Department for
Business, Energy
& Industrial Strategy

Annual report and accounts

2018-19

Department for Business, Energy & Industrial Strategy

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BEIS delivered phase 2 of the Shared Parental Leave campaign in 2018-19, to raise awareness to employees and employers and increase its uptake among parents.

Overview

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

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

Foreword by the Secretary of State

As we enter the third year of this department, I am immensely proud of our achievements. I am also very grateful for the hard work of my officials, ensuring the UK is best placed for economic growth and prosperity in this time of change.

For our modern Industrial Strategy, this year has been one of delivery. We have agreed ten Sector Deals catalysing private investment in the industries of the future. This includes over £1.5 billion co-investment in solving the most pressing medical challenges, establishing the UK as a leader in innovative new battery technologies, and a plan to boost the UK's Offshore Wind export potential five fold to £2.6 billion per annum. We have also launched the first of many Local Industrial Strategies to build prosperous communities across the country.

The government is supporting workers now and for the jobs of the future, with the biggest reforms to labour market regulation in a generation. We have seen record employment this year while increasing focus on improving the quality of work. We are committed to providing not only jobs with fair employment practices, but those that develop skills throughout people's careers and are suited to the needs of future sectors. We have also increased the National Living Wage and Resolution Foundation research shows the share of workers on low pay is at its lowest level since the 1980s.

We are working to ensure the UK remains a great place to do business, while re-building consumer trust in markets. We are continuing our reform of corporate governance and the audit industry, to improve diversity and accountability in boardrooms. We published the National Security and Investment white paper, proposing an effective security regime for foreign investment. We have also provided more than £5.5 billion to thousands of small and medium businesses through the British Business Bank, to boost entrepreneurs across the country.

Clean growth and addressing climate change are at the heart of our Industrial Strategy and future prosperity, as evidenced by legislating to achieve net zero greenhouse gas emissions. In response to the Dieter Helm Cost of Energy Review I set out the government's vision for a fair, low-carbon and efficient energy market. The Tariff Cap now means that every household is protected whether through the cap or through our measures to make switching suppliers easier. Our ongoing support for the UK renewables sector, including the Sector Deal in off-shore wind generation, has strengthened our de-carbonisation commitment and we have now seen the first fortnight without coal power in the UK since the start of the industrial revolution.

Looking forward, we will continue to deliver our modern Industrial Strategy, work together with and advocate for businesses, workers and consumers, and build an economy that works for everyone as we leave the EU.

Alex Chisholm
Permanent Secretary and Principal Accounting Officer

Report of the Permanent Secretary

BEIS is at the heart of the government's commitment to build an economy that works for everyone, with great places across the UK for people to work and for businesses to invest, innovate and grow.

In the last year we celebrated the first anniversary of our **Industrial Strategy**. We have made great progress across the five foundations of productivity: ideas, people, infrastructure, business environment and places. We created UK Research and Innovation to bring together our research agenda and accelerate commercialisation as drive towards our 2.4% investment target by 2027. Most recently, we agreed the 10th Sector Deal with key industries, helping to create thousands of high-quality, high-skilled jobs across the country.

We used the Industrial Strategy as a framework for our **EU Exit** preparations. Together with our Partner Organisations, we prepared for deal and no-deal outcomes, ensured our legislative and international obligations were in place and worked with **businesses, workers and consumers** to keep them informed, gather their views, and help them prepare.

We also continue to focus on creating a **regulatory framework** to support competitive markets, make the UK a great place to start and run a business, and give both workers and consumers a fair deal. In December 2018 we published the **Good Work Plan**, outlining our vision for the future of the UK labour market. BEIS policies will protect workers' rights, ensure fair pay and increase transparency in the business environment.

In the **energy sector**, Ofgem's implementation of the Tariff Cap protects vulnerable consumers, whilst the smart meter rollout enables consumers to take better control of their energy use. We hosted the first ever Green Great Britain Week to showcase low-carbon technologies and meet the Clean Growth Challenge. A third of UK electricity was generated by renewable resources in March 2019. As part of our global climate leadership, we also funded projects to support 47 million people to cope with the effects of climate change.

Finally, last year we completed our corporate Transformation programme, and launched a new plan for **Organisational development**, to build a flexible, innovative, collaborative and business facing department. This includes our commitment to increase representation of BAME staff, people with disabilities and LGBT+ staff at all grades, within BEIS and our Partner Organisations, to reduce our gender pay gap and support social mobility and progression.

I am proud to lead a department made up of such talented, hard-working and professional people. In a fast-changing and challenging environment, we will need to continue to give our best.

Our highlights in 2018-2019

£1.1 billion allocated in the 2018 Autumn budget **to fund research** in quantum technologies, clean growth and decarbonisation, mobility and ageing, and artificial intelligence.

Launched the **Grand Challenge Missions: using AI to treat diseases**, helping people enjoy at least five extra years of healthy life by 2035.

Government and industry committed to **ten Sector Deals**, the most recent on offshore wind.

Place the UK at the forefront of new **automotive technology development**, investing in electric vehicle R&D and supply chain competitiveness.

The **National Living Wage increased to £8.21 in April 2019**. This above-inflation increase is expected to benefit 1.8 million people.

The **Good Work Plan** set out the vision of the future of the UK labour market, the biggest upgrade to workers' rights in a generation.

Through the **British Business Bank**, we supported over 78,000 smaller business with more than £5.5 billion.

A landmark speech by our Secretary of State outlined the four principles of the **power sector** for a market-led approach to future energy policy development.

The first **Green Great Britain Week** demonstrated how clean growth technologies are driving job creation and tackling climate change.

The Domestic Gas and Electricity (Tariff Cap) Act 2018 came into force on 1 January 2019, to protect millions of energy customers across England, Wales and Scotland.

We continued to prepare for **EU Exit** and legislated for a new nuclear safeguards regime - one of the first pieces of EU Exit legislation and putting the UK on track to meet its international obligations on day one of exit.

We completed our **Transformation programme** and developed a new plan for Organisational development to continue to build a flexible, innovative, collaborative and business-facing department.

Our purpose

Our vision is an economy that works for everyone – with great places in every part of the UK for people to work and for businesses to invest, innovate and grow.

What we are aiming to achieve

Deliver an ambitious industrial strategy

We will develop a modern, long-term industrial strategy that lays the foundations for reinvigorating UK economic performance and boosts earning power throughout the country. We will cultivate world-leading science and innovation, build on local strengths and foster enterprise to ensure every place meets its potential.

Maximise investment opportunities and bolster UK interests as we leave the EU

We will deliver the best results for the UK from exiting the EU by creating a world class business environment that drives investment and employment. As we build our new relationship with the EU we will maintain business and investor confidence and ensure their interests are reflected in the negotiations.

Promote competitive markets and responsible business practices

We will secure better outcomes for consumers by creating a more competitive environment for business and industry. We will improve corporate governance and ensure the labour market offers everyone the opportunity to obtain quality, well-paid jobs and better working conditions.

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

We will upgrade and diversify our energy supplies to meet future needs – ensuring they are smarter, cleaner, more secure and affordable for consumers and businesses. We will promote clean growth and take action to tackle climate change, working in partnership with business and international communities.

Building a flexible, innovative, collaborative and business facing department

We will elevate BEIS from a well-functioning department to an exceptional one which delivers for business on our strategic priorities in relation to the Industrial Strategy, EU exit, and clean growth. We will enable digital, data and technology to deliver exceptional services for our staff as well as the people and businesses we serve.

Our business model

Our work and stakeholders

Following ministerial priorities, we design and implement policy relating to: the government's Industrial Strategy; business; science and innovation; energy and clean growth; and climate change. We build strong and collaborative relationships with all our stakeholders including: businesses and business representative organisations; workers and their unions; and consultations with the wider public. We also work closely with our partner organisations and other government departments.

3,776 people

Our people

Our core Department is made up of 3,776 people with regional offices across the UK. We are organised in seven groups; each led by a Director General, and these groups are in turn divided into 40 Directorates.

40 partner organisations

Our partner organisations

We also deliver our business through 40 partner organisations that employ more than 30,000 public servants. Our network of partner organisations is one of the largest in government, with a wide span of policy and operational responsibilities. These range from large organisations such as UK Research and Innovation and the Nuclear Decommissioning Authority, through medium-size organisations working on regulation such as the Competition and Markets Authority, to advisory committees including the Committee for Climate Change.

£12.1 billion

Our funding

Our annual funding is agreed with Treasury and Parliament. In 2018-19, we were responsible for the efficient stewardship of £12.1 billion of departmental funds.

How we are organised: our organisational structure

Our ministers

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

Minister of State for Energy and Clean Growth
The Rt Hon Claire Perry MP

Minister of State for Universities, Science, Research and Innovation
Chris Skidmore MP

Parliamentary Under Secretary of State, Minister for Small Business, Consumers and Corporate Responsibility
Kelly Tolhurst MP

Parliamentary Under Secretary of State, Minister for Business and Industry
Andrew Stephenson MP

Parliamentary Under Secretary of State
The Rt Hon Lord Henley

Our management: executives

Permanent Secretary and Accounting Officer
Alex Chisholm

Director General, EU Exit & analysis
Sam Beckett

Chief Business Adviser
Nick Chism

Director General, Energy Transformation & Clean Growth
Julian Critchlow

Director, Policy Delivery & Private Office
Caleb Deeks

Director General, Corporate Services
Sarah Harrison

Acting Director General, Business Sectors
Gavin Lambert

Acting Director General, Industrial Strategy, Science and Innovation
Sam Lister

BEIS Scientific Adviser
Professor John Loughhead

Director General, Market Frameworks
Jaee Samant

Chief Financial Officer
Tom Taylor

Director, Organisational Development
Doug Watkins

Director General, Energy & Security
Joanna Whittington

Our management: non-executives

Lead non-executive board member
Archie Norman

Non-executive board member
Nigel Boardman

Non-executive board member
Stephen Carter

Non-executive board member
Carolyn McCall

Non-executive board member
Leena Nair

Non-executive board member
Kathryn Parsons

Non-executive board member
Stuart Quickenden

How we are organised: our group

Public sector bodies can be grouped by level of control the core Department has over them.

- Our executive agencies act as an arm of the core Department, undertaking executive functions, rather than policy advice.
- Other bodies in the Departmental Group are separate legal entities, but the core Department usually sets their strategic framework, appoints the chair and all non-executive members of board, and is consulted on the appointment of the CEO.
- The wider Departmental Group includes other public-sector bodies which work to achieve our objectives but have more authority over their policies and are not consolidated into the group financial statements. See our Accounting Officer System Statement, published separately, for greater detail.

Core Department and agencies

Committee on Fuel Poverty
Copyright Tribunal
Council for Science and Technology
Government Office for Science
Industrial Development Advisory Board
Insolvency Service
Low Pay Commission
Nuclear Liabilities Financing Assurance Board
Office of Manpower Economics
Office of Product Safety and Standards
Office of the Regulator of Community Interest Companies
Regulatory Policy Committee
UK Space Agency

Consolidated Departmental Group

Advisory, Conciliation and Arbitration Service (ACAS)
British Business Bank Plc
Central Arbitration Committee
Certification Officer
Civil Nuclear Police Authority
Coal Authority
Committee on Radioactive Waste Management
Competition Appeal Tribunal
Competition Service
Electricity Settlements Company
Financial Reporting Council
Low Carbon Contracts Company Ltd
Nuclear Decommissioning Authority
Oil and Gas Authority
UK Atomic Energy Authority
UK Green Infrastructure Platform Ltd
UK Shared Business Services Ltd
UK Research and Innovation

Wider departmental group

British Hallmarking Council
British Nuclear Fuels Limited
Committee on Climate Change
Companies House[1]
Competition & Markets Authority
Groceries Code Adjudicator
Independent Complaints Reviewer
Intellectual Property Office
Land Registry[1]
Met Office
National Nuclear Laboratory
National Physical Laboratory
Nuclear Liabilities Fund
OFGEM
Ordnance Survey
Pacific Nuclear Transport Limited
Post Office Ltd
Pubs Code Adjudicator
Small Business Commissioner

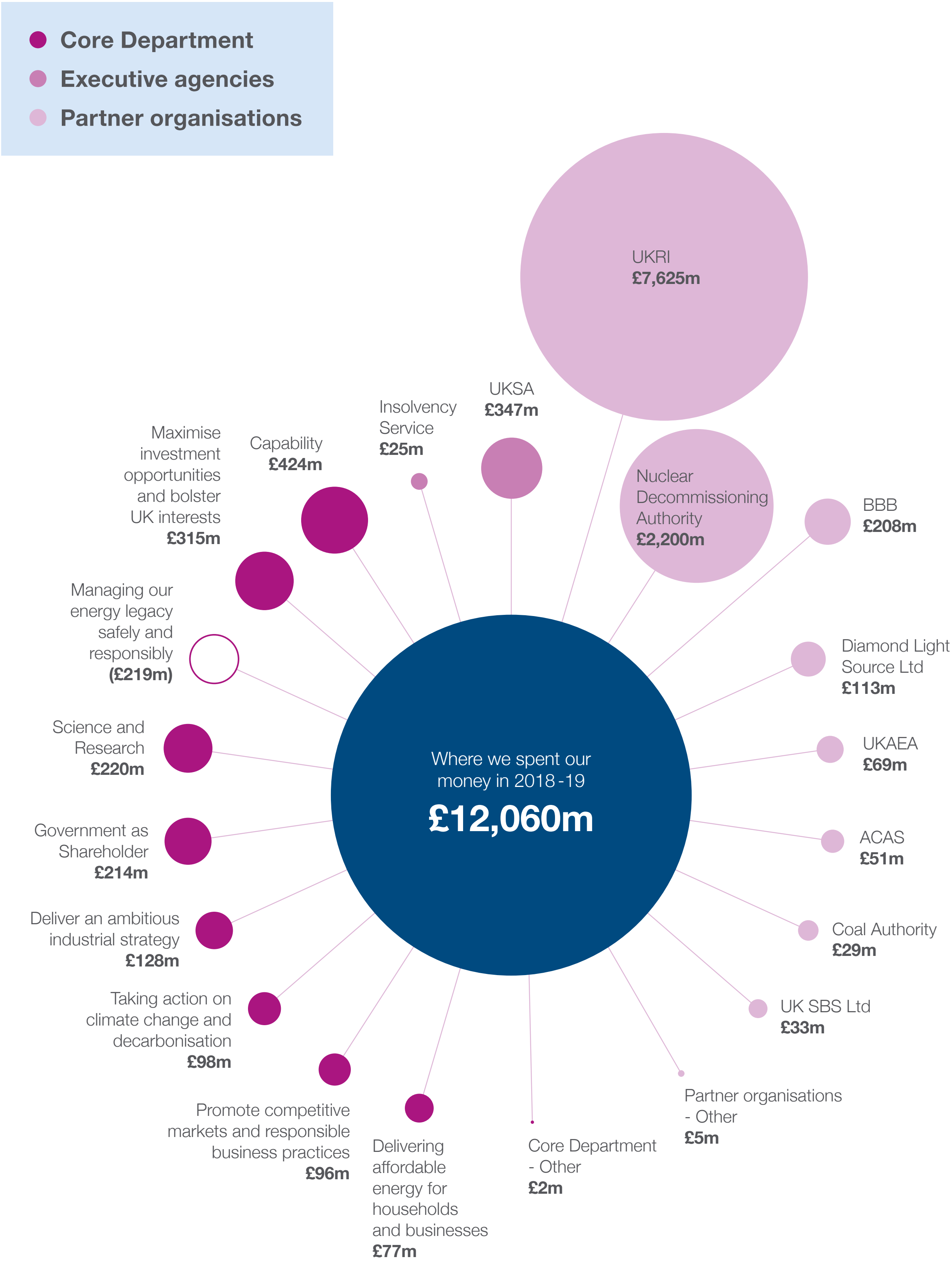
1 These entities have been re-classified by ONS in 2018-19. See footnote 2 in note 28: list of bodies within the Departmental Group, for an explanation of the impact of this change.

Where we spent our money in 2018-19

For the year ending 31 March 2019, the Departmental Group incurred a spend of **£12.1 billion**[2]. Of this **£1.4 billion** related to the core Department and agencies, and **£10.7 billion** related to our partner organisations. The diagram on the next page shows the major areas of spend. The majority of the department's spend, and policy delivery is through it's Partner Organisations, including:

- **£7,625 million** by **UK Research and Innovation (UKRI)**, on funding for Science and Research
- **£2,200 million** by the **Nuclear Decommissioning Authority (NDA)** on managing our energy legacy safely and responsibly.
- **£347 million** by **UK Space Agency (UKSA)** on delivering an excellent space programme with the maximum economic, scientific and policy benefit for the UK.
- **£208 million** by the **British Business Bank (BBB)** on supporting small businesses in the UK at all stages of their development.

2 This expenditure corresponds to the net total DEL expenditure for our Departmental Group. DEL is the controllable budget total, issued by HM Treasury on behalf of Parliament, that we use to fund delivery of our strategic objectives. It excludes AME expenditure which represents volatile, demand-led spend and technical accounting matters. These concepts are fully explained on page 36.


