



**UK COMMISSION
FOR
EMPLOYMENT AND SKILLS**

**ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2017**

Page intentionally left blank



UK COMMISSION FOR
EMPLOYMENT AND SKILLS

UK Commission for Employment and Skills

Annual report and accounts

For the year ended 31 March 2017

Ordered by the House of Commons to be printed on 27 June 2017.

Accounts presented to the House of Commons pursuant to Section 6(4) of the Government Resources and Accounts Act 2000. (Audit of Non-profit-making Companies) Order 2009

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

HC 130

LONDON: The Stationery Office



© Crown copyright 2017

This publication (not including logos) is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated.

To view this licence visit:

www.nationalarchives.gov.uk/doc/open-government-licence/version/3

or write to the Information Policy Team, The National Archives, Kew, London, TW9 4DU, or email:

psi@nationalarchives.gsi.gov.uk

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

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

Any enquiries regarding this publication should be sent to us at: The Department for Education, Piccadilly Gate, Store Street, Manchester. M1 2WD.

Print ISBN 9781474144698

Web ISBN 9781474144704

ID P002878452 07/17



Follow us on Twitter:
[@educationgovuk](https://twitter.com/educationgovuk)



Like us on Facebook:
facebook.com/educationgovuk

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the Williams Lea Group on behalf of the Controller of Her Majesty's Stationery Office.

Contents

Performance report	6
1. Chair’s foreword	6
Performance overview	7
2. Performance analysis	9
Organisational transition and closure	9
Performance on other matters	15
Accountability report	16
3. Corporate governance report	16
The Directors’ report	16
Governance Statement	19
Statement of Accounting Officer and Chair’s responsibilities	28
4. Remuneration and staff report	30
Staff report	37
5. Parliamentary accountability and audit report	42
Losses and special payments	42
Contingent and remote contingent liabilities	42
Auditor’s remuneration	42
The certificate of the Comptroller and Auditor General to the House of Commons	43
Accounts	46
Statement of Comprehensive Net Expenditure	46
Statement of Financial Position	47
Statement of Cash Flows	48
Statement of Changes in Taxpayers’ Equity	49
Notes to the Accounts	50
Glossary of key terms	67

Performance report

1. Chair's foreword

“We can be proud of the legacy the UK Commission leaves behind”

- 1.1 I became Chair of UK Commission for Employment and Skills (UKCES) in November 2016 following the end of Sir Charlie Mayfield's final term of office and I am grateful for his support and leadership of the Commission during his tenure.
- 1.2 Since my appointment as Chair the organisation has been fully focused on its closure. As an organisation we have now closed down or seamlessly transferred all of the remaining projects developed during the UK Commission's lifetime. We have invested our final budget, seeking best value for money from the taxpayers' purse in all of our closure or transfer activity.
- 1.3 Over the last year I have been most impressed with the efforts made by the UKCES staff. Their continued professionalism and commitment to deliver while adapting to the wind-down of the UK Commission in difficult and demanding circumstances has been admirable and I would like to thank them very much for ensuring the UK Commission's closure has been as smooth as possible.
- 1.4 I would like to thank my fellow Commissioners for their unswerving support during the closure period: it has been invaluable in what has been our most challenging year to date.
- 1.5 Finally, and most importantly, I would like to give a heartfelt thanks to my Chief Executive Officer, Ian Kinder and his senior team, for their unflinching hard work, commitment and professionalism to the task at hand, focusing on the wind down of the organisation and delivering the results required of them, just as I have come to expect. He and all of the staff can all be proud of the legacy the UK Commission leaves behind, one which I am certain UK governments, employers and our wider stakeholders will feel the benefits of for years to come.

With very best wishes,

Julie Kenny CBE DL
Chair
12 June 2017

Performance overview

- 1.6 Our work in 2016-17 has been focused on finalising key areas of work on Productivity and the UK Futures Programme; transferring functions across to other organisations (aspects of Research, National Occupational Standards and Investors in People); and closing down the organisation.
- 1.7 The Performance Analysis section provides an update against the success measures for each area of the business plan.
- 1.8 Our key achievements across the year have included
- The [How Good Is Your Business Really?](http://tool.howgoodisyourbusinessreally.co.uk/?stay=yes)¹ report, launched by Sir Charlie Mayfield at the Confederation of British Industries (CBI) Medium Sized Business Summit event on 7 July 2016. The report set out the opportunity UK businesses can realise by working together to tackle the productivity challenges they face. This report was supported by a web platform, of the same name, to showcase the work of the various productivity business groups established to lead aspects of the work;
 - The productivity work will be continued through a Business Productivity Council announced in the 2016 Autumn Statement;
 - All outputs from the Working Futures programme were published and dissemination completed. To support continuing access to the findings, an alternative portal for the [Working Futures](https://www2.warwick.ac.uk/fac/soc/ier/research/wf/)² outputs has been launched by the Institute for Employment Research at Warwick University;
 - The [Employer Perspectives Survey 2016](https://www.nibusinessinfo.co.uk/content/employer-perspectives-survey-2016)³ questionnaire has been finalised and fieldwork completed. Responsibility has now transferred to the Department for Education's (DfE) Further Education Research team to take forward;
 - The UK Futures Programme completed in August 2016, with the publication of a brochure and final evaluation report on each "Challenge" and the full programme, including a 'how to' guide for other organisations who may want to set up and deliver programmes of this nature;
 - All five remaining Employer Leadership Project (ELP) contracts with delivery milestones in 2016-17 have completed in line with revised expectations following a curtailment of the third year of funding of this programme by

¹ <http://tool.howgoodisyourbusinessreally.co.uk/?stay=yes>

² <https://www2.warwick.ac.uk/fac/soc/ier/research/wf/>

³ <https://www.nibusinessinfo.co.uk/content/employer-perspectives-survey-2016>

Department for Business Innovation and Skills (BIS). The programme ceased in September;

- The research functions of Labour Market Information for All (LMI), the Employer Perspectives Survey, the Employer Skills Survey and Working Futures were transferred to DfE via a business transfer agreement in October 2016. Other research data was shared with the British Library for future reference;
- The National Occupational Standards (NOS) function including the relevant development contracts and the NOS Database were transferred to Skills Development Scotland via a business transfer agreement in November 2016;
- Operational delivery of Investors in People (IIP) was maintained, alongside the negotiation, structuring and sale of this business to a new not-for-profit community interest company IIP (Holdings) Community Interest Company (Holdco); which is a company limited by guarantee. Immediately following the sale the IIP operational business was passed down to Investors in People Community Interest Company (IIPCIC), a Holdco subsidiary company. As part of the initial sale consideration UKCES were given a 49% shareholding in IIPCIC with Holdco retaining the remaining 51%. Holdco and IIPCIC will continue to run and develop the IIP business in the future. The IIP sale was completed on 31 January 2017.
- Following the sale and transfer of IIP, UKCES ceased trading on 31 March 2017, meeting the Ministerial expectation for closure of UKCES in 2016-17. The residual UKCES staff who were responsible for closing the organisation left by the end of March 2017; and
- Over the course of the year 60 staff took voluntary redundancy or voluntary exit, 2 transferred under TUPE to DfE, and 21 staff transferred under TUPE to IIPCIC. There were no compulsory redundancies as a result of the closure of UKCES.

2. Performance analysis

Organisational transition and closure

- 2.1 Success in 2016-17 is to close down UKCES activity in a timely manner, with staff having felt that they were well-supported and informed as they transition out, and Senior Management Group (SMG) Commissioners and Sponsors are satisfied with the management of the UKCES closure process and the support for the transition of IIP out of UKCES.
- 2.2 Commissioners and Sponsors have commented on the highly professional and well managed delivery of the UKCES closure process by the UKCES team including the successful transfer of the NOS, Research and IIP functions out of UKCES. They have been kept informed throughout, and played their role in the decision making process throughout through the closure process through the UKCES/DfE governance structure.
- 2.3 Staff have been kept informed and supported to help them transition into other roles throughout the year with 21 staff TUPE'd to IIPCIC and 60 staff leaving in the year under voluntary exit or redundancy terms. There were no compulsory redundancies.
- 2.4 The organisation ceased trading on 31 March 2017, in line with Government's expectations that the business ceases by the end of 2016-17. The expectation is that the legal entity will be finally struck off by autumn 2017.

Productivity project

- 2.5 Success in 2016-17 is to begin to build by the summer of 2016 a business-led movement across the UK economy that engages businesses in increasing numbers, with other important stakeholders, in taking practical action on the ground to improve business performance across sectors, through their supply chains and wider communities.
- 2.6 The "[How Good is your Business Really](http://tool.howgoodisyourbusinessreally.co.uk)"⁴ report was launched by Sir Charlie Mayfield at the CBI Medium Sized Business Summit event on 7 July 2016. The report sets out the opportunity UK businesses can realise by working together to tackle the productivity challenges they face. This was supported by a web platform, of the same name, to showcase the work of the business groups.

⁴ <http://tool.howgoodisyourbusinessreally.co.uk>

- 2.7 The work has continued to be supported through UK business leaders in conjunction with leading industry bodies including the CBI and Institute of Directors (IoD). This work will continue with government support for a Productivity Council which will be set up in early 2017, as announced in the 2016 Autumn Statement.

