 Provisions for liabilities and charges

	Note	31 March 2017		31 March 2016 restated	
		Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
		£m	£m	£m	£m
Current liabilities:					
Not later than one year		289	3,582	315	3,496
Total current liabilities		**289**	**3,582**	**315**	**3,496**
Non-current liabilities:					
Later than one year and not later than five years		1,008	13,244	1,072	13,206
Later than five years		1,289	152,722	1,444	150,916
Total non-current liabilities		**2,297**	**165,966**	**2,516**	**164,122**
Total		**2,586**	**169,548**	**2,831**	**167,618**
Total provisions					
Nuclear	19.1	1,592	165,283	1,698	163,239
Other	19.2	994	4,265	1,133	4,379
Total		**2,586**	**169,548**	**2,831**	**167,618**

19.1 Nuclear

	British Energy	UK Atomic Energy Authority Decommissioning	Core Department and Agencies Total	NDA Decommissioning	Contract loss	Departmental Group Total
	£m	£m	£m	£m	£m	£m
Restated balance at 31 March 2015	**1,581**	**257**	**1,838**	**69,326**	**1,244**	**72,408**
Unwinding of discount	(14)	7	(7)	1,446	2	**1,441**
Discount to present value	61	34	95	89,379	–	**89,474**
Provided in the year	4	–	4	2,982	262	**3,248**
Provisions not required written back	–	(15)	(15)	(303)	–	**(318)**
Provisions utilised in the year	(217)	–	(217)	(2,637)	(160)	**(3,014)**
Restated balance at 31 March 2016	**1,415**	**283**	**1,698**	**160,193**	**1,348**	**163,239**
Unwinding of discount	(17)	(1)	(18)	(1,273)	(18)	**(1,309)**
Discount to present value	54	15	69	4,895	–	**4,964**
Provided in the year	38	9	47	2,256	–	**2,303**
Provisions not required written back	–	–	–	(264)	(676)	**(940)**
Provisions utilised in the year	(204)	–	(204)	(2,636)	(134)	**(2,974)**
Balance at 31 March 2017	**1,286**	**306**	**1,592**	**163,171**	**520**	**165,283**

Estimated forward discounted cash flows as at 31 March 2017

	British Energy	UK Atomic Energy Authority Decommissioning	Core Department and Agencies Total	NDA Decommissioning	Contract loss	Departmental Group Total
	£m	£m	£m	£m	£m	£m
Not later than one year	191	–	191	3,024	162	**3,377**
Later than one year and not later than five years	612	52	664	11,761	168	**12,593**
Later than five years	483	254	737	148,386	190	**149,313**
Total forward cash flows as at 31 March 2017	**1,286**	**306**	**1,592**	**163,171**	**520**	**165,283**

Core Department

British Energy

As a result of the restructuring of British Energy (BE) in January 2005, the Government assists BE in meeting its contractual historic fuel liabilities. The provision is based on the forecast payment schedule up to 2029 which is set out in the waste processing contracts agreed between BE, BNFL and the Department. The costs are estimated to be £188 million (31 March 2016: £205 million) (undiscounted at current prices) for next year and are then expected to fall each year thereafter. Each year the profile of future payments is reassessed in line with the Retail Prices Index (RPI) and the level of provision adjusted in accordance with the Historic Liabilities Funding Agreement with BE.

UK Atomic Energy Authority Decommissioning

The decommissioning provision represents the estimated costs of decommissioning fusion research facilities at UKAEA's Culham site, including the storage, processing and eventual disposal of radioactive wastes. The Core Department retains the liability for these costs.

The estimate for the provision is reassessed annually. The last detailed Life Time Plan (LTP) for decommissioning, funded by the Nuclear Decommissioning Authority (NDA), was drawn up in 2007-08. Since then UKAEA has each year carried out a high level assessment of changes to the assumptions made in the previous LTP. For example, the provision includes estimates for the decommissioning of facilities built since 2007-08, and an assessment of the effect of changes to some key assumptions such as the date of Joint European Torus (JET) closure.

The approach taken, until a further LTP is prepared, and the fact that much of the work required to deal with the liabilities will not be undertaken until well into the future, means that there is at present a significant uncertainty as to the amount of the provision. In addition, timing of expenditure on the decommissioning provision is dependent on the closure date of the JET facility which is to be decommissioned.

The best estimate of the cost of the liabilities is discounted using HM Treasury's discount rates which range from -2.70% to -0.80% depending on the timing of cash flows. The undiscounted cost of the provisions as at 31 March 2017 was £266 million (31 March 2016: £258 million).

NDA Decommissioning

The NDA's nuclear decommissioning liability represents NDA's best estimate of the costs of decommissioning plant and equipment on each of the designated nuclear licensed sites in accordance with the published strategy.

The programme of decommissioning work will take until 2137 but, in preparing the estimate, the NDA has focused in particular on the first 20 years which represent £53 billion out of the total £163.2 billion provision (31 March 2016: £51.2 billion out of £160.2 billion restated). The estimates are necessarily based on assumptions about the processes and methods likely to be used to discharge the obligations and reflect latest technical knowledge, existing regulatory requirements, Government policy and commercial agreements. Given the very long timescale and the complexity of the plants and material being handled, considerable uncertainty remains in the cost estimate, particularly in the later years. Discounting of the forward cash flow estimates to present value also has a significant impact on the liability reported in the Statement of financial position of £163.2 billion at 31 March 2017 (31 March 2016: £160.2 billion restated). The undiscounted equivalent of this reported liability is £119 billion at 31 March 2017 (31 March 2016: £117.4 billion). The Group auditors continue to include an, emphasis of matter, paragraph in their audit certificate concerning the overall measurement uncertainty.

The NDA has commercial agreements in place under which a portion of the expenditure required to settle certain elements of the decommissioning provision are recoverable from third parties. Changes in future cost estimates of discharging these particular elements are therefore matched by a change in recoverable contract costs. In accordance with IAS 37, these recoverable amounts are not offset against the decommissioning provision but are treated as a separate asset (note 12).

Further details are reported in Box 4 on page 38 of the Annual Report and in the NDA Annual Report and Accounts.

Contract loss

Contract loss provisions have been recognised by the Nuclear Decommissioning Authority to cover anticipated shortfalls between total income and total expenditure on relevant long term contracts. The amounts are disclosed net after deduction of amounts relating to recoverable contract costs (note 12). The amount provided in the year for contract losses relates to changes in estimates of the costs of existing contracts. Further detail, including movement on the gross provision, can be found in the accounts of the NDA.

19.2 Other provisions

	Concessionary fuel	British Shipbuilders	Legacy ailments	Onerous leases	Other	Core Department and Agencies Total	Coal Authority	Early departure costs and restructuring	Other	Departmental Group Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Restated balance at 1 April 2015	**486**	**184**	**185**	**133**	**458**	**1,446**	**918**	**121**	**147**	**2,632**
Transferred in/(out)	–	–	–	–	–	–	–	–	25	25
Discount to present value	64	46	23	–	12	145	1,927	–	35	2,107
Provided in the year	–	–	–	5	65	70	15	87	72	244
Provisions not required written back	(28)	(20)	(1)	(5)	(23)	(77)	(33)	(1)	(6)	(117)
Provisions utilised in the year	(49)	(10)	(11)	(16)	(359)	(445)	(16)	(55)	(2)	(518)
Unwinding of discount	(2)	3	(2)	(2)	(3)	(6)	11	–	1	6
Restated balance at 31 March 2016	**471**	**203**	**194**	**115**	**150**	**1,133**	**2,822**	**152**	**272**	**4,379**
Transferred in/(out)	–	–	–	–	–	–	–	–	(34)	(34)
Discount to present value	15	5	1	3	4	28	–	(3)	10	35
Provided in the year	–	–	–	31	8	39	57	25	130	251
Provisions not required written back	(5)	(2)	(47)	(16)	(30)	(99)	(14)	(4)	(34)	(152)
Provisions utilised in the year	(43)	(6)	(15)	(19)	(13)	(96)	(23)	(49)	(15)	(183)
Unwinding of discount	(5)	(2)	(2)	(1)	–	(10)	(24)	–	3	(31)
Balance at 31 March 2017	**433**	**198**	**131**	**113**	**119**	**994**	**2,818**	**121**	**332**	**4,265**
Estimated forward discounted cash flows as at 31 March 2017										
Not later than one year	43	8	11	17	19	98	26	38	43	205
Later than one year and not later than five years	146	36	50	72	40	344	110	41	156	651
Later than five years	244	154	70	24	60	552	2,682	42	133	3,409
Total forward cash flows as at 31 March 2017	**433**	**198**	**131**	**113**	**119**	**994**	**2,818**	**121**	**332**	**4,265**

The time scale over which it is estimated the discounted costs will need to be incurred is shown against Estimated forward discounted cash flows.

Core Department

Concessionary fuel

The provision has previously covered the cost of the Department's responsibility to provide either solid fuel or a cash alternative to ex-miners and their dependants formerly employed by British Coal, including the administration of the scheme. On the 15 November 2013, the Chancellor of the Exchequer announced that the government would additionally guarantee the concessionary fuel allowance of those who lost their entitlement as a consequence of the restructuring of UK Coal in July 2013. This resulted in a further cohort of approximately 1,500 beneficiaries added to the Department's Scheme.

On 4 March 2015, the Minister of State for Energy further announced that the government would ensure that the current UK Coal miners, approximately 700 beneficiaries, would continue to receive their concessionary fuel benefits upon closure of the companies' remaining deep mines. The estimated future cost is also included in the provision.

Of the total 52,287 current beneficiaries (including ex UK Coal beneficiaries) at 31 March 2017, 44,015 have opted for the cash alternative at an average of around £741 per annum; for the remainder, the average annual solid fuel cost to the Department is around £1,416 per beneficiary (this includes the cost of fuel, distribution and VAT). The provision is based on standard female mortality rates and includes an assumption of beneficiaries continuing to switch their entitlement from solid fuel to cash, in line with rates observed in the recent past and allowing for the fact that the ex-UK Coal beneficiaries have greater restrictions in this regard.

British Shipbuilders

British Shipbuilders had liabilities arising from personal injury to former employees resulting primarily from exposure to asbestos during the course of their work. The Core Department has taken on full responsibility for the liabilities of the former Corporation, which was abolished in March 2013. The best estimate of the cost of the liabilities is discounted using HM Treasury's discount rates which range from -2.70% to -0.80% depending on the timing of the cash flows. The undiscounted liability as at 31 March 2017 was £176 million (31 March 2016: £183 million). The discounted value is higher than the undiscounted liability due to the negative discount rates used.

The Department's approach to accounting for the personal injury compensation claims against British Shipbuilders and its subsidiaries has been to provide for those costs of resolution which are both probable and reliably estimable. An actuarial review of asbestos and other disease liabilities as at 31 March 2016 was reported in April 2016. This report identified a range of undiscounted liabilities from £118 million to £389 million. The current estimate is that the liabilities will extend for up to 33 years.

In the light of significant uncertainty associated with asbestos claims, there can be no guarantee that the assumptions used to estimate the provisions for the cost of resolving asbestos claims will be an accurate prediction of the actual cost that may be incurred and, as a result, the provisions are the subject of an actuarial review when a condition changes materially.

The core Department is also responsible for compensation claims made against former British Shipbuilders' companies. The Financial Services Compensation Scheme does not compensate former employees in respect of periods of employment with nationalised industries and the Department assumed liability for this compensation by way of a Minute to Parliament in 2003. The undiscounted liability at 31 March 2017 was £9 million (31 March 2016: £9 million) and is included within other provisions.

Legacy ailments

Responsibility for the compensation claims relating to personal injuries and ailments suffered by former British Coal mineworkers transferred to the Department on 1 January 1998 by a restructuring scheme under the Coal Industry Act 1994.

The liabilities concern compensation claims relating to personal injuries. Over £6.3 billion has been paid out since privatisation and there are future liabilities such as induced hearing loss (£28 million), miscellaneous disease claims (including phurnacite, mesothelioma, pneumoconiosis, pleural thickening, asbestos-related conditions, vibration white finger, chronic obstructive pulmonary disease, cancer, pleural plaques, other minor benefits schemes) (£69 million) and recently commenced litigation by former British Coal Coke Oven Workers (£20 million). The provisions are based on the forecasts of the settlements of future claims, taking into account discussion with our legal advisors, claim handlers and recent actuarial estimates. Forecasts beyond 2022, when the current contract with our legal advisors is due to end, are subject to considerable uncertainty in estimates of the number of cases and the levels of damages and costs.

Onerous Leases

The Core Department has onerous leases in respect of leased offices at 151 Buckingham Palace Road (BPR), 10-18 Victoria Street (10VS) and various leases transferred from other bodies following their winding up. The Department provides for these leases in full when the lease becomes onerous by establishing a provision for the future estimated payments discounted by HM Treasury's discount rate in the range -2.70% to -0.80% in real terms, depending on the timing of the cash flows. The current estimate is that the liabilities will extend up to 2026.

The core Department has attempted to mitigate any potential losses through subletting against the existing head leases for the buildings, and has sublet BPR, 10VS and some of the properties transferred into the Department. However, given current market conditions and future forecasts the core Department has determined that at the reporting date neither the current nor future potential subleases will recover the full costs incurred by BEIS.

Work is also ongoing to dispose of some of the leases to a specialist company, which primarily deals with surplus buildings.

The core Department is also undergoing a program to rationalise the impact of onerous leases going forward.

The undiscounted liability as at 31 March 2017 was £106 million (31 March 2016: £111 million). The discounted value is higher than the undiscounted liability due to the negative discount rates used for the short and medium term.

Group

Enterprise Capital Fund

The British Business Bank plc (BBB) recognises a provision for loan commitments relating to Enterprise Capital Fund (ECF) investments which is included in other provisions. The British Business Bank accepts a lower return from ECF investments in order to encourage private sector investors to invest. Although BBB expects to make a positive return from these investments, this return is less than that required by the private sector. Accounting standards require BBB to recognise a liability when it makes a commitment to a fund. BBB records this liability as a provision. When a commitment is drawn, BBB subsequently impairs the resulting investment and utilises the provision by a corresponding amount. This results in significant upfront expenditure when new ECF commitments are entered into. This expenditure gradually reverses over the lifetime of the investment as the impairment is reversed and does not relate to an underlying loss on ECF investments.

The undiscounted liability as at 31 March 2017 was £165 million (31 March 2016: £109 million).

Coal Authority

The Coal Authority provision relates predominantly to the Authority's responsibilities for mine water treatment, public safety and subsidence, subsidence pumping stations and tip management. Significant uncertainties are associated with estimation of likely costs in respect of these liabilities. Further details are reported in the Coal Authority Annual Report and Accounts.

Included in other provisions in note 19.2 for the core Department is the Coal Health provision (legacy ailments), which is subject to significant uncertainty.

Early departure costs and restructuring

£109 million of the restructuring provision relates to site licence companies and includes continuing annual payments under early retirement arrangements to individuals who retired early, or had accepted early retirement, before 31 March 2017 and will continue at least until the date at which the individual would have reached normal retirement age.

20 Retirement benefit obligations

	2016-17 Funded pension schemes	2015-16 Funded pension schemes
	£m	£m
Present value of defined benefit obligation at 1 April	**5,821**	**5,923**
Interest cost	197	188
Current service cost	186	222
Past service cost	36	25
Benefits paid	(200)	(189)
Actuarial (gains)/losses	1,385	(412)
Employee contributions	25	26
Transfer in	–	38
Present value of defined benefit obligation at 31 March	**7,450**	**5,821**
Fair value of assets at 1 April	**5,544**	**5,461**
Expected return on plan assets	190	174
Employer contributions	162	160
Benefits paid	(200)	(189)
Actuarial gains/(losses)	887	(112)
Employee contributions	25	26
Transfer in	–	24
Fair value of assets at 31 March	**6,608**	**5,544**
Net liability at 31 March	**842**	**277**

The increase in the net liability at 31 March 2017 compared to 31 March 2016 is primarily due to a decrease in the discount rate applied to the defined benefit obligation for the Medical Research Council from 3.4% at 31 March 2016 to 2.5% at 31 March 2017 and for the nuclear site licence companies from 3.5% at 31 March 2016 to 2.5% at 31 March 2017.

Net (asset)/liability by scheme

	31 March 2017	31 March 2016
	£m	£m
Medical Research Council	(3)	(124)
SLC – LLWR section of CNPP	13	5
SLC – SLC section of Magnox Electric Group of ESPS	144	151
SLC – Magnox section of CNPP	32	23
SLC – Group Pension Scheme SLC section of CNPP	100	30
SLC – Sellafield section of CNPP	541	191
Nuclear Decommissioning Authority	15	1
Total net liability	**842**	**277**

Medical Research Council (MRC)
The MRC operates a defined benefit, final salary pension scheme. A full actuarial evaluation was undertaken as at 31 December 2013 which was rolled forward by the actuary to determine the approximate position as at 31 March 2017. Further details can be found in the accounts of the MRC.

Nuclear site licence companies (SLCs)
There are 5 defined benefit, final salary pension schemes relating to 3 of the 4 SLCs comprising: a) the LLWR section of the Combined Nuclear Pension Plan (CNPP) (for LLW Repository Limited), b) the SLC Section of the Magnox Electric Group of the Electricity Supply Pension Scheme and the Magnox Section of the CNPP (for Magnox Limited) and c) the Group Pension Scheme SLC section of the CNPP and the Sellafield section of the CNPP (for Sellafield Limited). They are subject to the UK regulatory framework for pensions. The plans are operated under trust and the Trustees are responsible for operating them. All are closed to new entrants. Full actuarial evaluations were undertaken as at 31 March 2016 for the Magnox schemes and as at 31 March 2013 for the other three. The actuaries rolled forward the results to determine approximate positions as at 31 March 2017.

Further information relating to actuarial assumptions, asset allocation and sensitivity analysis is provided below for these SLC schemes only as they comprise the major part of the overall pension liability.

Major actuarial assumptions for SLC schemes

	LLW Repository Limited		Magnox Limited		Sellafield Limited	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
Discount rate	2.5%	3.5%	2.5%	3.4%	2.5%	3.5%
Inflation (Retail Prices Index)	3.2%	3.0%	3.4%	3.2%	3.2%	3.0%
Life expectancy in years at 65, currently aged 65 (male)					21.8	22.6
Life expectancy in years at 65, currently aged 45 (male)					23.1	23.9
Life expectancy in years at 65, currently aged 65 (female)					24.2	25.3
Life expectancy in years at 65, currently aged 45 (female)					25.8	26.6
Life expectancy in years at 60, currently aged 60 (male)			28.4	27.8		
Life expectancy in years at 60, currently aged 40 (male)			29.5	29.7		
Life expectancy in years at 60, currently aged 60 (female)			30.3	30.2		
Life expectancy in years at 60, currently aged 40 (female)			31.4	32.2		
Life expectancy in years at 65, currently aged 65 (male)	22.8	22.6				
Life expectancy in years at 65, currently aged 45 (male)	24.2	23.9				

Asset allocation for SLC schemes

	31 March 2017	31 March 2016
	£m	£m
Equities	1,538	1,163
Property	292	299
Government bonds	1,488	1,133
Corporate bonds	391	369
Other growth assets	1,235	957
Other	64	261
Balance at reporting date	**5,008**	**4,182**

Sensitivity analysis for SLC schemes

	LLW Repository Limited	Magnox Limited	Sellafield Limited
	£m	£m	£m
0.1 percentage point decrease in annual discount rate		58	
0.1 percentage point increase in inflation assumption		56	
0.5 percentage point decrease in annual discount rate	5		323
0.5 percentage point increase in inflation assumption	5		323
1 year increase in life expectancy	1	119	44

The table shows the increase in liability that would result from changes in these actuarial assumptions.

Nuclear Decommissioning Authority (NDA)
2 defined benefit pension schemes relate to the NDA – the Closed and Nirex sections of the CNPP. Both are closed to new entrants. Full actuarial evaluations were undertaken as at 31 March 2013. The actuaries rolled forward the results to determine approximate positions as at 31 March 2017.

21 Capital and other commitments

Total minimum payments in respect of capital, lease and other commitments

	Note	31 March 2017 Core Department and Agencies	31 March 2017 Departmental Group	31 March 2016 restated Core Department and Agencies	31 March 2016 restated Departmental Group
		£m	£m	£m	£m
Contracted capital commitments	21.1	123	2,095	119	2,087
Minimum future payments under:					
Operating leases	21.2	282	353	374	474
Finance leases		–	3	–	5
PFI contracts and service concession arrangements		5	5	7	7
Other financial commitments	21.3	3,178	3,612	1,960	2,367
Total		**3,588**	**6,068**	**2,460**	**4,940**

21.1 Capital commitments

	31 March 2017 Core Department and Agencies	31 March 2017 Departmental Group	31 March 2016 restated Core Department and Agencies	31 March 2016 restated Departmental Group
	£m	£m	£m	£m
Contracted capital commitments not otherwise included in these financial statements:				
Property, plant and equipment	2	415	1	318
Intangible assets	1	40	–	53
Loans and investments	120	1,640	118	1,716
Total	**123**	**2,095**	**119**	**2,087**

Core Department

The core Department has not entered into any significant capital commitments.