Core Department
Executive agencies
Partner organisations
Where we spent our money in 2018-19
£12,060m
UKRI £7,625m
Nuclear Decommissioning Authority £2,200m
BBB £208m
Diamond Light Source Ltd £113m
UKAEA £69m
ACAS £51m
Coal Authority £29m
UK SBS Ltd £33m
Partner organisations - Other £5m
Core Department - Other £2m
Delivering affordable energy for households and businesses £77m
Promote competitive markets and responsible business practices £96m
Taking action on climate change and decarbonisation £98m
Deliver an ambitious industrial strategy £128m
Government as Shareholder £214m
Science and Research £220m
Managing our energy legacy safely and responsibly (£219m)
Maximise investment opportunities and bolster UK interests £315m
Capability £424m
Insolvency Service £25m
UKSA £347m

Risks affecting delivery of our objectives

Our risk management framework continued to develop and improve over the last year. A detailed narrative is provided in the governance statement section of this report. The table below describes our risk profile: principal risks we have faced during the year and the mitigating actions taken.

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

- **Delivering an ambitious industrial strategy**
- **Maximising investment opportunities and bolstering UK interests**
- **Promoting competitive markets and responsible business practices**
- **Ensuring the UK has a reliable, low cost clean energy system**
- **Building a flexible, innovative, collaborative and business facing department**

Relative severity	Change during the year
H High	⬆ Increasing risk
M Medium	⬌ Stable
L Low	⬇ Decreasing risk

Risk	Mitigating activities	Direction of risk trend at year end
BEIS may fail to prepare for the challenges and opportunities of leaving the EU and the post EU Exit environment, leading to an adverse impact for the UK economy.	→ Established a clearly defined EU Exit Senior Reporting Officer (SRO) led portfolio with effective oversight, governance and decision-making structures. → Successfully accelerated delivery in 18-19 in preparation for all scenario Exit on 29 March 2019. → Comprehensive internal and external assurance programme, with 46 internal and external reviews concluded across the portfolio (IPA, GIAA and NAO). → Supported negotiation of the withdrawal agreement.	H
As a result of political uncertainty and potential economic upheaval following EU Exit, which could be compounded by a challenging Spending Review for the Strategy, there is a risk that partners across government, local areas and industry will not sufficiently engage with and support the Industrial Strategy.	→ Close engagement across government to ensure development of wide-ranging, ambitious proposals, ensuring Spending Review bids by departments are aligned with the Industrial Strategy. → Work with ministers, No.10, and HM Treasury to define ambition and ensure resources are available for implementation. → Use cross-Government Programme Board, Cabinet Committee and partnerships with local government, Local Enterprise Partnerships, businesses, civic society and academia to drive implementation and measure the impact on the economy. → Work closely with EU Exit colleagues recognising the potential synergies with Industrial Strategy, and to remain aware of how the negotiations could affect our ability to improve productivity and drive growth across the whole country. → Effectively engage with UK industry and business through events and comprehensive communications.	M
A significant incident affects a higher risk nuclear site or key energy infrastructure. This could cause harm to people, energy systems or disrupt energy supplies.	→ We have strengthened cyber-security systems, to ensure continuous monitoring and response capability to cyber threats as they occur. → We have collaborated with the office for Nuclear Regulation and the Civil Nuclear Constabulary to strengthen regulatory frameworks and maintain safety and security. → We have brought in new emergency planning regulations in line with international best practice.	L
As a result of ineffective measures to mitigate climate change we fail to create adequate, affordable, reliable access to clean energy for households and business.	→ We refined analysis on projected future emissions and identified potential contributions of different policy areas. → We developed and implemented a range of further policies to deliver emission reductions in line with Clean Growth Strategy commitments. → We commissioned the Committee on Climate Change report on our long-term greenhouse gas emission targets (which was published in May 2019).	M

Risk	Mitigating activities	Direction of risk trend at year end
We fail to adapt employment legislation leading to a rise in unfair employment practices and a failure to deliver ‘good quality work’.	→ We have progressed consultations and preparation of clauses to deliver on ‘Good Work Plan’ commitments. → We have developed robust quality of work metrics. → We collaborated with DfE to monitor the development and implementation of skills reform programmes, e.g. national retraining schemes, apprenticeships devolution of the adult education budget and T-levels.	M
BEIS information is lost or compromised through cyber-attack, theft, mistakes or leaks, or a security incident at work harms BEIS ministers, staff or visitors.	→ We continue to develop a culture of security through multi-channel staff awareness campaigns to reinforce simple and important security behaviours – technical and physical defences are not enough on their own. → We are building a more coherent approach to personnel security to mitigate the insider threat and minimise the security vulnerabilities caused by staff mistakes. → We are implementing a risk-adjusted assurance programme for partner organisation security, and have instituted fora to share best practice and oversee risk. → We are recognised across government as a lead adopter of active cyber defences and have secured Cabinet Office funding to test them.	H
We may fail to attract, develop and retain sufficiently skilled staff and support their wellbeing leading to an inability to deliver our business objectives.	→ We have ensured senior leaders maintain oversight of teams, tracking that leave is taken, hours worked are proportionate and flexible working options are considered. → We developed workforce and resourcing plans to identify preferred approaches to attract and retain staff. → We developed a competitive pay and retention strategy.	M

Risk	Mitigating activities	Direction of risk trend at year end
Due to challenges in achieving our business plans we do not deliver some strategic objectives.	→ We have conducted zero based reviews, allowing senior leaders enough time and insight to prioritise and support negotiations with HM Treasury. → We have reprioritised our activities and identified other cost reduction options. → We have strengthened business planning processes, ensuring budgets remain aligned with our strategic objectives.	M
We may lack the organisational agility to respond effectively to the external environment, leading to an inability to drive economic growth across the UK.	→ We have developed a prioritisation framework to support strategic decision-making. → We have a dedicated team developing our Target Operating model, to enable improved delivery of our business strategy and Single Departmental Plan. → We continued to identify future trends through horizon scanning of our external environment and recruited people with the necessary commercial, technical and operational skills.	M
Evidence base underpinning policy development and delivery is inadequate in terms of availability, quality, or understanding.	→ Implementing the updated Green Book guidance to enhance evidence-based appraisal and evaluation of policy proposals. → Developing the Central Archive for Monitoring and Evaluation Online database, to improve data accessibility and support better analysis and policy decision making. → We improved departmental training and quality assurance modelling processes → External assurance from the National Audit Office on our modelling processes.	M

Performance analysis

Our performance in 2018-19

Throughout 2018-19, the department has been preparing for EU Exit across all scenarios. This included directly supporting the HM Government negotiation of the Withdrawal Agreement with the EU as well as preparing for a March 2019 "no deal" Exit.

To prepare for EU Exit, the department delivered:

- the necessary legislation to support EU Exit - the Nuclear Safeguards Act obtained Royal Assent in June 2018, and 100% of the department's priority No Deal Statutory Instruments (SIs) were laid before the original exit day (29 March), (63 SIs).
- all the new replacement international agreements within its remit, prioritised in the event of no deal exit. These are civil nuclear safeguards agreements with the International Atomic Energy Agency (IAEA) and nuclear cooperation agreements with Canada, US, Australia and Japan, ensuring the continuity of civil nuclear trade after Exit. BEIS agreements not prioritised for no-deal include civil nuclear research, competition and intellectual property.
- 28 technical notices, including oil and gas, climate change, company law and state aid. These notices include guidance about what actions businesses need to take in order to carry on exporting and importing a range of goods and services.
- Mobilised the department in the run up to March 2019 to be prepared for a "no deal" Exit scenario.
- Nine dedicated weekly EU Exit business readiness forums up to 28 March (chaired by the BEIS Director of EU Exit Business Readiness) with business intermediaries: attended by over 70 business intermediaries and representative organisations; two further forums were held following the extension of Article 50.

Departmental resources:

- BEIS initially secured £185.1 million from HM Treasury in 2018-19 for EU Exit preparations, including no deal. Following Q2 Supplementary Estimates, BEIS' budget allocation was revised to £139.5 million.
- For 2019-20 BEIS has been allocated £190 million for all EU Exit preparations.
- At the time of publishing, BEIS has circa 1,030 FTEs exclusively working on EU Exit; including 79 dedicated programme and project management specialists, and 122 digital experts including 17 digital specialists from GDS.
- BEIS mobilised over 500 staff on a short-term basis within the department, to support ramp up of No Deal contingency activities. This involved temporarily moving staff working on other BEIS objectives to support no deal EU Exit preparations.

Impact of EU Exit on other objectives:

BEIS prioritised EU Exit preparations, as requested by the Cabinet, to ensure appropriate contingencies were in place for March 2019. In parallel, the department continued delivering its departmental objectives with constrained resources, the department's performance against its objectives is detailed below.

We report our performance against the 2018-19 BEIS Single Department Plan (SDP). The indicators are used as part of a combination of evidence to assess the delivery of the department's priorities. The tables below includes our performance and the latest position against each indicator in the SDP.

1. Deliver an ambitious industrial strategy

Indicators are being developed by the independent Industrial Strategy Council, which held its inaugural meeting on 1 November 2018.

1.1 Build a Britain fit for the future

The Industrial Strategy outlines a long-term plan to boost productivity and earning power of people in the UK by focusing on 5 foundations of productivity: ideas, people, infrastructure, business environment and places.

In 2018-19:

- Business Secretary Greg Clark appointed Andy Haldane as Chair of the Industrial Strategy Council - an independent body established to assess the government's delivery of the Industrial Strategy; and
- We published the Good Work Plan, which sets out our vision for the future of the UK labour market.

1.2 Support world leading sectors

In 2018-19, we:

- Launched the Nuclear Sector Deal, worth over £200million, which will spearhead cleaner economic growth and promote innovation to develop the technology and skills to maintain the UK's position as one of the leading nuclear nations;
- Published the Second Life Sciences Sector Deal which contains significant action to transform the prevention, diagnosis and treatment of chronic diseases by 2030. It deepens our partnership with industry, universities and charities and demonstrates how the NHS is pivotal as a delivery partner; and
- Published the Aerospace Sector Deal in December, which positions the UK to take advantage of the global move towards hybrid-electric and electric propulsion and exploit emerging markets such as drones and Urban Air Mobility.

1.3 Invest in science and innovation

In 2018-19, we:

- Launched a public consultation on the new Knowledge Exchange Framework which will benchmark universities' effectiveness at fostering knowledge sharing and research commercialisation; and
- Published the Artificial Intelligence Sector Deal, a 0.95 billion package of support for the sector – during 2018-19 we announced: £100 million to deliver 1,000 new PhDs; a prestigious Turing AI fellowship scheme; new industry funded AI masters places; a chair for the new AI Council; and research to explore data trusts.

1.4 Support business to start and grow

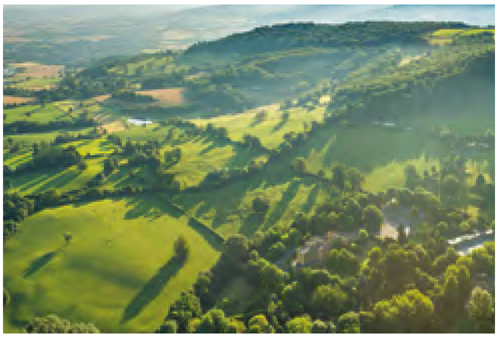
In 2018-19, we:

- Secured £31 million of new funding to deliver an £11 million leadership programme for SMEs and £20 million to strengthen local networks;
- Launched the Business Basics Fund 2 which provides up to £2 million for trials to build evidence on how to encourage SMEs to adopt productivity boosting technology or management practices; and
- Announced an artificial intelligence memorandum of understanding with Japan, which creates a new UK-Japanese research programme to help treat patients with chronic degenerative diseases.

1.5 Drive growth across the country

In 2018-19, we:

- Published the policy document 'Strengthened Local Enterprise Partnerships' in July. This set out how government and Local Enterprise Partnerships (LEPs) will work together to strengthen leadership and capability, improve accountability, manage risk and provide clarity on geography; and
- Published a policy prospectus on Local Industrial Strategies which sets out the objectives and approach to developing local strategies.



2. Maximise investment opportunities and bolster UK interests as we leave the EU

2.1 Promoting interests of UK businesses in EU Exit negotiations

In 2018-19, we:

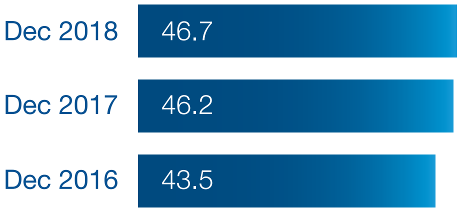
- Worked to secure the right outcome for the UK research base as we exit the EU; and
- Supported the work of the Department for International Trade and the Department for Exiting the EU to ensure the UK can maximise future trading opportunities with the EU and other countries to support delivery of our Industrial Strategy.

2.2 Encouraging inward investment

In 2018-19, we:

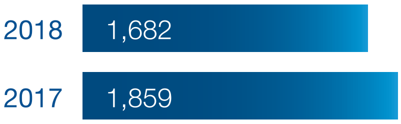
- Ensured the UK seizes opportunities for investment – each Industrial Strategy Grand Challenge (AI and Data, clean growth, future of mobility and ageing society) represents an open invitation to business, academia and civil society to work together to ensure the UK seizes these opportunities.

Business investment in the UK (£bn)



Source: Business investment in the UK: October to December 2018; release schedule: quarterly

Number of Inward investment projects involving Department for International Trade, BEIS, and others



Source: DIT annual report and accounts 2017 to 2018; release schedule: annual

2.3 Ensuring our economy is resilient and seizing opportunities

In 2018-19, we:

- Announced the second wave of six Local Industrial Strategies: Cheshire & Warrington, Heart of the South West, Leicester & Leicestershire, North East, Tees Valley and West of England; and
- Announced the entire country will benefit from Local Industrial Strategies with the rest of the LEPs forming the final third wave.

2.4 Building the profile of the UK on the international stage

In 2018-19, we:

- Engaged internationally to ensure our Industrial Strategy is well understood globally and benefits from the experience of our international partners; and
- Progressed the investment of £300 million over the next three years in growing and attracting world-class talent.

Between 2011-12 and 2017-18, it is estimated ICF programmes have:

- Supported 47 million people to cope with the effects of climate change;
- Provided 17 million people with improved access to clean energy;
- Reduced or avoided 10.4 million tonnes of greenhouse gas (GHG) emissions (tCO2e);
- Installed 590 MW of clean energy capacity; and
- Mobilised £3.3 billion public and £910 million private finance for climate change purposes in developing countries.

Source: 2018 UK climate finance results; release schedule: annual

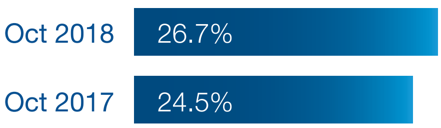
3. Promote competitive markets and responsible business practices

3.1 Reforming corporate governance

In 2018-19, we:

- Completed implementation of the measures announced in response to the first consultation on corporate governance reform, with only the publication of research on share buyback outstanding, due to take place next year – we also published our proposals in response to the consultation on insolvency & corporate governance;
- Ran a public consultation on the Registration of Overseas Entities Bill, which will establish a new ownership register of overseas entities that own UK property – following consultation, the draft bill was submitted for pre-legislative scrutiny;
- Responded to the 'Independent review of the Financial Reporting Council';
- Initiated the Brydon Review of the Future of Audit, and the CMA's study on the statutory audit market; and
- Continued to support the Hampton-Alexander Review into FTSE women leaders.

FTSE 350 board positions held by women



Source: Hampton-Alexander review - FTSE women leaders 3rd report, Improving gender balance in FTSE leadership, November 2018; release schedule: annual.

3.2 Promoting fairness in the labour market

In 2018-19, we:

- Continued to build on the recommendations of the Matthew Taylor review to improve employment practices as well as maintain flexibility for the employer – we published the submissions to the review in May;
- Enacted new measures in April 2019 to give more people access to payslips and information to help ensure they are paid properly;
- Launched new campaigns to raise awareness of shared parental leave and to help workers ensure they get their holiday pay; and
- Enacted a rise in the National Living Wage from £7.83 to £8.21 per hour from April 2019, benefitting around 1.7 million people.

National living wage as a proportion of median earnings

Source: National Minimum Wage, Low Pay Commission 2018 Report.

3.3 Ensuring UK has the right regulatory frameworks

In 2018-19, we:

- Published the consultation on modernising consumer markets which sought views on how to provide a better service and more protection to consumers when they interact with markets;
- Delivered seminars to local trading standards authorities looking at how product recall is enacted and how businesses engage with them – 250 local authority trading standards staff have received training; and
- Published the government response to the 'Brexit: competition and state aid' report in April and it was debated in May.

3.4 Safeguarding UK interests in investments in national infrastructure

In 2018-19, we:

- Published the draft 'Statutory statement of policy intent' on national security and investment and completed a white paper consultation seeking views on proposed reforms to government's powers for scrutinising investment for the purposes of protecting national security; and
- Published the 'National security and infrastructure investment review' which provided a summary of responses to the government's consultation on long-term reform proposals.