Research products

- 2.8 Success in 2016-17 is to complete delivery and dissemination of core UKCES research products, successfully close/transfer projects where appropriate, and make preparations to protect the legacy of UKCES research.
- 2.9 The delivery and dissemination of core UKCES research products has been completed and all projects closed or transferred successfully to protect the legacy of UKCES research.
- 2.10 The research functions of LMI, the Employer Perspectives Survey, the Employer Skills Survey and Working Futures were transferred to DfE via a business transfer agreement in October 2016.

Occupational standards

- 2.11 Success in 2016-17 is to complete the commissioning and contracting of standards and frameworks for 2016-17 and undertake transition of the contracts and database to the new entity.
- 2.12 The commissioning and contracting of standards and frameworks for 2016-17 has been completed and delivery has started.
- 2.13 The contracts and the NOS Database were transferred to Skills Development Scotland via a business transfer agreement on 1 November 2016.

UK Futures programme

- 2.14 Success in 2016-17 is to complete the delivery of the current UK Futures Programme Productivity Challenges; extract the learning from, and evaluate each Challenge and the overall programme; and work with relevant partners and stakeholders to ensure best dissemination.
- 2.15 The UK Futures Programme was closed in August 2016, with the completion of delivery of the current Productivity Challenges.

- 2.16 Challenge specific brochures and final evaluation reports outlining the key learning were published with a limited amount of publicity on social media. We worked with relevant partners and stakeholders to ensure best dissemination. A final [evaluation report on the full programme](#)⁵ was also published, including a 'how to' guide for other organisations who may want to set up and deliver programmes of this nature.
- 2.17 A number of partners and stakeholders are actively using the learning from the Challenges to inform their policy and delivery work, as well as government partners building the overall programme into policy work and consideration of replicating the programme approach.

Managing the business

- 2.18 Success in 2016-17 is to make sure that the residual delivery is effectively managed and resourced as we go through the transition/closure process whilst maintaining UKCES's reputation as a well-managed public body.
- 2.19 Good governance and operational control have been maintained through the closure process. This has included reviewing, agreeing and implementing appropriate governance and controls and staffing levels to effectively complete the work. This was confirmed via an internal audit.
- 2.20 The 2015-16 annual report and accounts were laid in Parliament on 21 July 2016 along with a written ministerial statement confirming that UKCES will close.

Employer Leadership project

- 2.21 Success in 2016-17 is to make sure that the 2 remaining ELP contracts have been managed to completion/novation and we have a clear picture on ELP contract performance with any under-delivery identified and managed on a timely basis.
- 2.22 All five ELP contracts completed in line with revised expectations. All have achieved significant progress within their specific sectors, prompting employers to engage and take ownership for the development of talent and skills. Output delivery was compromised because of shortened timelines and reduced funding but achieved revised expectations with either a legacy from the development of products or a sustainable future ahead of them.

5

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/469688/UKFP_briefing_paper_-_PC1_evaluation.pdf

Investors in People

- 2.23 Success in 2016-17 is to help organisations worldwide to achieve their ambition through realising the potential of their people by providing a leading edge best practice accreditation framework and innovative products and services.
- 2.24 Operational delivery of IIP has continued, alongside the agreement and sale of this function out of UKCES.
- 2.25 IIP has been sold to IIPCIC a new Independent Community Interest Company. The responsibility for delivering the IIP Standard passed from UKCES to the new organisation through the sale agreement which became effective on 31 January 2017.

Financial review

Incoming resources

- 2.26 UKCES was funded by grant-in aid financing initially from BIS and then, following a machinery of government change, from DfE on behalf of the sponsoring department and Devolved Administrations along with commercial receipts in relation to the IIP business.
- 2.27 Because grant-in aid funding is treated as financing rather than income in the Statement of Comprehensive Net Expenditure the results for the period show a loss equivalent to the expenditure to be met from grant-in aid. The grant-in aid financing recognised is the value of cash drawn down. The loss attributed to General Reserves therefore reflects the value of net expenditure at 31 March 2017.
- 2.28 In 2016-17 UKCES also received £2.9 million (2015-16: £3.0 million) of licence, assessment, event and merchandise income in relation to the IIP business.

Application of resources received

- 2.29 Total expenditure incurred in the year was £7.0 million (2015-16: £25.0 million) of which;
- 16% (2015-16: 36%) was in the form of grant funding to employer-led partner bodies;
 - 55% (2015-16: 35%) was directly spent by UKCES on its delivery activities; and
 - 45% (2015-16: 21%) was used to fund the organisation's staff and organisational costs funded out of the administration budget including depreciation and amortisation.

Partner programme activity

- 2.30 Of the £1.1 million (2015-16: £9.1 million) spent in the year to fund employer-led partner bodies:
- Growth and Innovation Fund (GIF) projects in 2016-17 £nil (2015-16: £0.5 million) as all remaining GIF projects were completed in 2015-16;
 - The delivery of NOS, Apprenticeship frameworks or Scottish Vocational Qualifications transferred to SDS Scotland. This resulted in total expenditure for 2016-17 £nil (2015-16: £2.4 million);
 - £0.8 million of expenditure (2015-16: £2.4 million) was incurred in the year to support the funding of 25 projects under the Futures Programme which were completed this year; and
 - £0.4 million of expenditure (2015-16: £3.8 million) was incurred in the year to support the completion of the 5 remaining ELP's that were allocated funding through the Employer Ownership of Skills Pilot programme.
- 2.31 All funding programmes have specific guidelines and all applicants were subject to a formal process of assessment and approval. Contract and project delivery was closely monitored and reported by UKCES; informed by regular delivery progress updates from the funded organisations throughout the year.
- 2.32 The ELP contracts and budget were overseen by UKCES SMG with the Futures contracts and budget being overseen by the Objective 3 Delivery Group. Regular updates were provided throughout the year.

Direct programme spend activity

- 2.33 The budget available for UKCES programme activity was allocated to support the delivery of specific projects in line with the Business Plan priorities. The spend on each project compared to budget was monitored on a regular basis by objective deliverable leads, the Executive Directors, the Assistant Director with responsibility for Finance, and was overseen by SMG. The expenditure in this area of activity decreased to £3.9 million in 2016-17 (2015-16: £8.8 million). The decrease related primarily to the discontinuation of all programme activities during the year. In particular the contracts for the Employer Skills Survey, Employer Perspective Survey and LMI were transferred to DfE. There was a reduction in Research staff costs due to a significant number of Research staff leaving over the summer of 2016.

Organisational administration activity

- 2.34 45% (2015-16: 21%) of the total expenditure or £3.1 million (2015-16: £5.3 million) supports the administration costs of the organisation. This includes depreciation and excludes the redundancy provision.
- 2.35 Salary costs were £1.5 million lower in 2016-17 as a result of staff leaving during the year due to the closure of UKCES.
- 2.36 Non-pay costs reduced by £0.5 million in 2016-17 from £1.8 million in 2015-16. This was mainly as a consequence of the operational wind-down of the organisation and the departure of staff.
- 2.37 The organisational administration budget in the period was controlled at a functional level by budget managers. This was monitored on a regular basis by the Executive Directors, the Assistant Director with responsibility for Finance, and was overseen by the SMG until 28 October 2016. After 28 October 2016 responsibility transferred to the main Commission.

Organisational closure & going concern

- 2.38 Following the Government's announcement in the November 2015 spending review that Whitehall funding for UKCES would be withdrawn in 2016-17 UKCES commenced the process of closing the operation. This has resulted in research related activities for the Employer Skills Survey, Employer Perspective Survey and LMI being transferred to DfE and NOS activities transferred to SDS Scotland. The IIP division has been sold and all other UKCES activities have been discontinued. As a result, UKCES ceased trading operations on 31 March 2017. A limited number of staff were retained until 31 March 2017 to close the organisation, disposing of fixed assets and discharging liabilities. Any residual assets and liabilities have been transferred to the DfE through a business transfer agreement. The accounts as at the end of March 2017 reflect this and any cash remaining on 31 March 2017 has been reimbursed to the DfE.

Sale of the Investors in People business

- 2.39 Following an independent, third-party valuation, the IIP business was sold as a going concern on 31 January 2017 to Holdco and IIPCIC in return for deferred consideration of £1.2 million and 49% of the shares in the business. In March 2017 the shares and the outstanding balance of the deferred receivable were transferred to the DfE as part of for the business transfer agreement between UKCES and the DfE (see note 20).

Statement of Financial Position

- 2.40 At the end of March 2017, all residual UKCES assets and liabilities were transferred to DfE in line with the business transfer agreement. As a result, the

statement of financial position shows no assets or liabilities at the end of March 2017.

- 2.41 As at 31 March 2017 UKCES is reporting a general reserve of £nil million (2015-16: £4.1 million). This is because all assets and liabilities have either been sold during the year or were transferred to DfE at 31 March 2017. In 2015-16 the deficit was due to the grant-in aid funding to cover the net liability only being recognised in the accounts when it had been received. This was in line with the standard accounting treatment in respect to grant-in aid financing for NDPBs.