NDPBs and other designated bodies

Capital commitments as at 31 March 2017 include the following significant items:

- Property, plant and equipment commitments for Biotechnology and Biological Sciences Research Council (BBSRC) of £225 million (31 March 2016: £165 million) at the BBSRC Institute sites for the next four years and for Natural Environment Research Council (NERC) of £93 million (31 March 2016: £133 million), to build a new polar research vessel.
- Investment commitments of £960 million (31 March 2016: £946 million) for the British Business Bank plc (BBB) relating to undrawn investment commitments, £456 million (31 March 2016: £539 million) for the Green Investment Bank (GIB), which on 20 March 2017 was reclassified as an asset held for sale – relating to investment contracts where the borrower or investee entity may draw down committed capital over the contracted period – and £99 million (31 March 2016: £101 million) for the BIS (Postal Services Act 2011) Company Limited, which has capital calls relating to investments in respect of its private equity and property funds financial instruments.

21.2 Commitments under leases

21.2.1 Operating leases

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

	31 March 2017		31 March 2016	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Obligations under operating leases comprise:				
Land:				
Not later than one year	–	1	–	–
Later than one year and not later than five years	–	2	–	2
Later than five years	–	19	–	11
	–	**22**	**–**	**13**
Buildings:				
Not later than one year	60	68	69	78
Later than one year and not later than five years	172	187	252	268
Later than five years	33	57	51	100
	265	**312**	**372**	**446**
Other:				
Not later than one year	7	8	1	6
Later than one year and not later than five years	10	11	1	6
Later than five years	–	–	–	3
	17	19	2	15
Total	**282**	**353**	**374**	**474**

The core Department is allowed to sub-lease and can assign leases subject to the lease provisions. Further information about finance leases and sub-lease arrangements of the Agencies, NDPBs and other designated bodies can be found in the accounts of the relevant bodies.

Operating leases: Department as a lessor
Total future minimum lease receivables under operating leases are given in the table below:

	31 March 2017	31 March 2016
	Departmental Group	Departmental Group
	£m	£m
Receivables under operating leases for the following periods comprise:		
Not later than one year	7	5
Later than one year and not later than five years	24	10
Later than five years	39	17
Total	**70**	**32**

All of the above balances relate to the Departmental Group's ALBs.

21.3 Other financial commitments

BEIS has entered into non-cancellable contracts (which are not leases, PFI contracts or other service concession arrangements) for subscriptions to international bodies and various other expenditures. Future payments to which BEIS is committed are as follows:

	31 March 2017		31 March 2016 restated	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Not later than one year	487	674	523	705
Later than one year and not later than five years	1,601	1,806	1,294	1,472
Later than five years	1,090	1,132	143	190
Total	**3,178**	**3,612**	**1,960**	**2,367**

21.3.1 International subscriptions

The financial commitments payable include subscriptions payable to international bodies, analysed by the period in which the payments are due:

Organisation	Note	Within 1 Year	Later than 1 year and not later than 5 years	Later than 5 Years	Total 2016-17	Total 2015-16 restated
		£m	£m	£m	£m	£m
European Space Agency	a	216	926	–	1,142	737
Other subscriptions		1	5	29	35	35
Core Department and Agencies total		**217**	**931**	**29**	**1,177**	**772**
European Organisation for Nuclear Research (CERN)	b	132	82	–	214	203
Institut Laue Langevin (ILL)	c	18	76	35	129	129
Other subscriptions		35	48	7	90	65
Departmental Group total		**402**	**1,137**	**71**	**1,610**	**1,169**

Notes:

The Departmental Group is required to subscribe to a number of bodies on an ongoing and continuous basis. These subscriptions are paid in euros, Swiss francs and pounds sterling. The subscriptions described below are paid in euros or Swiss francs and amounts paid are subject to fluctuations due to exchange rate differences.

a) The UK Space Agency subscribes to the European Space Agency (ESA) programme. The UK shares research objectives with other European nations and collaborates with them to mitigate the high capital and running costs of facilities. There are agreements in place at national level to regulate annual contributions and the management of the facilities. These include a period of notice of withdrawal from the arrangement. ESA requires a 12-month notice period after the end of the current calendar year.

b) STFC shares the funding of the capital and running costs of CERN with other major scientific nations. There is a notice of withdrawal period of 12 months after the end of the current calendar year.

c) The UK, through STFC, has signed up to International Conventions, with respect to Institut Laue-Langevin (ILL). The 5th protocol of the Intergovernmental Convention was signed in July 2013 and will remain in force until 31 December 2023.

21.3.2 Other commitments

The financial commitments payable in future years include payments due under non-cancellable contracts to the following organisations:

Organisation	Note	Within 1 Year	Later than 1 year and not later than 5 years	Later than 5 Years	Total 2016-17	Total 2015-16 restated
		£m	£m	£m	£m	£m
Met Office	a	97	407	1,035	1,539	596
Met Office Supercomputer		–	–	–	–	47
Ordnance Survey	b	53	150	–	203	352
Other commitments		120	113	26	259	193
Core Department and Agencies total		**270**	**670**	**1,061**	**2,001**	**1,188**
Other commitments		2	–	–	2	9
Departmental Group total		**272**	**670**	**1,061**	**2,003**	**1,197**

The Departmental group has entered into non-cancellable contracts with the above bodies. Contracts are paid in euros and pounds sterling. Where payments are made in euros, there are fluctuations due to exchange rate differences. The nature of the most significant contracts is described below:

a) The core Department has agreements with the Met Office (a BEIS-owned trading fund) to provide meteorology services, including the Public Weather Service agreement which BEIS manages on behalf of the government. This agreement is open-ended but is reviewed on an annual basis.

b) The core Department has agreements with Ordnance Survey Limited (a Government-owned company in which BEIS is the sole shareholder) to provide mapping data and access to its database for the whole of government. The Public Sector Mapping agreement and the Open Data agreement expire on 31 March 2021.

22 Financial instruments

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

	Note	31 March 2017 Core Department and Agencies	31 March 2017 Departmental Group	31 March 2016 restated Core Department and Agencies	31 March 2016 restated Departmental Group
		£m	£m	£m	£m
Financial assets					
Loans and receivables:					
Cash and cash equivalents	17	1,192	1,817	775	1,495
Receivables [(i)]	14	641	1,273	818	1,354
Loans to public sector bodies [(ii) & (iii)]	10.3 & 16	991	846	751	654
Other financial assets	11.2	2	313	27	516
Total loans and receivables		**2,826**	**4,249**	**2,371**	**4,019**
Public dividend capital:					
Public dividend capital	10.2	81	81	81	81
Total public dividend capital		**81**	**81**	**81**	**81**
Available for sale:					
Repayable launch investments	11.1	1,205	1,205	1,389	1,389
Ordinary shares in public sector companies [(iv)]	10.1	664	1,086	610	1,146
Other financial assets	11.2	278	2,439	223	2,499
Total available for sale		**2,147**	**4,730**	**2,222**	**5,034**
Derivatives:					
Forward contracts		95	107	73	77
Contracts for difference		–	(12,334)	(1,337)	(12,607)
Total derivatives		**95**	**(12,227)**	**(1,264)**	**(12,530)**
Fair value through profit or loss:					
Other financial assets	11.2	–	2	–	61
Total fair value through profit or loss		**–**	**2**	**–**	**61**
Held to maturity:					
Other financial assets	11.2	–	7	–	8
Total held to maturity		**–**	**7**	**–**	**8**
Financial liabilities					
Financial guarantees		(61)	(61)	(60)	(60)
Payables [(ii)]	18	(1,228)	(1,964)	(826)	(1,332)
Total other financial liabilities		**(1,289)**	**(2,025)**	**(886)**	**(1,392)**

(i) The amounts disclosed above as payables and receivables exclude any assets or liabilities which do not arise from a contractual arrangement.

(ii) Loans to public sector bodies comprises the loans detailed in note 16 and Other loans and investments in Other public sector bodies detailed in note 10.3.

(iii) Loans to public sector bodies in the Core Department for 2016-17, excludes £58 million, relating to the Core Department's loan investments in the Northern Powerhouse Investment Fund and Midlands Engine Investment Fund, these are accounted for at cost under IAS 27.

(iv) Ordinary shares in public sector companies excludes bodies that are consolidated in the Departmental Group, as these are held at cost, see note 10.1.

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

As the cash requirements of the Departmental Group are largely met through the Estimates process, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size.

The Departmental Group is however exposed to credit, market, interest rate, liquidity and commodity price risks due to the specific programmes and activities undertaken in pursuance of the Group's objectives.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Departmental Group's total maximum exposure to credit risk as at 31 March 2017 is £6,720 million (31 March 2016 restated: £7,816 million). The risk of non-payment is reflected in the carrying amounts of the assets and liabilities, where the Department is exposed to credit risk.

Significant credit risks can be summarised as follows:

Core Department

- Repayable Launch Investments – In the event of an investee company failure, the core Department may not recover its initial investment in whole or in part. The core Department seeks to offset this low-probability risk by analysing the financial health of any applicant at the time of application for launch investment and reviewing financial health as part of the programme monitoring activity. In addition, contracts aim to contain provisions which will (as a minimum) not disadvantage the core Department compared to other creditors in the event of a corporate failure. The core Department takes steps to monitor the payments that become due to the companies under launch investment contracts to ensure they comply with the terms of the contracts. Finally, the contracts also require the company's auditors to confirm that all payments made to the core Department have been made correctly and to identify any errors made.
- Investment Funds – Investee companies may not perform as expected and the Departmental Group may not recover its initial investment. The Department minimises the risk by monitoring the overall performance of the Funds and to secure value for the Department as an investor. This includes a full evaluation of each business case submitted prior to committing funds.
- Financial Guarantees – Through the various loan guarantee schemes the core Department is exposed to the risk that a recipient of the loan may default and the lending institution will call upon the core Department to honour its guarantee. The core Department minimises the credit risk for its most significant guarantees, the Enterprise Financial Guarantee (EFG) and legacy Small Firms Loan Guarantee Scheme (SFLGS), by devolving responsibility to the banks to determine whether any business applying for a loan is commercially viable. The banks are required to apply normal commercial practices. To establish that this is the case, for EFG the core Department undertakes an independent audit of the lenders participating in the Scheme. This is done by sampling and checking guarantees granted and defaults arising using recognised statistical sampling and auditing techniques and by auditing individual default claims by exception, using the participating banks to determine whether any potential lender applying for a loan is commercially viable. Furthermore, any losses suffered on these loans are shared between the Department and the lending institution. The EFG is also subject to a cap which limits the core Department's exposure.

  As at 31 March 2017 BEIS has £684 million of guarantees outstanding (31 March 2016: £755 million) which will expire over the next 10 years as the underlying debt matures. Due to the cap on payouts, the maximum amount that could be paid out if all loans defaulted is £201 million (31 March 2016: £189 million). However, not all loans are expected to payout and BEIS has estimated its liability to be £61 million (31 March 2016: £60 million). In addition, BEIS has estimated that it will have future fees receivable of £27 million after allowing for bad debts (31 March 2016: £31 million). Both the liability for expected payouts and asset for future fees are recognised on the Statement of Financial Position.

NDPBs and other designated bodies

- BIS (Postal Services Act 2011) Company Limited is exposed to credit risk, from its investments in debt securities. At 31 March 2017, the Company held debt securities of mixed quality. The group is exposed to counter party credit risk on its high-yield debt securities. Based on historic rates of market defaults a 2% to 4% default rate within the portfolio would not be unexpected. To manage the risk of loss, the investments are broadly diversified. There are specific parameters for the holding of the debt securities within particular sectors together with a limit on individual holdings as a percentage of the total portfolio. The investment managers also have significant expertise in managing default risk.
- The British Business Bank (BBB) investments are assessed by BBB's Valuation Committee. BBB produces credit risk ratings for its investments based upon a risk grading of the financial obligor and the estimated Loss Given Default on that investment. Risk drivers assessed in setting the ratings include the financial viability and lending safety of the investment and, if available, the rating assigned by an external credit agency. This is mitigated by new product approval processes that assess default and loss rates, due diligence of delivery partners underwriting methods, and portfolio monitoring and default models being put in place.
- The Green Investment Bank (GIB) is exposed to credit risk with respect to their debt investments. GIB minimises the risk of default by entering into loan arrangements with borrowers with strong credit ratings and who hold appropriate collateral.

Market risk

Market risk is the risk that fair values and future cash flows will fluctuate due to changes in market prices. Market risk generally comprises of:

Foreign currency risk

Core Department

The core Department is exposed to a small amount of currency risk with respect to Repayable Launch Investment contracts where income due from aircraft or engine sales may initially be based in US dollars, but it is minimal in the context of the overall Repayable Launch Investment portfolio. Otherwise the core Department's exposure to foreign currency risk during the year was insignificant. Foreign currency income was negligible, and foreign currency expenditure was a small percentage of total expenditure (less than 1%).

All material assets and liabilities are denominated in pounds sterling.

Agencies

Forward contracts

The UKSA pays an annual subscription in euros to the European Space Agency (ESA) and has entered into forward contracts to mitigate the risk. These derivative contracts have been designated as cash flow hedges. At the reporting date the hedges met the IAS 39 effectiveness criteria.

NDPBs and other designated bodies

Forward contracts

STFC and BIS (Postal Services Act 2011) Company Limited are subject to foreign currency risks and have entered into forward contracts to help mitigate these risks. These derivative contracts have been designated as cash flow hedges by STFC and at the reporting date the hedges met the IAS 39 effectiveness criteria. BIS (Postal Services Act 2011) Company Limited does not apply hedge accounting.

Cash and cash equivalents held in foreign currency

BIS Postal Services Act Company, MRC, STFC, NERC and Nesta Trust are subject to minor foreign currency risk through the maintenance of bank accounts in foreign currencies (predominantly USD and EUR) to deal with day-to-day overseas transactions.

Investments

At 31 March 2017 Enrichment Holdings Limited (EHL) primary investment was in URENCO Limited, a company valued in euros. A 5% movement in the EUR/GBP foreign exchange rate would result in an unrealised foreign exchange gain or loss of £21 million (31 March 2016: £30 million).

Interest rate risk

Core Department

The core Department does not invest or access funds from commercial sources, but it is exposed to interest rate risk with respect to the SFLGS and the EFG. For SFLGS and EFG, the core Department is exposed to interest rate risk, as the majority of the loan guarantees are provided against variable rate loans. The banks' usual lending practices mean that fixed rate loans are usually available only for small value short-term loans. To minimise the risk of default due to interest rate rises, accompanied by a decline in the economic environment, the core Department relies on the lenders assessment using best commercial practice to manage the risk of default.

NDPBs and other designated bodies
For BIS (Postal Services Act 2011) Company Limited interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and future cash flows. The Company holds fixed interest securities that are exposed to fair value interest rate risk. The Company also holds floating rate securities that are exposed to cash flow interest rate risk. The principal strategy is to manage the fair value risk by holding the debt securities until maturity unless opportunities exist in the market for it to profit, for example, from any favourable interest rate movements. Interest rate risk is not expected to have a significant impact.

GIB and BBB each hold both fixed and variable rate investments. Interest rate risk is regularly monitored by each organisation to ensure that the mix of fixed and variable borrowing is appropriate. GIB has entered into swaps to hedge against interest rate risk. The counterparty to these swaps is the core Department and so the Group is unaffected. BBB does not use derivatives to hedge interest rate risk.

The impact of interest rates affects the discount rate used to arrive at the fair value of the CfD liability held by LCCC. Changes in interest rates which affect the discount rate would therefore affect the Statement of Financial Position valuation. However the Group is not financially exposed to this risk because the liability is funded through a levy on suppliers.

Other market risk

Core Department

The core Department is exposed to wider risks relating to the performance of the economy as a whole. The main risks resulting from a downward movement in the economy include failures of investee companies of investment funds, loan defaults under the core Department's EFG Scheme and negative impacts on the core Department's repayable launch investment income and valuations from the potential resultant decrease in demand in the aerospace industry.

NDPBs and other designated bodies
GIB is exposed to market risk through the concentration of investments in the clean energy sector. GIB is also exposed to equity price risk due to its investments in businesses developing construction assets across its priority sectors. The company intends to withdraw from the investments when these assets are operational in order to recycle their capital. The risk is minimised by spreading investments across all of its priority sectors.

The Nesta Trust is exposed to equity price risk due to its investment of a portion of its endowment assets in publicly listed equity investments. Nesta Trust minimises this risk by investing for the medium to long term, diversifying its equity investments over a number of managers with complementary styles, and invests in investment funds with large institutional investors. The performance of these investment managers is monitored regularly.

EHL holds a one-third stake in URENCO Limited. The other, equal shareholders, are effectively the Dutch government (through Ultra-Centrifuge Nederland Limited), and German utilities (through Uranit UK Limited). URENCO Limited's principal activity is the provision of a service to enrich uranium to provide fuel for nuclear power utilities. Any change to this specialised market, such as a change in a country's energy policy, will impact the value of EHL's investment. EHL regularly monitors the performance of URENCO Limited.

Inflation risk
The CfD valuation is based on models which use assumptions about future prices. The amounts payable under the CfD contracts will be affected by the indexation of strike prices to reflect actual inflation and an inflation risk arises from the possibility of differences between the assumed inflation in the model and in the actual contracts. Inflation rates may not continue at the relatively low levels experienced in recent years; the Group is not financially exposed to this risk because the liability is funded through a levy on suppliers.

Liquidity risk
Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The core Department and its Agencies
In common with other Government departments, the future financing of its liabilities is to be met by future grants of Supply, voted annually by Parliament. There is no reason to believe

that future approvals will not be forthcoming, therefore, on this basis the liquidity risk to the core Department and its Agencies is minimal.

NDPBs and other designated bodies

Information about the Departmental Group's objectives, policies and processes for managing and measuring risk can be found in the Governance Statement.

Commodity price risk

Commodity price risk is the risk or uncertainty arising from possible price movements. The amounts payable under the CfD contracts are exposed to price risk through the fluctuations in future actual wholesale electricity prices, specifically, on how they will differ from the current forecast of future prices in the central scenario. However the LCCC and the Department are not financially exposed to this risk because the liability is funded through a levy on suppliers.

Financial instruments: fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 – uses quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – uses inputs for the assets or liabilities other than quoted prices, that are observable either directly or indirectly;
- Level 3 – uses inputs for the assets or liabilities that are not based on observable market data, such as internal models or other valuation method.

The following table presents the Departmental group's financial assets and liabilities that are measured at fair value at 31 March 2017 and 31 March 2016:

		31 March 2017				31 March 2016			
	Note	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
		£m	£m	£m	£m	£m	£m	£m	£m
Assets									
Available for sale									
Equity investments									
Ordinary shares in public sector bodies	10.1	–	1,086	–	**1,086**	–	1,146	–	**1,146**
Ordinary shares in listed equities	11.2	266	–	–	**266**	199	–	–	**199**
Ordinary shares in unlisted private equities	11.2	–	14	429	**443**	–	15	470	**485**
Debt and venture capital investments									
Repayable launch investments	11.1	–	–	1,205	**1,205**	–	–	1,389	**1,389**
Gilts and bonds	11.2	46	–	–	**46**	55	–	–	**55**
Property related holdings	11.2	–	–	65	**65**	–	2	81	**83**
Investment funds	11.2	–	–	1,243	**1,243**	–	–	1,004	**1,004**
Other investments	11.2	7	350	19	**376**	3	508	162	**673**
Total available for sale assets		**319**	**1,450**	**2,961**	**4,730**	**257**	**1,671**	**3,106**	**5,034**
Derivatives									
Forward contracts		–	112	–	**112**	–	78	–	**78**
Total derivatives used for hedging		**–**	**112**	**–**	**112**	**–**	**78**	**–**	**78**
Fair value through profit or loss									
Ordinary shares in listed equities, Investment funds and other investments	11.2	2	–	–	**2**	9	–	52	**61**
Total fair value through profit or loss		**2**	**–**	**–**	**2**	**9**	**–**	**52**	**61**
Total assets		**321**	**1,562**	**2,961**	**4,844**	**266**	**1,749**	**3,158**	**5,173**
Derivatives									
Forward contracts		–	(5)	–	**(5)**	–	(1)	–	**(1)**
Contracts for difference	9	–	–	(12,334)	**(12,334)**	–	–	(12,607)	**(12,607)**
Financial liabilities through profit or loss		**–**	**(5)**	**(12,334)**	**(12,339)**	**–**	**(1)**	**(12,607)**	**(12,608)**
Total liabilities		**–**	**(5)**	**(12,334)**	**(12,339)**	**–**	**(1)**	**(12,607)**	**(12,608)**

There were no transfers between level 1 and 2 during the year.