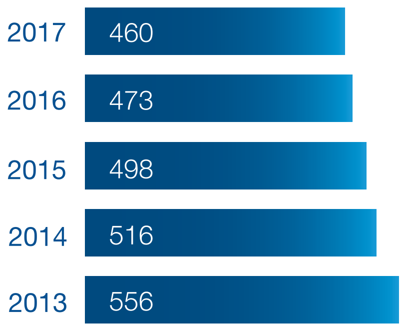
4. Ensuring the UK has a reliable, low-cost and clean energy system

4.1 Maximise the advantages from the global shift to clean growth for UK industry, through the new Clean Growth Grand Challenge

In 2018-19, we:

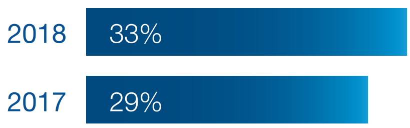
- Held the first Green Great Britain Week on 15–19 October 2018, to highlight the opportunities clean growth offers and raise awareness of how business and the public can contribute to tackling climate change;
- Published 'Clean growth: transforming heating - overview of current evidence', which provided an overview of key issues for achieving long-term heat decarbonisation;
- Announced the first two missions under the Clean Growth Grand Challenge – to halve the energy use of new buildings by 2030, and to deliver a net zero emission carbon industrial cluster by 2040; and
- Launched the Heat Networks Investment Project (HNIP), providing up to £320 million of capital funding over three years, for heat network projects in England and Wales. It aims to increase the number of heat networks being built, deliver carbon savings and create conditions for a sustainable heat network market to develop.

Greenhouse gas emissions, MtC02e Target for the second carbon budget from 2013-17: 2,782



Source: 2017 UK greenhouse gas emissions: final figures – data tables; release schedule: annual

Electricity generation from renewable resources



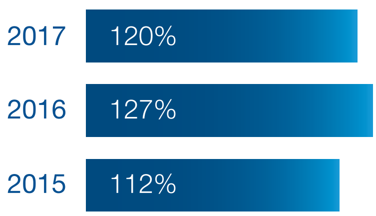
Source: Energy trends: renewables; release schedule: annual

4.2 Ensure our energy system is reliable and secure

In 2018-19, we:

- Maintained sufficient electricity capacity to exceed our statutory reliability standard.
- Continued to make our electricity system smarter and more flexible, creating the right environment for more storage, demand side response, smart grids, and interconnection.
- Agreed with the European Commission in the draft Withdrawal Agreement how to maintain the Single Electricity Market on the island of Ireland, whilst preparing the energy system across the UK for potential 'no deal' EU Exit; and
- Following legal challenges to and a suspension of the Capacity Market, BEIS has worked with stakeholders, including the European Commission, to reinstate the scheme. Our Statutory Instrument to enable the T-1 auction was made on 9 April and the auction is scheduled for summer 2019.

Gas system capacity: percentage of demand that could be met if largest piece of gas infrastructure failed, in a severely cold winter



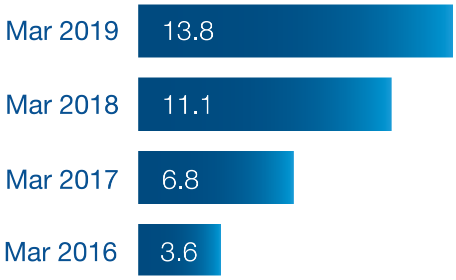
Source: statutory security of supply report: 2018; release schedule: annual

4.3 Deliver affordable energy for households and businesses

In 2018-19, we:

- Published a call for evidence on 'Helping businesses to improve the way they use energy' and we published our response; and
- Continued to work with industry to ensure every household and small business in the country has been offered a smart meter by 2020.

Number of smart and advanced meters operating in homes and businesses across Great Britain, millions



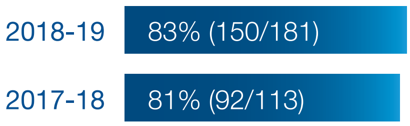
Source: statistical release and data: Smart Meters, Great Britain, quarter 4 2018; release schedule: quarterly

4.4 Manage our energy legacy safely and responsibly

In 2018-19, we:

- Updated the guidance on the decommissioning of offshore oil and gas installations and pipelines in November 2018;
- Published an updated framework for the long-term management of high activity radioactive waste to ensure safe, cost effective and environmentally sensitive decommissioning of our nuclear waste through a geological disposal facility in October 2018; and
- Brought in new emergency planning regulations in line with international best practice.

Nuclear Decommissioning Authority targets completed or on track to complete



Source: Nuclear Decommissioning Authority mid-year performance report

5. Build a flexible, innovative, collaborative and business facing department

5.1 People strategy

In 2018-19, we:

- Published the BEIS Workforce Strategy for 2019 to 2021 and agreed the terms of reference for the Workforce Planning Group.

5.2 Enabling digital, data and technology

In 2018-19, we:

- Embedded our IT platform, Cirrus, and launched a new intranet;
- Launched a new online reporting system for all our business as usual work and portfolio to make the process for internal reporting more efficient; and
- Ran a 'Knowledge and Information Roadshow', which visited five locations across the country and encouraged BEIS staff to be innovative with our new technology – ensuring good knowledge and information management supports our policy making and protecting information responsibly.

5.3 Deliver a workspace that supports and enables BEIS to deliver its objectives

In 2018-19, we:

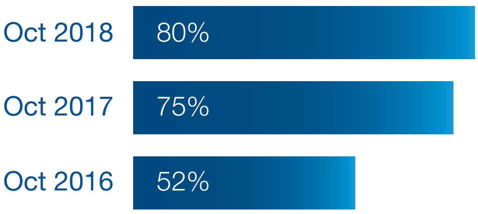
- Upgraded the CCTV in 1 Victoria Street to ensure the security of all staff;
- Improved our room booking service, with a better self-service user interface; and
- Launched a new procurement model, which is streamlined and more user-friendly, enabling better analytics.

5.4 Using resources efficiently to deliver ministers' strategic priorities

In 2018-19, we:

- Ensured that resources are appropriately allocated within the department and used effectively in the delivery of this plan and our priorities. Senior leaders have been provided with high-level oversight and governance of business planning, budgets and financial management; and performance reporting and risk monitoring; and
- Continued to meet the 5% cash management forecast accuracy target set by HM Treasury and finished joint second in the cross-government league tables with an average monthly variance of 0.49%.

Annual People Survey score on organisational objectives and purpose index



Source: BEIS: Civil Service people survey 2018; release schedule: annual

Performance against United Nations sustainable development goals

The Sustainable Development Goals (SDGs) succeed the Millennium Development Goals (MDGs), which ended in 2015. They were developed by United Nations (UN) member states and include 17 global goals for 2016 – 2030. UK government departments are required to look within their single departmental plans to identify policies and programmes which support delivery of the SDGs.

In summer 2019, the UK will present its voluntary national review of its delivery of the SDGs to the UN. In preparing the review document, BEIS took the lead in co-ordinating the chapters for goals 7, 9 and 13. The table below provides a summary of BEIS' delivery against the SDGs in 2018-19.

Sustainable development goals	Progress in 2018-19
Goal 1 End poverty in all its forms **BEIS delivery area**	**3.2 Promoting fairness in the labour market** New rates for the National Living Wage were implemented in April 2018 and remain on-target to achieve the 2020 ambition to increase this to 57% of median earnings. Consultation seeking views on ethnicity pay reporting by employers closed in January 2019 and the government response is being considered.
Goal 5 Achieve gender equality and empower all women and girls **BEIS delivery area**	**3.1 Ensure businesses are run responsibly and transparently** We continued to coordinate and support the Hampton-Alexander Review into FTSE women leaders. Female representation on FTSE 100 boards has risen by 2.2% since last year and on FTSE 350 boards it has risen by 2.4% since last year.
	3.2 Promoting fairness in the labour market Evaluation of the BEIS and Government Equality Office (GEO) £1.5 million campaign to promote parental leave in Feb-Apr 2018 shows that it achieved its targets. We have delivered on a commitment in the government's response to the Taylor Review, and a previous concern of the Women and Equalities Select Committee. Consultation was undertaken from 25 Jan to 5 April on extending redundancy protection for pregnant women and new parents to cover the period of pregnancy and a period after, an extension of six months. It also set out more widely what the department is doing to tackle pregnancy and maternity discrimination.

Sustainable development goals	Progress in 2018-19
Goal 7 Ensure access to affordable, reliable, sustainable and modern energy for all **BEIS delivery area**	**4.1 Maximise the advantages from the global shift to clean growth for UK industry, through the new Clean Growth Grand Challenge** The Heat Networks Investment Project (HNIP) was also launched in October and aims to increase the number of heat networks being built, deliver carbon savings and help create the conditions necessary for a sustainable heat network market to develop. HNIP will provide £320 million of capital funding to gap fund heat network projects in England and Wales. In December we published 'Clean growth: transforming heating - overview of current evidence', which provided an overview of key issues identified by the government review of options for achieving long term heat decarbonisation. The Offshore Wind Sector Deal was published in March 2019 https://www.gov.uk/government/publications/offshore-wind-sector-deal setting out the UK's ambition for the sector to 2030. This coincided with the UK and Taiwan signing an MoU to further develop existing collaboration on Taiwan's offshore wind industry.
	4.3 Deliver affordable energy for households and businesses From 1 January 2019, around 11 million households who had stayed loyal to energy suppliers pay a fairer price as the government's price cap came in to force. The cap will bring down the amount consumers have been overpaying to energy companies by £1 billion a year. The cap will remain in place until at least 2020, while energy suppliers and industry continue to work with the energy regulator Ofgem and BEIS to build an energy market that works better for all consumers. We continue to ensure that people are given control over their energy bills through the provision of smart meters. There are now over 12.8 million smart and advanced meters operating across homes and businesses in Great Britain. In June 2018, the Secretary of State made an announcement in the House relating to the decision not to proceed with Swansea Bay Tidal Lagoon. Extensive analysis concluded that the costs that would be incurred by consumers and taxpayers would be much higher than alternative sources of low carbon power and that the contract would not provide value for money. In November 2018, we published the guidance for CfD Allocation Round 3, which will open on 29 May 2019 to eligible Pot 2 (less established) renewable technologies.

Sustainable development goals	Progress in 2018-19
Goal 8 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all **BEIS delivery area**	**2.1 Promote the interests of UK businesses in EU and Euratom Exit negotiations** In our EU Exit negotiations, we have sought to build the strengths we set out in our Industrial Strategy and to capitalise on the opportunities before us. We have focused on ensuring that the UK is the go-to place for scientists, innovators and tech investors across the world, working to secure the right outcome for the UK research base as we exit the EU and a close association with Euratom.
	2.2 Encourage inward investment BEIS has continued to attract investment into the UK by identifying innovative solutions to emerging trends and challenges both in the UK and globally, delivering on our vision for the future economy. We have ensured the UK embraces global trends that will shape our rapidly changing future and harness all the opportunities they bring. Each Grand Challenge – AI and data, clean growth, future of mobility and ageing society - represents an open invitation to business, academia and civil society to work together to ensure the UK seizes these opportunities.
	3.2 Promote fairness in the labour market, improved working conditions and greater earning power for all We are implementing the recommendations from the Matthew Taylor review. BEIS laid secondary legislation to enact key elements of the Taylor Review package. We are now preparing a draft employment bill to take forward the outstanding elements. The Taylor Review Statutory Instruments were debated on 6 March.
Goal 9 Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation **BEIS delivery area**	**1.1 Our Industrial Strategy: building a Britain fit for the future** The Industrial Strategy sets out a long-term plan to boost the productivity and earning power of people in the UK by focusing on five foundations of productivity: ideas, people, infrastructure, business environment and places. In support of these foundations, this year we published the 'Local Industrial Strategies policy prospectus', which sets out the objectives, policy rationale and approach to developing local strategies. Business Secretary Greg Clark appointed Andy Haldane as Chair of the Industrial Strategy Council - an independent body established to assess the government's delivery of the Industrial Strategy. The Made Smarter Review made recommendations for industrial digitalisation which were included in the Industrial Strategy. Work is now progressing through delivery strategy.

Sustainable development goals	Progress in 2018-19
	1.2 Investing in science, research and innovation A public consultation on the new Knowledge Exchange Framework was launched in January. The framework will benchmark how well universities are doing at fostering knowledge sharing and research commercialisation. In January, UK Research and Innovation (UKRI) launched a programme, commissioned by BEIS, to develop the first national research and innovation infrastructure roadmap, based on an understanding of existing UK infrastructure (and key international facilities in which the UK participates), future needs (research, economic and social), and resulting investment priorities. We launched the £900 million UKRI Future Leaders Fellowship Scheme – open to the best researchers around the world. Industrial Strategy Challenge Fund (ISCF) Wave 2 projects are now in delivery and the process to commission expressions of interest for wave 3 went live in February 2019.
	1.3 Support world leading sectors The Secretary of State launched the Nuclear Sector Deal in June 2018. The deal, worth over £200 million, will spearhead Britain's move towards cleaner economic growth while promoting new opportunities in innovation to develop the technology and skills needed to maintain the UK's position as one of the world's leading nuclear nations. Construction at Hinkley Point C is bringing economic benefit to the South West as construction continues. Spending with South West businesses has now topped £1 billion, with a further £500 million to be spent in new contracts which have already been signed. 1,700 of the current workforce live in Somerset, of which 300 are under 35 years old. In November 2018, we announced a sector deal with the AI sector. This £1 billion deal will help to put the UK at the forefront of the AI industry. Thanks to this deal, around 1,000 government-funded AI PhDs will be created and private firms will invest £300 million in the sector. Funding will be allocated for training for 8,000 specialist computer science teachers, along with £300 million for specialist AI research. In December 2018 we published the Second Life Sciences Sector Deal, which contains significant action to transform the prevention, diagnosis and treatment of chronic diseases by 2030. We also published the Aerospace Sector Deal in December, which positions the UK to take advantage of the global move towards hybrid-electric and electric propulsion and to exploit valuable emerging markets such as drones and urban air mobility. As reported under Goal 7, the Offshore Wind Sector Deal was published in March 2019.
	1.4 Supporting businesses to start and grow In October, we secured £31 million of new funding to deliver an £11 million SME leadership programme (2,000 individuals in year one, with aspiration for 10,000 per year by 2025) and £20 million to strengthen local networks. The Business Basics Fund 2 was launched in January and makes available up to £2 million for trials to build evidence on how to encourage SMEs to adopt productivity boosting technology or management practice. British Business Bank have also created a network of local managers to provide regional advice, ensuring that businesses can tie in to existing regional expertise or developing plans for specific industries. Also, in January an Artificial Intelligence Memorandum of Understanding with Japan was announced.

Sustainable development goals	Progress in 2018-19
Goal 11 Make cities and human settlements inclusive, safe, resilient **BEIS delivery area**	**1.5 Drive growth across the country** Local industrial strategies, led by Mayoral Combined Authorities or Local Enterprise Partnerships (LEPs) promote the co-ordination of local economic policy and national funding streams and establish new ways of working between national and local government, and the public and private sectors. In January, the Prime Minister chaired the second biannual Council of LEP Chairs. We published ‘Strengthened Local Enterprise Partnerships’ which sets out how government and LEPs will work together to strengthen leadership and capability, improve accountability and manage risk, and provide clarity on geography. In October we published the policy prospectus for Local Industrial Strategies, which sets out their objectives, the policy rationale and approach to their development. The second wave of six local industrial strategies were announced in July 2018: Cheshire & Warrington, Heart of the South West, Leicester & Leicestershire, North East, Tees Valley and West of England. In December, we announced that the entire country will benefit from local industrial strategies with the rest of the LEPs forming the final third wave. Plans to bring together the relevant work of HM Land Registry, Ordnance Survey, the Valuation Office Agency, the Hydrographic Office and Geological Survey through the co-ordination of the Geospatial Commission continues with the appointment in December 2018 of the Chair, Sir Andrew Dilnot, and the Deputy Chair, Nigel Clifford.

Sustainable development goals	Progress in 2018-19
Goal 12 Ensure sustainable consumption and production patterns **BEIS delivery area**	**4.2 Ensuring that our energy system is reliable and secure** We are working with MHCLG on a Written Ministerial Statement in response to several consultations regarding Shale, including the BEIS- run Nationally Significant Infrastructure Project (NSIP) consultation. The Shale Environmental Regulator Group (SERG) was launched on 5 October 2018. It brought the onshore oil and gas regulators (Environment Agency, Health and Safety Executive and the Oil and Gas Authority) together as a virtual regulatory group for the environmental aspects of shale gas exploration and production. The 2018 Autumn Budget announced a £315 million Industrial Energy Transformation Fund to help businesses with high energy use to cut their bills and emissions and reduce carbon use through increased energy efficiency and the use of lower carbon energy and processes. In March 2019 BEIS launched an informal consultation to help design the fund. Its focus is particularly on the benefits and barriers to industrial decarbonisation. Following legal challenges to and a suspension of the Capacity Market, BEIS has worked with stakeholders, including the European Commission, to reinstate the scheme. Our Statutory Instrument to enable the T-1 auction was made on 9 April and the auction is scheduled for summer 2019.
Goal 13 Take urgent action to combat climate change and its impacts **BEIS delivery area**	**4.1 Maximise the advantages for UK industry from the global shift to clean growth through the new Clean Growth Grand Challenge, and take action on climate change** We have continued to support the UK Climate Change Act through the Clean Growth Strategy and continued reduction in UK emissions. The first Green Great Britain Week 15–19 October 2018 highlighted the opportunities clean growth offers the UK and raised understanding of how business and the public can contribute to tackling climate change. Following the report last October by the Inter-Governmental Panel on Climate Change (IPCC) on the impacts of 1.5C of warming, the UK commissioned its independent advisers, the Committee on Climate Change (CCC), to provide advice on its long-term targets. The CCC has subsequently recommended that the UK legislates for a net zero target and the government is committed to responding to this advice in a timeframe which reflects the urgency of this critical issue.