Payments to suppliers

- 2.42 UKCES endeavoured to pay suppliers as soon as possible after receipt and confirmation of a purchase invoice or claim, and within the guidelines required of government bodies. UKCES has paid 91.5% (2015 -16: 91.2%) of supplier invoices within 30 days of receipt.

Performance on other matters

Sustainability

- 2.43 UKCES as a Non-Departmental Public Body is required to report environmental sustainability performance unless an exemption has been granted. UKCES has been granted an exemption by the Cabinet Office as the overall environmental is considered to be low given it has a floor space less than 1,000m² and an average of 46 staff in the year 2016-17.

Jonathan Slater
Accounting Officer

15 June 2017

Julie Kenny CBE DL
Chair

12 June 2017

Accountability report

3. Corporate governance report

The Directors' report

Governance and decision making

- 3.1 The Commissioners are directors of the company and are responsible for the management of UKCES. At 31 March 2017 there were 10 directors, compared with 21 directors at 31 March 2016. The UKCES Commission continued to delegate its organisational oversight role to the SMG until 28 October 2016. The UKCES Commission took full responsibility for the completion of the transition of functions to other organisations and the closure of UKCES from 28 October 2016.
- 3.2 UKCES has a conflict of interest policy and its Register of Members Interests is regularly updated.
- 3.3 Further details of the organisation's governance groups and decision making are contained in the Governance Statement.

Commissioners

- 3.4 The commissioners that were in office during the year are listed below:

Name	Date left
Executive directors	
Ian Kinder	31/03/17
Julie Kenny CBE, DL (from 16 November 2016)	
Sir Charlie Mayfield	15/11/16
Jonathan Slater (from 1 April 2017)	
Non-executive directors	
Julie Kenny CBE, DL	15/11/16
Grahame Smith	10/12/16
Jeremy Anderson CBE	10/12/16
Liz Sayce OBE	10/06/16
Valerie Todd CBE	25/10/16
Nigel Whitehead CBE, FREng	

Name	Date left
Sean Taggart	27/02/17
Seyi Obakin	
Paul McKelvie OBE	
Scott Waddington	
Gail Cartmail	
Toby Peyton-Jones	
Scott Johnson	10/01/17
Frances O'Grady	
Barbara Spicer CBE	01/09/16
Douglas McCormick	01/09/16
Dame Fiona Kendrick	01/09/16
Will Butler-Adams OBE	01/09/16
Mark Huddleston	

3.5 The Commissioners will cease to have any responsibility for UKCES once the organisation has been struck off the companies register.

Company Secretary

3.6 Sarah Beal served as company secretary until 23 December 2016. Field Fisher, will support the Commission through the final strike off period.

Company Incorporation details

3.7 The UK Commission for Employment and Skills is a company limited by guarantee and was incorporated on 13 November 2007. Under Clause 5 of the Memorandum of Association all members undertake to contribute to the company such an amount as may be required, not exceeding £1, in the event of it being wound up during the period of membership or within one year afterwards. UKCES is an executive Non Departmental Public Body (NDPB) jointly sponsored by the DfE, the Department for Employment and Learning Northern Ireland, the Scottish Government, and the Welsh Government.

Other company details

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

Bankers: Royal Bank of Scotland plc,
Government Banking CST,
280 Bishopgate,
London.
EC2M 4RB

Auditors: Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria,
London,
SW1W

Solicitors Field Fisher
Riverbank House
2 Swan Lane
London
EC4R 3TT

Audit remuneration

3.8 Under the Government Resources and Accounts Act 2000 (Audit of non-profit-making Companies) Order 2009, which came into force on 4 March 2009, the Comptroller and Auditor General is required to audit UKCES' accounts for the year ended 31 March 2017. An amount of £38,000 (2015-2016: £36,000) has been provided for audit fees. The National Audit Office (NAO) has not carried out any other paid work for UKCES in 2016-17.

Governance Statement

Scope of responsibility

- 3.9 It is recognised that it is the responsibility of the Accounting Officer, to ensure that there is a sound system of governance and internal control; and that the business of the UKCES is conducted in accordance with *Managing Public Money* to ensure public money is safeguarded and properly accounted for and used economically, efficiently and effectively.
- 3.10 Jonathan Slater was appointed as a Director and Accounting Officer (AO) with effect from 1 April 2017 when Ian Kinder left office. Ian Kinder provided Jonathan Slater with a letter of assurance relating to governance arrangements up to and including 31 March 2017.

The purpose of the governance statement

- 3.11 The Governance Statement, for which the AO takes personal responsibility, aims to provide a clear understanding of the dynamics of the business and its control structure. Essentially, it supplements the accounts by recording the stewardship of the organisation to provide a sense of how the organisation's performance has been controlled; and of how successfully it has coped with the challenge it faces. In doing this, the AO is supported by a governance framework which includes the UK Commission, its sub-groups and the relationship with the Executive.
- 3.12 This statement explains how the organisation has complied with the principles of good governance and reviews the effectiveness of these arrangements.

The role of commissioners

- 3.13 Commissioners are directors of the company and are responsible for the management of UKCES. At 31 March 2017 there were 10 directors, compared with 21 directors at 31 March 2016. UKCES has delegated its organisational oversight role to SMG.
- 3.14 Commissioners bring the inspirational leadership that drives UKCES's agenda. They are supported by the CEO and have an active role in delivering UKCES's remit to achieve maximum impact.
- 3.15 The UKCES Commissioner Leadership model means that Commissioners are outward facing and 'hands on'. They are focused on outcomes and impact. Through their existing positions they bring independence and credibility and access to a whole range of important networks. Commissioners:

- provide strategic leadership and work closely with the Executive to deliver priorities and objectives;
- bring an informed Commissioner perspective to enable greater challenge;
- are the voice of UKCES on relevant issues by speaking publicly on relevant topics and support the Chair in taking a lead role in meetings with Ministers on UKCES priorities;
- use their position, credibility and networks to persuade employers and others of the importance of skills in supporting enterprise, jobs and growth;
- work with staff to 'road-test' materials, advice or ideas/initiatives; and
- have focussed this year on overseeing the transition of agreed functions out of UKCES and the closure of the organisation.

Governance structure and decision making

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

3.17 The governance arrangements are comprised of:

- Formal Governance Groups – these groups provide assurance, challenge and control to the Commission and comprise the SMG; the Audit and Risk Group (ARG) and the Research Group (RG); and
- Objective Delivery Groups – these groups focus on delivery and reflect the Business Plan objectives. The Objective Delivery Groups for the UK Futures Programme and IIP continued up to different points during the year to finalise the work in these areas. The Groups have direct line of sight back to the Commission.

The Formal Governance Groups are as follows:

SMG

3.18 The SMG met six times during this year. With responsibility for:

- overseeing the operation of UKCES;
- advising on the performance of the organisation against business objectives;
- the effective management of resources;
- coordinating and monitoring delivery and strategic impact; and
- ensuring that the necessary cross cutting work programmes are in place to enable UKCES to carry out its role effectively.

- decisions regarding remuneration;
 - supporting the Chair to make recommendations to the Secretary of State concerning the appointment or re-appointment of Commissioners and the appointment and removal of the CEO.
 - approving the business plan, budgets and annual report and accounts.
- 3.19 Membership of SMG consists of not less than five Commissioners plus the CEO, with a quorum of three. The chair of the Commission attends meetings as appropriate in an ex-officio capacity. Membership includes appropriate representation from the Commission's Objectives and the Audit and Risk Group.
- 3.20 SMG oversaw the transition of functions from UKCES and the closure of the organisation until 28 October 2016 when it met for the final time. All formal decision making reverted back to the UKCES Commission from this point.

The Audit and Risk Group

- 3.21 The Audit and Risk Group met three times in 2016-17, in accordance with best practice. Its purpose is to :
- support the directors in discharging their responsibilities in relation to issues of risk, control and governance, and of associated assurances; and
 - provide assurance to the Commission in the form of an Audit and Risk Group Annual Report.
- 3.22 The membership consists of not less than three Commissioners, with a quorum of two. The Chair of the Commission cannot be a member of this group. Membership includes a Commissioner who is also a member of SMG, the CEO, the Executive Director and the Assistant Director. A representative from Internal and External Audit ordinarily attend meetings.
- 3.23 The Group met for the final time on 9 November 2016, from this point all formal decision making regarding the annual report and accounts and other audit activity passed to the UKCES Commission.

The Objective Delivery Groups are as follows

- 3.24 Membership of the following groups consists of Individual Commissioners who are appointed to take the lead on each one of the two UKCES objectives. They are supported by a team of consisting of other Commissioners who contribute towards the development and delivery of the objective.

Objective Delivery Group 3

3.25 Objective Delivery Group 3 is responsible for;

- the oversight of the performance of the UK Futures Programme;
- challenging and scrutinising performance within the programme; and
- making recommendations to the UK Commission in respect of strategy pertaining to the Programme.