Specific valuation techniques used to value financial instruments include:

– quoted market prices or dealer quotes for similar instruments;

– the fair value of interest rate swaps, calculated as the present value of the estimated future cash flows based on observable yield curves;

– the fair value of forward foreign exchange contracts is determined using forward exchange rate at the reporting date, with the resulting value discounted back to present value;

– other techniques, such as discounted cash flow analysis or for non-quoted ordinary shares that are not actively traded the net assets of the company are used. These are classified as level 3.

The following table presents the changes in level 3 instrument for the year ended 31 March 2017, excluding the Contracts for Difference which is disclosed in note 9.

	Ordinary shares in un-listed private equities	Repayable launch investments	Property related holdings, Investment funds and Other financial assets	Total
	£m	£m	£m	£m
Opening balance	**470**	**1,389**	**1,299**	**3,158**
Additions	13	–	1,056	**1,069**
Repayments/disposals	(114)	(144)	(93)	**(351)**
Reclassifications to Non-current Asset held For Sale	–	–	(1,009)	**(1,009)**
Gains and losses recognised in CSoCNE	60	(40)	74	**94**
Closing balance	**429**	**1,205**	**1,327**	**2,961**

The following table presents the changes in level 3 instrument for the year ended 31 March 2016, excluding the Contracts for Difference which is disclosed in note 9.

	Ordinary shares in un-listed private equities	Repayable launch investments	Property related holdings, Investment funds and Other financial assets	Total
	£m	£m	£m	£m
Opening balance	**564**	**1,740**	**1,113**	**3,417**
Additions	20	–	375	**395**
Repayments/disposals	(162)	(112)	(218)	**(492)**
Gains and losses recognised in CSoCNE	48	(239)	29	**(162)**
Closing balance	**470**	**1,389**	**1,299**	**3,158**

The most significant individual valuation using level 3 inputs in the Departmental Group is Repayable launch investments; sensitivity analysis is detailed in note 11.1.

The sensitivity analysis for the significant valuations using level 3 inputs for property related holdings and investment funds are detailed in the financial statements of British Business Bank Plc, Green Investment Bank and BIS (Postal Services Act 2011) Company Limited.

23 Contingent liabilities disclosed under IAS37

The Departmental Group has the following significant contingent liabilities. Other liabilities are disclosed in our partner organisation accounts.

Basis of Recognition	Description
Unquantifiable	
Nuclear	The core Department has a range of civil nuclear liabilities arising through its association with the United Kingdom Atomic Energy Authority and British Nuclear Fuels Limited as well as ensuring that the Government complies with its obligations under the various international nuclear agreements and treaties. The amount and timing of this overarching liability is not quantifiable.
Coal Industry Act 1994	Responsibility for compensation claims relating to personal injuries suffered by former British Coal mineworkers between 1947 and 31 December 1994 transferred to the Department on 1 January 1998 by a restructuring scheme under the Coal Industry Act 1994. The timing and amounts of any future liabilities are uncertain except where provision has been made in the accounts. The future liabilities will depend on the nature of any injury and whether the courts decide that compensation is due.
Site restoration liabilities inherited from British Coal	The Department has inherited liabilities from British Coal to reimburse certain third parties with the costs necessary to meet statutory environmental standards in the restoration of particular coal-related sites. In addition to specific claims provided for (this is included in Other in note 19.2) it remains possible that the Department will be held responsible for further environmental liabilities. The timing and amounts of any liability are uncertain.
Deed relating to the British Coal Staff Superannuation Scheme (BCSSS) under Paragraph 2(9) of Schedule 5 to the Coal Industry Act 1994	Government Guarantees were put in place on 31 October 1994, the day the Schemes were changed to reflect the impact of the privatisation of the coal industry. They are legally binding contracts between the Trustees and the Secretary of State for the Department for Business, Energy and Industrial Strategy.
Deed relating to the Mineworkers' Pension Scheme (MPS) under Paragraph 2(9) of Schedule 5 to the Coal Industry Act 1994	The Guarantees ensure that the benefits earned by Scheme members during their employment with British Coal, and any benefit improvements from surpluses which were awarded prior to 31 October 1994, will always be paid and will be increased each year in line with the Retail Prices Index. If at any periodic valuation, the assets of the Guaranteed Fund were to be insufficient to meet its liabilities, the assets must be increased to bring the Fund back into balance. This is a long-term contingent liability dependent on the performance of the schemes' investments and their mortality experience. Further details regarding the Schemes and the notional sub-funds can be found in note 14.
Restructuring Scheme	Where liabilities transferred under the various Coal Authority Restructuring Schemes (CARS) have crystallised due to planning conditions, agreements, claims etc. a provision has been made in these financial statements. It has not however been possible to quantify those contingent liabilities that may arise in the future.
UK Space Agency	In 2013/14 the UK Space Agency (UKSA) entered into an operating lease with NATS (En Route) Plc for office accommodation. At the end of the lease term in December 2030, the landlord has the contractual right to enforce the Agency to pay for costs of dilapidation. However, due to the specialized nature of the asset, the expectation is that the landlord will continue using the asset in its current state and therefore will not choose to exercise this option. In the event of the lease contract being terminated by the landlord before the end of the lease term, UK Space Agency will be compensated. The likelihood of outflow of economic benefit is therefore assessed as not probable.
Outer Space Act 1986	The UKSA has an obligation, governed by international (UN) convention, to third parties if they are accidentally damaged by UK space activities. Due to its unprecedented nature, a cost cannot be reliably estimated. In March 2015 the Outer Space Act 1986 was amended to cap licensees' previously unlimited liability for third party costs at 60 million euros for the majority of missions, for the duration of the licensed activity. This amendment was designed to adequately balance the risk to the UK Government whilst ensuring UK space operators remain competitive internationally.
Financial Reporting Council	The core Department has provided assurance to FRC in respect of providing grant where FRC's general voluntary funding falls or current statutory exemption from liability nears expiry. In the course of the financial year, new legislative measures were effected to prevent the statutory exemption from liability from expiring.

Basis of Recognition	Description
Public Appointment Assessors	The Cabinet Secretary has provided a Government-wide indemnity to Public Appointments Assessors (PAAs). This will ensure that PAAs will not have to meet any personal civil liability incurred in the execution of their PAA functions.
Inventories	In March 2017 the Nuclear Decommissioning Authority held inventories of reprocessed uranic material. These materials are currently held at nil value due to uncertainty over their future use which may result in as-yet unquantified liabilities relating to potential treatment or disposal costs.
BBSRC	An indemnity has been given by Biotechnology and Biological Sciences Research Council (BBSRC) to the Roslin Institute for any costs that arise as a result of past actions of the Institute prior to its transfer to the University of Edinburgh in 2008. A further indemnity has been given to any fall in grant income of the Institute as a result of the transfer. The maximum settlement BBSRC will fund reduces each year and is limited to claims made up to May 2023.
Subsidence damage and public safety liabilities	Licensees of mining operations are required to provide security to the Coal Authority to cover anticipated future costs of settling subsidence damage liabilities within their Areas of Responsibility. Outside the Areas of Responsibility of the holders of licences under Part II of the 1994 Act, the Authority is responsible for making good subsidence damage. Where an Area of Responsibility is extinguished, this would transfer to the Authority who would become responsible for the discharge of outstanding subsidence liabilities. The Authority also has an ongoing liability to secure and keep secured the majority of abandoned coal mines. (In all cases the liability for operating collieries is the responsibility of the licensees/lessees and security is held to address those liabilities.) The above liabilities have been provided for within the Coal Authority provision (note 19.2) based on analysis of trends and claims experience. However it is possible that significant, unexpected events outside of this provision may materialise. In addition to the above general contingent liability, damage notices have been submitted to the Coal Authority in respect of subsidence damage to Wentworth Woodhouse, a Grade I listed country house. The Coal Authority has rejected these notices. The Upper Tribunal (Lands Chamber) has ruled on 4 locations of damage and concluded that the Coal Authority has no liability in respect to these; one further area of damage has yet to be considered and the Coal Authority will continue to strongly defend its case.
Legal claims	The Coal Authority is subject to various claims and legal actions in the ordinary course of its activities for which provision is made in the accounts where appropriate on the basis of information available. The Authority does not expect that the outcome of the above issues will materially affect its financial position. The CNPA has a number of potential liabilities in respect of claims from employees which depend on actual or potential proceedings. The timing and amounts of any payments are uncertain. These liabilities have not been provided for as CNPA believes the claims are unlikely to be successful or to lead to a transfer of economic benefit.
Other	There are a number of potential liabilities for the Department in respect of claims from suppliers, employees and third parties which depend on actual or potential proceedings. The timing and amounts of any liabilities are uncertain.
Quantifiable	
Feed-in-Tariffs (£293 million)	The Department faces claims for damages from solar energy and construction companies affected by changes to Feed-in-Tariffs in 2011. A number of companies from the solar industry initiated legal proceedings in 2012, claiming damages for interference with property rights. Following determination of the legal principles by the Court of Appeal, the Department is preparing for a full trial on the facts of the case, which is set for the first available date after 21 January 2018. Based on updated claims, claimants are seeking damages of up to £293 million. The Department has been ordered to pay 80% and 50% of the claimants' legal costs relating to preliminary hearings in the High Court and Court of Appeal respectively; the Department bears its own legal costs. The claimants and the Department are likely to incur substantial further legal costs (the Department's costs being estimated at £3.1 million) and the losing party is likely to be ordered to pay the costs of the winning party.

Basis of Recognition	Description
British Business Bank (£201 million)	The core Department guarantees British Business Bank under the Enterprise Financial Guarantee (EFG) and legacy Small Firms Loan Guarantee Scheme (SFLGs) to facilitate lending to viable businesses, with a maximum obligation being subject to a cap, which at 31 March 2017 is £201 million. Under the BBB's Help to Grow financial guarantee programme, which was new in the year, the Bank has entered in to financial guarantee agreements of £60 million. The Bank has guaranteed 75% of eligible lending to SMEs under these agreements and a counter guarantee is in place that guarantees 50% of the Bank's 75% of eligible lending. As at 31 March 2017 the amount lent under these financial guarantee agreements was £0.6 million (2016: £nil).
Reprocessing and staff commitments (£16 million)	STFC is responsible for Institut Laue-Langevin (ILL) staff-related commitments and costs associated with reprocessing fuel elements. The contingent liability is estimated to be £16 million (31 March 2016: £12 million).
Wave Hub (£5 million)	The core Department has indemnified Cornwall Council in respect of the transfer of Wave Hub up to a maximum amount of £5 million. This obligation expires in 2028 due to the limitation period under the signed contract.
Ofgem administration costs from the buy-out fund (£3.6-£3.8 million)	BEIS, the Scottish Government and the Northern Ireland Executive have previously undertaken to support Ofgem's costs for administering the Renewables Obligation scheme (around £3.6 – £3.8 million) if there is insufficient money in both the buy-out fund and late payment fund to cover these costs. The size of the 2016/17 buy-out fund will not be known until October 2017. It is dependent in part by the availability and price of Renewable Obligation Certificates (ROCs) – if there is a surplus of ROCs, suppliers may be more inclined to meet their obligations by submitting ROCs but ultimately much depends on supplier behaviour which is difficult to predict. BEIS will have an indication of how many ROCs are available and whether there is likely to be a surplus after the end of the obligation year (31 March 2017) but will not know the size of the buy-out fund until October 2017.
Innovate UK (£2.5 million)	Innovate UK is responsible for decommissioning of Narec Monitoring Platform at an estimated cost of £2.5 million. This could take place anytime between 3 and 25 years.
Medical Research Council (£1.8 million)	MRC has identified a contingent liability of £1.8 million (31 March 2016: £1.8 million) for dilapidation work. This may be required at the end of property leases which are due to expire within the next five years.

24 Contingent assets

Departmental ALBs

Basis of Recognition	Description
Unquantifiable	
Coal Authority Restructuring Schemes	By virtue of the seventh and ninth Coal Authority Restructuring Schemes (CARS 7 and 9), the Coal Authority is the beneficiary of restrictive covenants and clawback provisions relating to land and properties sold by the British Coal Corporation. In the event that the purchasers are able to retrospectively secure added value by obtaining planning consent for alternative uses, the Authority will receive a share of the added value. Quantification of this asset is not possible.
Quantifiable	
Deed Relating to the British Coal Staff Superannuation Scheme (BCSSS) under Paragraph 2(9) of Schedule 5 to the Coal Industry Act 1994 (£1.707 billion)	On 13 February 2015 an agreement was signed between the Trustee and 'the Guarantor' (the core Department) to amend the Scheme structure of the BCSSS which was designed to provide certainty to members over increases to their pensions in the future. Under the provisions of the agreement, within 12 months of 31 March 2033, the trustee shall pay to the Guarantor any surplus remaining on the Scheme net of any amount retained for the obligation. At the last valuation, the Government Actuary's Department had valued the surplus at £1.707 billion. The value of this surplus is subject to change depending on performance of future investments and changes to underlying valuation assumptions. Therefore the amount receivable by the Department is not certain and is dependent on a surplus being available on the Scheme in 2033. Based on the sizeable current surplus, the Department considers a receipt from the scheme in 2033 to be probable.

25 Related-party transactions

The core Department is the parent of the bodies listed in Note 28 – these bodies are regarded as related parties and various material transactions have taken place during the reporting period between members of the Departmental Group. The related parties of the consolidating bodies are disclosed in their respective accounts. The core Department is also the sponsor of Companies House, UKIPO, the Met Office (Trading Funds), Ordnance Survey, NPL Management Limited, NNL Holdings Limited and British Nuclear Fuels Limited.

The core Department has had various material transactions with other Government departments, Government bodies and devolved administrations comprising the Northern Ireland Executive, Scottish Government and the Welsh Government. The most significant of these transactions have been with HM Treasury, Post Office, HM Treasury's consolidated fund, Higher Education Funding Council for England, UK Green Investment Bank, UK Space Agency, Engineering and Physical Sciences Research Council, HM Revenue and Customs, the Department for Environment, Food and Rural Affairs, the Department for Communities and Local Government, Office of Gas and Electricity Markets, the Met Office and the Environment Agency.

No minister, board member, key manager of the group or other related party have undertaken any material transactions with the core Department during the year. Details of the Department's ministers and senior managers are shown in the Remuneration Report.

Professor Dame Ann Dowling, Non-Executive Director on the BEIS Departmental Board is an unpaid President and Chairman of the Board of Trustees of the Royal Academy of Engineering. The Royal Academy of Engineering received £21 million in grants from the core Department during the year.

In the course of allocating funding during the year, the 7 research councils entered into material transactions with various Higher Education institutions. Where these bodies have board members who are also members of university councils, each body operates a policy that precludes interested parties from voting on the funding to the university in which they have an interest. Further details of the transactions can be found in the statutory accounts of the individual bodies.

26 Third-party assets

The following are balances on accounts held in BEIS's name at banks but which are not BEIS's monies. They are held or controlled for the benefit of third parties and are not included in BEIS's Accounts.

	31 March 2017		31 March 2016 restated	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Monetary assets such as bank balances and monies on deposit	34	42	50	63
Total	**34**	**42**	**50**	**63**

The table above includes the following significant third-party assets:

On 31 March 2017 the core Department held £21m (31 March 2016: £16.6m) transferred from BNFL plc to meet the potential future capitalisation requirements of the National Nuclear Laboratory Ltd. These monies are held in GBS (Government Banking Service) accounts.

On 22 October 2013 the Department took over temporary management of the Iranian Oil Company's (IOC) interest in the Rhum gas field; enabling co-management of the Rhum field with the operator, and 50% owner, British Petroleum (BP). This action was under the Hydrocarbons (Temporary Management Scheme) Regulations 2013, which allows the Secretary of State (SoS) of the Department to apply a temporary scheme to the hydrocarbons interests of a listed person which holds a relevant licence, where SoS is satisfied that this is necessary to avoid or remediate environmental damage and/or prevent permanent destruction of the value of the relevant licence.

On 16 January 2016 the IOC ceased to be a listed, sanctioned entity by the EU and UK. The Department completed an orderly handover of the Rhum gas field management to the IOC by the agreed deadline of 16 March 2016. The IOC is now in full control of the management of their interest in the Rhum gas field.

The IOC's share of revenues from resumed production was being held by the Department in a separate dedicated account, on behalf of the IOC. The IOC's share of costs were funded from this account and the balance of the funds amounting to £25.9 million was paid over to IOC in June 2016.

27 Restatement of Statement of Financial Position and Statement of Comprehensive Net Expenditure as a result of Machinery of Government (MoG) changes, changes to the Designation Order and other restatements

Machinery of Government (MoG) changes (accounted for as transfer by merger)

BEIS has had several MoG changes affecting its Estimate and Accounts for the year ended 31 March 2017, where functions or responsibilities have been merged or transferred within Government. A function is an identifiable business operation with an integrated set of activities, staff and recognised assets and liabilities, and changes are accounted for using merger accounting in accordance with the FReM. This requires the restatement of the Primary Statements and the associated Notes to the Accounts.

The creation of BEIS from the merger of BIS and DECC, and transfer out of functions from BIS to Department for Education (DfE), Department for International Trade (DIT) as a result of Departmental changes announced in July 2016.

As a result of the Departmental changes announced in July 2016, there were several MoG changes effective from 1 April 2016:

- The transfer in to BEIS of BIS and DECC.
- The transfer out of Higher Education (HE), Further Education (FE) and Apprenticeships to Department for Education (DfE) from BIS. In addition as a result of this MoG change, the Construction Industry Training Board, the Engineering Construction Industry Training Board, the Higher Education Funding Council for England, the Office for Fair Access, the Skills Funding Agency, the Student Loan Company and the UK Commission for Education and Skills are no longer consolidated within the Department's Accounts. To reflect the change in 2014-15 and 2015-16 comparative figures have been restated. The Departmental Group's net assets decreased by £57,499 million and £42,437 million respectively and in 2015-16 net expenditure decreased by £2,016 million as a result of this MoG change.
- The transfer out of the International Trade and Export Control (ITEC) to Department for International Trade (DIT) from BIS. To reflect the change in opening balance sheet 2014-15 and 2015-16 comparative figures, the Departmental group's net assets decreased by £3 million in both years and in 2015-16 net expenditure decreased by £15 million as a result of this MoG change.

As part of alignment of accounting policies of BIS and DECC, receipts from the Nuclear Decommissioning Authority and Coal Authority for onward payment to the Consolidated Fund will be processed by the core Department as agent rather than recognised as income (this change impacts the core Department only and has no effect on the Group).

Also part of the alignment of accounting policies, the Department's investments in other public sector bodies that are outside of the departmental boundary and not consolidated are held at fair value. In DECC these had been reported at historical cost whereas in BIS net assets of the entities was used. Across the BEIS Departmental Group, net assets is now used as the most appropriate measure of fair value. The core Department's net assets increased by £65 million and £57 million in 2015-16 and 2014-15 and the Departmental Group's net assets increased by £235 million and £225 million in 2015-16 and 2014-15 respectively as a result of this MoG change.

In addition to the creation of BEIS, the following MoG changes were previously announced and implemented during 2016-17.

Transfer of Offender Learning and Skills Service to Ministry of Justice

As a result of the Spending Review 2015, the Offender Learning and Skills Service programme transferred from 1 April 2016 from BIS to Ministry of Justice. To reflect the change in 2015-16 comparative figures, the Departmental Group's net expenditure was decreased by £1million as a result of this MoG change.

Transfer of Shareholder Executive Group to UK Government Investments
On 1 April 2016, the function of the Shareholder Executive transferred from BIS to the Chancellor of the Exchequer under a new body called UK Government Investments. UK Government Investments brings together the activities of both the Shareholder Executive and UK Financial Investments and is wholly owned by the Chancellor of the Exchequer. To reflect the change in 2015-16 comparative figures, the Departmental Group's net expenditure was decreased by £11 million as a result of this MoG change.

Transfer of Environmental Regulation to the Department for Environment, Food and Rural Affairs (DEFRA)
On 1 April 2016, Environmental Regulation transferred from BIS to DEFRA. This has not resulted in any impact on net expenditure or net assets.

Transfers of functions (accounted for as transfer by absorption)
In addition there were 3 transfers of functions accounted for as transfers by absorption, where the Departmental Group's Primary Statements and Notes have not been restated and the transfers are accounted for prospectively.