Financial review

Expenditure: How expenditure is presented

The Department's expenditure is reported on two different bases in its Annual Report and Accounts: Statement of Comprehensive Net Expenditure and Statement of Parliamentary Supply.

Statement of Comprehensive Net Expenditure
The Statement of Comprehensive Net Expenditure (SoCNE) (page 113) includes all operating income and expenditure relating to the Departmental Group. In 2018-19, the Departmental Group's net operating expenditure amounted to (£94.4) billion and £13.6 billion for the core Department and agencies. This expenditure is calculated following accounting standards and guidance which are explained in more detail in note 1.1 (page 123) and on a similar basis to those rules generally applied by private sector businesses.

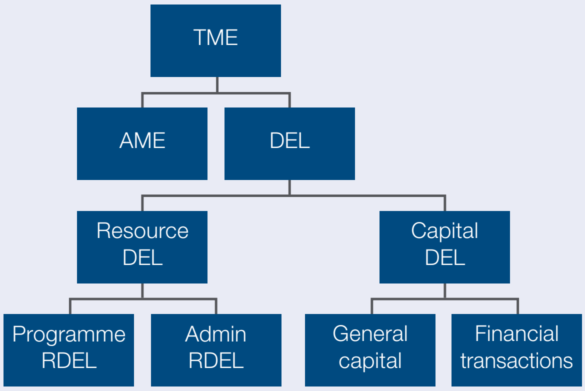
Statement of Parliamentary Supply
Each year, Parliament approves the total funds available to the department to spend against specific limits. The Statement of Parliamentary Supply (SoPS) (page 89) presents a total expenditure for our Department Group of (£94.2) billion and compares this with the Budget presented to Parliament of (£76.7) billion. These figures are calculated in accordance with HM Treasury's Consolidated Budgeting Guidance, which differs in several respects with the accounting basis above. It is against these limits that the department, is held accountable for its performance and the use of taxpayers' fund. **The summaries and explanations of key movements below have been prepared on this basis, except where stated otherwise.**

Overview of expenditure in 2018-19

	2018-19 Outturn £m	2018-19 Budget £m	2017-18 Outturn £m
TME[1]	**(94,221)**	**(76,692)**	**86,033**
Resource DEL	1,246	1,434	1,714
Capital DEL	10,814	11,496	10,392
Total DEL[2]	**12,060**	**12,930**	**12,106**
Resource AME	(105,865)	(89,667)	75,124
Capital AME	(416)	45	(1,197)
Total AME	**(106,281)**	**(89,622)**	**73,927**

1. The TME outturn is the total of Voted and Non-Voted in the Statement of Parliamentary Supply.
2. This expenditure is analysed in 'Where we spent our money' on pages 15 and 16.

Our Budget Framework



HM Treasury sets the overall budgetary framework for government spending. The total amount the department spends is referred to as its TME, Total Managed Expenditure. Budgets are classified as either AME: Annually Managed Expenditure; or DEL: Departmental Expenditure Limit.

AME budgets are volatile or demand-led in a way that the department cannot control. HM Treasury do not set firm AME budgets in spending reviews, but the department monitors AME forecasts closely and these are updated annually.

DEL budgets are understood and controllable. HM Treasury set firm limits for each type of DEL budget. This is done at spending reviews which occur every 3 to 5 years. DEL budgets are divided into RDEL: resource spend and CDEL: capital spend.

The RDEL budget is further split into:

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

The CDEL budget is further split into:

- 'financial transactions' for loans given or shares purchased
- 'general capital' for spending on all other assets or investments

This does not represent cash spend. The Departmental Group's performance in any year is significantly impacted by accounting 'fair value' movements, most significantly those included in the 'Resource AME' lines. These accounting adjustments are referred to as 'non-cash' and as such tend not to feature in conventional descriptions of departmental 'spending' of the kind shown in the Performance report. The largest movements are driven by changes in discount rates which have a highly material impact on the value of nuclear decommissioning and other provisions. The main categories of spend and variations in expenditure against budget and the prior year are explained in further detail below.

Comparison of expenditure to prior years

Our key areas of net expenditure for the last three years are shown in the table below.

	2018-19 £m	2017-18 restated £m	2016-17 restated £m
NDA	(99,592)	73,218	5,082
Science and research	7,511	6,740	6,374
Contracts for Difference	(2,971)	3,558	(273)
UK Research & Innovation (Innovate UK)	1,052	973	801
Coal Authority	(1,993)	1,545	34
Green Investment Bank and Green Infrastructure Platform	11	24	845
Renewable Heat Incentive	818	687	545
International Climate Finance	321	330	333
Post Office	228	140	220
Green Investment Bank sale receipts	-	(1,621)	-
Other	394	439	2,304
Total	**(94,221)**	**86,033**	**16,265**

While spending on areas such as UK Research & Innovation (Innovate UK), and International Climate Finance remains broadly consistent, there are three categories where expenditure shows a high variation in the current year. All of these are driven by accounting fair value movements to assets and liabilities, rather than in-year cash or other expenditure.

These amounts can be volatile in years when inputs underlying accounting estimates, such as discount rates, are changed. These are explained in detail in the review of the Statement of Financial Position on the following pages as follows:

Nuclear Decommissioning Authority (NDA)
In addition to expenditure incurred in the period, changes to the discount rate assumption have decreased the provision values and resulted in a significant negative expense. A full explanation of the reasons behind this is set out in (a) Impact on changes in discount rate page 40 and (b) Nuclear Decommissioning Authority provisions on page 42.

In the current year the change in discount rate alone accounted for a negative expense of (£96.0) billion (see also Financial Statements notes 4.3 and 19.1).

Coal Authority
The Authority has long-term future liabilities arising from its responsibilities arising from the ownership of abandoned coal mines. These are again highly sensitive to movements in discount rates, with an impact of (£2.6) billion in the year (see also Financial Statements notes 4.3 and 19.2).

Contracts for Difference (CfD)
Fair value movements of (£2.0) billion recognised in the SoCNE have been driven by changes to inflation and forecast price inputs into the valuation model, and the deferred difference recognised during the year. This is further explained in (c) Contracts for Difference on page 43 and Financial Statements note 9.

Comparison of Outturn against Budget

	Outturn £m	Budget £m	Variances £m	Variances %
TME	**(94,221)**	**(76,692)**	**17,529**	**22.9%**
Resource DEL	1,246	1,434	188	13.1%
Capital DEL	10,814	11,496	682	5.9%
Total DEL	**12,060**	**12,930**	**870**	**6.7%**
Resource AME	(105,865)	(89,667)	16,198	18.1%
Capital AME	(416)	45	461	1,024%
Total AME	**(106,281)**	**(89,622)**	**16,659**	**18.6%**

The variances are the TME (Voted and Non-Voted) against Budget (Voted and Non-Voted), this is different to the presentation in the SoPS which compares Voted Expenditure against Voted Budget. Explanations for the key variances from budget are as follows, split by budget line headings from the SoPS.

Total Managed Expenditure (TME)
Our TME budget was (£76.7) billion; against this the department had an outturn of (£94.2) billion. The difference of £17.5 billion resulted from lower than budgeted AME, primarily due to accounting valuation adjustments as explained below.

Resource DEL
The Estimate was £1.4 billion. Outturn against the Estimate was £1.2 billion; £188 million lower than budget due to a mixture of economies across various areas and organisations. The significant components include £71 million relating to economies on Science and Research budgets, including £50 million not required for potential impairments; £56 million on Government as a Shareholder part of which relates to additional income from the Official Receiver and £21 million net relating to NDA economies.

Capital DEL
The Estimate was £11.5 billion. Outturn against the Estimate was £10.8 billion, £682 million lower than budget. A significant proportion, £499 million of the underspends is attributed to limited capital calls by financial institutions under the Enterprise Financial Guarantees schemes operated by the British Business Bank on behalf of the Department. The extent of annual capital calls is not wholly predictable, as it is intrinsically linked to the financing needs of the underlying business.

Resource AME
The Estimate was (£89.7) billion, and outturn was (£105.9) billion, £16.2 billion lower than budget, principally due to accounting valuation adjustments, including:

- The NDA's nuclear decommissioning provision, where the changes in the long-term discount rates resulted in an Outturn of (£101.8) billion compared to an Estimate of (£99.0 billion). The variance of £2.8 billion, reflects the uncertainties when budgeting for the provision and represents less than 2.8% of the total change.
- The Coal Authority provision, where the change in the long-term discount rates resulted in an Outturn (£2.0) billion compared to the Estimate of £2.0 billion, a variance of £4.0 billion.
- CfD liabilities, which decreased by (£3.0) billion, from (£15.9 billion) to (£12.9 billion). This was £9.0 billion lower than the Estimate due to higher than budgeted wholesale electricity prices projections used in the updated price series to determine the year-end year fair value. This translates into lower CfD liabilities for the department.

Capital AME
The £461 million underspend on capital AME is almost entirely due to lower than expected demand by Post Office Limited for its working capital funding from the core Department at the year-end.

Expenditure on official development assistance

Official Development Assistance (ODA) is government aid that targets economic development in developing countries.

To maximise effectiveness, we aim to use monitoring, evaluation and learning to identify opportunities for improvement.

ODA spend is reported on a calendar year and cash basis. BEIS' total ODA spend in 2018 was £851 million; £533 million relating to research and innovation and the rest, £318 million on climate and energy. A further breakdown of spend by sectors is presented in the table below.

ODA spend on research and innovation

The £533 million ODA spend, generated and applied knowledge and technology to address development challenges. This included work to:

- introduce parasite resistant crops;
- support sustainable land management practices in East Africa;
- improve access to maternal health care;
- inform policymaking on drugs policy in Columbia;
- combat antimicrobial resistance; and
- improve access to affordable, clean energy.

ODA spend on climate and energy

Of the £318 million ODA spend, £308 million was invested in international climate finance. This included:

- £35.5 million in the 'Green Climate Fund', the largest joint climate fund that supports the Paris Agreement;
- £68 million to boost the uptake of greener construction practices;
- £36 million for energy efficiency and renewable energy projects in India, South Africa and East Africa;
- £19 million to support coal phase out for developing countries with high current or future coal use.

Provisional expenditure by DAC 5 sector code

Sector code	Sector	2018 £m
111	Education, Level Unspecified	**53.8**
113	Secondary Education	**1.5**
114	Post-Secondary Education	**7.1**
121	Health, General	**102.3**
122	Basic Health	**0.2**
123	Non-communicable diseases	**0.1**
140	Water and supply sanitation	**0.1**
151	Government & Civil Society-general	**8.5**
160	Other Social Infrastructure & Services	**0.6**
210	Transport & Storage	**3.3**
230	Energy	**3.8**
231	Energy Policy	**52.5**
232	Energy generation, renewable sources	**36.7**
233	Energy generation, non-renewable sources	**0.3**
250	Business & Other Services	**0.1**
311	Agriculture	**73.4**
312	Forestry	**0.0**
313	Fishing	**0.8**
321	Industry	**19.3**
410	General Environment Protection	**90.9**
430	Other Multisector	**269.2**
510	General budget support	**8.8**
910	Administrative Costs of Donors	**5.8**
998	Unallocated/unspecified	**112.0**
	Total	**851.1**

Notes

1. The BEIS ODA spend for 2018 provided are provisional. The final official statistics will be published by the Department for International Development in November 2019.
2. The provisional official statistics for 2018 published by DFID may be found in the publication 'Provisional UK Official Development Assistance as a Proportion of Gross National Income' https://www.gov.uk/government/statistics/statistics-on-international-development-provisional-uk-aid-spend-2018
3. Sector codes used by the OECD Development Assistance Committee (DAC): http://www.oecd.org/dac/stats/purposecodessectorclassification.htm

Consolidated statement of financial positon

The Department remains in a net liability position, however, there has been a significant decrease in the Department's net liability position from the prior year. This is driven by changes to discount rates and the impact of those changes on nuclear decommissioning provisions. The most significant assumptions and balance underlying the Statement of Financial Position are:

a. Impact of change in discount rates

b. Nuclear Decommissioning Authority provision; and

c. Contracts for Difference.

A fuller explanation of the nature of these matters is set out below

(a) Impact of changes in discount rates

Category	2018-19	2017-18	Rationale
Nuclear decommissioning provisions			
Short term < 2 years	-1.22%[1]	-2.42%	Set by HM Treasury Public Expenditure System (PES) Secretariat 7 December 2018
Short term 2 – 5 years	-1.31%[1]	-2.42%	
Medium-term 6 -10 years	-0.94%[1]	-1.85%	
Long-term > 10 years	-0.11%[1]	-1.56%	
CfD financial instruments			
Real rate (as contracts are in real terms)	+0.70%	+0.70%	As above
Coal pensions			
Real rate + 3% RPI (as contractual figures are in nominal values)	+3.70%	+3.70%	As above: financial instruments discount rate (non-indexed)
Repayable Launch Investments			
Higher of the implicit rate of return or the financial instrument's rate	+3.50% + RPI 2.60%	+3.50% + RPI 2.45%	Risk-free rate for government investment appraisal set by HM Treasury Green Book, adjusted for inflation

Notes

1. HM Treasury provided Nominal and Inflation rates for discounting provisions for 2018-19, rather than Real rates as they have in prior years. The values above are real rates for 2018-19 and 2017-18 taking into account the nominal and inflation rates for 2018-19. Further details of the nominal and inflation rates are given in the Departmental Group Accounting Policies note 1.23

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

The worth of the Department's future cash flows are calculated at present value in accordance with accounting standards. This present value reflects the time value of money. The accounts use a number of different discount rates depending on the nature of the transaction and the regulation applicable.

In the past, the time value of money has usually been positive which means money could be invested in the present for a return in the future that would exceed the rate of inflation – this is known as a positive 'real' return. Government bonds are seen as a low risk form of investments. Usually, therefore, government bonds bring a lower rate of return than other investments. As bonds pay a fixed cash amount when they mature, the higher the price paid for the bonds now, the lower the rate of return is considered to be. Following the global financial crisis, demand for lower–risk investments increased, particularly government bonds. As a result, the price of government bonds rose. This has resulted in government bonds providing a negative 'real' return. The long-term discount rate has been negative since 2015. In 2018-19, the long-term discount rate remains negative but not to as significant extent as in prior years.

When negative discount rates are applied to the Department's long-term obligations, this has the effect of significantly increasing the reported value of the liabilities, however, with the decrease of the negative discount rate this has resulted in a decrease in the report value of the liabilities this year. Even when the cash the Department expects to pay has not changed substantially, year on year. But not all rates are negative. For investment appraisal government continues to use positive rates, to ensure that projects are correctly appraised and generate future benefits. Our accounts use positive discount rates to determine the present value of future income generated from assets and investments. When positive rates have been used to discount future cash receipts, then the present value of them is lower than the cash the department will receive. The following tables set out the specific material balances in our accounts that have been discounted. The impact of the discounting can be assessed by comparing the discounted value with the undiscounted value.

Impact on assets

Assets have been discounted at positive rates. For financial instruments we are required to use the prescribed HM Treasury discount rate of 0.7% real and 3.7% nominal, or the rate of return implicit in the contract if higher. For the repayable launch investments, we assessed the implicit rate to be 3.5% plus RPI; 2018-19: RPI was 2.60% (2017-18: RPI was 2.45%) giving an implicit rate of 6.10% (2017-18: 5.95%).

Category	2018-19 Discounted assets	2018-19 Undiscounted assets	2018-19 Impact of discounting	2017-18 Discounted assets	2017-18 Undiscounted assets	2017-18 Impact of discounting
	£m	£m	£m	£m	£m	£m
Repayable launch investments	1,058	1,348	(290)	1,047	1,540	(493)
Coal pensions	920	1,058	(138)	1,033	1,207	(174)

Impact on provisions

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

Category	2018-19 Discounted liability	2018-19 Undiscounted liability	2018-19 Impact of discounting	2017-18 Discounted liability	2017-18 Undiscounted liability	2017-18 Impact of discounting
	£m	£m	£m	£m	£m	£m
NDA nuclear provision	129,709	123,311	6,398	233,282	120,165	113,117
Coal Authority provision	2,299	2,174	125	4,328	1,902	2,426

Impact on financial instruments

The fair value of the Contracts for Difference (CfD) obligation disclosed in the accounts is adjusted using the 0.7% real term discount rate. Each year, the fair value of the CfD is reassessed to reflect changes in the expected cash payments that will be made over the life of the contracts, and then the updated expected cash payments are discounted.