3.26 It has been delegated authority to:

- make investment decisions and variations on behalf of the Commission in accordance with allocated funding;
- monitor delivery and impact of the decisions made;
- ensure that the programme continuously learns about effectiveness and what works;
- advise Commissioners on how the programme can be used to maximise their contribution to the Commission's overall aims; and
- to delivering informed policy and practice insights.

3.27 The Group met once in July 2016 to agree and finalise the closure of the UK Futures Programme at which point its responsibility as a group ceased.

The IIP Board

3.28 The IIP Board is responsible for:

- driving, leading and overseeing the development of appropriate activity resulting in the achievement of deliverables contained within the IIP strand of the Business Plan; and
- agreeing the IIP strategy ensuring that it supports the wider goals and objectives of UKCES.

3.29 The membership consists of not less than five Commissioners, with a quorum of three. The CEO, members of the Executive Leadership Team or other staff attend or provide information as directed. The Chair may attend meetings in an ex-officio capacity.

3.30 The IIP Board met 5 times between May and October 2016 to support the cycle of business and the transition of this function out of UKCES.

3.31 Following the decision by government to sell the majority stake of IIP to the IIPCIC, Valerie Todd stepped down as Chair of the IIP Board and as a

Commissioner on 25 October 2016 in order to become a Director of IIPCIC. She had no further part in UKCES decision making from the point of her resignation.

- 3.32 The Group was formally dissolved on 28 October 2016 with the Commission taking back responsibility for the oversight of the IIP business from this point, until the point of sale.
- 3.33 The Commission has adopted a complementary Scheme of Delegation to provide these groups with appropriate decision making powers. The Scheme of Delegation set out those powers delegated to the CEO and Executive Directors.

Governance from November 2016

- 3.34 The UKCES Commission delegated its organisational oversight role to the SMG until 28 October 2016, taking back full responsibility for the completion of the transition of functions to other organisations and the closure of UKCES from this point onwards.
- 3.35 Sir Charlie Mayfield stepped down as Chair on 15 November 2016 at the end of his term of office. Julie Kenny CBE DL took over as Chair on 16 November 2016.
- 3.36 Ian Kinder stepped down as CEO and AO on 31 March 2017 and handed over the role of AO to Jonathan Slater from 1 April 2017.
- 3.37 At the date of his departure Ian Kinder provided a letter of assurance in relation to governance arrangements to Jonathan Slater.

Post dissolution

- 3.38 The UKCES Commission will stay in place to complete the closure and strike off of UKCES. The Articles of Association were amended in December 2016 to enable a quorum of sufficient Commissioners to remain in place to fulfil this duty.

Board performance and effectiveness

- 3.39 During 2016-17:
- The Commission met three times and achieved 61% group attendance
 - The SMG met six times and achieved 73% group attendance
 - The ARG met three times and achieved 72% group attendance
 - Objective Delivery Group 3 met once and achieved 80% attendance
 - The IIP Board met five times and achieved 75% attendance

- 3.40 During the year the ARG monitored and reviewed the one internal audit review in respect of UKCES's transition and closure planning. As well as providing assurance to the SMG in relation to the annual report and accounts for 2015-16.
- 3.41 The SMG had oversight of the performance and operations of the business through reviews and challenge of the quarterly performance management reports; governance processes, Commissioner re-appointments; procurement approvals; pay and bonus award; resourcing and strategic risks; as well as approving the annual report and accounts for 2015-16 and the business plan for 2016-17 on behalf of the Commission.

Quality of data/information provided to the Commission:

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

How the organisation manages and assesses its Risks

- 3.43 UKCES, with the support of the SMG, leads effective risk management by agreeing the organisation's direction, focus and risk appetite. The risk management approach is defined and embedded via a formal Risk Management Policy and Process Guide which defines the risk appetite and how the risks are assessed in terms of impact and likelihood. The appetite is designed to identify and prioritise the risks to the achievement of UKCES's objectives and is determined according to the categorisation of risk impact. It details the risk appetite for that category and gives guidance on the highest level of risk acceptable for that category of impact. This policy was reviewed and updated in 2015 and was reviewed and approved by both ARG and SMG.
- 3.44 The risk management process supports an overall strategic risk register, along with operational risk registers.
- 3.45 UKCES delegated the oversight of the organisation's risks to:
- The SMG met until 28 October 2016 and had responsibility for overseeing, on a quarterly basis, the management of risks within the strategic risk register; escalating business plan objective risks from the operational risk registers; and proposed any changes to the risk management policy.
 - The ARG met until 9 November 2016 and provided assurance over controls and management of the system of risk management. The ARG took a thematic approach to the review of the organisation's top strategic risks, mitigations and assurance to ensure that the key risks were reviewed in a more

in-depth, holistic manner. The ARG had formal responsibility for approving any changes to the risk policy and process.

3.46 These responsibilities passed to the UKCES Commission from 28 October 2016.

Significant risks in 2016-17 and mitigating actions

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

- Government departmental changes and delays in decision making during the course of the year impacted on the ability to deliver a final closure of UKCES within the expected timelines. The changes included a machinery of government change which resulted in a change in government department sponsorship and new ministerial appointments which impacted on the decision making around the future of IIP and other functions. The impact of this was that the closure of UKCES took longer than originally anticipated and incurred more cost. We mitigated this impact through close working with government officials through a transition project board; a jointly agreed project plan; and ensuring that government was fully briefed on the detail and options on each key UKCES function (including NOS, research products and IIP) to help inform effective decision making and action.
- Following the decision by DfE to approve the sale of the IIP business to a new not-for-profit entity in December 2016, there was then a risk that the new entity would not be operational in time to enable the transfer of the business to take place by 31 January 2017. This could have resulted in a further delay to UKCES's closure.
- Through the year there was the risk that we did not have sufficient staff with the right skills and/or that they were sufficiently motivated to close UKCES and transition IIP effectively. This was compounded by the fact that the exact date of the closure could not be accurately determined due to delays in government decision making in relation to the transfer of functions. To help mitigate this risk key personnel with the right skills and experience were identified from existing staff and were incentivised to remain. Where gaps were identified approval was received from government to bring in contractors and external suppliers with the relevant experience.

Data security

3.48 All data is held centrally on a server and laptop hard drives are encrypted and adequately protected with Becrypt (level 3 security encryption endorsed by Communications-Electronics Security Group (CESG)). There have been no lapses of data security during the last year and there have been no personal data-related incidents in the last year.

Transparency

3.49 UKCES has followed the Cabinet Office data publishing requirements in relation to the Government's data transparency agenda and has gained assurance that activities and controls in this area are operating sufficiently effectively as part of the internal audit reviews carried out in 2014-15.

Review of effectiveness

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

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

- our internal auditors through their delivery of their audit of the UKCES transition and closure process.
- comments made by the external auditor in its management letters in June 2016, January 2017 and March 2017.
- other reports where relevant

3.52 UKCES Commission obtained assurance that suitable controls were in place through assurance provided from a number of sources including:

- the outcome of the internal audit review on the on the governance and processes being used to support the transition of functions out of UKCES and the closure of the organisation;
- annual external audit feedback; and
- relevant feedback from the Executive team.

- 3.53 The internal audit opinion was that on the basis of their audit work, they consider that UKCES's governance, risk management and internal control arrangements are generally adequate and effective. They have also provided assurance on the governance and processes being used to support the transition of functions out of UKCES and the closure of the organisation.
- 3.54 This Governance Statement represents the end product of the review of the effectiveness of the governance framework, risk management and internal control.
- 3.55 There have been no significant governance or internal control issues raised during the financial year, nor has there been any material financial loss reported.
- 3.56 I have been advised on the implications of the result of the review of the effectiveness of the system of governance including internal control and risk management by the ARG and the UKCES Commission.
- 3.57 I have taken assurance from Ian Kinder's (previously the CEO and AO) letter dated 31 March 2017, which details the effectiveness of the governance, risk management and internal control at the end of March 2017.
- 3.58 I have considered the evidence provided with regard to the production of the Annual Governance Statement. The conclusion of the review is that there is a sound system of governance and internal control; and that the UKCES business has been conducted in accordance with *Managing Public Money*.

Jonathan Slater
Accounting Officer

15 June 2017

Statement of Accounting Officer and Chair's responsibilities

- 3.59 The directors and CEO are responsible for preparing the Performance Report and the accounts in accordance with applicable law and regulations.
- 3.60 Company law requires the directors to prepare accounts for each financial year. Under the Framework Agreement with the DfE, they are required to follow the principles of HM Treasury's *Financial Reporting Manual 2016-17* (FReM). Consequently, they have elected under the *Companies Act 2006* to prepare the accounts in accordance with IFRS as adopted by the EU and applicable law and to provide the additional disclosures required by the FReM where these go beyond the requirements of the *Companies Act 2006*.
- 3.61 Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the surplus or deficit of UKCES for that period. In preparing those accounts the directors are required to:
- Select suitable accounting policies and then apply them consistently;
 - Make judgments and estimates that are reasonable and prudent;
 - State whether applicable accounting standards as set out in the FReM have been followed, subject to any material departures disclosed and explained in the accounts; and
 - Prepare the accounts on the going concern basis, unless it is inappropriate to presume that UKCES will continue in operation.
- 3.62 The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the *Companies Act 2006* and the FReM. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities
- 3.63 Under the *Government Resources and Accounts Act 2000*, HM Treasury has directed the UKCES to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Agency and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

- 3.64 In preparing the accounts, the Accounting Officer is required to comply with the requirements of the FReM 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 FReM have been followed and disclose and explain any material departures; and
 - prepare the accounts on a going concern basis.
- 3.65 The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Agency's assets, are set out in *Managing Public Money*.
- 3.66 As Accounting Officer, I confirm that:
- there is no relevant audit information of which the auditor is unaware;
 - I have taken all the steps that I ought to in order to ensure that I am aware of relevant audit information;
 - I have taken all the steps that I ought to in order to establish the Agency's auditor is aware of the information.
- 3.67 I confirm that the annual report and accounts as a whole is fair, balanced and understandable and I take personal responsibility for the annual report and accounts and the judgements required for determining so.