- The transfer in of the National Measurement Regulation Office (NMRO) activities to core Department from 1 April 2016. This resulted in £2.4 million of NMRO's net assets being transferred into the core Department. NMRO was previously one of BIS' agencies. This transfer was between the core Department and an Executive Agency and has had no net effect on the presentation of financial statements as the transfer is reflected within the Core and Agencies column (see note 27.1 below).
- The transfer out of BEIS Criminal Enforcement to Insolvency Service from 1 January 2017. This transfer was between the core Department and an Executive Agency and has had no net effect on the presentation of financial statements as the transfer is reflected within the Core and Agencies column.
- The transfer out of the Oil and Gas Authority to the Oil and Gas Authority limited company from 1 October 2016. This transfer was between an Executive Agency and a Non-departmental Public Body.

These transfers have no impact on the financial statements as they are within the Departmental Group.

Changes to the Departmental boundary
Four GIB entities were added to the Designation and Amendment Order in 2016-17, with a retrospective classification, that affect the prior year figures. The prior year figures have therefore been restated to reflect the change in the Departmental boundary.

These are:

- UK Green Investment Offshore Wind C L.P.
- UK Green Investment LID Limited
- UK Green Investment FCG Limited
- GLID Wind Farms Topco Limited

In addition, Fleetbank Funding Limited was designated as a central government body. These changes to the departmental boundary have resulted in an increase in net assets of £437 million.

Changes in accounting policy
No changes in accounting policies were adopted by the FReM in 2016-17.

Prior period restatements
In 2016-17 a prior period accounting error was identified in relation to the over-release of income from the revaluation reserve in relation to Repayable Launch Investments.

In accordance with Department's accounting policy, repayments received in excess of historic costs of an investment in the portfolio were released to the Consolidated Statement of Comprehensive Net Expenditure. It was identified that this released was incorrectly calculated. As a result CSoCNE was not materially overstated in any individual financial year but, the over-release had resulted in a material reduction in the value of the revaluation reserve.

The Department has restated the 1 April 2015 reserves position, increasing the revaluation reserve by £266 million and reduction in the General Fund by £266 million. In 2015-16, the income released has been decreased by £7 million and revaluation reserve increased by £7 million, resulting in a restated revaluation reserve of £273 million.

The second restatement arises from elimination in 2016-17 of intra-Group receivables relating to funding of nuclear site licence company retirement-benefit obligations against the Nuclear Decommissioning Provision. In prior years they had been eliminated against current accrued expenses.

Impact of restatements on opening balances for the Departmental Group at 31 March 2016

	Balance at 31 March 2016 per 2015-16 published accounts (BIS)	Re-presented balance at 31 March 2016 of the 2015-16 published accounts (DECC)	Nature of restatement: Machinery of Government changes and accounting policy alignments	Changes in the boundary	Other prior period adjustments	Restated balance at 31 March 2016
	£m	£m	£m	£m	£m	£m
Consolidated Statement of Comprehensive Net Expenditure						
Net expenditure for the period	8,890	105,262	(2,046)	(6)	7	**112,107**
Other comprehensive net income and expenditure	1,434	(19)	(14)	–	(7)	**1,394**
Total comprehensive expenditure	10,324	105,243	(2,060)	(6)	–	**113,501**
Consolidated Statement of Financial Position						
Non-current assets	64,167	4,159	(54,726)	506	–	**14,106**
Current assets	6,436	819	(3,892)	51	–	**3,414**
Current liabilities	(2,797)	(4,428)	354	(9)	(399)	**(7,279)**
Non-current liabilities	(1,381)	(179,792)	996	(538)	399	**(180,316)**
General fund	(63,835)	179,334	57,390	(6)	273	**173,156**
Revaluation reserve	(2,119)	(59)	(234)	–	(273)	**(2,685)**
Charitable funds	(423)	–	112	–	–	**(311)**
Minority interest	(48)	(33)	–	(4)	–	**(85)**
Statement of Parliamentary Supply						
Resource DEL	16,819	1,405	(9,906)	–	–	**8,318**
Capital DEL	2,471	2,309	102	–	–	**4,882**
Resource AME	(7,826)	101,581	8,190	–	–	**101,945**
Capital AME	9,965	64	(11,642)	–	–	**(1,613)**
Net outturn for the year	**21,429**	**105,359**	**(13,256)**	**–**	**–**	**113,532**

Impact of restatements on opening balances for Core Department and Agencies at 31 March 2016

	Balance at 31 March 2016 per 2015-16 published accounts (BIS)	Re-presented balance at 31 March 2016 of the 2015-16 published accounts (DECC)	Nature of restatement: Machinery of Government changes and accounting policy alignments	Nature of restatement: Changes in the boundary	Nature of restatement: Other prior period adjustments	Restated balance at 31 March 2016
	£m	£m	£m	£m	£m	£m
Consolidated Statement of Comprehensive Net Expenditure						
Net expenditure for the period	10,377	4,385	(1,159)	–	7	**13,610**
Other comprehensive net income and expenditure	241	(5)	(7)	–	(7)	**222**
Total comprehensive expenditure	10,618	4,380	(1,166)	–	–	**13,832**
Non-current assets	59,465	488	(54,691)	–	–	**5,262**
Current assets	5,373	248	(3,754)	–	–	**1,867**
Current liabilities	(1,826)	(860)	860	–	–	**(1,826)**
Non-current liabilities	(871)	(4,351)	213	–	–	**(5,009)**
General fund	(61,838)	4,482	57,436	–	273	**353**
Revaluation reserve	(303)	(7)	(64)	–	(273)	**(647)**

Impact of restatements on opening balances for the Departmental Group at 1 April 2015

	Balance at 31 March 2015 per 2015-16 published accounts (BIS)	Re-presented balance at 31 March 2015 of the 2015-16 published accounts (DECC)	Nature of restatement: Machinery of Government changes and accounting policy alignments	Nature of restatement: Changes in the boundary	Nature of restatement: Other prior period adjustments	Restated balance at 31 March 2015
	£m	£m	£m	£m	£m	£m
Consolidated Statement of Financial Position						
Non-current assets	50,870	2,827	(40,003)	–	–	**13,694**
Current assets	6,969	1,444	(3,391)	–	–	**5,022**
Current liabilities	(3,422)	(5,786)	774	–	(481)	**(8,915)**
Non-current liabilities	(1,448)	(75,736)	445	–	481	**(76,258)**
General fund	(48,709)	77,334	42,263	–	266	**71,154**
Revaluation reserve	(3,783)	(37)	(224)	–	(266)	**(4,310)**
Charitable funds	(433)	–	136	–	–	**(297)**
Minority interest	(44)	(46)	–	–	–	**(90)**

Impact of restatements on opening balances for Core Department and Agencies at 1 April 2015

	Balance at 31 March 2015 per 2015-16 published accounts (BIS)	Re-presented balance at 31 March 2015 of the 2015-16 published accounts (DECC)	Nature of restatement: Machinery of Government changes and accounting policy alignments	Nature of restatement: Changes in the boundary	Nature of restatement: Other prior period adjustments	Restated balance at 31 March 2015
	£m	£m	£m	£m	£m	£m
Consolidated Statement of Financial Position						
Non-current assets	45,074	332	(40,086)	–	–	**5,320**
Current assets	5,412	776	(3,138)	–	–	**3,050**
Current liabilities	(2,593)	(1,661)	765	–	–	**(3,489)**
Non-current liabilities	(872)	(2,793)	126	–	–	**(3,539)**
General fund	(46,454)	3,348	42,391	–	266	**(449)**
Revaluation reserve	(567)	(2)	(58)	–	(266)	**(893)**

27.1 The National Measurement and Regulation Office (NMRO) transfer into BEIS core Department

As detailed in Note 27 above, 1 April 2016, NMRO became part of the Regulatory Delivery directorate within the core Department. This resulted in £2.4 million of net assets transferring from NMRO to the core Department. The full effect of this transfer is shown below.

Transfer to BEIS

Statement of Comprehensive Net Expenditure	£'000	£'000
Loss on transfer		2,400
Statement of Financial Position	**£'000**	**£'000**
Non-current assets:		
Property, plant and equipment	896	
Heritage assets	127	
Intangible assets	123	
Trade and other receivables	200	
Total non-current assets		**1,346**
Current assets:		
Trade and other receivables	1,298	
Cash and cash equivalents	785	
Total current assets		**2,083**
Total assets		**3,429**
Current liabilities:		
Trade payables and other liabilities	(1,029)	
Total current liabilities		**(1,029)**
Non-current assets plus/less net current assets/ liabilities	**–**	**2,400**
Non-current Liabilities:		
Trade payables and other liabilities		
Total non-current liabilities	**–**	**–**
Total assets less liabilities	**–**	**2,400**
Taxpayers' equity and other reserves:		
General fund		2,197
Revaluation reserve		203
Total equity	**–**	**2,400**

28 List of bodies within the Departmental Group

The table below shows the list of BEIS organisations that are included in the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2016, known as the Designation Order. The individual Annual Report and Accounts for each of these bodies can be found on their own websites or via the Inside Government website (https://www.gov.uk/government/organisations/department-for-business-energy-and-industrial-strategy).

The bodies whose accounts have been consolidated within the Departmental Group accounts are shown in section (a) of the table. Bodies within the Departmental Group but not consolidated, such as where net assets are not considered material to the Departmental Group accounts, are indicated separately in section (b) of this table.

As a result of changes made in the 2016-17 Designation Order, some additional bodies are now included in the Departmental Group accounts boundary. Where boundary changes have an impact on previously reported financial results, these are shown in Note 27.

Designated Body *(linked bodies are indicated in italics below their parent body)*	**Status**	**Website** *(further information about linked bodies or those closed during the year is also included)*
(a) Bodies consolidated in Departmental Group accounts for 2016-17		
Executive Agencies		
Insolvency Service	Executive Agency	gov.uk/government/organisations/insolvency-service
National Measurement and Regulation Office[1]	Executive Agency	gov.uk/government/organisations/national-measurement-and-regulation-office
UK Space Agency	Executive Agency	gov.uk/government/organisations/uk-space-agency
Oil and Gas Authority[2]	Executive Agency	https://www.ogauthority.co.uk/
Crown Executive Non Departmental Public Bodies (NDPBs)		
Advisory Conciliation and Arbitration Service (ACAS)	Crown Executive NDPB	acas.org.uk
Central Arbitration Committee	*Linked but independent institution of ACAS*	*Consolidated by ACAS*
Certification Office for Trade Union and Employers' Associations	*Linked but independent institution of ACAS*	*Consolidated by ACAS*
NDPBs and other designated bodies		
The Arts and Humanities Research Council	Executive NDPB	ahrc.ac.uk
The Biotechnology and Biological Sciences Research Council	Executive NDPB	bbsrc.ac.uk
BIS (Postal Services Act 2011) Company Limited	Limited Company owned by BEIS	Website not yet available
BIS (Postal Services Act 2011) B Company Limited	*Limited Company*	*Consolidated by BIS (Postal Services Act 2011) Company Limited*
British Business Bank plc	Public Limited Company owned by BEIS	british-business-bank.co.uk
British Business Bank Investments Ltd	*Limited Company*	*Consolidated by British Business Bank plc*
British Business Finance Ltd	*Limited Company*	*Consolidated by British Business Bank plc*
British Business Financial Services Ltd	*Limited Company*	*Consolidated by British Business Bank plc*

Designated Body *(linked bodies are indicated in italics below their parent body)*	**Status**	**Website** *(further information about linked bodies or those closed during the year is also included)*
British Business Aspire Holdco Ltd	*Limited Company*	*Consolidated by British Business Bank plc*
Capital for Enterprise Limited (CfEL)	*Limited Company*	*Consolidated by British Business Bank plc*
Capital for Enterprise Fund Managers Limited	*Limited Company*	*Consolidated by British Business Bank plc*
Capital for Enterprise (GP) Limited	*Limited Company*	*Consolidated by British Business Bank plc*
Competition Service	Executive NDPB	catribunal.org.uk/244/Competition-Service.html
Competition Appeal Tribunal	Tribunal NDPB	catribunal.org.uk
Civil Nuclear Police Authority	Executive NDPB	gov.uk/government/organisations/civil-nuclear-police-authority
Coal Authority	Executive NDPB	gov.uk/government/organisations/the-coal-authority
Committee on Fuel Poverty	Advisory NDPB	gov.uk/government/organisations/committee-on-fuel-poverty Costs are included in the core Department's expenditure.
Committee on Radioactive Waste Management	Advisory NDPB	gov.uk/government/organisations/committee-on-radioactive-waste-management
The Copyright Tribunal	Tribunal NDPB	gov.uk/government/organisations/copyright-tribunal No accounts produced as costs are included in the core Department's expenditure. It is funded by BEIS and operated by UK Intellectual Property Office.
Council for Science and Technology	Advisory NDPB	gov.uk/government/organisations/council-for-science-and-technology No accounts produced as costs are included in the core Department's expenditure.
Diamond Light Source Limited	Limited Company	diamond.ac.uk
Dounreay Site Restoration Limited	Limited Company	dounreay.com Site Licence Company – private company, which operates sites on behalf of, and under contract from the NDA.
The Economic and Social Research Council	Executive NDPB	esrc.ac.uk
The Engineering and Physical Sciences Research Council	Executive NDPB	epsrc.ac.uk
Enrichment Holdings Ltd	Limited Company owned by BEIS	This is a special purpose vehicle for the Government's investment in Urenco Limited.
Enrichment Investments Limited	Limited Company	Consolidated by Enrichment Holdings Limited
Electricity Settlements Company Ltd	Limited Company	emrsettlement.co.uk/
Fleetbank Funding Limited	Limited Company owned by BEIS	This is a vehicle for the Government to facilitate the Enable Loan Guarantee Scheme
The Financial Reporting Council Limited	Limited Company	frc.org.uk
Harwell Science and Innovation Campus Public Sector Limited Partnership	Limited Partnership	Joint venture owned by STFC and UK Atomic Energy Authority

Designated Body *(linked bodies are indicated in italics below their parent body)*	**Status**	**Website** *(further information about linked bodies or those closed during the year is also included)*
Industrial Development Advisory Board	Advisory NDPB	gov.uk/government/organisations/industrial-development-advisory-board No accounts produced. Funded by BEIS and operated by the Insolvency Service. Costs are included as part of the core Department.
Insolvency Practitioners Tribunal	Tribunal NDPB	gov.uk/government/organisations/insolvency-practitioners-tribunal No accounts produced as costs are included in the core Department's expenditure. It is funded by BEIS and operated by the Insolvency Service.
LLW Repository Limited	Limited Company	llwrsite.com Site Licence Company – private company, which operates sites on behalf of, and under contract from the NDA.
Low Carbon Contracts Company Ltd	Limited Company owned by BEIS	lowcarboncontracts.uk/
Low Pay Commission	Advisory NDPB	gov.uk/government/organisations/low-pay-commission No accounts produced as costs are included in the core Department's expenditure
Magnox Limited	Limited Company	magnoxsites.com Site Licence Company – private company, which operates sites on behalf of, and under contract from the NDA.
Medical Research Council	Executive NDPB	mrc.ac.uk
Midlands Engine Investments Limited	Limited Company owned by BEIS	british-business-bank.co.uk/ourpartners/midlands-engine-investment-fund/
The Natural Environment Research Council	Executive NDPB	nerc.ac.uk
The NESTA Trust	Charitable Trust	nesta.org.uk/faqs/what_is_the_nesta_trust
Northern Powerhouse Investments Limited	Limited Company owned by BEIS	british-business-bank.co.uk/ourpartners/northern-powerhouse-investment-fund/
Nuclear Decommissioning Authority	Executive NDPB	gov.uk/government/organisations/nuclear-decommissioning-authority
Radioactive Waste Management Limited	*Limited Company*	*Consolidated by Nuclear Decommissioning Authority*
Sellafield Limited	*Limited Company*	sellafieldsites.com/ *Site Licence Company – private company, which operates sites on behalf of, and under contract from the NDA.*
Nuclear Liabilities Financing Assurance Board	Advisory NDPB	gov.uk/government/organisations/nuclear-liabilities-financing-assurance-board Costs are included in the core Department's expenditure.
Office of Manpower Economics	Advisory NDPB	gov.uk/government/organisations/office-of-manpower-economics No accounts produced as costs are included in the core Department's expenditure.

Designated Body *(linked bodies are indicated in italics below their parent body)*	**Status**	**Website** *(further information about linked bodies or those closed during the year is also included)*
Oil and Gas Authority[2]	Limited Company owned by BEIS	ogauthority.co.uk/
Postal Services Holding Company Limited	Limited Company owned by BEIS	This is a vehicle for the Government's investment in Royal Mail Plc and Post Office Limited.
Regulatory Policy Committee	Advisory NDPB	gov.uk/government/organisations/regulatory-policy-committee No accounts produced as costs are included in the core Department's expenditure.
The Science and Technology Facilities Council (STFC)	Executive NDPB	stfc.ac.uk
STFC Innovations Limited	*Limited Company*	*Consolidated by STFC*
South Tees Site Company Limited	Limited Company owned by BEIS	This is a vehicle for managing the Government investment in the South Tees Site
Innovate UK (trading name of The Technology Strategy Board)	Executive NDPB	innovateuk.org
UK Climate Investments LLP	Limited Partnership between BEIS and UK Green Investment Bank	greeninvestmentbank.com/funds/international/
UK Climate Investments Indigo Limited	*Limited Company*	*Consolidated by the UK Climate Investments LLP*
UK Green Investment Bank plc	Public Limited Company owned by BEIS	greeninvestmentbank.com
Aviva Investors Realm Energy Centres Limited Partnership	*Limited Partnership*	*Consolidated by UK Green Investment Bank plc*
UK Energy Efficiency Investments 1 L.P.	*Limited Partnership*	*Consolidated by UK Green Investment Bank plc*
Energy Saving Investments L.P.	*Limited Partnership*	*Consolidated by UK Green Investment Bank plc*
UK Green Investment Bank Financial Services Limited	*Limited Company*	*Consolidated by UK Green Investment Bank plc*
UK Green Investment Rhyl Flats Limited	*Limited Company*	*Consolidated by UK Green Investment Bank plc*
UK Green Sustainable Waste and Energy Investments L.P.	*Limited Partnership*	*Consolidated by UK Green Investment Bank plc*
UK Waste Resources and Energy Investments L.P.	*Limited Partnership*	*Consolidated by UK Green Investment Bank plc*
UK Green Community Lending Ltd	*Limited Company*	*Consolidated by UK Green Investment Bank plc*
UK Green Investment Rampion Limited	*Limited Company*	*Consolidated by UK Green Investment Bank plc*
UK Green Investment Gwynt y Mor Limited	*Limited Company*	*Consolidated by UK Green Investment Bank plc*
UK Green Investment Climate International Limited	*Limited Company*	*Consolidated by UK Green Investment Bank plc*
The Recycling and Waste L.P.	*Limited Partnership*	*Consolidated by UK Green Investment Bank plc*
Green Investment Bank Offshore Wind Fund LP	*Limited Company*	*Consolidated by UK Green Investment Bank plc*
UK Green Investment Offshore Wind B L.P.	*Limited Company*	*Consolidated by UK Green Investment Bank plc*
UK Green Investment Co-investment Lyle Limited	*Limited Company*	*Consolidated by UK Green Investment Bank plc*
UK Green Investment FCG Limited	*Limited Company*	*Consolidated by UK Green Investment Bank plc*

Designated Body *(linked bodies are indicated in italics below their parent body)*	**Status**	**Website** *(further information about linked bodies or those closed during the year is also included)*
UK Green Investment LID Limited	*Limited Company*	*Consolidated by UK Green Investment Bank plc*
UK Green Investment Lyle Limited	*Limited Company*	*Consolidated by UK Green Investment Bank plc*
UK Green Investment Offshore Wind C L.P.	*Limited Partnership*	*Consolidated by UK Green Investment Bank plc*
UK Green Investment Offshore Wind Co-Investment L.P.	*Limited Partnership*	*Consolidated by UK Green Investment Bank plc*
UK Green Investment OSWF Lyle Limited	*Limited Company*	*Consolidated by UK Green Investment Bank plc*
UK Green Investment (OSW) GP Limited	*Limited Company*	*Consolidated by UK Green Investment Bank plc*
UK Green Investment Sheringham Shoal Limited	*Limited Company*	*Consolidated by UK Green Investment Bank plc*
GLID Wind Farms TopCo Limited	*Limited Company*	*Consolidated by UK Green Investment Bank plc*
Lyle JV Holdings Limited	*Limited Company*	*Consolidated by UK Green Investment Bank plc*
UK Shared Business Services Limited	Limited Company	uksbs.co.uk
RCUK Shared Services Centre Limited	Limited Company	Consolidated by UK Shared Business Services Limited
United Kingdom Atomic Energy Authority	Executive NDPB	gov.uk/government/organisations/uk-atomic-energy-authority (corporate) ccfe.ac.uk (fusion research)
AEA Insurance Ltd	*Limited Company*	*Consolidated by United Kingdom Atomic Energy Authority*
(b) Bodies not consolidated in Departmental Group accounts for 2016-17		
Advanced Propulsion Centre UK Limited	Limited Company	www.apcuk.co.uk/ Turnover and net assets are not material to Departmental Group accounts.
Aerospace Technology Institute	Limited Company	ati.org.uk/ Turnover and net assets are not material to Departmental Group accounts.
British Business HoldCo Ltd	Limited Company	No accounts produced as dormant company in 2016-17 prior to being dissolved on 19 April 2016
British Hallmarking Council	Executive NDPB	gov.uk/government/organisations/british-hallmarking-council Turnover and net assets are not material to Departmental Group accounts.
Committee on Climate Change	Executive NDPB	theccc.org.uk/about/ Turnover and net assets are not material to Departmental Group accounts.
Daresbury SIC (Pub Sec) LLP (Daresbury Science and Innovation Campus Public Sector Limited Liability Partnership)	Limited Liability Partnership	A joint venture between the Science and Technology Facilities Council and Halton Borough Council. Turnover and net assets are not material to Departmental Group accounts.
Daresbury Science & Innovation Campus Limited (Daresbury Science and Innovation Campus Limited Liability Partnership (Sci-Tech Daresbury))	Company Limited by Guarantee	www.sci-techdaresbury.com A joint venture between the Science and Technology Facilities Council and Langtree. Turnover and net assets are not material to Departmental Group accounts.