Category	2018-19 Discounted liability	2018-19 Undiscounted liability	2018-19 Impact of discounting	2017-18 Discounted liability	2017-18 Undiscounted liability	2017-18 Impact of discounting
	£m	£m	£m	£m	£m	£m
CfD liability	35,249	37,176	(1,927)	39,201	41,603	(2,402)

(b) Nuclear Decommissioning Authority provisions

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

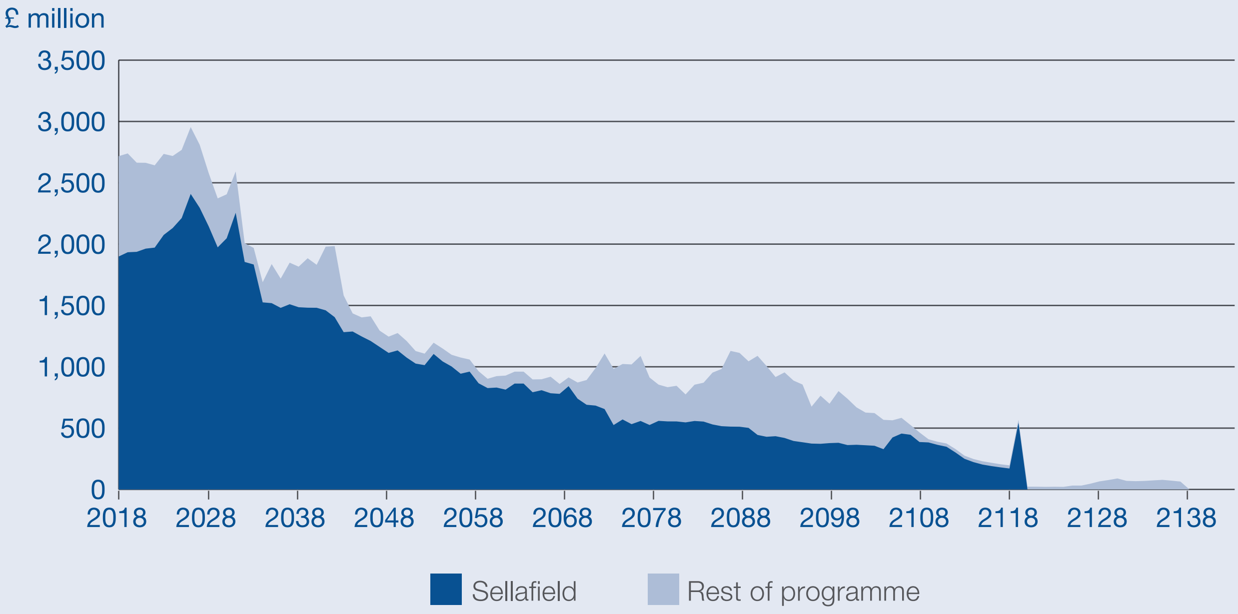
Decommissioning of sites will take many decades. In part, this is because plans often include periods of 'care and maintenance', where sites are made safe and put into an interim state, allowing residual amounts of radioactive material to decay over time. By doing this, the final stages of decommissioning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

NDA's best estimate of the future costs of the estate over the next 100+ years on an undiscounted basis is £123.3 billion.

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

NDA has reviewed the methodologies used in the calculation, taking into account HM Treasury Green Book guidance and the need to remove optimism bias. Projects like these could typically have a range of estimates from -50% to +300%. In light of uncertainties in the estimate, NDA considers it prudent to present a credible range of outcomes. The range presented for the current year is for undiscounted costs of £99 billion to £232 billion.

NDA provision: forecast undiscounted expenditure



c) Contracts for Difference

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

Low Carbon Contracts Company (LCCC)
Difference payments under the CfDs are funded through a levy paid by licensed energy suppliers. The LCCC is the company established by Government to collect this levy, manage the CfDs and pay or receive the contracted difference payments. The LCCC is managing all 54 recognised CfD contracts.

Accounting for fair value (FV)
In order to comply with the relevant accounting standards, the Department is required to estimate the 'fair value' of future CfD payments. Difference payments under CfDs can be positive (an asset) or negative (a liability) and are currently recognised as a liability. The matching asset arising from the statutory obligation on suppliers is not recognised under accounting standards. The CfD liability figure is calculated using a model that forecasts the rate of generation, expected demand for electricity and electricity prices over the term of the contract. The figures in the financial statements represent management's best current estimate within a range of scenarios and will be subject to change over time.

In accordance with accounting standards the initial fair value of any contract is deferred i.e. not recognised in the accounts. The total deferred fair value of CfDs disclosed in the accounts was £22.3 billion on 31 March 2019.

The Department recognises all subsequent movements of fair value on CfD contract recognised in the accounts, whose cumulative value was £35.2 billion by 31 March 2019, through the Statement of Comprehensive Net Expenditure; and recognises a liability, which was £12.9 billion as at 31 March 2019, on the Statement of Financial Position. The movements in year are presented in the tables below. Further details on the CfDs can be found in note 9 on pages 152 to 160.

Movements in fair value of CfDs recognised in the Accounts[1]

	2018-19 £ bn	2017-18 £ bn
1 April	**39.2**	**31.4**
Changes in FV on exiting recognised contracts	(2.7)	3.7
Additions	-	4.6
Release of CfD liability relating to terminated contracts	(0.3)	-
Payments made to generators	(1.0)	(0.5)
31 March	**35.2**	**39.2**

Notes

1. The tables exclude the fair value of Hinkley Point C, which is not recognised in the accounts as explained below.

Effect on the Statement of Financial Position of CfD's recognised in the Accounts[1]

	2018-19 £ bn	2017-18 £ bn
1 April	**15.9**	**12.3**
Changes in FV on exiting recognised contracts	(2.7)	3.7
Release of CfD liability relating to terminated contracts	(0.0)	-
Payments made to generators	(1.0)	(0.5)
Deferred differences recognised	0.7	0.4
31 March	**12.9**	**15.9**

Notes

1. The tables exclude the fair value of Hinkley Point C, which is not recognised in the accounts as explained below.

Effect on the Statement of Comprehensive Net Expenditure of CfDs recognised in the Accounts[1]

	31 March 2019 £ bn	31 March 2018 £ bn
Contracts for difference derivatives	**(2.0)**	**4.1**
Comprising:		
Changes in FV on existing recognised contracts	(2.7)	3.7
Release of CfD liability relating to terminated contracts	(0.0)	-
Deferred differences recognised	0.7	0.4
Contract for difference derivatives total	**(2.0)**	**4.1**

Hinkley Point C

The CfD contract for Hinkley Point C (HPC) was signed in September 2016, but it has not been recognised in the accounts for reasons explained in note 9 to the accounts. The Department's best estimate of fair value at 31 March 2019 was £30.3 billion.

Our charging policy:

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

The Insolvency Service sets its fees to recover costs. It has a range of fees covering three areas:

- case administration, where fees reflect the average costs of administering bankruptcy cases and compulsory company liquidation cases and also the average cost of completing debt relief orders;
- insolvency practitioner regulations, where fees include the cost of authorising and monitoring insolvency practitioners and registering individual voluntary arrangements;
- estate accounting, where fees reflect the cost of financial transactions on insolvency cases using the Insolvency Service account.

Details of charging polices relating to partner organisations may be found in their respective published accounts.

Sustainability report

We are committed to sustainability in the way we make policy and procure goods and services. We are also committed to environmental sustainability, and as part of the Greening Government Commitments, we report on our greenhouse gas emissions, water use, paper use and waste.

Environmental sustainability

Greenhouse gas emissions
Our BEIS Green Guardians network supports BEIS in monitoring our energy consumption and in plans to introduce further energy saving measures.

Waste
We installed bins for recycling a variety of materials and plan to eradicate the majority of single-use consumer plastics.

Water and paper
We recently received accreditation to ISO 50001 (energy management) and ISO1400 (environmental management). We will be reviewed annually against these standards and we will seek continuous improvement in both. We have a closed paper cycle whereby all paper is recycled for reuse.

Food and catering
We are committed to sustainable, and where possible, British food products. We are working to eliminate, the majority of single-use consumer plastics from our catering provision.

Sustainable construction
We have had no new builds in the last year. We work with the Government Property Agency who hold our leases to ensure any construction work prioritises sustainability and reaches the government’s buying standard.

Biodiversity and the natural environment
We have no significant impact on biodiversity. However, site license companies managing NDA nuclear sites are contractually required to have suitable biodiversity action plans in place.

Sustainable procurement

Suppliers
We used the Crown Commercial Service framework to procure our goods and services. The procurement service works with its partners to ensure sustainability goals are achieved.

Engagement with small and medium enterprises
We are committed to meeting the government target of 33% direct procurement and through the supply chain by the end of 2022.

In 2018-19, the share of procurement made directly with SMEs was 31.8%[3], of which the core Department’s share was 24.1%. In 2017-18, the share of the procurement made directly with SMEs was 28.4%, of which the core Department share was 20.8%.

Prompt payments
We have a policy to pay 80% of undisputed invoices within five days with the remainder paid in 30 days. In 2018-19, the core Department paid 94.8% of undisputed invoices within five days and 99.3% within 30 days.

The most common reasons for invoices to be put on hold are due amounts on the purchase order not matching receipts, or a supplier has had a change of address which does not the match invoice. These issues need to be checked before payments are made.

3 Entities include the core Department and all commercially active Arm’s Length Bodies of BEIS: 1) core Department, 2) ACAS, 3) Civil Nuclear Constabulary, 4) Coal Authority, 5) Committee on Climate Change, 6) Companies House, 7) Intellectual Property Office, 8) Insolvency Service, 9) Land Registry, 10) Low Carbon Contracts Company, 11) Met Office, 12) National Nuclear Laboratory, 13) National Physical Laboratory, 14) Oil & Gas Authority, 15) Ordnance Survey, 16) UK Atomic Energy Authority, 17) UK Research and Innovation, 18) UK Space Agency, 19) UK Shared Business Services.

Sustainability in policy development

Rural proofing
Our Industrial Strategy policy outlines government plans to increase productivity and economic growth – this is across every part of the country. It covers rural issues, including shortage of work premises, slow internet connections and a lack of knowledge transfer between business communities spread across wide areas. Rural proofing is built into our impact assessments.

Climate change adaptation
Climate change adaptation refers to adapting to the consequences of climate change. We contribute to the cross-government National Adaptation Plan, published every five years. It sets out how risks of extreme weather events will be managed (e.g. flood resilience measures) for communities, the built environment, businesses and local government.

Progress on Greening Government Commitments

Targets by 2019-20, compared to 2009-10 baseline	Progress in 2018-19
Total greenhouse gas emissions: reduce by 66%[1]	⬇ 64.75%
Domestic flights: reduce by 30%	⬇ 44.26%
Volume of water used: reduce generally	⬇ 59.11%
Reams of paper procured: reduce by 50%	⬇ 83.83%
Total non-hazardous waste generated: reduce generally	⬇ 71.66%
Waste to landfill: reduce proportion to 10%	14.04% in 2018-19
Waste recycled/reused: increase generally	⬆ 6.04%

Notes

1. 66% is the new 2020 target for BEIS. The original 2020 target of 40% has been exceeded; in 2016-17, we had achieved 51% reduction. Further information is available at the Greening Government Commitments page on GOV.UK.

Greening Government Commitments data[1]

Greenhouse gas emissions	2018-19	2017-18	2016-17	Baseline 2009-10
Emissions (tonnes of CO_2e)				
Emissions scope 1[2]	6,644	8,007	6,109	17,837
Emissions scope 2[3] and 3[4]	16,037	22,325	25,480	46,507
Emissions total	**22,681**	**30,332**	**31,589**	**64,344**
Related energy consumption (kWh)				
Electricity: non-renewable	28,660,707	29,221,350	30,360,293	45,323,891
Electricity: renewable	15,595,594	17,428,973	19,540,688	38,675,792
Gas	20,347,275	36,185,503	29,071,359	62,905,227
District heating	113,953	149,220	124,776	-
Other heat	9,210,230	6,824,394	2,664,381	9,865,113
Total energy consumption	**73,927,759**	**89,809,439**	**81,761,497**	**156,770,023**
Related expenditure (£k)				
Expenditure on energy	7,460	6,755	6,467	n/a
Expenditure on CRC licence	298	598	497	n/a
Expenditure on official business travel[5]	13,257	7,559	11,660	n/a
Total expenditure on energy and business travel	**21,015**	**14,912**	**18,624**	**n/a**

Domestic business travel flights	2018-19	2017-18	2016-17	Baseline 2009-10
Total number of flights	**4,503**	**2,689**	**5,125**	**8,078**

Waste generated (tonnes)	2018-19	2017-18	2016-17	Baseline 2009-10
Total waste generated	**2,137**	**2,468**	**2,159**	**7,541**
non-hazardous waste: to landfill	300	289	197	2,986
non-hazardous waste: reused/recycled	1,293	1,779	1,775	4,107
non-hazardous waste: composted/ biodigestion	79	49	60	25
ICT waste reused	-	-	-	7
ICT waste recycled	30	11	51	2
incinerated energy from waste	536	389	181	448
reams of paper procured	71,335	61,825	97,893	441,134
Total disposal cost (£k)	**404**	**468**	**432**	**n/a**

Water consumption	2018-19	2017-18	2016-17	Baseline 2009-10
Water consumption (m^3)	115,907	110,457	126,468	283,495
Water supply and sewage costs (£k)	**489**	**325**	**329**	**n/a**

Notes

1. Entities include: i. BEIS core Department, ii. Companies House, iii. Intellectual Property Office, iv. Land Registry, v. Natural Environment Research Council, vi. Nuclear Decommissioning Authority, and vii. Ordnance Survey
2. Scope 1: direct emissions from sources owned or controlled
3. Scope 2: indirect emissions from consumption of purchased electricity or sources of energy generated upstream
4. Scope 3: other indirect emissions occurring as a consequence of BEIS' operations, but not directly owned or controlled by BEIS
5. Travel costs for the Land Registry have not been included

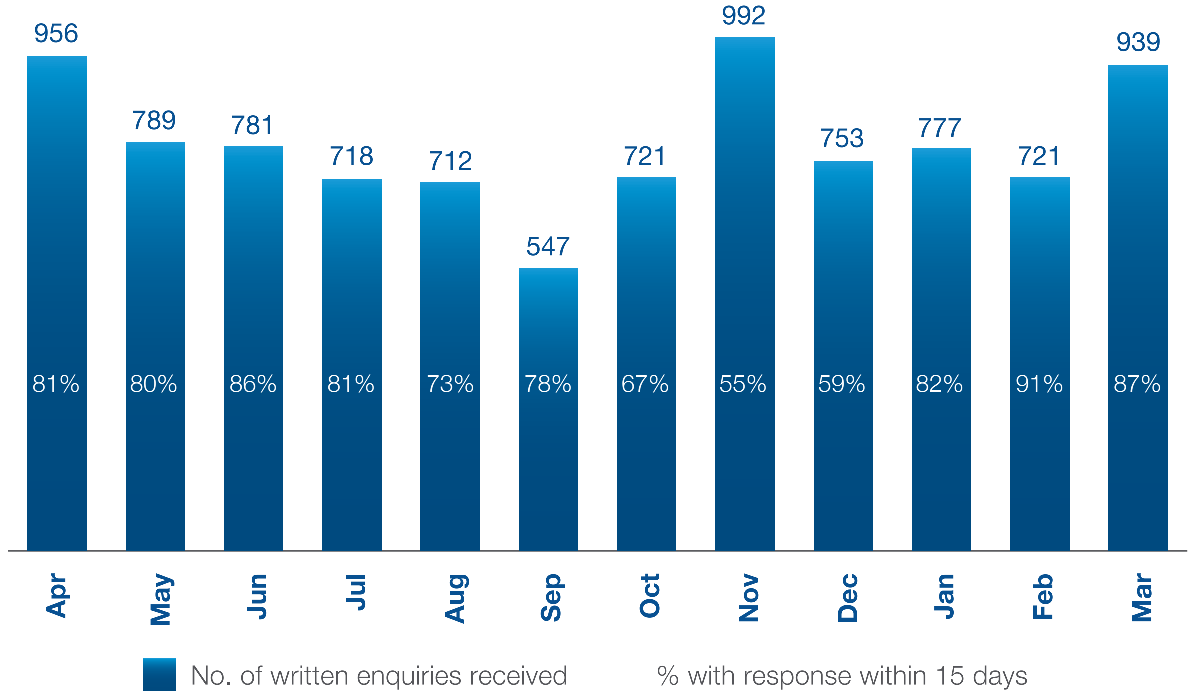
Other required performance reporting

Anti-bribery and anti-corruption

No cases of bribery or corruption were identified within BEIS this year.

We have made good progress, working with other departments and law enforcement agencies to identify and implement best practice. We will continue to emphasise the importance of effective anti-bribery and corruption practices both in the UK and in any overseas' operations we fund. BEIS policies and controls are being refreshed to include more up to date and relevant advice to identify and prevent potential instances of bribery, corruption and non-compliance as well as clearly defining appropriate reporting routes. These will be made available to all BEIS staff and our suppliers.

Public correspondence



We aim to respond to 80% of our correspondence within 15 working days.

In 2018-19, we received 9,406 written enquiries from MPs, Peers and members of the public. We responded to 76% of cases within 15 working days. The table above shows our monthly performance.

Complaints to the Parliamentary Ombudsman

No. complaints accepted for investigation	**9**
(a) Investigations fully upheld	1
(b) Investigations partly upheld	0
(c) Investigations not upheld	8

The data in the table to the left has been obtained from the Parliamentary Ombudsman Annual Report for 2017-18, the latest available.

The Ombudsman only accepts complaints that have been through our complaints process. We aim to answer all formal complaints via complaints@beis.gov.uk within 20 working days. Only a small percentage of complaints we receive are escalated to the Ombudsman.