4. Remuneration and staff report

Board responsibility for remuneration

- 4.1 Remuneration was overseen by the SMG until 28 October 2016, whose members during the year were as follows:
- Julie Kenny CBE DL (Chair),
 - Grahame Smith,
 - Jeremy Anderson CBE,
 - Paul McKelvie OBE, and
 - Sean Taggart.
- In addition, Sir Charlie Mayfield could have attended this group in his ex-officio capacity as Chair.
- 4.2 From 29 October 2016, following the disbanding of the SMG, the Commission took on responsibility for the oversight of remuneration.

Executive director remuneration policy

- 4.3 The pay strategy is based on remuneration principles which are designed to:
- Make a significant contribution to the continuous improvement and success of UKCES; develop a close link between reward and business strategy;
 - Improve the recruitment and retention of high calibre staff; reward staff appropriately for their contribution;
 - Provide incentives for improved performance;
 - Assist in the identification of development needs; and
 - Provide an affordable framework that satisfies the needs of the business and the requirements of DfE under the delegated pay guidelines.
- 4.4 The pay strategy for the CEO and Executive Directors is the same as for all permanent staff. The CEO's pay arrangements were approved by the Department for Business, Energy and Industrial Strategy (BEIS) with input from the Commission's Chair and SMG within the context of government guidance. Ian Kinder's CEO pay package includes a non-pensionable performance related pay element in the band £10,000-£15,000. The Commission approved this award in respect of 2015-16. There will be £nil non-pensionable performance related pay element in 2016-17 due to the closure of the business.

Senior staff employment policy

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

Part 1: audited information**Remuneration (salary, bonuses and pensions)**

4.6 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 following table shows this information for UKCES

	2016-17					2015-16				
	Salary £000	Bonus £000	Pension benefits £	Voluntary Exit £000	Total £000	Salary £000	Bonus £000	Pension benefits £	Voluntary Exit £000	Total £000
Executive directors										
Sir Charlie Mayfield ¹ (until 15 November 2016)	10-15	-	-	-	10-15	35-40	-	-	-	35-40
Michael Davis (until 20 February 2016)	-	-	-	-	-	115-120	-	45-50	-	165-170
Julie Kenny CBE DL (from 16 November 2016)	10-15	-	-	-	10-15	-	-	-	-	-
Ian Kinder ² (from 1 March 2016)	120-125	10-15	330-335	90-95	560-565	85-90	0-5	50-55	-	140-145
Simon Perryman (until 30 April 2015)	-	-	-	-	-	5-10	-	15-20	-	25-30
Non executive director										
Deirde Hughes OBE (until 10 August 2016)	-	-	-	-	-	0-5	-	0-5	-	0-5
Scott Johnson (until 10 January 2017)	0-5	-	0-5	-	0-5	0-5	-	0-5	-	0-5
Seyi Obakin	0-5	-	0-5	-	0-5	0-5	-	0-5	-	0-5
Liz Sayce OBE ³ (until 10 June 2016)	-	-	-	-	-	5-10	-	-	-	5-10

1. The figure represents the amount paid to the John Lewis Partnership for making available his services as Chair of UKCES. The fee for the period of 2016-17 that he was in post was £10.6k plus VAT (£32k plus VAT in 2015-16).
2. Ian Kinder's annual salary as Chief Executive is £120k with a discretionary performance bonus of £11.5k.
3. Represents the amount paid to Disability Rights UK for making available her services as a Non-Executive Director to UKCES in 2015-16, there were no payments in respect of service for 2016-17.

Salary

- 4.7 '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 UKCES and thus recorded in these accounts

Benefits-in-kind

- 4.8 The monetary value of benefits-in-kind covers any benefits provided by the Agency and treated by HM Revenue and Customs as a taxable emolument. No board members received any benefits-in-kind.

Non-consolidated performance awards

- 4.9 UKCES awards bonuses as part of the performance management process. The UKCES sees effective performance management as key to driving up individual and organisational performance and providing greater value for money to deliver high-quality public services. Bonuses relate to the performance in the year prior to that in which they become payable to the individual. The bonuses reported in 2016-17 relate to the performance in 2015-16 and the comparative bonuses reported for 2015-16 relate to the performance in 2014-15. Only the amounts reported under the bonus pay column are based on employee performance, all other amounts are fixed salaries per individual contracts

Accrued pension benefits

- 4.10 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.

Fair pay disclosure

- 4.11 The Hutton fair pay disclosure for UKCES is as follows:

	2016-17	2015-16
Band of highest paid director's total remuneration (£000)	130-135	125-130
Median total remuneration (£000)	32.1	36.0
Ratio	4.1	3.5

- 4.12 In 2016-17, no employees (2015-16: nil) received remuneration in excess of the highest-paid director. Remuneration ranged from £24,930 and £131,586 (2015-16: £14,400 and £128,500).

- 4.13 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.

Pension benefits

Civil Service pensions

- 4.14 UKCES staff are members of the Principal Civil Service Pension Scheme (PCSPS) which provide pension benefits. The Department's annual report and accounts provide information on these arrangements, so we do not reproduce them here. Readers can find details on the PCSPS at the [civil service pensions' website](#)⁶.

	Accrued pension and related lump sum at pension age as at 31/03/2017 £000	Real increase in pension (and related lump sum) at pension age £000	CETV at 31/03/2017 £000	CETV at 31/03/2016 ² £000	Real increase in CETV £000	Employer contribution to partnership pension account £000
Executive directors						
Sir Charlie Mayfield ¹	-	-	-	-	-	-
Julie Kenny CBE DL ²	-	-	-	-	-	-
Michael Davis	-	-	-	189	-	-
Ian Kinder	70-75	15-17.5	1,464	1,082	332	-
Simon Perryman	-	-	-	1,153	-	-
Non-executive director						
Dierdre Hughes OBE	-	-	-	2	-	-
Scott Johnson	0-5	0-2.5	2	2	0	-
Seyi Obakin	0-5	0-2.5	4	2	1	-

- 1 The factors used to calculate the CETV were reviewed by the scheme actuary in 2015, so the tables of factors used to calculate the CETV in 2015 are not the same as those used to calculate the CETV in 2016. Taking account of inflation, the CETV funded by the employer has decreased in real terms
- 2 Julie Kenny CBE DL was appointed as Chair on 16 November 2016 when Sir Charlie Mayfield completed his term of office.

⁶ <http://www.civilservicepensionscheme.org.uk>

Civil Service Pensions

- 4.15 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 four 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.
- 4.16 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).
- 4.17 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 updated 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.

- 4.18 The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (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 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).
- 4.19 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.)
- 4.20 Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk.

Cash equivalent transfer values

- 4.21 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.

- 4.22 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.

The real increase in the value of the CETV

- 4.23 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

- 4.24 Sixty staff have left under voluntary exit terms in 2016-17, seven of which left on 31 March 2017. They received compensation in lieu of notice of £1.6 million which was provided for in 2015-16 and paid during 2016-17. Ian Kinder left under voluntary exit terms on 31 March 2017 and received a compensation payment of £90,000 - £95,000.
- 4.25 There were no payments made to former directors which require to be disclosed.

Staff report

- 4.26 UKCES is committed to equality of opportunity in its employment practices and policies. We do not discriminate for any reason against any of our staff or potential staff, and we would not tolerate such discrimination.
- 4.27 The decision in the November 2015 Autumn Statement, where the government announced that Whitehall departments would be withdrawing funding from UKCES during 2016-17, naturally had significant implications for staff. As a result of the announcement, all staff apart from those in the IIP team, were put at risk of redundancy. Meaningful consultation took place over several months with the Employee Partnership Forum, a group comprised of Trade Union and elected employee representatives. The outcome of consultation confirmed that the redundancies would proceed as initially proposed and, in turn, staff who did not move with functions that transferred to other bodies left under a voluntary redundancy or voluntary exit scheme in 2016-17.