Designated Body *(linked bodies are indicated in italics below their parent body)*	**Status**	**Website** *(further information about linked bodies or those closed during the year is also included)*
Groceries Code Adjudicator	Office Holder and Corporation Sole	gov.uk/government/organisations/groceries-code-adjudicator Turnover and net assets are not material to Departmental Group accounts.
NDA Archives Limited	Limited Company	gov.uk/government/organisations/nuclear-decommissioning-authority Turnover and net assets are not material to Departmental Group accounts.
NW VCLF HF LLP	Limited Liability Partnership	Recorded as investment in core Department accounts. Turnover and net assets are not material to Departmental Group accounts.
Pubs Code Adjudicator	Office Holder and Corporation Sole	gov.uk/government/organisations/pubs-code-adjudicator Turnover and net assets are not material to Departmental Group accounts.
Research Sites Restoration Limited	Limited Company	Dormant – Site Licence Company No costs or activities incurred in 2016/17 as the activities transferred to Magnox
UK Climate Investments VC Limited	Limited Company	Limited company holding investment by the UK Climate Investments LLP. Turnover and net assets are not material to Departmental Group accounts.
Wave Hub Limited[3]	Limited Company	wavehub.co.uk Turnover and net assets are not material to Departmental Group accounts.

1 The activities of the National Measurement and Regulation Office, transferred to BEIS core Department on 1 April 2016
2 The activities of the Oil and Gas Authority (agency) transferred to the Oil and Gas Authority limited company owned by BEIS from 1 October 2016
3 Wave Hub Limited transferred from BEIS's ownership to Cornwall Council on 31 March 2017

29 Events after the Reporting Period

Machinery of Government Changes

Transfer of International Education programmes to Department for Education

As a result of the Departmental changes announced in July 2016 and a subsequent ministerial decision in March 2017, from 1 April 2017 the International Education programme transferred from the Secretary of State for Business, Energy and Industrial Strategy to the Secretary of State for Education. These programmes encompass:

- European University Institute subscriptions
- Erasmus and other European Education programmes
- Global Science

A budget of £13 million will be transferred with the programmes.

Transfer of the BEIS Advisory Legal Team to the Government Legal Department

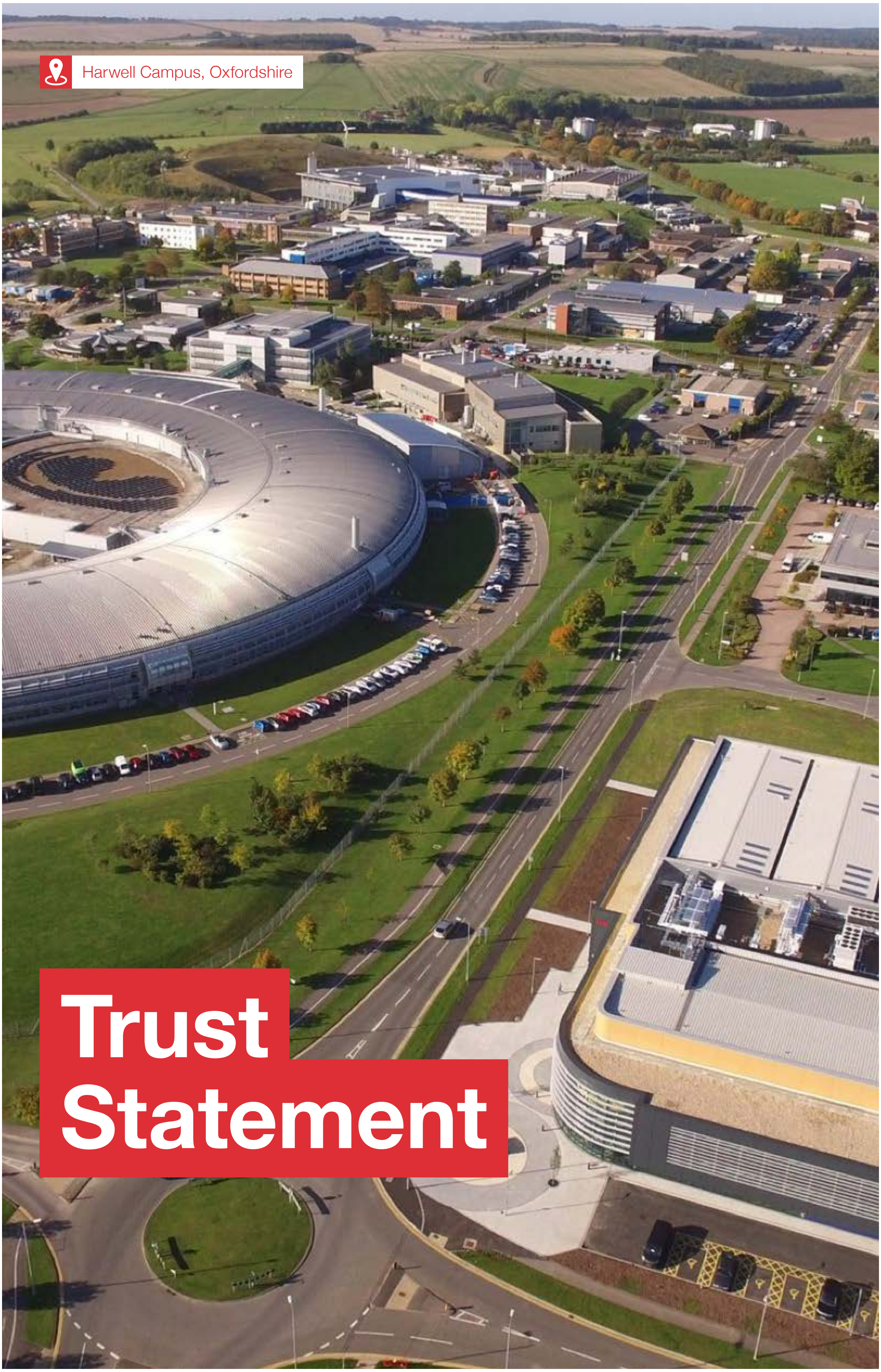
On 1 April 2017, the BEIS Advisory Legal team transferred to the Government Legal Department (GLD), the Government-shared legal service for advisory legal work and civil litigation. The strategic rationale of this transfer enables the greater critical mass of the GLD to enhance the flexibility and resilience of BEIS's legal support. The move facilitates even closer working between BEIS Legal and the other parts of GLD on the many common issues that BEIS faces.

Establishment of UK Research and Innovation

The Higher Education and Research Bill received Royal Assent on 27 April 2017. Under the provisions of this legislation, UK Research and Innovation will be established as a single, strategic body that will bring together the 7 research councils, Innovate UK and the research and knowledge exchange functions of the Higher Education Funding Council for England, to be known as Research England. It is anticipated that UK Research and Innovation will be established on 1 April 2018.

29.1 Date Accounts authorised for issue

BEIS's Accounting Officer has authorised these Accounts to be issued on the same day as they were certified.



Trust Statement

Accounting Officer's Foreword to the Trust Statement

Scope

The Department of Business, Energy and Industrial Strategy is responsible for collection and allocation of receipts from the EU Emissions Trading Scheme (EU ETS), the Carbon Reduction Commitment (CRC) Scheme and the Climate Change Agreements (CCA) Scheme. The Department is also responsible for: expenses incurred in the collection of these receipts; the revenue and expenditure; and the cash flows.

On 1 April, 2015 the Oil and Gas Authority (OGA) was formed as an Executive Agency of the Department and was responsible for collection and allocation of the receipts from the Petroleum Licensing Regime. In 2015-16 it was agreed on efficiency grounds that the Petroleum Licence fees collected by the OGA and paid over to the Consolidated Fund would be included in the Departmental Trust Statement for financial reporting purposes.

As the OGA became a Government company on 1 October 2016, in 2016-17 the OGA has prepared its own Trust Statement. This will include the petroleum licence receipts for 2016-17 with prior year comparatives. These prior year comparatives are also in the Departmental Trust Statement for 2015-16.

The assets and liabilities related to petroleum licence fees on 1 April 2016 were as follows; cash of £15.177 million, receivables of £9.109 million and other liabilities of £5.070 million represented by reserves of £19,216 million. These were removed from the Departmental Trust Statement by a movement on reserves, where £19.216 million represented the amount due to the Consolidated Fund.

The Departmental Trust Statement reports the:

- Revenues, expenditure, assets and liabilities relating to proceeds received from the UK auctions of European Allowances under Phase III of the EU ETS and Aviation allowances of the EU ETS for the financial year 2016-17. These amounts are collected by the Department for payment into the Consolidated Fund;
- Revenues, expenditure, assets and liabilities relating to the receipts of Petroleum Licences under The Petroleum Act 1998 for the financial year 2015-16, but not 2016-17. These amounts are collected and now reported by the OGA for payment to the Consolidated Fund;
- Revenues and assets relating to the receipts of CRC Allowances under the CRC Energy Efficiency Scheme Order (2010) as amended by CRC Energy Efficiency Scheme Order (2013) for the financial year 2016-17. These amounts are collected by the Department for payment to the Consolidated Fund;
- Revenues and assets relating to the receipts of CCA Buy-out payments for Target 1 reporting period; and
- Civil penalties levied against participants in the EU ETS, CRC, ESOS and CCA Schemes. These amounts are collected by the Department for payment to the Consolidated Fund.

This statement is also prepared to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.

Background

EU ETS

The EU Emissions Trading Scheme is designed to reduce greenhouse gas (GHG) emissions at the lowest cost to the European economy. It also aims to provide greater certainty that the UK and the EU will meet emission reduction targets.

The EU ETS includes approximately 11,000 power stations and industrial plants across the EU. Around 1,000 of these are sited in the UK and comprise power stations, oil refineries, offshore oil and gas platforms and industries that produce iron and steel, cement and lime, paper, glass, ceramics and chemicals.

Other organisations may also be covered by the EU ETS, including universities and aviation operators, although there is an opt-out for hospitals and small emitters.

The EU ETS works on a 'cap and trade' basis: there is a 'cap' or limit set on the total greenhouse gas emissions allowed by participants covered by the Scheme. This cap is converted into tradable emission allowances.

Tradable emission allowances are allocated to participants in the market; in the EU ETS this is done via a mixture of free allocation and auctions. One allowance gives the holder the right to emit one tonne of CO2 (or its equivalent). Participants covered by the EU ETS must monitor and report their emissions each year and surrender enough allowances to cover their annual emissions.

Participants who are likely to emit more than their allocation have a choice between taking measures to reduce their emissions or buying additional allowances, either from companies who will emit less, from the secondary carbon market or from Member State held auctions.

The carbon price signifies the amount participants in the EU ETS are willing to pay per EU allowance (EUA) which is based on demand and supply. There are separate Aviation Allowances (EUAAs) for airline operators.

The first phase of the EU ETS ran from 2005 to 2007 and the second phase ran from 2008 to 2012 to coincide with the first Kyoto Commitment Period. The current phase of the EU ETS (2013 to 2020) builds upon the previous two phases and is significantly revised to make a greater contribution to tackling climate change.

In the current phase (Phase III) there is a single EU-wide cap. Each Member State was required to submit a list of all the participants that will be included in Phase III, setting out its proposed levels of free allocation in accordance with the revised ETS Directive.

For Phase III at least 50% of allowances will be auctioned across the EU, a far greater percentage than in the previous phases. This includes full auctioning for the power generation sector in the UK and most Member States and for all Member States by 2020.

The UK appointed ICE Futures Europe to conduct auctions of EU ETS Phase III EUAs and EUAAs on behalf of the Department from November 2012. The Department has extended the contract with ICE by a further 2 years, until November 2017, the maximum allowed for in the EU Auctioning Regulation. The full schedule for Phase III auctions is available on the ICE emissions auctions web pages at www.theice.com/emissions/auctions. The UK has completed an exercise through the Official Journal of the European Union to re-procure the UK's auction platform upon expiry of the current contract in November 2017. The UK Government has identified ICE Futures Europe as the preferred supplier. On 27 April 2017, EU Member States voted in favour of an amendment to the Auctioning Regulation for a new listing of the UK's auction platform. Following the clearance of EU Parliament and Council scrutiny, the formal listing is expected to be complete in Q3 of 2017 to enable the smooth continuation of the UK's EU ETS auctions in November 2017.

The UK held 25 auctions of EUA allowances in 2016/17. All but one of these auctions cleared successfully. The auction on 14 December was cancelled as a result of the total volume of bids falling short of the volume of the allowances being auctioned. The allowances were distributed over the next 4 auctions,as required by the Auctioning Regulation.

There was one EUAA auction of 921,000 allowances held in 2016/17. This was held on the 26 October 2016 and covered the 2016 compliance year. The auction cleared successfully.

Petroleum Licences

The Petroleum Act 1998 vests in the Crown all rights to the nation's petroleum resources. The Act gives the Secretary of State powers to grant licences that confer exclusive rights to "search and bore for and get" petroleum. Each of these licences confers such rights over a limited area and for a limited period.

Following the creation of the OGA as an executive agency of the Department and the subsequent transfer of operations to the government company, the OGA is responsible for issuing and administering these licences and reporting them through their own Trust Statement.

The amount reported in 2016-17 in the Departmental Trust Statement in respect of licence rental fees is £nil in 2016-17 and £70 million in 2015-16.

CRC

The CRC Energy Efficiency Scheme (CRC) is a mandatory UK-wide trading scheme that was brought into law via the CRC Energy Efficiency Scheme Order 2010 (SI 2010/768) (the 'CRC Order') and simplified via the CRC Energy Efficiency Scheme Order 2013 (SI 2013/1119). The scheme is designed to incentivise large public and private sector organisations to take up cost-effective energy efficiency opportunities through the application of a range of drivers and thereby drive down the carbon emissions throughout the UK. The CRC Scheme is designed to tackle the four main barriers to the take up of energy efficiency highlighted by the Carbon Trust report in 2005, namely insufficient financial incentives to reduce emissions, uncertain reputational benefits of demonstrating leadership, split incentives between landlord and tenants and organisational inertia.

The CRC is designed to improve energy efficiency and thereby reduce emissions primarily from large non-energy intensive organisations in the private and public sectors. The sectors being targeted include large retail organisations, banks, large offices, universities, large hospitals, large local authorities and central government departments.

The Environment Agency, in its role of UK Scheme Administrator, administers the scheme's registry on behalf of the Department and the Devolved Administrations. Participants use it to report annually their energy supply data and purchase and surrender allowances as required each compliance year. The Environment Agency along with the devolved scheme regulators, namely Scottish Environment Protection Agency, Northern Ireland Environment Agency and Natural Resources Wales, are responsible for the audit and enforcement of the scheme, including the issue of Civil Penalties as required. The Environment Agency report to the Department who are responsible for the overall monitoring and reporting of CRC, ensuring that the figures recorded in the Trust Statement are complete and correct.

The scheme started in April 2010 with a four-year introductory phase. The second phase of the scheme commenced in 2014 and will run until 2019. There are around 2000 participants in the scheme for the second phase.

The CRC tackles the barriers to energy efficiency in three ways. Firstly, the CRC has standardised and structured reporting requirements which require participants to monitor and report their emissions; secondly it has a reputational driver through the publication of data, and thirdly its financial element which requires participants to buy allowances for the carbon they emit. This brings the cost-benefits of energy efficiency to the attention of Finance Directors and aims to make it a boardroom issue.

In Phase II there are 2 allowance sales each year, a forecast sale in April for the compliance period starting that month and a compliance sale in October for the previous compliance year. The allowance price in the forecast sale is set at a lower price than that in the later buy-to-comply sale for the same compliance year. This is to incentivise participants to better forecast their energy use in order that they can, if they wish, make use of the cheaper forecast sale price (NB there is a special allocation sale that runs from November to the following April for use where participants are found to need to purchase additional allowances to comply with the scheme). The special allocation allowance price would be the same as the equivalent compliance buy to comply price. This financial year 2016-17 saw the third forecast sale for Phase II of the scheme.

Climate Change Agreements (CCAs)
Climate Change Agreements (CCAs) are voluntary agreements that allow eligible energy-intensive sectors to receive up to a 90% reduction in the Climate Change Levy (CCL) if they sign up to stretching energy efficiency targets agreed with Government.

The new CCA scheme was launched on 1 April 2013 and contains 53 industrial sectors across more than 8,000 sites. The scheme runs until 2023 and if all sectors meet their targets from 2013 to 2020 against agreed baselines, the scheme is estimated to deliver an overall 11% energy efficiency improvement and savings to participants on the CCL of around £300 million each year.

A number of simplifications were made to the scheme when it was launched in 2013. These include:

- The Environment Agency administering the new scheme on a cost-recovery basis, providing a simplified and streamlined approach to administration for both Government and Industry;
- Participants being able meet their targets either by direct action, or by using a buy-out mechanism for any shortfall against targets. Any over-achievement by a target unit may be banked and used by that target unit against future targets without having to be verified by a third party; and
- The introduction of civil penalties for minor infractions not warranting decertification or termination.

These simplifications mean that there are 3 potential money streams:

1. Charging Income – Payments by CCA participants to the Administrator on an annual basis, in accordance with a charging scheme established under paragraph 52C Finance Act 2000, Schedule 6 (as amended by Finance Act 2012). These monies are retained by the Environment Agency and will not feature in the Trust Statement.
2. Civil Penalties – Payments received by the Administrator for minor infractions, passed by the Department to the Consolidated Fund in accordance with powers given in 52F Finance Act 2000, Schedule 6 (as amended by Finance Act 2012). The amounts are specified in The Climate Change Agreements (Administration) Regulations 2012.
3. Buy-out Payments – Payments made by participants at the end of each 2-year target period in cases where CCA targets are not met. Payments are calculated on the basis of £12 per tonne of CO_2 by which the target is exceeded. The powers are given in 52F Finance Act 2000, Schedule 6 (as amended by Finance Act 2012). The amount is specified in The Climate Change Agreements (Administration) Regulations 2012.

The collection of buy-out payment income commenced in 2015-16 in respect of the first target reporting period and will continue for both buy-out payments and civil penalties, until the scheme ends in 2023. The income distribution is explained under the section on Financial Review.

Energy Savings Opportunity Scheme
The Energy Savings Opportunity Scheme (ESOS) is an energy assessment scheme that is mandatory for all large undertakings in the UK. Government established ESOS in response to the requirements of Article 8 (4-6) of the EU Energy Efficiency Directive (2012/27/EU).

Qualifying organisations must carry out audits of the energy used by their buildings, industrial processes and transport to identify cost-effective energy saving measures, by 5 December 2015 and every 4 years thereafter.

The Department's analysis indicates that around 7,500 Ultimate Parent organisations will participate in the scheme. It is estimated that ESOS would deliver a net benefit to the UK of £1.6 billion (over 15 years), with the vast majority being felt by business through lower energy bills. This benefit will be realised if each participant in the scheme makes an average energy reduction of 0.7% as a result of implementing cost effective energy efficiency opportunities identified through audits.

The Environment Agency (EA) and equivalent regulators in the devolved administrations are responsible for ensuring compliance with ESOS. Participants who fail to comply with the scheme could be fined up to £50,000 by the EA.

There are currently no charges for registering for the scheme. The income stream consists of penalties for non-compliance with the regulations and these can only be issued after 29 January 2016 (the grace period allowed for compliance in the first phase, after the 5 December 2015 regulatory deadline). Confirmation has been given that no penalties have been issued for 2016-17.