Advertising campaigns

We ran three major advertising campaigns to support the 'A Fair Workplace' initiative.

National minimum wage and living wage

The National Living and Minimum Wage campaign launched in April and ran for six months. The campaign was designed to raise awareness of the wage increases from 1 April 2018, to encourage workers to check their pay and secure the increase from employers. The £1.3 million campaign included advertising on radio, poster sites and social media, and drove more than 600,000 visits to the campaign website. It also urged those persistently underpaid to complain to HMRC to investigate employers.

Shared parental leave

BEIS, together with the Gender Equalities Office launched phase 2 of the Shared Parental Leave campaign in February 2019. It was designed to spark conversations between parents about sharing parental leave and encourage employers to promote it in the workplace. The £0.25 million campaign was aimed at expectant mums in England, Scotland and Wales. It included online advertising through social media and targeted titles, supported with in-house PR to national and consumer media. The campaign website (www.gov.uk/sharetheleave) featured advice and case studies of parents who have already taken shared parental leave. The campaign is expected to drive around 80,000 visits to its website.

Holiday Pay

We launched a new campaign in February 2019 to raise awareness of worker entitlement to Holiday Pay. The £1 million campaign featured advertising on bus stop poster sites and shopping malls, as well as on social media sites including Facebook. The campaign was designed to encourage workers to check with their boss to make sure they received holiday pay. All advertising drove more than 500,000 visits to information pages on GOV.UK.

Alex Chisholm
Permanent Secretary and
Principal Accounting Officer

8 July 2019

Accountability report

The National Living Wage is an integral component of the 'People' foundation of the Industrial Strategy which highlights the potential to drive up wages and productivity within traditionally lower-paying sectors.

Statement of Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed the **Department for Business, Energy and Industrial Strategy** to prepare, for each financial year, consolidated resource accounts detailing resources acquired, held or disposed of, and the use of resources during the year by the department (inclusive of its executive agencies), sponsored non-departmental public bodies and other arm's-length public bodies. These bodies are designated by order made under the GRAA by Statutory Instrument 2018 no 1335 (together known as the 'Departmental Group', consisting of the core Department and sponsored bodies listed at note 28 to the accounts). The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the department and Departmental Group, and the net resource outturn, application of resources, changes in taxpayers' equity and cash flows of the Departmental Group for the financial year.

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

- **observe** the Accounts Direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- **ensure** that the department has in place appropriate and reliable systems and procedures to carry out the consolidation process;
- **make** judgements and estimates on a reasonable basis, including those judgements involved in consolidating the accounting information provided by non-departmental and other arm's-length public bodies;
- **state** whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts;
- **prepare** the accounts on a going concern basis;
- **confirm** that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

HM Treasury has appointed the Permanent Head of the department as Accounting Officer. The Accounting Officer has also appointed the Chief Executives or equivalents of its sponsored non-departmental and other arm's length public bodies as Accounting Officers of those bodies.

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

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

Accounting Officer's confirmation

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

Alex Chisholm
Permanent Secretary and
Principal Accounting Officer

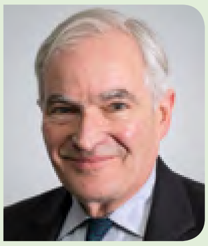
8 July 2019

Directors' report: our leadership team

Our ministers

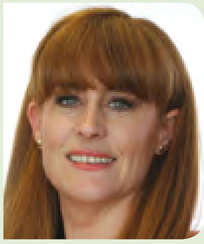
The Rt Hon Greg Clark MP
Secretary of State for Business, Energy and Industrial Strategy

The Rt Hon Claire Perry MP
Minister of State for Energy and Clean Growth



The Rt Hon Lord Henley
Parliamentary Under Secretary of State

Chris Skidmore MP
Minister of State for Universities, Science, Research and Innovation



Kelly Tolhurst MP
From 19 July 2018
Parliamentary Under Secretary of State, Minister for Small Business, Consumers and Corporate Responsibility

Andrew Stephenson MP
From 4 Apr 2019
Parliamentary Under Secretary of State, Minister for Business and Industry

Jack Berry MP
From 7 Jun 2019
Parliamentary Under Secretary, Minister for the Northern Powerhouse and Local Growth

Our management: executive directors

Alex Chisholm
Permanent Secretary

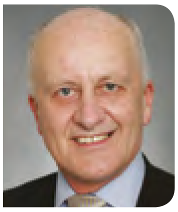
Sam Beckett

Nick Chism
from 1 Jun 2018

Julian Critchlow
from 14 May 2018

Caleb Deeks

Sarah Harrison



Professor John Loughhead

Jaee Samant

Tom Taylor

Doug Watkins
from 1 Sep 2018

Joanna Whittington
from 8 Oct 2018

Gavin Lambert
from 15 Apr 2019

Sam Lister
from 15 Apr 2019

Our management: non-executive directors


Archie Norman
Board member


Nigel Boardman
from 25 Jun 2018
Board member,
Audit and Risk
Assurance
Committee

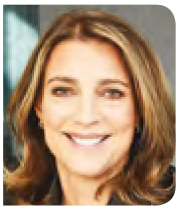

Stephen Carter
Board member

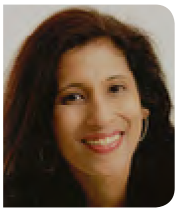

Claire Davies
Audit and Risk
Assurance
Committee


Louise Fisher
From 19 Feb 2019
Nominations
and Governance
Committee


Bryan Ingleby
Audit and Risk
Assurance
Committee

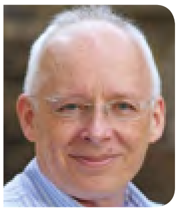

Myriam Madden
Audit and Risk
Assurance
Committee


Dame Carolyn McCall
Board member


Leena Nair
from 25 Jun 2018
Board member,
Nominations
and Governance
Committee


Kathryn Parsons
Board member


Stuart Quickenden
Board member,
Audit and Risk
Assurance
Committee

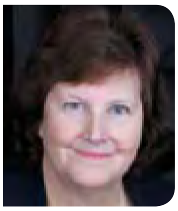

Adrian Kamellard
from 10 Apr 2019
Audit and Risk
Assurance
Committee


Elaine Clements
from 10 Apr 2019
Audit and Risk
Assurance
Committee


Catherine Pridham
from 20 Feb 2019
Project and
Investment
Committee

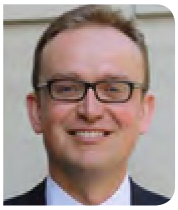
Leavers up to the reporting date

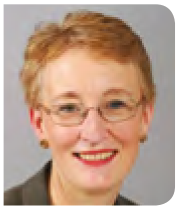
Those who left ministerial, executive and non-executive positions during the year

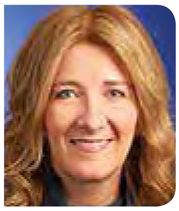

Professor Dame Anne Dowling
to 31 May 2018
Non-executive:
Board member,
Nominations
and Governance
Committee


Charles Randell
to 30 Jun 2018
Non-executive:
Board member,
Audit and Risk
Assurance
Committee


Andrew Griffiths MP
to 14 Jul 2018
Minister


Jeremy Pocklington
to 27 Aug 2018
Executive director


Helen Shirley-Quirk
from 29 Aug 2018
to 7 Oct 2018
Acting Director
General/ Executive
Director


Rachel Campbell
to 31 Oct 2018
Non-executive:
Nominations
and Governance
Committee


Sam Gyimah MP
to 30 Nov 2018
Minister


Lucy Shannon
to 31 Dec 2018
Non-executive:
Audit and Risk
Assurance
Committee


Richard Harrington MP
to 25 Mar 2019
Minister


Gareth Davies
to 3 May 2019
Executive director

Governance statement

Report of the lead non-executive director

Archie Norman
Lead Non-Executive and Deputy Chair of Departmental Board

The BEIS Departmental Board (the Board) has prioritised embedding the **Industrial Strategy** across all its work this year. The department marked the first year of the Industrial Strategy in December 2018 and used this milestone as impetus to develop a challenging work programme, where I, and the Board, pushed BEIS senior management to be innovative in their interactions with business by:

- championing joint working in policy formation and avoiding preconceptions;
- establishing a Shadow Executive Committee and ensuring that the Co-Chairs have a route to the Board through the Lead Non-Executive and Permanent Secretary has enhanced the Board's access to wider employee views;
- setting the requirement for an annual board event outside of the standard three-hour department based meeting, enabling members to engage with local representatives and gain first-hand knowledge of key regional industry issues; and
- challenging internal recruitment strategies to ensure that we encourage inward movement of individuals with relevant industry experience.

During the year the Board held wide ranging discussions on subjects of key importance to business, such as EU Exit, labour markets and skills; audit and regulation; and actions to secure our energy markets, including new technologies, innovation and reducing carbon emissions. We held a successful interactive session on the Industrial Strategy's Grand Challenges attended by the BEIS Departmental Board, Whitehall officials and business representatives.

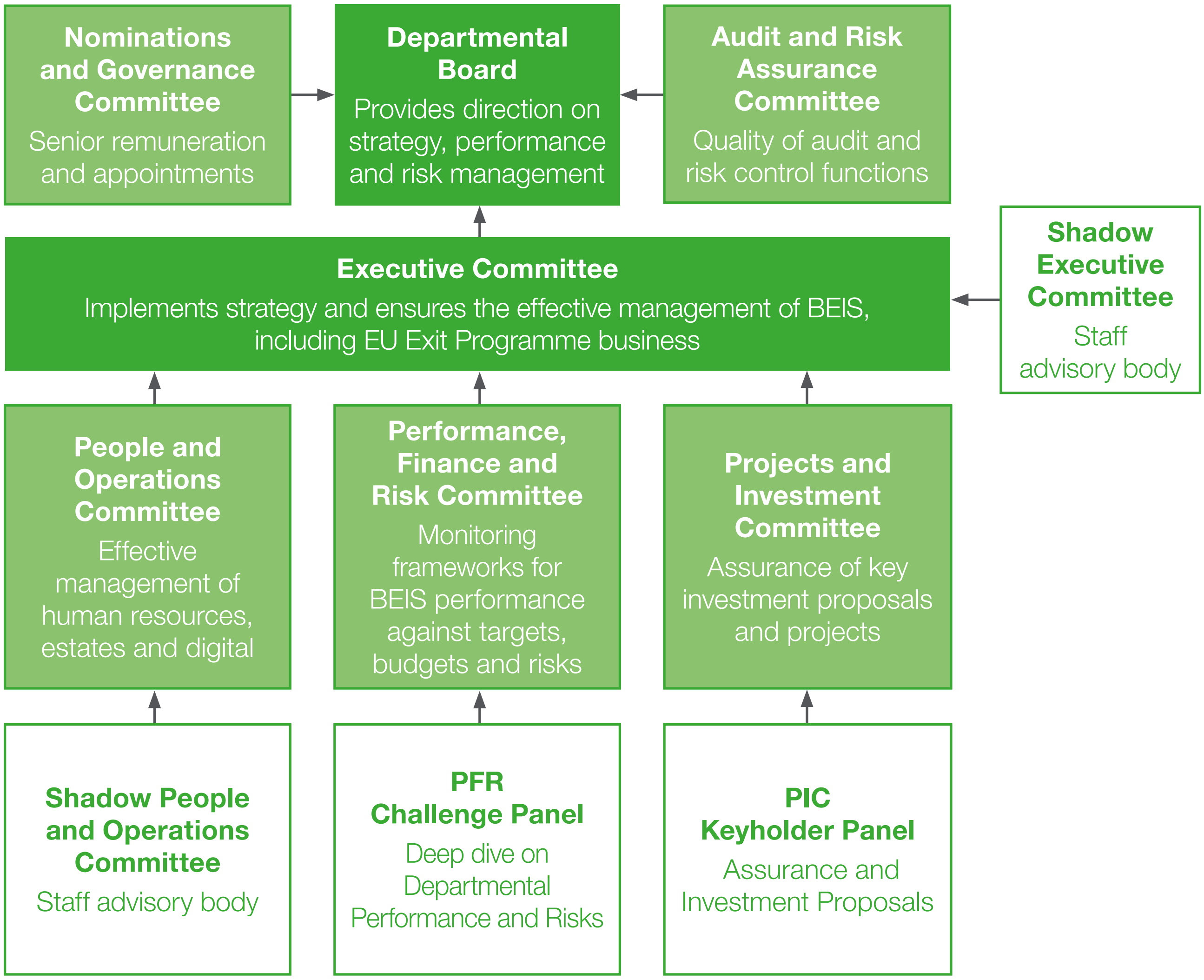
The positive input of our new non-executive board members, Nigel Boardman and Leena Nair, with their considerable professional experience, has been felt in board discussions and at their respective committees. Throughout the last year, the commitment, diligence and fortitude of ministers and officials in managing the challenges and uncertainty as we prioritised EU Exit work, alongside other key priorities, has demonstrated that we continue to be one of the most effective departments in government.

Looking ahead

While the 2018 People Survey results for BEIS showed encouraging progress in staff engagement the BEIS Departmental Board are not complacent. We will continue to challenge BEIS to keep improving by implementing the "Shaping our Future" programme to ensure a more inclusive, highly professional and high-performing department, modelling the progressive practices we want to see across the whole economy.

Departmental Board members and I will use our position to encourage ministers and officials to use the Industrial Strategy to create an environment in the UK where business, consumers and workers continue to develop, innovate and lead.

Our board structure



Register of interests

All Board members are required to declare any personal or business interests which may influence their judgement in discharging their obligations, or which may be perceived to do so by a reasonable member of the public. These interests include, without limitation, personal direct and indirect pecuniary interests and any such interests of close family members or of people living in the same household as the Board member.

BEIS collects this information annually. We also ask Board members to inform the department on any changes in their circumstances which could be a conflict of interest or perceived as one. Where a Board member has a specific conflict of interest, additional mitigations are put in place. Typically, this means not taking part in related discussions at the Board or other meetings. Biographies of our Board members are available at https://www.gov.uk/government/organisations/department-for-business-energy-and-industrial-strategy

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

The Rt Hon Greg Clark MP
Secretary of State and Chair of Departmental Board

Departmental Board and its committees

Our Departmental Board held six meetings in 2018-19. The table below summarises discussions governance and risk and operations.

	Discussion	Action	Progress
Strategy	**Industrial Strategy**	The Board challenged policy makers to be innovative, to demonstrate how they are engaging with business and introducing this outlook in embedding the industrial Strategy.	BEIS made changes to our organisational structure to strengthen our delivery of the Industrial Strategy.
Strategy	**EU Exit**	The Board held discussions on departmental progress in preparing for EU Exit, focused on the labour market, and BEIS's no deal planning.	The Board commissioned business relate items and sector analysis to discuss at future board meetings.
Strategy	**Independent review of the Financial Reporting Council**	Following publication of an independent report, the Board discussed the implications and connectivity of the reviews with others into the UK audit market.	The Board has directed the relevant Director General to review the recommendations and develop a plan to formally address them.
Strategy	**UK Research and Innovation (UKRI)**	The Board considered the plans, structure and priorities for UKRI's first year of operation.	UKRI are expected to provide an update at a future Board meeting.
Strategy	**Energy Strategy**	The Board discussed several topics on the energy strategy. The Secretary of State responded to Dieter Helm's Cost of Energy Review.	A revised Energy Strategy is due in 2019.
Strategy	**Review of Apprenticeship Scheme**	The Board commissioned analysis of the scheme, which included contributions from industry and the Department for Education (DfE).	The Board agreed joint policy working with DfE to address the issues raised.
Strategy	**Oil and Gas Authority**	The Board requested the CEO to discuss in detail how the authority was set up, resourcing, and how it engaged with industry to develop its regulatory framework.	A series of lessons learned summaries were developed and shared.
Governance and risk	**Objectives and priorities for the department**	The Board provided challenge on BEIS' forward work programme for 2019 and continued setting priorities to strengthen the department's governance overall.	The work programme has been amended based on the steer from the Board.
Governance and risk	**Single Departmental Plan (SDP)**	The Board's discussion on BEIS objectives and priorities has supported the development of the SDP.	The Lead Non-Executive Board Member fed into the development of the SDP.
Governance and risk	**Departmental risk appetite and risk management**	The Board endorsed the approach of the incoming Chair of the Audit and Risk Committee and implemented changes to strengthen how BEIS manages its risks and the risks of arm's length bodies.	The Board is expected to review to the risk appetite statement in 2019.
Operations	**People Survey**	The Board considered results from the 2018 People Survey, discussed options around staff attrition rates and requested plans for raising engagement scores for middle management.	The Board endorsed the "Shaping our Future" programme.
Operations	**Transformation programme**	The Board challenged BEIS to consider how it needs to engage business and integrate industry knowledge into the organisation.	BEIS has identified key stakeholders, implemented communication strategies and partnership working.

Leena Nair
Non-Executive and Chair of Nominations and Governance Committee

Nominations and Governance Committee

The success of any organisation is based on valuing its people and having an effective strategy for personal and career development. Nominations and Governance committee has focused on:

- systems to identify and develop talented senior civil servants;
- plans for orderly succession of appointments to the Board, Director General and Director roles;
- bringing in a new performance management process for grades across BEIS following an extensive staff consultation exercise;
- attraction and retention strategies for staff across BEIS; and
- the "Shaping our Future" programme to ensure BEIS is an inclusive, professional and high performing department.