- 4.28 All staff who were made redundant agreed to depart under voluntary terms and were offered outplacement support to help transition into new roles. Most staff departed in the summer of 2016 once their respective work had been completed. Those staff supporting NOS took voluntary redundancy following the transfer of the function to Skills Development Scotland in November. The transfer of some of the research functions from UKCES to DfE in October resulted in 2 staff transferring under TUPE to DfE. The sale of the IIP function at the end of January 2017 resulted in 21 staff transferring under TUPE to IIPCIC. A final contingent of corporate services permanent staff and contractors managed the final stages of UKCES's closure and handover to DfE and left on 31 March 2017 at the point that their work was completed. Given the uncertain timing of when the businesses would be disposed of, the closure staff with permanent contracts, with the exception of the CEO, were offered compensation in lieu of notice the terms of which was agreed with the Cabinet Office & HM Treasury.
- 4.29 Recognising the circumstances, UKCES employees have displayed the utmost resilience, flexibility and professionalism throughout an understandably difficult & uncertain period.

Staff costs

	2016-17 £000	2015-16 £000
Wages and salaries	2,324	4,161
Social security costs	204	369
Pension costs	382	799
Inward secondees and temporary staff & contractors	200	211
	3,110	5,540
Less recoveries in respect of outward secondments	(1,383)	(2,303)
	1,727	3,237

These figures exclude voluntary redundancy/exit costs & and compensation in lieu of notice costs paid in the year totaling £1.6m. These were provided for in 2015-16's accounts. See note 14

Pension contributions

Principal Civil Service Pension Scheme (PCSPS)

- 4.30 Staff are registered under the Principal Civil Service Pension Scheme (PCSPS).
- 4.31 The PCSPS is an unfunded multi-employer defined benefit scheme. Contributions on a "pay as you go" basis are credited to the exchequer under arrangements governed by the *Superannuation Act 1972*. The company is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the company has accounted for its contributions as if it were a defined contribution scheme. The pensions cost is assessed every four years in accordance with the

advice of the Government actuary. For 2016-17 employers' contributions of £406,000 were payable to the PCSPS (2015-16: £769,000) at one of four rates in the range of 20% to 24.5% (2015-16: 20% to 24.5%) of pensionable pay, based on salary bands.

4.32 Further information can be obtained from [Civil Service Pensions](#) .

Partnership Pension Account

4.33 Employees can opt to open a partnership account, a stakeholder pension with an employer contribution. The employer contributions are age related and range from 3% to 12.5% (2015-16: 8% to 14.75%) of pensionable pay. In addition, the employer matches any employee contributions up to 3% of pensionable pay.

4.34 Total contributions to the scheme in the year were £22,000 (2015-16: £30,000).

Senior Civil service staff

Salary Band	2016-17	2015-16
£70,001-£80,000	-	3
£110,001-£120,000	1	1
	1	4

Average number of persons employed

	2016-17 Number	2015-16 Number
CEO	1	1
Permanent staff ¹	33	85
Fixed term staff with terms of less than 2 years ²	8	8
Apprentices, graduate interns and trainees ³	2	13
Agency Staff	2	3
	46	110

¹ Excludes apprentices.

² Excludes graduates.

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

Staff exit packages

Exit package cost band	Total number of exit packages	
	2016-17	2015-16
<£10,000	21	-
£10,001 - £25,000	15	-
£25,001 - £50,000	15	-
£50,001 - £100,000	9	-
Total number of exit packages	60	-
Total cost (£000)	1,601	-

- 4.35 Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the *Superannuation Act 1972*. Exit costs are accounted for at the point when the exit has been agreed by both UKCES and the member of staff.
- 4.36 As at 31 March 2016, there were no staff exits agreed but these were expected to be agreed & paid in 2016-17 so a provision of £2.0 million was included in the 2015-16 accounts. The total cost of the voluntary redundancy & exit payments & compensation in lieu of notice payments agreed and paid in 2016-17 was £1.6 million.
- 4.37 Where UKCES has agreed early retirements, the additional costs have been met by UKCES and not by the Civil Service Pension Scheme. Ill-health retirement costs are met by the pension scheme and are not included in the tables.

Part 2: unaudited information

Employment opportunities, training and development of disabled employees

- 4.38 Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retain them and adjustments made to work and or facilities where reasonably practicable and as appropriate in order that their employment with the company can continue.
- 4.39 It is the policy of UKCES that training, career development and promotion opportunities should be available to all employees.

Diversity and equality policy statement

- 4.40 UKCES values individual difference and believes that a diversity of backgrounds within the workforce brings a variety of ideas and experience that create a productive work environment, helping to ensure that key business objectives are met. As a modern employer UKCES is committed to equality of opportunity in all its employment practices, policies and procedures.
- 4.41 In meeting its commitment to promoting diversity and equality of opportunity, UKCES will combat unlawful and unfair discrimination. Our policy therefore is that everyone should be treated fairly and without discrimination in relation to their human rights regardless of race, ethnicity, gender, disability, sexual orientation, gender reassignment, age, marital status, religion or similar belief, trade union membership, national or social origin

Number of permanent staff at 31 March 2017

Grade	Male	Female	Total
Director	1	-	1
Deputy Director	1	-	1
Grade 7	1	-	1
Higher Executive Officer	-	2	2
Executive Officer	1	2	3
	4	4	8

Sickness absence

- 4.42 During the year UKCES had 232.5 days (2015-16: 596.5 days) of absence from work due to sickness. Of this, 121 days related to 2 members of staff on long-term sick leave during the period (2015-16: 345 days related to 7 staff on long-term sick leave during the period).

Review of tax arrangements of public sector appointees

- 4.43 As part of the *Review of Tax Arrangements of Public Sector Appointees* published by the Chief Secretary to the Treasury on 23 May 2012, departments were directed to publish: information pertaining to the number of off-payroll engagements, at a cost of over £58,200 that were in place on, or after, 31 January 2012; and any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility.

Off-payroll engagements

- 4.44 There were no off-payroll engagements as of 31 March 2016 for more than £220 per day and that last longer than 6 months.

5. Parliamentary accountability and audit report

Part 1: audited information

Losses and special payments

- 5.1 There were no losses or special payments in the year to 31 March 2017 (31 March 2016: £nil).

Contingent and remote contingent liabilities

- 5.2 There were no contingent or remote contingent liabilities in the year to 31 March 2017 (31 March 2016: £nil).

Part 2: unaudited information

Auditor's remuneration

- 5.3 Under the *Government Resources and Accounts Act 2000* (Audit of non-profit-making Companies) Order 2009, which came into force on 4 March 2009, the Comptroller and Auditor General is required to audit UKCES' accounts for the year ended 31 March 2017. An amount of £38,000 (2015-2016: £36,000) has been provided for audit fees. The NAO has not carried out any other paid work for UKCES in 2016-17.

Jonathan Slater
Accounting Officer

15 June 2017

The certificate of the Comptroller and Auditor General to the House of Commons

Registered Company number 06425800

I certify that I have audited the financial statements of the UK Commission for Employment and Skills for the year ended 31 March 2017 under the Government Resources and Accounts Act 2000. The financial statements comprise the Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union. I have also audited the information in the Remuneration and Staff Report and the Parliamentary Accountability Disclosures that are described in those reports and disclosures as having been audited.

Respective responsibilities of the directors and the auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the UK Commission for Employment and Skills circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made UK Commission for Employment and Skills; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the UK Commission for Employment and Skills affairs as at 31 March 2017 and of its net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by European Union; and
- the financial statements have been prepared in accordance with the Companies Act 2006.

Emphasis of Matter

Without qualifying my opinion, I draw attention to the disclosures made in Note 1.2 to the financial statements concerning the management's decision to apply a basis other than going concern in the preparation of the financial statements. This was made following the announcement made by Government in the November 2015 Spending Review that Whitehall funding for UK Commission for Employment and Skills will be withdrawn in 2016-17. As a consequence, the management took a decision to cease trading UK Commission for Employment and Skills, with some functions of the entity transferring to other parts of the public sector and one part of the entity being sold. Details of the impact of this on the financial statements are provided in Note 1.2 to the financial statements.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report and Staff Report and Parliamentary Accountability Disclosures to be audited has been properly prepared in accordance with the Government Financial Reporting Manual; 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 and Staff Report and the 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

19 June 2017

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

Accounts

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2017

	Note	2016-17 Total £000	2015-16 Total £000
Income			
Other grants and income	2	(2,901)	(3,001)
Total operating income		(2,901)	(3,001)
Expenditure			
Partner programme funding	4	1,144	9,101
Direct programme Spend	5	3,881	8,752
Staff costs	6	1,727	3,237
Non-pay admin costs	7	1,281	1,796
Depreciation and amortisation		139	225
Redundancy provision	14	(404)	2,005
Profit on disposal of IIP	15	(860)	-
Loss on disposal of UKCES Fixed Assets	8	54	-
Total operating expenditure		6,962	25,116
Net expenditure for the year before tax		4,061	22,115
Corporation tax		163	-
Comprehensive net expenditure for the year after tax		4,224	22,115

In selling the IIP division a gain of £860,000 has been recognised. UKCES paid £163,000 in tax on this chargeable gain. All other UKCES fixed assets were sold resulting in a loss of £54,000.

UKCES is no longer a going concern and has been wound up on 31 March 2017. The accounts reflect this with all fixed assets disposed of and all liabilities discharged. Any cash remaining on 31 March 2017 has been transferred to DfE.