Future developments

EU ETS

The Department has agreed a schedule of Phase III general allowance auctions through to November 2017. The Department will announce further auctions for 2017 following the listing of the UK's new auction platform in EU legislation (expected in Q3 of 2017).

Negotiations on Phase IV of the EU ETS (which runs from 2021–2030) are expected to conclude later in 2017. Both the European Council and European Parliament agreed their negotiation positions in February 2017 to enter trilogue negotiations.

Petroleum Licences

The OGA's Trust Statement for 2016-17 can be found at: www.ogauthority.co.uk

CRC

For the current phase, the following prices have been announced:

CRC Scheme Year	Forecast Sale Price	Compliance Sale Price
2014-15	£15.60	£16.40
2015-16	£15.60	£16.90
2016-17	£16.10	£17.20
2017-18	£16.60	£17.70
2018-19	£17.20	£18.30

As part of the Budget in March 2016, the Government announced that CRC would close following the 2018-19 compliance year, with no purchase of allowances required to cover emissions for energy supplied from April 2019. The Government stated that organisations will report under the CRC for the last time by the end of July 2019, with a surrender of allowances for emissions from energy supplied in the 2018-19 compliance year by the end of October 2019. The Government will work with the devolved administrations on scheme closure arrangements.

Energy Savings Opportunity Scheme

No future developments are ascertained.

Remote Contingent Liabilities

On 29 March 2017, the UK Government submitted its notification to leave the EU in accordance with Article 50. The triggering of Article 50 starts a 2-year negotiation process between the UK and the EU.

Any subsequent changes in legislation, regulation and funding arrangements are subject to the outcome of the negotiations. As a result, an unquantifiable remote contingent liability is disclosed. In accordance with accounting standards, no contingent assets can be recognised.

During this 2-year period, which includes the full duration of the next accounting period, the UK remains a full member of the EU with all the rights and obligations arising from membership. There are no significant impacts on the financial statements in the short term from making the formal notification.

Financial Review

EU ETS

The UK has held 24 EUA auctions and one EUAA auction between 1 April 2016 and 31 March 2017 that yielded income of £387 million (whereas the same period in 2015-16 yielded £415 million) as shown in Note 2.2 of the Trust Statement. All the auctions were wholly competitive auctions.

For each auction the total amount received was passed to the Consolidated Fund within a few days of the auction. The timing of the revenues in euros and onward transfer in sterling gave rise to exchange differences in the case of each auction totalling £211,000 (2015-16: £432,000). These exchange differences are recognised in the Statement of Revenue, Other Income and Expenditure.

In 2016-17, there were 54 civil penalties totalling £0.97 million levied under the EU ETS scheme by the Environmental Agency as regulator for the year under review (2015-16: 242 penalties totaling £4.9 million). There were also 9 penalties totalling £1.5 million issued by the Offshore Petroleum Regulator for Environment and Decommissioning (OPRED) in 2016-17 which are reported here for the first time.

Most of the penalties relate to non-compliance with targets for installations in the UK small emitter opt-out scheme, who have opted out of the main requirements of the ETS. The opt-out requires that installations have to keep their emissions below a set target; for every tonne of CO2 emitted above their target, a penalty is charged, which is not subject to appeal. Some of these penalties (for example on aviation) relate to previous compliance years.

However, the offshore industry is regulated by OPRED, a discrete directorate within BEIS. The relevant Civil Sanctions Guidance has been published alongside the civil penalties so far applied. These are related to a backlog of failures to surrender sufficient allowances and failures to comply with a permit condition. OPRED expects the number of penalties to increase in the near future as a number of compliance issues are identified.

The costs associated with administering the scheme were borne by the Department as shown in Note 3 and included within the Department's Accounts.

CRC

Allowance sales under the CRC Scheme generated £750 million (2015-16: £755m).

There were 10 civil penalties levied against companies participating in the CRC Scheme in the financial year under review. The civil penalties amounted to £59,420 (2015-16: £110,000).

The costs incurred in administering the CRC Scheme were borne by the Department as shown in Note 3 and included within the Department's Accounts.

CCA

Buy-out payments income generated from the Phase 1 reporting cycle of the CCA generated £94,000 in 2016-17 (£22.5 million in 2015-16). The drop in income for 2016-17 is explained by the fact that this was a period of secondary reporting for target reporting period 1, where participants make further top-up buy-out payments after an audit or they receive a refund if they have overpaid.

Auditors

These financial statements have been audited, under the Government Resources and Accounts Act 2000, by the Comptroller and Auditor General (C&AG), who is appointed under statute and reports to Parliament. The audit opinion is on pages 229 to 230. The auditor's notional remuneration is included within the Department's Accounts. There were no fees in respect of non-audit work.

Basis for preparation

The HM Treasury Accounts Direction, issued under section 7(2) of the Government Resources and Accounts Act 2000, requires the Department to prepare the Trust Statement to give a true and fair view of the state of affairs relating to the collection and allocation of the carbon allowance auction receipts for the EU Emissions Trading Schemes, the allowances sales from the CRC scheme, buy-out payments from the CCA Scheme and civil penalties receivable under the EU ETS, CRC and CCA schemes. Regard is given to all relevant accounting and disclosure requirements given in Managing Public Money and other guidance issued by HM Treasury.

Accounting judgements

As the Accounting Officer, it is my responsibility to apply suitable accounting policies in the preparation of the Trust Statement. Revenues are recognised in the period in which the event that generates the revenue takes place, consequently the anticipated proceeds from future auctions and licences as detailed in Note 2 are not recognised as assets within this statement.

All the transactions within the Trust Statement reflect transactions that have taken place in the financial year and consequently do not require accounting judgements to be made.

Events after the reporting period

Details of events after the reporting period are given in Note 11 to the Trust Statement.

Governance Statement

The Department's Governance Statement, covering both the Accounts and the Trust Statement, is included in Governance section of this Report.

Alex Chisholm
Principal Accounting Officer
and Permanent Secretary

13 July 2017

Statement of the Accounting Officer's Responsibilities in Respect of the Trust Statement

Under section 7 of the Government Resources and Accounts Act 2000, HM Treasury has directed the Department for Business, Energy and Industrial Strategy to prepare for each financial year a Trust Statement in the form and on the basis set out in the Accounts Direction.

HM Treasury has appointed the Permanent Secretary as Accounting Officer of the Department for Business, Energy and Industrial Strategy with overall responsibility for preparing the Trust Statement and for transmitting it to the Comptroller and Auditor General.

The Accounting Officer is responsible for ensuring that: there is a high standard of financial management, including a sound system of internal control; that financial systems and procedures promote the efficient and economical conduct of business and safeguard financial propriety and regularity; that financial considerations are fully taken into account in decisions on policy proposals; and that risk is considered in relation to assessing value for money.

The Accounting Officer is responsible for the fair and efficient administration of the EU Emissions Trading Scheme (EU ETS) including conducting the auction of EU Allowances in the UK for Phase III of the Scheme and Aviation allowances of the EU ETS, collection of the proceeds and onward transmission of the funds in their entirety to the Consolidated Fund. The Accounting Officer is also responsible for the collection of CRC Allowances and CCA buy-out payments for onward transmission to the Consolidated Fund and, the collection of civil penalties levied under the CCA, CRC, ESOS and EU ETS schemes for onward transmission to the Consolidated Fund.

The responsibilities of the Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out in Managing Public Money published by HM Treasury.

The Trust Statement must give a true and fair view of:

- the state of affairs of the EU ETS, CCA, Schemes and penalties issued under the EU ETS, ESOS, CCA and CRC Schemes. These streams of income are recognised on an accruals basis;
- the state of affairs of the CRC Allowance Scheme sales which are recognised on a cash received basis; and
- the revenue collected and expenditure incurred together with the net amounts surrendered to the Consolidated Fund.

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

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- prepare the Trust Statement on a going -concern basis.

Accounting Officer's confirmation

I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Department's auditors are aware of that information. I have received appropriate assurances from the former accounting officers who served this department and its predecessors, Sir Martin Donnelly and Stephen Lovegrove. As far as I am aware, there is no relevant audit information of which the Department's auditors are unaware.

The annual report and accounts as a whole is fair, balanced and understandable. I take personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

Alex Chisholm
Principal Accounting Officer
and Permanent Secretary

13 July 2017

The certificate and report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the Department for Business, Energy and Industrial Strategy Trust Statement for the year ended 31 March 2017 under the Government Resources and Accounts Act 2000. The financial statements comprise the Statement of Revenue, Other Income and Expenditure, the Statement of Financial Position, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and Auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the Department for Business, Energy and Industrial Strategy Trust Statement and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Department for Business, Energy & Industrial Strategy; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Accounting Officer's Foreword to the Trust Statement 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 Department for Business, Energy and Industrial Strategy Trust Statement gives a true and fair view of the state of affairs of balances stemming from: the collection of EU Emissions Trading Scheme (ETS) auction receipts; Carbon Reduction Commitments (CRC) allowance sales; Climate Change Agreements (CCA) receipts; and EU ETS, CRC, CCA and Energy Savings Opportunity Scheme (ESOS) civil penalties as at 31 March 2017 and of the net revenue for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the information given in the Accounting Officer's Foreword to the Trust Statement for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records 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

17 July 2017

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

Statement of Revenue, Other Income and Expenditure

for the year ended 31 March 2017

		2016-17	2015-16
Revenue	Note	£'000	£'000
Licence fees and taxes			
Carbon Reduction Commitment allowance sales	2.1	750,179	755,026
EU Emissions Trading Scheme auction income	2.2	387,264	415,232
Petroleum licences	2.3	–	70,225
Climate Change Agreements buy-out payments income	2.4	94	22,538
Total licence fees and taxes		**1,137,537**	**1,263,021**
Fines and penalties			
Civil penalties – EU Emissions Trading scheme	2.5	2,472	4,862
Civil penalties – CRC Scheme	2.5	59	110
Total fines and penalties		**2,531**	**4,972**
Total revenue and other income		**1,140,068**	**1,267,993**
Expenditure			
EU Emissions Trading Scheme costs	3.1	(218)	(437)
Credit losses – debts written off	3.2	(–)	(42)
Total expenditure		**(218)**	**(479)**
Disbursements			
Northern Ireland Government payments	3.3	–	(1,600)
Total disbursements		**–**	**(1,600)**
Total expenditure and disbursements		**(218)**	**(2,079)**
Net revenue for the Consolidated Fund		**1,139,850**	**1,265,914**
Transfer of petroleum licence net assets to OGA		**(19,216)**	**–**
Net revenue for the Consolidated Fund		**1,120,634**	**1,265,914**

There were no recognised gains or losses accounted for outside the above Statement of Revenue, Other Income and Expenditure.

The notes on pages 234 to 241 form part of this statement.

Statement of Financial Position

as at 31 March 2017

	Note	31 March 2017 £'000	31 March 2016 £'000
Current assets			
Receivables and accrued fees	4	2,453	11,320
Cash and cash equivalents	5	17,087	28,684
Total current assets		**19,540**	**40,004**
Current liabilities			
Payables	6	(518)	(1,600)
Deferred revenue	7	(–)	(3,470)
Total current liabilities		**(518)**	**(5,070)**
Net current assets		**19,022**	**34,934**
Total net assets		**19,022**	**34,934**
Represented by: **Balance on Consolidated Fund Account**	**8**	**19,022**	**34,934**

The notes on pages 234 to 241 form part of this statement.

Alex Chisholm
Principal Accounting Officer
and Permanent Secretary

13 July 2017

Statement of Cash Flows

for the year ended 31 March 2017

	Note	2016-17 £'000	2015-16 £'000
Net cash flows from operating activities	**A**	**1,140,126**	**1,263,684**
Cash paid to the Consolidated Fund		(1,136,546)	(1,205,942)
Cash for Petroleum Licences paid to the Consolidated Fund		(15,177)	(72,185)
Increase/(decrease) in cash in this period	**B**	**(11,597)**	**(14,443)**

Notes to the Statement of Cash Flows

		2016-17	2015-16
A: Reconciliation of Net Cash Flow to Movement in Net Funds			
Net Revenue for the Consolidated Fund		1,120,634	1,265,914
Non-cash movement – Transfer of petroleum licences to OGA	8	19,216	–
(Increase)/decrease in receivables and accrued income	4	(242)	(5,550)
Increase/(decrease) in payables and deferred income	6, 7	518	3,320
Net cash flows from revenue activities		**1,140,126**	**1,263,684**
B: Analysis in changes in Net Funds			
Increase/(decrease) in cash in this period		(11,597)	(14,443)
Net Funds as at 1 April (net cash at bank)	5	28,684	43,127
Net Funds as at 31 March (closing balance)	**5**	**17,087**	**28,684**

Please note that the movement in receivables and payables does note reconcile to prior year due to the transfer of associated amounts to the Oil and Gas Authority (OGA). These are included in the non-cash movement line in section A: Reconciliation of Net Cash Flow to Movement in Net Funds. The notes on pages 234 to 241 form part of this statement.

Notes to the Trust Statement

1 Statement of Accounting Policies

1.1 Basis of Accounting

The Trust Statement is prepared in accordance with the accounts direction issued by HM Treasury under section 7(2) of the Government Resources and Accounts Act 2000. The Trust Statement is prepared in accordance with the accounting policies detailed below. These have been agreed between the Department of Business, Energy and Industrial Strategy (the Department) and HM Treasury and have been developed in accordance with International Financial Reporting Standards (IFRS) and other relevant guidance. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

The income and associated expenditure contained in the Departmental Trust Statement are those flows of funds which the Department administers on behalf of the Consolidated Fund. In prior years the petroleum licences which the OGA administers were included. However in 2016-17 the OGA's operations were transferred to a government company. Therefore the OGA is now preparing its own Trust Statement for the petroleum licences. This transfer is reflected by use of absorption accounting principles showing the transfer of net petroleum licence assets to the OGA.

The financial information in the Trust Statement is rounded to the nearest £'1000.

The Trust Statement is presented in pounds sterling, which is the functional currency of the Department.

1.2 Accounting convention

The Trust Statement has been prepared in accordance with the historical cost convention.

1.3 Revenue recognition

Revenue is recognised when it can be measured reliably and it is probable that the economic benefits will flow to the Exchequer. It is measured at the fair value of amounts received or receivable, net of repayments.

EU Emissions Trading Scheme receipts represent proceeds from the auction of carbon allowances under Phase III and aviation allowances of the EU Emissions Trading Scheme. Revenue is recognised at the close of each competitive auction, when the revenue can be measured reliably.

Revenue in respect of CRC allowance sales is recognised on a cash received basis by agreement with HM Treasury.

Revenue in respect of CCA buy-out payments is recognised on an accruals basis, albeit the recognition point is when the income is received.

Revenue in respect of civil penalties is recognised when the penalty is imposed.

CRC participants may request refunds for over-surrendered allowances (Note 10 Contingent Liabilities refers). These are accounted for in the period in which the refund request is authorised and processed.

1.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Department becomes a party to the contractual provisions of an instrument.

1.5 Financial assets

The Department classifies financial assets into the following categories:

- Loans and receivables; and
- Cash and cash equivalents.

Loans and receivables comprise:

- for EU ETS the amounts due from Primary Participants in respect of established auction liabilities for which, at the financial year end, payments had not been received. The amounts due are measured at fair value calculated at the close of each auction and have a maturity of less than 3 months; and

- civil penalties levied against participants in the EU ETS, CCA and CRC Schemes, amounts for which have not been received at the financial year end.

The carrying amount of these assets approximates to their fair value.

Cash and cash equivalents comprises current balances with banks and other financial institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of 3 months or less. The carrying amount of these assets approximates to their fair value.

1.6 Financial liabilities

The Department classifies financial liabilities into the following 2 categories:

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

The categorisation depends on the purpose for which the financial liability is held or acquired. Management determines the categorisation of financial liabilities at initial recognition and re-evaluates this designation at each reporting date.

For the purposes of this Trust Statement the Department holds financial liabilities in the following category:

- Other financial liabilities.

Other financial liabilities comprise:

- Payables in the Statement of Financial Position. Payables are amounts established as due at the reporting date, but where payment is made subsequently; and
- Deferred revenue which represents petroleum licence income invoiced and received in advance relating to a future financial year.

Since these balances are expected to be settled within 12 months of the reporting date there is no material difference between fair value, amortised cost and historical cost.

1.7 Foreign currency

Transactions that are denominated in a foreign currency are translated into sterling at the rate of exchange ruling on the date of each transaction. Monetary assets and liabilities denominated in foreign currency at the year-end are translated at the rates ruling at that date unless a forward rate has been fixed with the Bank of England. All translation differences are included in the Statement of Revenue, Other Income and Expenditure for the period.

2 Revenue

2.1 Carbon Reduction Commitment Allowance sales

	2016-17	2015-16
	£'000	£'000
Allowance sales	750,179	755,026
Total	**750,179**	**755,026**

2.2 EU Emissions Trading Scheme auction income

	2016-17	2015-16
	£'000	£'000
Phase III Auctions Income	382,461	401,911
Aviation Auctions Income	4,803	13,321
Total	**387,264**	**415,232**

Auctions under Phase III of the scheme were held from November 2012, and aviation allowance auctions were held from September 2014. For further details please see the Foreword.

Dates for the carbon allowances auctions under Phase III and aviation allowances of the EU ETS, along with the number of units to be auctioned are available on the Intercontinental Exchange website on the auction calendar link at theice.com/emissions/auctions.

2.3 Petroleum licence income

	2016-17	2015-16
	£'000	£'000
Fees receivable	–	70,225
Total	**–**	**70,225**

OGA are responsible for petroleum licence income, which in 2015-16 as reported in the Departmental Trust statement. In 2016-17 OGA are preparing a separate Trust Statement so only the prior year comparatives are shown here.

2.4 Climate Change Agreement income

	2016-17	2015-16
	£'000	£'000
Buy-out payment income receivable	94	22,538
Total	**94**	**22,538**

Buy-out payments income generated from the Phase 1 reporting cycle of the CCA generated £94,000 in 2016-17 2015-16: £22.5 million. The drop in income for 2016-17 is explained by the fact that this was a period of secondary reporting for target reporting period 1, where participants make further top-up buy-out payments after an audit, or they receive a refund if they have overpaid.

2.5 Civil penalties

	2016-17	2015-16
	£'000	£'000
Levied under EU ETS Scheme	2,472	4,862
Levied under CRC Scheme	59	110
Total	**2,531**	**4,972**

There were 64 civil penalties totalling £2,471,990 (2015-16: 242 penalties totalling 4,861,929), levied under the EU ETS scheme for the year under review. CRC penalties of £59,420 were recognised in 2016-17 (2015-16 £110,453).

Additionally for 2016-17, the income incorporates offshore EU ETS penalties alongside onshore and aviation EU ETS penalties.

3 Expenditure and disbursements

3.1 Costs incurred in the collection of receipts

	2016-17	2015-16
	£'000	£'000
Foreign currency translation costs (EU ETS)	211	432
Bank charges on Euro auction bank account (EU ETS)	7	5
Total	**218**	**437**

3.2 Credit losses

	2016-17	2015-16
	£'000	£'000
Specific bad debts written off – EU ETS penalties	–	42
Total	**–**	**42**

A single penalty of £42,217.95 shown as a receivable in 2014-15 was written off in 2015-16 as the company was dissolved.

3.3 Disbursements

	2016-17	2015-16
	£'000	£'000
Payments to Northern Ireland Government	–	1,600
Total	**–**	**1,600**

Prior to 2016-17, disbursements represented payments to the Northern Ireland government. This was to reflect their share of the proceeds received by the Department under the Petroleum Licensing Regime administered by the OGA. These payments are made under Section 2 of the Miscellaneous Financial Provisions Act 1968. There are no outstanding amounts at the reporting date under Payables (Note 6) as for 2016-17 they are reported in the OGA's Trust Statement. In addition to the costs and disbursements above the Department incurred expenditure of £664,175 (2015-16: £1.448 million) in administering EU ETS and £657,787 (2015-16: £430,882) in respect of the CRC Scheme. Expenditure to administer the CCA scheme totalled £457,610 (2015-16: £501,275). Expenditures on EU ETS, CRC and CCA are included in the Department's Accounts because there is no express statutory provision for these costs to be deducted from the revenue collected and paid over to the Consolidated Fund.

4 Receivables and accrued fees

	2016-17	2015-16
	£'000	£'000
Petroleum licence fees receivable	–	8,719
Civil penalties receivable	2,453	2,211
Accrued petroleum licences receivable	–	390
Total	**2,453**	**11,320**

Civil penalties receivable represent the amounts due from the participants where invoices for payment have been issued but not paid for at the year end.