Nigel Boardman
Non-Executive and Chair of Audit and Risk Assurance Committee

Audit and Risk Assurance Committee (ARAC)

ARAC ensures we have a clear grip of our management of risk and finance. ARAC has focused on:

- the overall control environment including risk and governance arrangements;
- shaping the approach to a BEIS Risk Appetite Statement;
- improving the risk management framework, and testing embedding the framework within Directorates in BEIS;
- assuring cyber and information security and counter fraud and whistleblowing practices; and
- building stronger relationship with Partners Organisations.

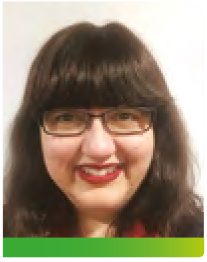
Alex Chisholm
Permanent Secretary and Chair of the Executive Committee

Executive Committee (ExCo)

ExCo ensures the effective management of BEIS by looking at our key strategic priorities, workstreams and programmes. In the last year, ExCo has focused on:

- business planning and the Single Departmental Plan 2019-20;
- the diversity and inclusion strategy, including outcomes of surveys conducted by the Faith and Minority Ethnic Group;
- People Survey and its outputs;
- the refresh of the Departmental Risk Register;
- the new "Shaping our Future" programme, which builds upon the Transformation programme; and
- the Industrial Strategy one year on.

In addition, the committee hold fortnightly meetings on the EU Exit programme to manage identified EU Exit related issues. A key tool that was used was the EU Exit programme dashboard which includes progress of priority issues, business intelligence and risk assessment. It also receives assurance on its EU Exit work from external partners including: Cabinet Office, Infrastructure and Projects Authority and the Government Internal Audit Agency.



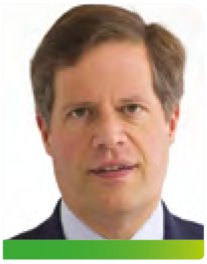
Jaee Samant
Co-Chair People and operations committee

Sam Beckett
Co-Chair People and operations committee

People and Operations Committee (POpCo)

POpCo is a delegated committee of ExCo. It considers matters relating to human resources, accommodation, security and IT. Over the last year, POpCo has focused on:

- monitoring the success of the new performance management system for 2018-19;
- the shared services unification process;
- establishing the BEIS graduate and experienced entrant programme;
- reviewing the health and safety policy; and
- overseeing the works of the estate and security team.



Julian Critchlow
Co-Chair Performance, Finance and Risk Committee

Sarah Harrison
Co-Chair Performance, Finance and Risk Committee

Performance, Finance and Risk Committee (PFR)

PFR is a delegated committee of ExCo. It considers matters relating to BEIS performance, budgets and risks. PFR met 10 times last year and its focus included:

- ensuring the effective implementation of internal control recommendations;
- strengthening ties with Partner Organisations;
- advising teams on progressing project delivery;
- overseeing our financial management and allocating resources; and
- business case reviews outside the remit of the Projects and Investment Committee.

Gareth Davies
Co-Chair Projects and Investment Committee

Nick Chism
Co-Chair Project and Investment Committee

Projects and Investment Committee (PIC)

PIC is a delegated committee of ExCo and reviews investments over £20 million, or those deemed risky, novel or contentious, to ensure that they are aligned with the department's objectives. It met 19 times last year, and focused on:

- streamlining acceleration of business cases;
- supporting the robust development of business cases; and
- accelerating EU Exit related business cases to ensure prompt approval.

Board and committee attendance

The table below shows board attendance from 1 April 2018 to 31 March 2019. Where members were unable to attend meetings in person, they have been able to share their views in advance with the chair.

	Departmental Board	Nominations and Governance Committee	Audit and Risk Assurance Committee	Executive Committee
Number of meetings held	**6**	**3**	**5**	**21**
Ministers				
The Rt Hon Greg Clark MP	6/6			
The Rt Hon Claire Perry MP	6/6			
Richard Harrington MP (left 25 Mar 2019)	6/6			
Executive directors/committee members				
Alex Chisholm	6/6	3/3	4/5	18/21
Sam Beckett				19/21
Nick Chism (from 1 Jun 2018)				13/17
Julian Critchlow (from 14 May 2018)				15/18
Gareth Davies				15/21
Caleb Deeks				21/21
Sarah Harrison	6/6		3/5	20/21
Professor John Loughhead				12/21
Jeremy Pocklington (to 27 Aug 2018)				6/7
Jaee Samant	6/6			18/21
Helen Shirley-Quirk (from 29 Aug 2018 to 7 Oct 2018)				2/2
Tom Taylor	6/6		5/5	21/21
Doug Watkins (from 1 Sep 2018)		2/3		12/14
Joanna Whittington (from 8 Oct 2018)				8/11
Alice Hurrell (Nominations Committee from 6 Aug 2018)		1/1		
Non-executive directors				
Archie Norman	6/6			
Nigel Boardman (from 25 Jun 2018)	5/5		5/5	
Rachel Campbell (to 31 Oct 2018)		0/1		
Stephen Carter	5/6			
Claire Davies			5/5	
Professor Dame Anne Dowling (to 31 May 2018)	1/1	1/1		
Louise Fisher (from 19 Feb 2019)		1/1		
Bryan Ingleby			5/5	
Myriam Madden			4/5	
Dame Carolyn McCall	2/6			
Leena Nair (from 25 Jun 2018)	1/4	2/2		
Kathryn Parsons	4/6			
Stuart Quickenden (ARAC from Nov 2018)	6/6		1/2	
Charles Randell (to 30 Jun 2018)	1/1		2/2	
Lucy Shannon (to 31 Dec 2018)			1/3	

Compliance with the corporate governance code

The department's approach to governance is in line with the Cabinet Office's Corporate Governance in Central Government Departments: Code of Good Practice, (the Code), with two exceptions.

The Code advises on having a roughly equal numbers of ministers, senior civil servants, and non-executives from outside government whereas in BEIS there are a higher number of non-executives. This is because the breadth of departmental business means that the department needs additional business skills and expertise to help it in its objectives to promote trade, boost innovation and help business to grow in a competitive economy.

The BEIS Departmental Board agreed when it was formed in 2016 that risk appetite and tolerance levels would emerge through the early decisions on major strategic issues, and the areas it chose to focus on, rather than an explicit exercise to define risk appetite. As a result, in 2018 the Board has primarily focused its views in relation to risk over the last 12 months on the Industrial Strategy, the UK's exit from the EU, achieving clean growth and transforming BEIS as a department. During 2019-2020 BEIS will be considering a departmental risk appetite statement to support risk-based decision making.

Quality of data used by the Board

The BEIS Departmental Board meetings covered a variety of topics, which provided guidance, to improve key strategies, policy creation and governance and risk management approaches. The meetings were efficient, board papers were of high quality, and challenge was encouraged. BEIS's governance team provided a comprehensive secretariat service to the Board and its committees to ensure the effective and efficient administration of the Board and its activities.

Board's evaluation of its effectiveness

All departments are requested by Cabinet Office to carry out a board effectiveness evaluation for 2018-19, covering the period of 1 April 2018 to 31 March 2019. The Board completed a thorough self-assessment, with the aim of looking to confirm that the actions taken to improve the Board have been beneficial and to identify potential areas that require action for 2019-20.

Results 2018-19:

- BEIS Director Generals were asked for their views on both the Board and how to draw on Non-Executive experience more frequently.
- Board members agreed that the push to ensure agenda items focused on the Industrial Strategy and its impacts on the work of the Department, its reach and work with partners was successful.
- The Board were content with the timing of the papers and that the introduction of Board Intelligence had facilitated this.
- There was positive feedback on how the Board was run by the Governance Team, with particular note taken of the quality and timely receipt of papers. However, the Board recognised the challenges faced around timing to enable full discussion of complex and wide-reaching subject areas.

As a result of the evaluation, the Board agreed a series of actions for the forthcoming year so that it continues to improve its effectiveness and efficiency. These were:

- building on Board engagement with other government departments and Partner Organisations by having one item with external participants on each agenda;
- bringing in one or two board apprentices from under-represented groups. These could be on a one-year term and sourced from near-miss candidates from the BEIS public appointments process or 'up and coming' talent from Whitehall;
- ensure presenters are in the room to observe the preceding item to aid their understanding of Board dynamics and provide context for their participation; and
- consider revising the scheduling of the Board from a Monday if deemed necessary to protect against fluctuations in senior ministerial attendance.

Partner organisation governance

We have one of the largest networks of partner organisations in government, with a diverse range of bodies. Over the financial year 2018-19, BEIS had 40 partner organisations with a wide span of policy and operational responsibilities. We receive assurance on risks and delivery through; the BEIS corporate reporting system; policy colleagues through the sponsorship model; partner organisations governance statements; and our ARAC members engaging with individual partner organisation ARACs.

Significant issues arising within individual partner organisations are covered in their governance statements. They were not considered significant for inclusion in the departmental governance statement for 2018-19.

Local government

In 2018-19, we provided £27.5 million as grants to local authorities under section 31 of the Local Government Act 2003.

Review of the effectiveness of risk management and internal controls

The review of the effectiveness of our risk management and internal controls have been informed by officials, the annual internal audits carried out by the Government Internal Audit Agency (GIAA) and comments made by the National Audit Office (NAO). Our ARAC committee also provided further assurance.

BEIS has continued to make improvements to the governance, risk management and control environment. To date for 2018-19, no audits have received an unsatisfactory opinion and only three a limited opinion, for which actions are in hand to address the recommendations made by the internal auditors.

BEIS has been able to achieve this while committing resource to EU Exit preparations and implementing complex policy programmes such as the Industrial Strategy and Clean Growth Strategy. GIAA's annual opinion concluded that our department is as well placed as it can be in its preparedness to deliver EU Exit, successfully establishing the capacity and skills to deliver its obligations and putting in place the governance structures required to oversee delivery.

More broadly our department has taken steps to improve its capability and capacity in other areas with appointments in key Corporate Services roles, creation of a broader Director General group structure, and the launch of a new Transformation programme, transitioning to a single shared service provider. Internal Audit feel BEIS now has the right foundations in these areas and is starting to develop tools that have the potential to be 'best in government', although they will take time to embed.

Progress made on risk management

Our risks profile is provided in the performance overview section of the report. During 2018 our department embedded its risk management framework. This has been achieved through the introduction of group risk registers, Deputy Director Risk Champions, quarterly risk conversations at group senior management teams and drop-in sessions for staff to seek specialist advice on implementing risk management. These processes have started to enable better risk management and increased consistency across the department.

In addition, we have undertaken work to enhance our risk management capability. We have:

- strengthened monthly reporting processes, conducting specific reviews on departmental risks at senior committees;
- run risk management escalation/de-escalation processes, so accountable individuals are aware of emerging and existing risks;
- developed a risk tool, to help BEIS manage risks more effectively in real-time; and
- cultivated networks with risk functions across government to share best practice and engage with cross-government developments.

We have also strengthened our approach to risk management with our partner organisations (POs). From October 2018, 25 of the Department's 40 POs started reporting on their risks to BEIS quarterly as part of the Corporate Risk Reporting. The remaining POs are not required to report as they are advisory committees or single office holders. The reports are prepared by policy teams, engaging with their respective POs, and Corporate Governance Sponsors provide challenge. Any PO risks that need to be discussed or escalated will be raised with the Performance, Finance and Risk Committee and subsequently ExCo if appropriate. This new framework provides an overview which is less narrative and more visual; with better quality information to allow for an improved understanding of risks and issues being addressed with POs.

Internal controls environment

Our department has made good progress in reducing the number of internal audit actions that are open, which is helping to address weaknesses in controls and processes. We also successfully piloted a Controls and Assurance Record during 2018-19 that is providing a means of assessing how well the department's systems and processes are being operated.

We have also completed several projects to help improve controls in critical areas of financial management. This includes taking positive steps to improve expense processes, enabling staff to more easily provide proof of expenditure through the adoption of new technology. Steps have also been taken to increase compliance with HMRC rules by reviewing travel data to identify staff who potentially fall into the category of having more than one permanent place of work. In addition, we have put in place additional checks to strengthen the management of contingent labour contracts that are potentially supplying services through an intermediary.

While there have been great improvements, work continues to refine and strengthen the take-up and compliance with departmental corporate policies. This will be achieved through ensuring clear policies are in place, supported by effective processes, with better data and information available to managers and leadership to judge progress, and ensure that appropriate measures are put in place where areas of weakness are identified.

Ministerial directions

There were no ministerial directions in 2018-19. Ministerial directions are instructions from the Secretary of State which allow the department to proceed with a spending proposal where the Accounting Officer has raised an objection around regularity, propriety, value for money or feasibility.

Data protection

BEIS notified the Information Commission's Office (ICO) of four personal data breaches assessed as meeting the ICO's reporting guidelines. The ICO determined regulatory action was not appropriate in each case but made a few recommendations for action by BEIS.

Information security

No significant cyber security breaches were reported in 2018-19. Denial of service attacks and attacks via malicious software are continuing risks to the department. These risks are reviewed by our security team and our commercial partners and appropriate mitigations put in place. We continue work to ensure all internal IT services comply with the ISO27001 security standard.

Counter-fraud and error

We have continued to investigate and prevent instances of fraud and recover funds where possible. During the year, levels of fraud detected across the BEIS group of organisations were slightly below the previous year. Levels of fraud prevented increased, as well as successful prosecutions of frauds committed in previous years. There was a marked increase of attempted frauds against the public imitating BEIS and its partner organisations. We will keep monitoring these trends.

We have worked with the Government Internal Audit Agency to implement recommendations to improve our department's effectiveness. We built on last year's fraud awareness programmes delivered to BEIS staff by introducing mandatory fraud awareness training for BEIS staff that work in areas at risk of fraud. We also revised our Counter Fraud Action plan to ensure a consistent approach to managing fraud risks. We achieved an overall 'green' rating.

Effectiveness of our whistle blowing arrangements

Internal whistle blowing

Our procedures offer six different routes for employees to raise concerns, which include an external whistleblowing hotline. Our policy and procedures are accessible to all employees on our intranet and our Line Manager's Handbook. We have a low number of whistleblowing concerns raised each year; there are no common themes or specific risks identified across the cases. In our 2018 People Survey, a clear majority of staff said they had confidence any concerns raised under the Civil Service Code would be properly investigated. This result was above the average People Survey score for the rest of the Civil Service.

External whistle blowing

A small number of whistle blowers came forward in 2018-19 with concerns which were investigated by those best placed to deal with them. While it is encouraging that whistle blowers did come forward, we want to do more to support them and to consider if (within the law) we can improve the feedback we give them. We will be taking this forward next year working with colleagues and external organisations with interests in supporting whistleblowing.

Quality assurance modelling

BEIS has had a single modelling quality assurance (QA) process since April 2017, which complies with the AQuA book. Our modelling integrity team provide independent assurance for models and plans. This ensures our models are based on appropriate understanding of evidence and risks. We have identified 87 analytical models in use across BEIS with 87% of these reaching their individual target QA compliance scores or better, raising the BEIS average score to 91%. Those models that are non-compliant have plans to reach compliance targets in 2019-20. Our Partner Organisations that undertake modelling give assurance they have AQuA compliant QA processes in place via their respective Accounting Officer's statements.

Accounting Officer's conclusion

I have considered the evidence provided regarding the production of the annual Governance Statement and the independent advice and assurance provided by the Audit and Risk Assurance Committee. I conclude that the department has again achieved a 'moderate' level of assurance. This assessment is strongly supported by the wide range of internal audits undertaken throughout the year.

This has been achieved while making progress in improving the department's corporate processes, including addressing the actions identified in the 2017-18 accounts. Improvements have been realised in the department's corporate systems and processes through the work of Business Partner teams, embedding the sponsorship model for Partner Organisations, introducing a new online IT service management tool to support users, and improvements to risk management and corporate performance reporting. This includes a new online performance reporting tool, which has helped support business areas in identifying and managing their financial, personnel and operational risks.

During 2019-20, we will build on the foundations we have established, with a focus on:

- proactively influencing across Whitehall to support delivery of the Industrial Strategy;
- maintaining the focus on EU Exit preparations and implementation;
- fostering a culture of compliance with the Department's corporate policies and processes;
- further refinement to internal governance, risk management and spending controls; and
- undertaking further improvement to the governance framework for managing Partner Organisations.

Alex Chisholm
Permanent Secretary and
Principal Accounting Officer

8 July 2019

Staff report

This has been a year of excellent progress for BEIS people. We have continued to make progress in key areas for the department, including Diversity and Inclusion, Learning and Development and people engagement, against the challenging context of building EU Exit capacity and capability. Our EU delivery has been notable, ensuring the organisation has the resources, talent and skills it needs to deliver this wide-reaching agenda.

Our people with disabilities

BEIS is committed to ensuring equality for all our people, including those with disabilities. As we make clear in our job application process, candidates with a disability who apply for a post in BEIS (under the Guaranteed Interview Scheme) automatically go forward to the interview stage, provided they satisfy the minimum criteria.