The notes on pages 50 to 66 form part of these accounts.

Statement of Financial Position

as at 31 March 2017

	Note	2017 £000	2016 £000
Non-current assets			
Property, plant and equipment	8	-	55
Intangible assets	8	-	238
Total non-current assets		-	293
Current assets			
Inventory	10	-	77
Trade and other receivables	11	-	929
Cash and cash equivalents	12	-	571
Total current assets		-	1,577
Total assets		-	1,870
Current liabilities			
Trade and other payables	13	-	(3,994)
Total current liabilities		-	(3,994)
Provisions for liabilities and charges	14	-	(2,005)
Total assets less total liabilities		-	(4,129)
Taxpayers' equity			
General fund		-	(4,129)
Total taxpayers' equity		-	(4,129)

All assets and liabilities were transferred to DfE on 31 March 2017. See note 20.

The accounts were approved by the Commission on 12 June 2017.

Jonathan Slater
Accounting Officer

15 June 2017

The notes on pages 50 to 66 form part of these accounts.

Statement of Cash Flows

for the year ended 31 March 2017

	Note	2016-17 £000	2015-16 £000
Cash flows from operating activities			
Net operating cost		(4,224)	(22,115)
Adjustment for non-cash transactions			
Depreciation and amortisation	8	139	225
Profit on sale of IIP	15	(860)	-
Loss on disposal	8	54	-
(Decrease)/increase in redundancy provision	14	(2,005)	2,005
Stock write-off		-	(13)
Decrease/(increase) in inventory	10	77	(60)
Decrease/(increase) in receivables	11	929	(591)
Decrease in payables	13	(3,994)	(6,459)
Net cash outflow from operating activities		(9,884)	(27,008)
Cash flows from financing activities			
Purchase of tangible fixed assets		-	(29)
Purchase of intangible assets	8	(86)	(159)
Sale of IIP	15	(1,760)	-
Sale of Non-current assets	8	186	-
Transfer of net assets to DfE	20	(191)	-
Net cash inflow from investing activities		(1,851)	(188)
Receipt of grant-in aid funding	3	11,164	27,756
Net (decrease)/increase in cash and cash equivalents		(571)	11
Cash and cash equivalents at beginning of year	12	571	560
Cash and cash equivalents at end of year		-	571

The notes on pages 50 to 66 form part of these accounts.

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2017

	Note	General Fund £000
Balance at 1 April 2015		(9,758)
Grant in aid Financing	3	27,757
Comprehensive expenditure for the year		(22,115)
Non-cash adjustments:		
Write off revaluation reserve		(13)
Balance at 31 March 2016		(4,129)
Grant in aid financing	3	11,164
Comprehensive expenditure for the year		(4,224)
Transfer of assets to DfE	20	(2,811)
Balance at 31 March 2017		-

The notes on pages 50 to 66 form part of these accounts.

Notes to the Accounts

1. Accounting policies

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

The UKCES is an executive NDPB incorporated as a company limited by guarantee.

To comply with statutory requirements, these accounts have also been prepared in accordance with the *Companies Act 2006* and follow the principles in the FReM) where these do not conflict with the Companies Act and the requirements of IFRS adopted by the EU.

So far as appropriate the accounts meet the requirements stipulated by the Framework Agreement from the DfE which is the lead sponsoring department.

The accounting policies contained in the FReM apply IFRS as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the UK Commission for the purpose of giving a true and fair view has been selected. The particular accounting policies adopted are described below. They have been consistently applied in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention.

1.2 Going concern

Following the Government's announcement in the November 2015 spending review that Whitehall funding for UKCES was to be withdrawn in 2016-17, UKCES have been in the process of closing the operation. This has resulted in research related activities for the Employer Skills Survey, Employer Perspective Survey and Labour Market Information for all being transferred to DfE. The National Occupational Standards activities have been transferred to Skills Development Scotland. The IIP division was sold on 31 January 2017 to IIPCIC, all other UKCES activities have been discontinued.

1. Accounting policies (continued)

1.2 Going concern (continued)

UKCES ceased trading on 31 March 2017. UKCES is not a going concern and will be struck off during 2017 following the required period of dormancy. The accounts reflect the

fact that it is not a going concern with all fixed assets disposed of and all liabilities discharged.

1.3 Key accounting estimates and judgements

The preparation of accounts requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances. Actual results could differ from these estimates. These underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if these are also affected.

Management has made estimates and assumptions in these accounts in the following areas:

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

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

1.4 New standards, amendments and interpretations not yet effective

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

1. Accounting policies (continued)

1.5 Segmental reporting

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

1.6 Grant-in-aid and income

The element of grant-in aid to fund revenue expenditure is received by UKCES from its lead sponsoring department, formerly BIS and subsequently DfE, and has been treated as financing as it is a government contribution from the organisation's controlling party, giving rise to a financial interest. It is credited to general reserves in the period in which it is received.

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

The main source of income is generated from the IIP Delivery Centres for licence fees, IIP merchandise and IIP delivery partner activities for Northern Ireland & Wales. UKCES has a licence from government to use the IIP Standard to operate a business for which it charges licence fees to delivery partners. IIP income is recognised in the accounting period in which the services and products are rendered, when it is probable that the economic benefits will flow to UKCES and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable for the sale of services and products, net of VAT.

1.7 Charging policy

Until 31 January 2017 UKCES was the guardian and champion of the IIP brand and range of products and services. It implemented the IIP Framework in the United Kingdom through a network of licensed IIP Delivery Partners for which the delivery partners were charged a fee in return for the right to use the IIP intellectual property

1. Accounting policies (continued)

1.8 Foreign currency translation

Functional and presentation currency

The accounts are presented in pounds sterling because that is the currency of the primary economic environment in which UKCES operates.

Transactions and balances

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

Transactions in foreign currencies are translated into sterling at the exchange rate on the date of the transaction. Exchange gains and losses arising at the point of payment are recognised in the Statement of Comprehensive Net Expenditure.

1.9 Value Added Tax

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

1.10 Leases

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

The total payments made under operating leases are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

1. Accounting policies (continued)

1.11 Intangible assets

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

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

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

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

1.12 Property, plant and equipment

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

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

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

1. Accounting policies (continued)

1.12 Property, Plant and Equipment (continued)

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

Improvements to leasehold property over the period of lease;	
Information technology	3 years; and
Furniture and fittings	7 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at each year-end.

1.13 Inventories

Inventories are valued at the lower of cost or net realisable value in line with IAS 2.

1.14 Impairment of non-current assets

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

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

1.15 Contributions to pension fund

Past and present employees are covered by the provisions of PCSPS which are described in the Remuneration report on page 30. The defined benefit element of the scheme is unfunded. UKCES recognises the expected cost of this element on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS.

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

1. Accounting policies (continued)

1.16 Financial instruments

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

1.16.1 Financial assets

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

Loans and receivables

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

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

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

Prepayments and other receivables held as at 31 March 2017 are stated at cost less allowances made for doubtful receivables, where applicable, which approximates fair value given the short dated nature of these assets.

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

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand.

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

1. Accounting policies (continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each year-end date. Financial assets are impaired where there is evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Comprehensive Net Expenditure.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Comprehensive Net Expenditure to the extent that the carrying amount of the investment at the date the impairment is reversed and does not exceed what the amortised cost would have been had the impairment not been recognised.

1.16.2 Financial liabilities

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

All financial liabilities held by UKCES as at 31 March 2017 are short-term in nature and are held at cost. The Directors consider the carrying value of these financial liabilities to be a reasonable approximation of their fair value.

De-recognition of financial liabilities

UKCES derecognises financial liabilities when, and only when, UKCES's obligations are discharged, cancelled or they expire.

1.17 Corporation tax

The Agency is exempt from corporation tax for normal business activities. Corporation tax has been assessed on the capital gain which arose from the sale of IIP

2. Other grants and income

	2016-17 £000	2015-16 £000
IIP Licence income	1,607	1,930
IIP Northern Ireland & Wales IIP Assessment income	830	598
IIP Northern Ireland endowment	73	88
IIP merchandise income	240	219
IIP other income	149	152
Other income	2	14
	2,901	3,001

The IIP business was sold to IIPCIC 31 January 2017.

3. Grant-in-Aid

	2016-17 £000	2015-16 £000
Grants received from DfE	11,164	27,757
	11,164	27,757

4. Partner programme funding

	2016-17 £000	2015-16 £000
Standards and Frameworks delivery funding	-	2,359
Growth and Innovation Fund	-	465
Employer Leadership Programme Funding	379	3,828
Futures Programme Funding	765	2,449
	1,144	9,101

5. Direct programme spend

	2016-17 £000	2015-16 £000
Commissioner Insights	6	74
Core research products	794	4,058
Standards & Frameworks	15	142
Industrial partnerships	-	36
Futures Fund	82	279
IIP	2,474	2,881
Frontline delivery staff costs (Research staff)	510	1,282
	3,881	8,752

IIP costs include £887,000 of staff & associated costs in 2016-17 (2015-16: £1,286,000).