5 Cash and cash equivalents

	2016-17	2015-16
	£'000	£'000
Balance as at 1 April	28,684	43,127
Net change in cash and cash equivalent balances	(11,597)	(14,443)
Balance at 31 March	**17,087**	**28,684**
The following balances at 31 March were held at: Government Banking Service	17,087	28,684
Total	**17,087**	**28,684**

6 Payables

	2016-17	2015-16
	£'000	£'000
Accruals	–	1,600
Other	518	–
Total	**518**	**1,600**

7 Deferred revenue

	2016-17	2015-16
	£'000	£'000
Deferred Petroleum Licence revenue	–	3,470
Total	**–**	**3,470**

8 Balance on the Consolidated Fund Account

	2016-17	2015-16
	£'000	£'000
Balance on the Consolidated Fund as at 1 April	34,934	47,147
Net revenue for the Consolidated Fund	1,139,850	1,265,914
Transfer of Petroleum licences to OGA;	(19,216)	–
Less amounts paid to the Consolidated Fund	(1,136,546)	(1,278,127)
Balance on the Consolidated Fund as at 31 March	**19,022**	**34,934**

9 Financial instruments

9.1 Classification and categorisation of financial instruments

		2016-17	2015-16
		£'000	£'000
Financial assets:			
Cash	5	17,087	28,684
Petroleum licence fees receivable	4	–	8,719
Civil penalties receivable	4	2,453	2,211
Accrued petroleum licence fees receivable	4	–	390
Total loans and receivables		**19,540**	**40,004**
Financial liabilities:			
Accruals	6	(–)	(1,600)
Other payables		(518)	(–)
Deferred revenue	7	(–)	(3,470)
Total other financial liabilities		**(518)**	**(5,070)**

9.2 Risk exposure to financial instruments

EU Emissions Trading Scheme

The EU Emissions Trading Scheme is exposed to foreign currency risk due to the timing difference in recognising the proceeds at the auction exchange rate and the date at which the proceeds are converted into sterling, which is one day after the close of the auction. This results in either an exchange loss or gain. As shown in Note 3.1 there was an exchange loss incurred this financial year of £211,000 (2015-16: £432,000). The scheme is not exposed to interest rate or liquidity risk and its exposure to market risk is limited due to there being a current demand for carbon allowances.

The civil penalties imposed under the EU ETS scheme are subject to credit risk, but this risk is assessed by management as minimal due to the nature of the participants in the scheme. However one infrastructure civil penalty was written off in 2015-16 (Note 3.2) as the company concerned was dissolved.

CRC Scheme
The allowance sales under the Carbon Reduction Commitment are subject to credit risk, but this risk is assessed by management as low. This is borne out in the results from previous years of the scheme.

The civil penalties imposed under the CRC scheme are subject to credit risk, but this risk is assessed by management as minimal due to the nature of the participants in the scheme.

CCA Scheme
The buy-out payment revenue collected under the CCA scheme is subject to credit risk, but this risk is assessed by management as low, due to the nature of participants in the scheme. All fees under the regime are received in sterling minimising any other risks.

Information which will allow Trust Statement users to evaluate the significance of financial instruments on the Department's financial performance and position and the nature and extent of the Department's exposure to other risks arising from financial instruments can be found in Note 22 of the Department's Accounts.

10 Contingent Liability

A contingent liability exists for refunds the Department may have to pay to participants in the CRC Energy Efficiency Scheme who have over-surrendered allowances. This is as a result of legislation included in the CRC Order 2013, which came into force in May 2013. The refunds are contingent upon participants being able to prove that the over-surrender was due to a reporting error and must be agreed by the Secretary of State. The Department is unable to quantify the amount of future refunds, but based on the most recent information available from the scheme administrators, the refunds are not expected to be significant. Future refunds will be paid as and when they fall due out of future scheme receipts.

The Department has issued guidance to participants detailing the refund process.

Furthermore for the CCA scheme a contingent liability also exists in the secondary reporting phase of each Target Reporting Period. A refund is due where a participant has undergone review or audit procedures and it is deemed they have overpaid. The Department must retain sufficient funds in order to satisfy this requirement of the CCA scheme.

11 Events after the reporting period

There were no significant events after the reporting period that require disclosure.

The Accounting Officer has duly authorised the issue of the Trust Statement on the date of the Comptroller and Auditor General's audit certificate.

Annex D

Accounts Direction given by HM Treasury in accordance with section 7(2) of the Government Resources and Accounts Act 2000.

1. This direction applies to the Department for Business, Energy and Industrial Strategy.
2. The Department shall prepare a Trust Statement ("the Statement") for the financial year ended 31 March 2017 for the revenue and other income, as directed by the Treasury, collected by the department as an agent for others, in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual by HM Treasury ("FReM") which is in force for 2016-17.
3. The Statement shall be prepared, as prescribed in Appendix 1, so as to give a true and fair view of: (a) the state of affairs relating to the collection and allocation of taxes, licence fees, fines and penalties and other income by the Department as agent and of the expenses incurred in the collection of those taxes, licence fees, fines and penalties insofar as they can properly be met from that revenue and other income; (b) the revenue and expenditure; and (c) the cash flows for the year then ended.
4. The Statement shall also be prepared so as to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
5. When preparing the Statement, the Department shall comply with the guidance given in the FReM (Chapter 8). The Department shall also agree with HM Treasury the format of the Principal Accounting Officer's Foreword to the Statement, and the supporting notes, and the accounting policies to be adopted, particularly in relation to revenue recognition. Regard shall also be given to all relevant accounting and disclosure requirements in Managing Public Money and other guidance issued by HM Treasury, and to the principles underlying International Financial Reporting Standards.
6. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with HM Treasury.
7. The Statement shall be transmitted to the Comptroller and Auditor General for the purpose of his examination and report by a date agreed with the Comptroller and Auditor General and HM Treasury to enable compliance with the administrative deadline for laying the audited accounts before Parliament before the Summer Recess.
8. The Trust Statement, together with this direction (but with the exception of the related appendices) and the Report produced by the Comptroller and Auditor General under section 7(2) of the Government Resources and Accounts Act 2000 shall be laid before Parliament at the same time as the Department's Resource Accounts for the year, unless the Treasury have agreed that the Trust Statement may be laid at a later date.

Vicky Rock
Deputy Director, Government Financial Reporting Her Majesty's Treasury

2 June 2017

Appendix 1

Trust Statement for the year ended 31 March 2017

1. The Trust Statement shall include:

- a Foreword by the Principal Accounting Officer;
- a Statement of the Principal Accounting Officers Responsibilities;
- a Governance Statement;
- a Statement of Revenue, Other Income and Expenditure;
- a Statement of Financial Position;
- a Cash Flow Statement; and
- such notes as may be necessary to present a true and fair view.

2. The Notes shall include among other items:

- the accounting policies, including the policy for revenue recognition and estimation techniques and forecasting techniques together with statements explaining any significant uncertainty surrounding estimates and forecasts;
- a breakdown of material items within the accounts;
- any assets, including intangible assets and contingent liabilities;
- summaries of losses, write-offs and remissions;
- post balance sheet events; and
- any other notes agreed with HM Treasury and the National Audit Office.

Sponsoring Department	Income Stream	Responsible Entity
Department of Business, Energy and Industrial Strategy	EU Emissions Allowance	BEIS
	Fines and Penalties	BEIS
	CRC Allowances	BEIS
	CCA Buy-Out Payments	BEIS

Core Technology Facility, Newcastle Univeristy campus

Annexes

Annex A: Our major projects and programmes

At the end of September 2016, the Department had 10 major projects listed in the Government Major Projects Portfolio (GMPP), summarised in the table below. Transparency data on project cost and delivery confidence are published annually alongside the Infrastructure and Projects Authority's Annual Report.

Project	Description
Financial Investment Decision Enabling for Hinkley Point C	To avert an investment hiatus in the deployment of low carbon electricity generation caused by the announced reform of the electricity market, in the period between the publication of the Electricity Market Reform (EMR) white paper and the full implementation of the EMR Contracts for Difference (CfD).
Francis Crick Institute	To establish a new research institution, with the construction of a new facility located close to St Pancras station, London. The Francis Crick Institute is a joint venture between the UK's largest biomedical research and academic institutions: the Medical Research Council (MRC), Cancer Research UK (CRUK), the Wellcome Trust, University College London, Kings College, London and Imperial College, London.
Geological Disposal Facility (GDF) Programme	To site and construct a safe, secure and environmentally responsible permanent geological disposal facility for higher-activity radioactive waste across England, Wales and Northern Ireland.
Heat Networks Investment Project	To provide £320 million of time-limited capital support to support the construction of heat networks projects in England and Wales.
Local Land Charges (LCC) Programme	To deliver a single LLC Register Service for England to provide a national resilient service, consistency of customer experience and fees.
Magnox and Research Sites Restoration Limited (RSRL) Parent Body Organisation (PBO) Competition	To secure a reduction in the cost and time to deliver the outcomes of the Magnox Optimised Decommissioning Plan and the Optimised RSRL baseline by securing a new PBO for the Magnox and RSRL Site Licence Companies.
New Polar Research Vessel	Replace 2 existing polar research and supply vessels with one dual-purpose ship. The single-ship option is planned to save £102 million over 30 years.
Project Eagle	The Shareholder Executive is taking forward consideration of a sale of Government's one-third shareholding in Urenco, a uranium enrichment company.
Sellafield Model Change	Creating the environment for success at Sellafield by moving from a PBO model to a subsidiary model.
Smart Metering Implementation Programme	To offer smart electricity and gas meters to every home in Great Britain by 2020, providing accurate bills, and enabling better-informed decisions on energy consumption, faster switching, and a more flexible energy system.

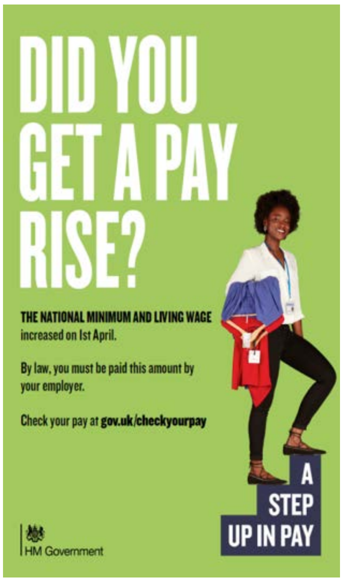
In addition, the Department had one major project which left the GMPP between September 2015 and September 2016.

Project	Description
Carbon Capture and Storage (CCS) Commercialisation Programme	To support practical experience in the design, construction and operation of commercial-scale CCS power generation through the CCS competition.

Annex B: Other Information

Advertising Campaigns

We delivered a £1.75 million UK-wide communications campaign to raise awareness to employees and employers of the 1 April increases in the National Living Wage and National Minimum Wage. The campaign was launched at the end of February and included advertising on radio, online, in regional newspapers and posters – all up-weighted to the regions where higher concentrations of the target audience reside. Its aim was to ensure that eligible workers are paid the correct rate, with support and guidance on a campaign website checkyourpay.com. The campaign drove more than 730,000 visits to the website, far exceeding initial predictions.

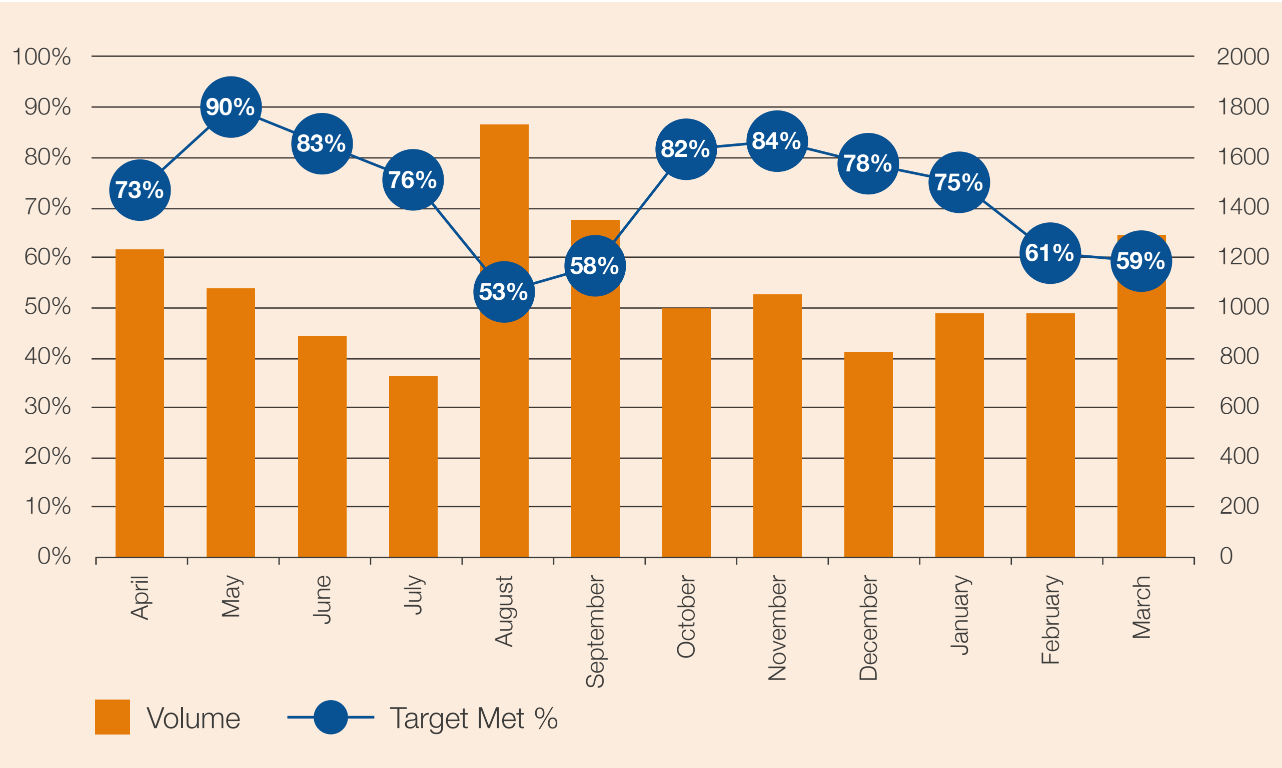


Correspondence

We aim to respond to 80% of correspondence within 15 working days. In 2016-17, we responded to 13,094 cases with 71% replied to within the deadline. The chart below shows the core department's performance responding to correspondence from both Ministers and the public

Complaints to the Parliamentary Ombudsman

In 2015-16 (latest data available), the ombudsman accepted 16 complaints for investigation against the department and the organisations that are accountable to the department (2014-15: 16) and upheld or partly upheld 6 complaints (2014-15: 5)[16].



16 https://www.ombudsman.org.uk/sites/default/files/Complaints_about_parliamentary_departments_2015-16.pdf

Annex C: Regulatory reporting

Table 1 - Public Spending
This table provides a summary of departmental net expenditure using the same headings as voted within the Estimate.

	2012-13 outturn	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 plans	2018-19 plans	2019-20 plans
Resource DEL								
Deliver an ambitious industrial strategy	200,403	300,436	288,168	438,821	425,529	189,693	176,681	154,795
Maximise investment opportunities and bolster UK interests	27,640	7,535	3,980	19,368	29,916	44,300	63,000	65,000
Promote competitive markets and responsible business practices	55,945	85,943	70,324	71,495	73,852	83,485	83,137	95,914
Delivering affordable energy for households and businesses	65,099	45,947	355,160	342,329	36,365	54,824	39,625	34,703
Ensuring that our energy system is reliable and secure	7,073	22,151	18,822	11,560	5,823	16,415	15,945	13,855
Taking action on climate change and decarbonisation	54,662	76,446	115,824	95,211	22,971	31,204	36,448	30,058
Managing our energy legacy safely and responsibly	340,708	336,433	318,312	306,343	291,203	281,371	258,405	238,786
Science and Research	53,806	(15,051)	10,819	13,540	(1,985)	3,550	7,148	7,170
Capability	380,370	370,967	408,745	361,322	307,082	477,901	490,879	423,264
Government as Shareholder	401,055	387,362	243,220	199,823	173,660	160,896	112,468	102,950
Deliver an ambitious industrial strategy (ALB) net	16,704	(35,066)	(38,576)	5,619	5,489	3,000	22,080	21,660
Promote competitive markets and responsible business practices (ALB) net	63,058	59,821	49,766	49,295	48,127	54,230	54,302	54,342
Ensuring that our energy system is reliable and secure (ALB) net	0	0	(280)	674	1,707	258	258	258
Taking action on climate change and decarbonisation (ALB) net	3,427	3,710	4,416	4,894	2,399	3,931	3,114	3,114

	2012-13 outturn	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 plans	2018-19 plans	2019-20 plans
Managing our energy legacy safely and responsibly (ALB) net	24,424	29,121	23,188	46,977	39,234	23,177	24,800	23,731
Science and Research (ALB) net	365,092	84,291	80,272	82,787	257,357	223,749	297,921	297,380
Capability (ALB) Net	59,591	68,597	59,268	39,218	39,818	9,800	9,800	9,800
Government as Shareholder (ALB) net	99,432	72,153	16,238	(30,023)	(46,890)	(41,068)	(42,901)	(38,261)
NDA and SLC expenditure	1,259,039	1,413,249	1,431,342	1,414,542	1,287,445	1,360,000	1,342,000	1,261,000
Nuclear Decommissioning Authority Income (CFER)	(784,055)	(892,139)	(1,008,787)	(974,558)	(1,026,768)	(998,000)	(976,000)	(978,000)
Electricity Market Reform	3,823	(4,851)	0	0	-	0	0	0
Total Resource DEL	**2,697,296**	**2,417,055**	**2,450,221**	**2,499,237**	**1,972,334**	**1,982,716**	**2,019,110**	**1,821,519**
Of which:								
Staff costs	498,100	527,935	518,385	548,832	519,891	363,576	429,133	423,796
Purchase of goods and services	2,016,160	2,279,269	2,200,717	2,231,691	2,017,981	1,951,253	1,924,922	1,811,543
Income from sales of goods and services	(893,095)	(1,027,176)	(1,157,876)	(1,144,381)	(1,173,251)	(1,030,906)	(1,009,512)	(1,018,452)
Current grants to local government (net)	14,087	7,253	18,354	25,513	12,055	8,956	6,180	2,177
Current grants to persons and non-profit bodies (net)	213,494	167,028	585,126	548,517	196,275	338,068	338,066	273,764
Current grants abroad (net)	61,993	44,913	31,427	41,307	33,974	70,349	89,401	91,745
Subsidies to private sector companies	200	0	0	131,476	264,837	1,618	1,465	2,252
Subsidies to public corporations	350,000	350,250	230,402	183,035	145,239	95,000	60,000	50,000
Net public service pensions[2]	15,967	27,640	(7)	0	-	0	0	0
Rentals	24,712	(63,075)	(63,400)	(47,642)	40,608	25,814	26,190	23,910
Depreciation[1]	304,486	304,701	293,609	268,978	355,397	279,919	279,303	283,669
Take up of provisions	(2,577)	(25)	23	(30)	780	0	0	0
Change in pension scheme liabilities	204	37	12	35	128	200	200	200
Other resource	93,565	(201,695)	(206,551)	(288,094)	(441,580)	(121,131)	(126,238)	(123,085)

	2012-13 outturn	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 plans	2018-19 plans	2019-20 plans
Resource AME								
Deliver an ambitious industrial strategy	(31,763)	(142,334)	(93,804)	(7,428)	215,413	(52,348)	(74,227)	(76,737)
Maximise investment opportunities and bolster UK interests	0	0	3,881	(457)	1,844	0	0	0
Promote competitive markets and responsible business practices	38,660	68,858	74,000	102,008	133,331	140,000	145,000	150,000
Ensuring that our energy system is reliable and secure	(4,797)	(1,484)	342,599	(309,667)	(3,204)	(1,489)	(85)	(27)
Taking action on climate change and decarbonisation	0	0	497,618	841,397	(1,337,205)	0	0	0
Managing our energy legacy safely and responsibly	68,415	(396,981)	(96,723)	(308,924)	(258,615)	(213,754)	(172,138)	(162,470)
Science and Research	82,814	34,544	87,581	49,871	41,888	67,149	74,000	85,000
Capability	(9,289)	(34,742)	(29,793)	(21,783)	(6,013)	(18,502)	(19,012)	(19,776)
Government as Shareholder	48,248	(21,894)	25,524	(60,526)	(12,644)	119,085	16,554	5,673
Renewable Heat Incentive	27,416	52,367	158,946	372,420	545,426	780,000	900,000	1,010,000
Deliver an ambitious industrial strategy (ALB) net	0	2,479	(4,309)	7,721	(10,378)	22,000	(11,300)	(11,300)
Promote competitive markets and responsible business practices (ALB) net	(11,657)	(561)	(243)	(161)	(58)	(43)	785	181
Taking action on climate change and decarbonisation (ALB) net	0	0	1,987,931	9,281,975	1,065,495	0	0	0
Managing our energy legacy safely and responsibly (ALB) net	160,363	378	(65,835)	1,906,630	2,025	11,356	29,221	29,315
Science and Research (ALB) net	43,462	(24,687)	48,980	107,307	90,936	5,781	7,552	8,985
Capability (ALB) Net	113	(113)	0	2	(400)	0	0	0
Government as Shareholder (ALB) net	0	(130,671)	(148,034)	(56,337)	(26,653)	(74,961)	(51,825)	(51,825)

	2012-13 outturn	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 plans	2018-19 plans	2019-20 plans
Nuclear Decommissioning Authority	5,137,651	5,309,642	5,644,353	89,797,932	2,850,516	1,794,000	1,105,000	1,069,000
Nuclear Decommissioning Authority Income (CFER)	(711)	(898)	0	0	0	0	0	0
Government as Shareholder	415,257	316,071	239,776	254,256	231,511	277,000	217,000	212,000
Government as Shareholder	0	77,341	0	0	0	0	0	0
Total Resource AME	**5,964,182**	**5,107,315**	**8,672,448**	**101,956,236**	**3,523,215**	**2,855,274**	**2,166,525**	**2,248,019**
Of which:								
Staff costs	0	0	0	0	0	834	902	903
Purchase of goods and services	6,612	127,354	19,776	23,450	36,169	1,700	1	(2)
Income from sales of goods and services	(711)	(10,578)	(152)	0	0	(12,414)	152	152
Current grants to persons and non-profit bodies (net)	513,246	448,509	392,622	327,826	385,511	523,940	492,922	499,737
Subsidies to private sector companies	0	52,367	158,943	372,420	0	780,000	900,000	1,010,000
Net public service pensions[2]	24	0	0	0	-	0	0	0
Rentals	0	0	(139)	(81)	(718)	0	0	0
Depreciation[1]	293,077	53,750	2,653,848	10,126,954	59,846	148,121	52,833	37,625
Take up of provisions	5,743,710	5,400,115	6,022,459	91,967,474	2,984,414	1,909,642	1,263,026	1,229,353
Release of provision	(451,125)	(448,607)	(407,513)	(692,733)	(351,474)	(343,857)	(314,688)	(294,386)
Change in pension scheme liabilities	25,762	12,337	29,627	19,199	20,375	0	0	(1)
Unwinding of the discount rate on pension scheme liabilities	40,890	1,464	43,398	37,423	38,095	80	80	80
Release of provisions covering payments of pension benefits	(15,991)	(27,758)	0	0	-	0	0	0
Other resource	(191,312)	(501,638)	(240,421)	(225,696)	350,997	(152,772)	(228,703)	(235,442)
Total Resource Budget	**8,661,478**	**7,524,370**	**11,122,669**	**104,455,473**	**5,495,549**	**4,837,990**	**4,185,635**	**4,069,538**
Of which:								
Depreciation[1]	597,563	358,451	2,947,457	10,395,932	415,243	428,040	332,136	321,294

	2012-13 outturn	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 plans	2018-19 plans	2019-20 plans
Capital DEL								
Deliver an ambitious industrial strategy	(71,647)	9,744	(345,273)	289,783	371,488	590,807	897,069	1,523,028
Maximise investment opportunities and bolster UK interests	189,430	374,500	190,635	319,887	308,221	479,094	562,100	642,100
Promote competitive markets and responsible business practices	9,500	446	47	(12,700)	376	1,310	1,010	1,095
Delivering affordable energy for households and businesses	86,404	81,312	137,266	131,102	42,201	56,759	42,080	57,509
Ensuring that our energy system is reliable and secure	0	0	1,158	5,071	(548)	300	0	0
Taking action on climate change and decarbonisation	30,146	48,575	47,620	54,871	34,875	102,145	218,080	245,981
Managing our energy legacy safely and responsibly	6,815	6,883	7,103	5,017	7,747	0	0	0
Science and Research	328,823	474,623	597,152	518,629	2,596,659	2,712,496	2,369,309	2,168,395
Capability	54,126	26,178	11,027	11,929	10,181	277,185	17,285	(21,244)
Government as Shareholder	178,322	121,200	106,569	227,462	50,497	110,827	53,160	64,419
Deliver an ambitious industrial strategy (ALB) net	394,562	609,293	642,389	728,903	803,985	863,837	800,500	698,000
Promote competitive markets and responsible business practices (ALB) net	879	1,543	1,559	940	1,026	0	0	0
Ensuring that our energy system is reliable and secure (ALB) net	0	0	2,207	975	1,005	(510)	(510)	(510)
Taking action on climate change and decarbonisation (ALB) net	2	0	4,004	959	601	(500)	10	875
Managing our energy legacy safely and responsibly (ALB) net	3,443	3,497	5,895	12,243	8,778	17,260	17,250	16,985

	2012-13 outturn	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 plans	2018-19 plans	2019-20 plans
Science and Research (ALB) net	4,786,495	5,443,945	5,490,888	5,531,882	3,453,704	3,277,431	3,553,492	3,745,012
Capability (ALB) Net	1,600	7,257	773	641	480	1,500	0	0
Government as Shareholder (ALB) net	120,113	603,759	616,035	595,189	1,172,665	408,000	163,090	402,729
NDA and SLC expenditure	1,776,295	1,697,841	1,845,932	1,827,695	1,970,695	1,998,000	1,901,000	1,877,000
Nuclear Decommissioning Authority Income (CFER)	(54,866)	(337)	(2,916)	(51,639)	0	0	0	(176,000)
Total Capital DEL	**7,840,442**	**9,510,259**	**9,360,070**	**10,198,839**	**10,834,636**	**10,895,941**	**10,594,925**	**11,245,374**
Of which:								
Staff costs	486,510	481,265	499,390	480,109	477,642	401,488	300,294	299,994
Purchase of goods and services	482,611	598,356	604,949	648,188	400,763	277,614	277,154	277,234
Income from sales of goods and services	(275,173)	(107,129)	(122,637)	(131,102)	(257,467)	(245,487)	(247,493)	(248,899)
Current grants to persons and non-profit bodies (net)	4,223,838	4,248,076	4,465,923	4,666,325	4,800,848	3,132,212	3,514,732	4,148,141
Current grants abroad (net)	333,655	321,542	317,714	302,460	317,400	481,240	574,064	676,819
Subsidies to private sector companies	-	-	-	-	0	59,722	61,214	47,893
Subsidies to public corporations	0	(452)	(1,238)	(2,655)	224,350	154,882	157,825	161,141
Capital support for local government (net)	49,075	77,095	21,570	54,528	280	55,500	42,000	57,500
Capital grants to persons & non-profit bodies (net)	487,920	1,247,048	968,596	999,113	420,695	1,034,527	914,968	796,641
Capital grants to private sector companies (net)	57,986	93,124	131,354	155,115	237,003	240,224	249,316	270,055
Capital grants abroad (net)	210,070	362,976	203,769	425,981	525,994	511,085	470,058	466,750
Capital support for public corporations	(1,229)	118,832	90,278	170,203	191,538	79,070	38,010	50,290
Purchase of assets	2,046,889	1,958,591	2,071,328	2,059,177	2,241,911	2,284,773	2,176,534	2,106,868
Income from sales of assets	(67,184)	(84,335)	(37,628)	(92,106)	(65,427)	(9,193)	(8,910)	(181,504)

	2012-13 outturn	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 plans	2018-19 plans	2019-20 plans
Net lending to the private sector and abroad	140,708	322,515	519,050	630,964	1,111,541	491,441	14,280	191,170
Other capital	(335,234)	(127,245)	(372,348)	(167,461)	207,565	1,946,843	2,060,879	2,125,281
Capital AME								
Deliver an ambitious industrial strategy	0	0	(35,000)	0	0	0	0	0
Maximise investment opportunities and bolster UK interests	0	(19,723)	17,413	2,310	0	0	0	0
Managing our energy legacy safely and responsibly	(33,189)	(490,707)	(620,294)	61,891	(38,273)	(39,689)	(44,757)	(45,743)
Science and Research	0	0	0	0	834	0	0	0
Government as Shareholder	(61,368)	(763,521)	291,559	210,202	129,181	0	0	0
Renewable Heat Incentive	12,731	13,770	1,697	(22)	0	0	0	0
Deliver an ambitious industrial strategy (ALB) net	0	0	7,159	17,299	84,961	40,000	40,000	40,000
Science and Research (ALB) net	(57,492)	(1,108)	(71,497)	(55,972)	(61,276)	0	0	0
Government as Shareholder (ALB) net	0	(1,063,420)	(1,206,678)	(430,678)	(129,934)	(166,530)	(109,240)	(77,070)
Government as Shareholder	0	(1,979,829)	0	0	0	0	0	0
Government as Shareholder (ALB) net	0	0	0	(1,434,995)	0	0	0	0
Total Capital Budget	**7,701,124**	**5,205,721**	**7,744,429**	**8,568,874**	**10,820,129**	**10,729,722**	**10,480,928**	**11,162,561**
Total departmental spending[3]	**15,765,039**	**12,371,640**	**15,919,641**	**102,628,415**	**15,900,435**	**15,139,672**	**14,334,427**	**14,910,805**
Of which:								
Total DEL	10,233,252	11,622,613	11,516,682	12,429,098	12,451,573	12,598,738	12,334,732	12,783,224
Total AME	5,531,787	749,027	4,402,959	90,199,317	3,448,862	2,540,934	1,999,695	2,127,581

1 Includes impairments

2 Pension schemes report under FRS 17 accounting requirements. These figures therefore include cash payments made and contributions received, as well as certain non-cash items

3 Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.

Notes

The large increase in spend in 2014-15 and 2015-16 on Delivering affordable energy for households and businesses Resource DEL is due to the Government Electricity Rebate.

Resource DEL expenditure for Electricity Market Reform is shown separately in 2012-13 as this expenditure was funded through a Contingencies Fund advance, pending passage of the Energy Bill through Parliament. Repayment of that advance in 2013-14 was made against Deliver secure energy on the way to a low carbon energy future Resource DEL, offset by the credit shown against Electricity Market Reform.

The increase in spend from 2016-17 against Science and Research Capital DEL and decrease against Science and Research (ALB) Capital DEL reflects the reclassification of expenditure for the Higher Education Funding Council for England (HEFCE) for Science and Research following the Machinery of Government transfer of HEFCE to the Department for Education.

The figure for Depreciation in Resource AME in 2014-15, 2015-16 and 2016-17 includes the movement in fair value for Contracts for Difference, shown against Taking action on climate change and decarbonisation and Taking action on climate change and decarbonisation (ALB) net.

Outturn for 2015-16 has not been updated in line with the restated Statement of Comprehensive Net Expenditure, but does include the reclassification across all years of certain research and development expenditure from Resource to Capital DEL, which is not reflected in the restated 2015-16 Statement of Comprehensive Net Expenditure and Statement of Parliamentary Supply.

Table 2 - Administration budgets

Resource DEL	2012-13 outturn	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 plans	2018-19 plans	2019-20 plans
Deliver an ambitious industrial strategy	1,941	2,662	1,935	583	0	0	0	0
Promote competitive markets and responsible business practices	781	(528)	796	818	826	830	840	840
Managing our energy legacy safely and responsibly	0	0	0	0	(3,801)	0	0	0
Science and Research	51	53	58	59	0	0	3,598	3,620
Capability	351,444	335,497	345,965	327,944	288,546	326,582	311,573	304,886
Government as Shareholder	4,394	3,465	3,108	3,885	4,300	4,644	4,644	4,644
Deliver an ambitious industrial strategy (ALB) net	5,864	1,968	2,565	1,036	51	3,000	22,080	21,660
Promote competitive markets and responsible business practices (ALB) net	8,532	12,206	10,102	8,630	7,362	8,538	8,580	8,620
Taking action on climate change and decarbonisation (ALB) net	3,427	3,710	4,043	3,752	3,535	3,428	2,611	2,611
Managing our energy legacy safely and responsibly (ALB) net	4,403	4,629	5,536	10,191	12,104	5,000	5,050	5,050

Resource DEL	2012-13 outturn	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 plans	2018-19 plans	2019-20 plans
Science and Research (ALB) net	(813)	(1,350)	4,740	3,649	935	1,110	77,885	73,747
Capability (ALB) Net	56,252	68,597	59,268	39,218	39,818	9,800	9,800	9,800
Government as Shareholder (ALB) net	467	4,626	267	251	162	184	186	187
NDA and SLC expenditure	38,752	41,790	37,110	34,992	38,195	41,000	44,000	44,000
Nuclear Decommissioning Authority Income (CFER)	(2,321)	(1,875)	0	0	0	0	0	0
Electricity Market Reform	0	(200)	0	0	0	0	0	0
Total administration budget	**473,174**	**475,250**	**475,493**	**435,008**	**392,033**	**404,116**	**490,847**	**479,665**
Of which:								
Staff costs	326,077	349,871	341,753	365,590	329,069	234,879	303,019	295,570
Purchase of goods and services	183,826	191,654	179,482	145,800	160,756	154,218	182,795	181,367
Income from sales of goods and services	(81,121)	(115,081)	(123,790)	(135,538)	(39,067)	(32,906)	(33,512)	(40,452)
Current grants to persons and non-profit bodies (net)	0	(439)	30	29	38	(4,982)	(10,093)	(3,730)
Current grants abroad (net)	20	36	18	108	106	0	0	0
Net public service pensions	1,532	1,219	(7)	0	0	0	0	0
Rentals	20,438	20,131	27,074	31,852	30,117	25,814	26,190	23,910
Depreciation	35,683	33,203	30,738	29,956	27,034	34,777	34,764	34,754
Take up of provisions	0	0	(12)	2	0	0	0	0
Change in pension scheme liabilities	0	(12)	(65)	25	106	0	0	0
Other resource	(13,281)	(5,332)	20,272	(2,816)	(116,126)	(7,684)	(12,316)	(11,754)

Annex D: Glossary

AME: Annual Managed Expenditure, see box 1 on page 33.

ARAC: Audit and Risk Assurance Committee, see page 56.

Article 50: Under the Lisbon Treaty, states any EU member state may decide to withdraw from the Union and must notify the European Council of its intentions. The Union shall negotiate and conclude an agreement with the state, setting out the arrangements for its withdrawal, taking account of the framework for its future relationship with the union.

BBB: British Business Bank plc

BBSRC: Biotechnology and Biological Sciences Research Council

BE: British Energy

BEIS: Our Department, the Department for Business, Energy and Industrial Strategy

BFP: Business Finance Partnership,

BIS: Department for Business, Innovation and Skills, one of our predecessor departments

BIS2020: The Business, Innovation and Skills' transformation programme prior to the Machinery of Government change that formed BEIS.

BNFL: British Nuclear Fuels Limited

BVCA: British Venture Capital Association

Business Improvement District : Business led partnerships which are created through a ballot process to deliver additional services to local businesses.

CAVs: Connected and Autonomous Vehicles

CCA: Climate Change Agreements

CCL: Climate Change Levy

CDEL: Capital Departmental Expenditure Limit, see box 1 on page 33.

CETV: Cash Equivalent Transfer Value

CFER: Consolidated Fund Extra Receipts, Income which is not retained by the department but returned to the Consolidated Fund

CFP: Cavendish Fluor Partnership

Consolidated Fund: The main bank account of the UK government.

Contracts for Difference (CfDs) : See box 5, page 39

CRC: Carbon Reduction Commitment

CNI: Critical National Infrastructure

CNPP: Combined Nuclear Pension Plan

CSOPS: Civil Service and Other Pension Scheme

D&I: Diversity and inclusion

DDR: Departmental Risk Registers

DECC: Department for Energy and Climate Change, one of our predecessor departments

DEFRA: Department for Environment, Food and Rural Affairs

DEL: Departmental Expenditure Limit, see box 1 on page 33.

DExEU: Department for Exiting the European Union

DfE: Department of Education

DIT: Department for International Trade

Dynamic Dispatch Model (DDM): a comprehensive fully integrated power market model covering the GB power market over the medium to long term

EDFE: Energy Nuclear Generation Limited

EHL: Enrichment Holdings Limited

Energy Company Obligation (ECO): A government energy efficiency scheme to help reduce carbon emissions and tackle fuel poverty.

EPO: European Patent Office

ESA: European Space Agency

ESC: Electricity Settlements Company

ESO: European Southern Observatory

ESOS: Energy Savings Opportunity Scheme

Estimate: See Supply Estimate

EU ETS: EU Emissions Trading Scheme

EUA: EU allowance

EUAA: EU aviation allowance

ExCo: Executive Committee, see page 58.

Fifth Carbon Budget: A carbon budget places a restriction on the total amount of greenhouse gases the UK can emit over a 5-year period. The fifth carbon budget covers the 2028 to 2032 period.

FIDeR: Final Investment Decisions enabling Renewables

FLS: Future Leaders Scheme

FReM: Government Financial Reporting Manual

GBS: Government Banking Services

GCIA: Group Chief Internal Auditor

GCRF: Global Challenges Research Fund

GDFC: Green Deal Finance Company

GGCs: Greening Government Commitments

GHG: Greenhouse gas

GIAA: Government Internal Audit Agency

GIB: Green Investment Bank

GMM: Government Major Projects Portfolio

GRAA: Government Resources and Account Act 2000

Green Paper: a set of proposals for discussion and consideration, and an invitation to others to contribute collaboratively to their development.

Hinkley Point C (HPC): A project to construct a nuclear power station in Summerset, England.

HPDS: High Potential Talent Schemes

ICO: Information Commissioner's Office

IEA: International Energy Agency

IFRS: International Financial Reporting Standards

ILL: Institut Laue Langevin

IPA: Infrastructure and Projects Authority

IRR: Internal Rate of Return

ITEC: International Trade and Export Control

LCCC: Low Carbon Contracts' Company

LCF: Levy Control Framework

Local Enterprise Partnerships : Partnerships between local authorities and businesses who decide what the priorities should be for investment in roads, buildings and facilities in the area.

Loss of Load Expectation (LOLE): Metric used to measure the security of the electricity supply

LTP: Life Time Plan

MoG: Machinery of Government

Monte-Carlo Simulation : A computerised mathematical technique that allows for the account of risk in quantitative analysis and decision making.

MPS: Mineworkers' Pension Scheme

MRC: Medical Research Council

NAO: National Audit Office

NDA: Nuclear Decommissioning Authority

NDPBs: Non-departmental public bodies

NEBMs: Non-Executive Board Members

NERC: Natural Environment Research Council

NIF: National Insurance Fund

NMRO: National Measurement Regulation Office

NNLHL: NNL Holdings Limited

NPLML: NPL Management Limited

ODA: Official Development Assistance

OEDC: Organisation for Economic Co-operation and Development

OGA: Oil and Gas Authority

ONS: Office of National Statistics

OSL: Ordinance Survey Limited

OSTF: Ordinance Survey Trading Fund

Paris Agreement: An agreement within the United Nations Framework Convention on Climate Change which deals with greenhouse gas emissions mitigations, adaptation and finance starting in the year 2020.

PAC: Public Accounts Committee

PBL: Parliament Business and Legislation Committee

PCSPS: Principal Civil Service Pension Scheme

PES: Public Expenditure System

PEVC: Private Equity and Venture Capital

PFR: Performance, Finance and Risk Committee, see page 60.

POL: Post Office Limited

PPAs: Prior Period Adjustment

PPE: Property, plant and equipment

PSH: Postal Services Holding Company Limited

Pulse Surveys: Shorter surveys carried out between annual Staff Surveys on staff attitudes.

R&D: Research and Development

Repeal Bill: Sets out the government's proposals for ensuring a functioning statute book once UK has left the EU

RDEL: Resource Departmental Expenditure Limit, see page 33

RICS: Royal Institute of Charted Surveys

RO: Renewables Obligations

RPS: Redundancy Payment Service

SCS: Senior Civil Service

SDP: Single Departmental Plans

SLS: Senior Leaders Schemes

SLCs: Nuclear Site Licence companies

SME: Small and medium enterprise engagement

SoPS: Statement of Parliamentary Supply

SOSIA: Secretary of State Investor Agreement

SRMC: Short Run Marginal Cost

SSCL: Shared Services Connect Ltd

STSC: South Tees Site Company Limited

Supply Estimates: the means of obtaining from Parliament, the legal authority to consume resources and spend cash the government needs to finance department's agreed spending programme.

TCD: Target Commissioning Date

TCW: Target Commissioning Window

TME: Total Departmental Managed Expenditure

UKAEA: UK Atomic Energy Authority Decommissioning

UKCES: UK Commission for Employment and Skills

UKIIF: UK Innovation Investment Fund

UKRI: UK Research and Innovation

UKSBS: UK Shared Business Services

Virement: the reallocation of provision in the Estimates without the need for a Supplementary Estimate to obtain parliamentary authority. Virement reallocates underspends on one part of the Estimate to cover overspends on another part of the Estimate.

WTC: Waste Transfer Contracts

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