6. Staff costs

	2016-17 £000	2015-16 £000
Salaries	2,324	4,161
Social security costs	204	369
Other pension costs	382	799
Inward secondees and temporary staff & contractors	200	211
	3,110	5,540
Less frontline delivery staff costs allocated to programme	(1,383)	(2,303)
	1,727	3,237

Further information can be found in the Remuneration report on page 30.

7. Non-pay admin costs

	2016-17 £000	2015-16 £000
Staff development & other staff costs	152	265
Travel & subsistence	235	454
Meetings, conferences & events	33	78
Printing, stationery & advertising	11	24
Equipment & systems	192	222
Communication charges	95	111
Professional & recruitment fees	394	416
Accommodation & facilities	437	489
Financing & bank charges	-	3
Less frontline delivery staff overheads charged to programme	(268)	(266)
	1,281	1,796
Of which the following items are included:		
Auditors remuneration – external audit	38	36
Operating lease rentals – buildings	254	293
Operating lease rentals - other	1	32

8. Non-current assets

8.1 Property, plant and equipment as at 31 March 2017

	Information Technology	Furniture and Fittings	Leasehold Improve- ments £000	Total £000
Cost				
Balances at 1 April 2016	1,080	3	25	1,108
Disposals	(928)	(3)	(25)	(956)
Sale of assets	(11)	-	-	(11)
Transfer to IIP	(141)	-	-	(141)
Balance at 31 March 2017	-	-	-	-
Depreciation				
Balances at 1 April 2016	1,036	2	15	1,053
Charge for the year	25	-	6	31
Disposals	(927)	(2)	(21)	(950)
Sale of assets	2	-	-	2
Transfer to IIP	(136)	-	-	(136)
Balance at 31 March 2017	-	-	-	-
Net Book Value at 31 March 2017	-	-	-	-
Net Book Value at 31 March 2016	44	1	10	55

8.2 Property, plant and equipment as at 31 March 2016

	Information Technology £000	Furniture and Fittings £000	Leasehold Improve- ments £000	Total £000
Cost				
Balances at 1 April 2015	1,053	3	23	1,079
Additions	27	-	2	29
Balance at 31 March 2016	1,080	3	25	1,108
Depreciation				
Balances at 1 April 2015	936	1	10	947
Charge for the year	100	1	5	106
Balance at 31 March 2016	1,036	2	15	1,053
Net Book Value at 31 March 2016	44	1	10	55
Net Book Value at 31 March 2015	117	2	13	132

8.3 Intangible Assets

	2017 £000	2016 £000
Cost		
Balances at 1 April	865	706
Additions	86	159
Disposals	(583)	-
Transfer to IIP	(368)	-
Balance at 31 March	-	865
Amortisation		
Balances at 1 April	627	508
Charge for the year	108	119
Transfer to IIP	(200)	-
Disposals	(535)	-
Balance at 31 March	-	627
Net Book Value current year	-	238
Net Book Value prior year	238	198

9. Investments

	note	2017 £000	2016 £000
Opening Balance		-	-
Additions			
49% of shares in IIPCIC	15	1,152	-
		1,152	-
Transfer to DfE			
49% of shares in IIPCIC	20	(1,152)	-
		1,152	-
		-	-

10. Inventories

	2017 £000	2016 £000
Finished goods	-	77
	-	77

11. Receivables

	2017 £000	2016 £000
Prepayments & accrued income	-	600
Trade receivables and other income	-	311
VAT	-	18
Long term deferred consideration including interest	-	-
Transferred to DfE	-	-
	-	929

12. Cash and cash equivalents

	2017 Total £000	2016 Total £000
Balance as at 1 April	571	11
Net change in cash and cash equivalent balances	(571)	560
Balance at 31 March	-	571

13. Payables

	2017 £000	2016 £000
Trade payables	-	236
Grant funded related accruals	-	2,086
Untaken leave	-	74
Bonus accrual	-	48
Accruals and deferred income	-	1,550
Transferred to DfE	-	-
	-	3,994

14. Redundancy provisions

	2017 £000	2016 £000
Balances at 1 April	2,005	-
Provided in year	-	2,005
Provisions not required written back	(404)	-
Provisions utilised in year	(1,601)	-
Balance at 31 March	-	2,005

The company made a voluntary redundancy provision as at 31 March 2016 of £2.0 million under IAS 37 and all payments have been made in 2016-17.

15. Profit on disposal of Investors in People

	2016-17 £000	2015-16 £000
Assets Transferred		
Non-current assets	173	-
Cash received for 2016-17 licence fees less deferred income	1,553	-
Inventory	96	-
Receivables	569	-
Payables	(631)	-
Consideration on disposal of IIP	(2,620)	-
Gain on sale	(860)	-

The sale price was based on an independent third party valuation of the business commissioned and approved by government. On 31 January 2017 the IIP division was sold for a consideration of £2.3 million plus associated interest of £0.3 million.

16. Financial instruments

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

17. Capital commitments

There has been no capital expenditure committed and contracted as at 31 March 2017 or 31 March 2016.

18. Insurance

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

19. Commitments under operating leases

	2017		2016	
	Buildings £000	Other £000	Buildings £000	Other £000
Not more than 1 year	-	-	179	3
Later than one year and not later than 5 years	-	-	-	-
Later than five years	-	-	-	-
Balance at 31 March	-	-	179	3

The operating leases relate to the rental of the Wath Office located at Renaissance House, Adwick Park, Wath-upon-Deerne and the rental for the London office space in Sanctuary Buildings, London.

The lease for Renaissance House with the BEIS was terminated with effect from 31 March 2017. Twelve month's notice was given in July 2016 on Sanctuary Buildings but UKCES vacated early in February 2017.

20. Assets transferred to the Department for Education

	2017 £000	2016 £000
Investments	(1,152)	-
Receivables – long term consideration including interest	(1,468)	-
Total consideration for Sale of IIP	(2,620)	-
Receivables – trade receivables and other income	(321)	-
Receivables – VAT	(45)	-
Payables – trade payables	175	-
	(191)	-
Balance transferred at 31 March	(2,811)	-

21. Related party transactions

UKCES is an NDPB funded by BEIS and then later in the year by DfE. Both departments are regarded as a related party. Funding for the current year comprised grant-in-aid (£11.2 million).

In addition the Wath Office located at Renaissance House was leased from BEIS. During the year UKCES made total rental payments for the year including rates and service charges amounted to £179,000.

During the year UKCES also entered into transactions with other organisations that can be considered as related because of the nature of the involvement of Commissioners. The table below details the most material transactions and the relationship of the organisations to UKCES. All were arm's length transactions carried out in the normal course of business, were competitively let and were administered in accordance with UKCES's conflict of interest policy. The involvement of Commissioners for each relationship is noted against each party where relevant.

For the year ended 31 March 2017

Commissioner	Related organisation role/ relationship	Related organisation	Transaction	Value included in accounts £000s
Valerie Todd,	IIPCIC /Holdco	Non-executive Directors of companies	Sale of IIP business	(1,553)
Grahame Smith	IIPCIC/Holdco	Non-executive Directors of companies	Sale of IIP business	(1,553)
Scott Johnston	IIPCIC /Holdco	Non-executive Directors of companies	Sale of IIP business	(1,553)
William Butler-Adams	IIPCIC /Holdco	Non-executive Directors of companies	Sale of IIP business	(1,553)
Nigel Whitehead	BAE Systems (Operations) Ltd	Group Managing Director	Futures - Productivity Challenge.	81
Nigel Whitehead	BAE Systems Surface Ships Ltd	Group Managing Director	Futures - Productivity Challenge.	57
Mark Huddleston	Engineering Training Council (Northern Ireland)	Director (Terminated 14 February 2017)	Purchase of IIP Assessment	(2)
Paul McKelvie	IIP Scotland	Non-executive Board Member	Purchase of IIP licence fee and Merchandise	(51)
Grahame Smith	IIP Scotland	Non-executive Board Member	Purchase of IIP licence fee and Merchandise	(51)

22. Events after the reporting period

There have been no events between the year-end date and the date the accounts were authorised for issue requiring an adjustment to accounts.

The accounts were authorised for issue by Jonathan Slater (Accounting Officer) on the date they were authorised by the Comptroller & Auditor General.

Glossary of key terms

AO	Accounting Officer
ARG	Audit and Risk Group
CBI	Confederation of British Industries
CEO	Chief Executive Officer
CESG	Communications-Electronics Security Group
BEIS	Department for Business, Energy and Industrial Strategy
BIS	Department for Business Innovation and Skills
DfE	Department for Education
ELP	Employer Leadership projects
FReM	Financial Reporting Manual
GIF	Growth and Innovation Fund
HMT	Her Majesty's Treasury
Holdco	IIP (Holdings) Community Interest Company
IIP	Investors in People
IOD	Institute of Directors
LMI	Labour Market Information
NOS	The National Occupational Standards
NAO	National Audit Office
NDPB	Non Departmental Public Body
PCSPS	Principal Civil Service Pension Scheme
RG	Research Group
SMG	Senior Management Group

ISBN 978-1-4741-4469-8



9 781474 144698