We also promote external vacancies in a range of diversity media. All staff are required to take training in diversity and inclusion and unconscious bias. We have achieved Disability Confident Leader Level 3, an independent validation of our inclusive policies and procedures. Where staff are identified as needing reasonable adjustments, these will be provided. We have an active and engaged Capability Action Network (CAN) which works directly with HR and other areas of the department to create positive change. As a result of feedback from CAN on developing line managers understanding of disability, all new line managers will now undertake the disability ‘inclusive management course’ as part of their induction. The course is available as a civil service learning resource.

Sickness and absence data

Average working days lost to sickness absence for the core Department, UK Space Agency, and Insolvency Service for the 12 months to 31 March 2019 was 2.7, 6.8 and 6.4 respectively. BEIS is committed to supporting the physical and mental health of its people and fostering employee wellbeing is a key element of our focus. We have in place an employee assistance provider to offer additional support to our people, and a comprehensive offer including ‘Wellbeing Competent Leaders’ and resilience support for teams.

Other people progress during the year

Shaping our Future

We launched ‘Shaping our Future’ at the beginning of 2019 – our new programme of work in making BEIS a great place to work. It is a three-year plan focusing on diversity and inclusion, improving processes, coaching and learning, understanding business, innovation and digital. Plans were developed using the intelligence and ambitions described from consultation with senior leaders, several internal groups, analysis of the People Survey results and research into the changing working environment.

Our former Transformation programme, which launched in 2017, delivered several critical improvements, including a new pay deal which takes BEIS into the top 50% across Whitehall, a new governance model for our 40 partner organisations, a new performance management system (PMS), an overhaul of technology, launch of the BEIS intranet, several new processes, and extensive business skills training.

BEIS is a proud member of the above schemes

Baby of BEIS employee who enjoyed the benefits of shared parental leave in 2018-19

Diversity and inclusion

As the department responsible for creating an ‘economy that works for everyone’, we focus heavily on diversity and inclusion. During the year we have:

- increased the diversity of our workforce;
- rolled out micro behaviours training to over 500 staff;
- consulted nationally on Ethnicity Pay Reporting;
- undergone the Stonewall Workplace Equality Index; assessment;
- in the 2018 staff survey, increased our ‘Inclusion and Fair Treatment’ score from 80% in 2017 to 83% in 2018.

Shared parental leave

During 2018-2019, 35 of our employees took advantage of the government’s Shared Parental Leave scheme. We continue to promote the flexibility our internal shared parental leave policy offers our employees.

Gender pay gap

Details of our Gender Pay Gap at 31 March 2018 together with the actions we are committed to take can be found at: https://www.gov.uk/government/publications/beis-gender-pay-gap-report-and-data-2018. A report for 2019 will be published later this year.

Health, safety and wellbeing

We consider the wellbeing of our people to be paramount. We have an exceptionally good wellbeing offer which covers training in resilience, stress management and we offer counselling from our Employment Assistance Programme. We run events covering all areas of wellbeing, including talks on mental health, disability awareness and an annual sports day. We have trained over 120 Mental Health First Aiders who are based throughout our offices. The Mental Health First Aider role gives first support to those who seek help due to a mental health concern.

We have a strong record in providing a safe and supportive work environment. There were three reported injuries in 2018-19 that are within the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013. We encourage staff to ask for reasonable adjustments as part of our commitment to health and safety and our workstation assessment programme. An internal audit review was carried out in 2017 by Government Internal Audit Agency and all actions have been cleared satisfactorily.

Trade Union facility time

Facility time is time-off to employees, paid or unpaid to undertake trade union activities as a union representative. The table below shows facility time data for our core Department and agencies for 2018-19.

	2018-19		
	Core Department and agencies[1]	**Other agencies not consolidated in the accounts[2]**	**Total**
Union officials			
Number of employees who were relevant Union Officials	40	43	83
Full-time equivalent persons	37.90	38.49	76.39
No. of employees by working hours spent on facility time			
0% of working hours	7	0	7
1 - 50% of working hours	33	42	75
51 - 99% of working hours	0	1	1
100% of working hours	0	0	0
Facility time as a percentage of pay bill			
Total cost of facility time (£)	£97,666	£180,117	£277,783
Total pay bill (£)	£251,842,000	£177,277,000	£429,119,000
as a percentage of total pay bill	0.04%	0.10%	0.06%
Paid trade union activities			
(hours spent on paid Trade Union activities ÷ total paid facility time hours) * 100	0.00%	5.47%	3.93%

Notes

1. Agencies consolidated in the Departmental Group accounts: Insolvency Service and UK Space Agency
2. Other agencies not consolidated in the Departmental Group accounts: Companies House, Intellectual Property Office and Met Office

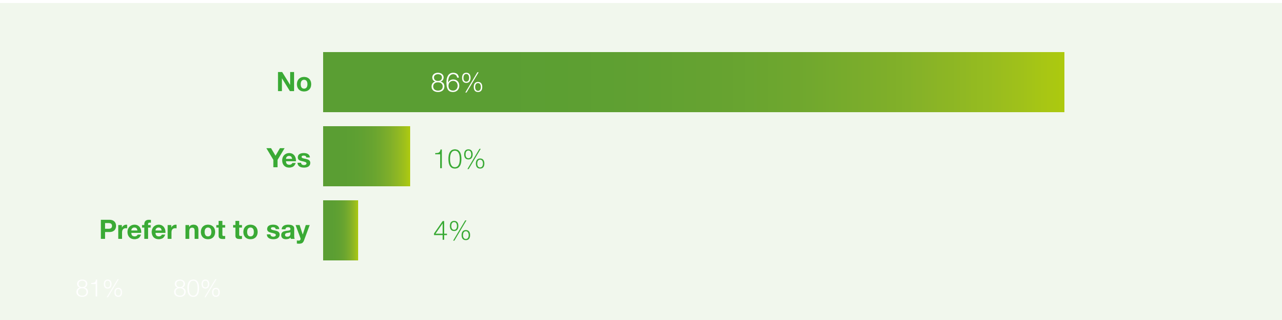
Staff composition as at 31 March 2019

Our staff composition data is compiled using full-time equivalent staff numbers on payroll.

	Gender		
	Men	Women	Total
Executive Committee	8	4	12
All senior civil servants	131	111	242
All employees	2,096	1,870	3,966
All employees %	53%	47%	100%

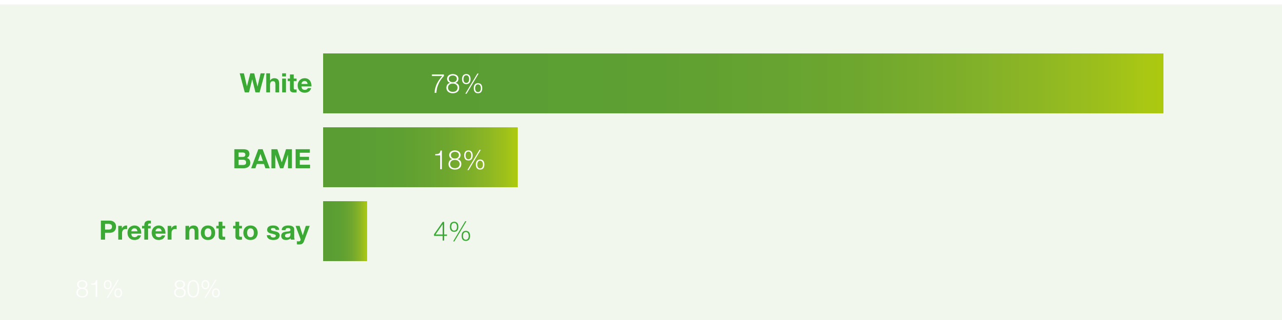
Disability

Declaration rate: 62%. Representation for staff who have declared:



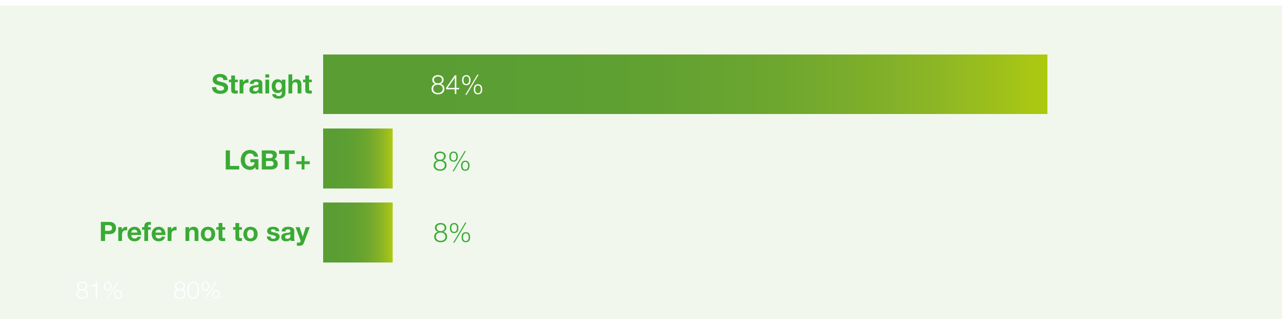
Ethnicity

Declaration rate: 79%. Representation of staff who have declared:



Sexual orientation

Declaration rate: 67%. Representation of staff who have declared:



Number of Senior Civil Servants (SCS) staff by salary band

The following table shows the number of senior civil servants by salary range as at 31 March 2019 in the core Department. Bonuses are not included and salary ranges represent actual salary rates. These pay ranges cover staff employed on open-ended and fixed term contracts.

Remuneration of senior civil servants who are outside of the Departmental Board or Executive Committee is based on performance ratings determined by Permanent Secretary and Director Generals. The Permanent Secretary and Director Generals during 2018-19 are presented in the box on the right below.

Salary range	Number of SCS staff as at 31 March 2019	Number of SCS staff as at 31 March 2018
Below £59,999	0	0
£60,000 - £64,999	3	2
£65,000 - £69,999	74	77
£70,000 - £74,999	54	43
£75,000 - £79,999	21	18
£80,000 - £84,999	13	6
£85,000 - £89,999	9	18
£90,000 - £94,999	26	16
£95,000 - £99,999	6	6
£100,000 - £104,999	5	5
£105,000 - £109,999	2	0
£110,000 - £114,999	3	2
£115,000 - £119,999	2	2
£120,000 - £124,999	5	7
£125,000 - £129,999	5	2
£130,000 - £134,999	3	2
£135,000 - £139,999	1	1
£140,000 - £144,999	3	2
£145,000 - £149,999	1	2
£150,000 - £154,999	0	0
£155,000 - £159,999	1	0
£160,000 - £164,999	2	0
£165,000 - £169,999	0	0
£170,000 - £174,999	1	0
£175,000 - £179,999	0	0
£180,000 - £184,999	2	1
£185,000 - £189,999	0	0
£190,000 - £194,999	0	0
£195,000 - £199,999	0	1
Total	**242**	**213**

Permanent Secretary and Director Generals 1 April 2018 to 31 March 2019

Alex Chisholm
Permanent Secretary

Sam Beckett
Director General, EU Exit and Analysis

Nick Chism
Director General, Enterprise (from 1 Jun 2018)

Julian Critchlow
Director General, Energy Transformation (from 14 May 2018)

Gareth Davies
Director General, Business and Science

Sarah Harrison
Director General, Corporate Services

Professor John Loughhead
Chief Scientific Advisor

Jeremy Pocklington
Director General, Energy and Security (to 27 Aug 2018)

Jaee Samant
Director General, Market Frameworks

Helen Shirley-Quirk
Acting Director General, Energy and Security (from 29 Aug to 7 Oct 2018)

Joanna Whittington
Director General, Energy and Security (from 8 Oct 2018)

Analysis of staff numbers and costs

audited information

Staff numbers

The average number of full-time equivalent persons employed in 2018-19 is shown in the table below.

Number of staff by category	Permanent employed staff	Others	Ministers	Special advisers	2018-19 Total	2017-18 Total
Core	3,776	277	6	3	**4,062**	**3,378**
Agency	1,696	47	-	-	**1,743**	**1,612**
Non departmental public bodies (NDPBs)	13,621	941	-	-	**14,562**	**13,786**
Total	**19,093**	**1,265**	**6**	**3**	**20,367**	**18,776**
Of which:						
Core Department and agencies	5,472	324	6	3	**5,805**	**4,990**
NDPBs and other designated bodies	13,621	941	-	-	**14,562**	**13,786**
Total	**19,093**	**1,265**	**6**	**3**	**20,367**	**18,776**

Staff costs

During the year, £18,519,467 of staff costs were capitalised, (2017-18: £13,932,358) and 386 employees (2017-18: 294 employees) in the Departmental Group were engaged on capital projects during the reporting period.

Staff severance costs for current and prior year are included in wages and salaries. Further detail on exit packages is included on page 72.

Included within the total net costs of other staff shown below are ministers' total net costs of £329,921 (2017-18: £344,959) and special advisors' total net costs of £272,475 (2017-18: £181,693).

	Permanently employed staff £m	Others £m	2018-19 Total £m	2017-18 Total £m
Wages and salaries	785	70	**855**	**779**
Social security costs	86	-	**86**	**81**
Other pension costs	179	-	**179**	**168**
Sub total	**1,050**	**70**	**1,120**	**1,028**
Less recoveries in respect of outward secondments	(1)	-	**(1)**	**(3)**
Total net costs	**1,049**	**70**	**1,119**	**1,025**
Of which:				
Core Department and agencies	309	21	**330**	**273**
NDPBs and other designated bodies	740	49	**789**	**752**
Total net costs	**1,049**	**70**	**1,119**	**1,025**

Pension schemes

Principal Civil Service Pension Scheme
Nuclear site licence companies are not included in these pension schemes. The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS), known as "Alpha", are an unfunded multi-employer defined benefit scheme in which the department is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the PCSPS as at 31 March 2016. Further details can be found in the resource accounts of the Cabinet Office Civil Superannuation (www. civilservicepensionscheme.org.uk/about-us/resource-accounts/).

For 2018-19, employer contributions of £65,627,469 were payable to the PCSPS (2017-18: £55,532,213) at one of four rates in the range 20.0% to 24.5% (2017-18: 20.0% to 24.5%) of pensionable pay, based on salary bands.

The scheme's actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2018-19 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £1,192,970 (2017-18: £1,023,802) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75%. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £12,811 (2017-18: £15,704), 0.5% (2017-18: 0.5%) were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at 31 March 2019 were £38,599 (2017-18: £27,666). Contributions prepaid at that date were £nil (2017-18: nil).

In 2018-19, 18 persons (2017-18: 28 persons) across the Departmental Group retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £1,134,823 (2017-18: £1,749,313).

Other pension schemes
Employer contributions to other pension schemes in 2018-19, amounted to £261,129,179 (2017-18: £234,198,424). Employer contributions include employers' contributions, current service costs and where appropriate past service costs of funded pension schemes. Further details can be found in the accounts of the department's NDPBs and other designated bodies. A list of these bodies is provided in note 28.

Nuclear site licence companies: staff numbers and costs

Nuclear site licence staff costs are disclosed separately as they are included in the amounts shown for utilisation in the NDA Decommissioning provision in note 19 rather than being reported as staff costs in the Statement of Comprehensive Net Expenditure.

			2018-19	2017-18
	Permanently employed staff	Others	Total	Total
Number of staff (full-time equivalent)	**14,555**	**1,314**	**15,869**	**16,163**
Wages and salaries (£m)	780	46	**826**	**835**
Social security costs (£m)	88	-	**88**	**90**
Other pension costs (£m)	148	-	**148**	**135**
Less recoveries in respect of outward secondments (£m)	-	-	**-**	**-**
Total costs (£m)	**1,016**	**46**	**1,062**	**1,060**

Exit packages

audited information

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

Any organisations that are covered by the Civil Service Pension Scheme are subject to the £95,000 cap on exit payments. This is only a guideline rather than legislation, and organisations can apply to pay over the cap subject to Cabinet Office's approval. During 2018-19, there was no exit package (2017-18: One exit package of £108,054) above £95,000 awarded by the core Department.

In November 2016, an amendment to the Civil Service Compensation Scheme introduced a new lower tariff for all exit schemes (voluntary exit, voluntary redundancy and compulsory redundancy). This amendment was subsequently challenged under a Judicial Review, which resulted in it being quashed in 2017-18, and adjustments were required to some awards made under the November 2016 terms. As result, in 2018-19, no exit packages (2017-18: 3) paid by the department required additional payments.

	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
Exit package cost band	**2018-19**	**2017-18**	**2018-19**	**2017-18**	**2018-19**	**2017-18**
Less than £10,000	7	6	23	41	30	47
£10,000 - £25,000	33	17	25	77	58	94
£25,000 - £50,000	13	21	25	89	38	110
£50,000 - £100,000	-	-	13	124	13	124
£100,000 - £150,000	1	-	4	39	5	39
£150,000 - £200,000	-	-	-	11	-	11
More than £200,000	-	-	-	11	-	11
Total number of exit packages	**54**	**44**	**90**	**392**	**144**	**436**
Of which:						
Core Department and agencies	-	-	8	10	8	10
NDPBs and other designated bodies	54	44	82	382	136	426
Total number of exit packages	**54**	**44**	**90**	**392**	**144**	**436**
Total cost (£)	**1,092,442**	**1,046,881**	**2,947,889**	**23,457,006**	**4,040,331**	**24,503,887**
Of which:						
Core Department and agencies	-	-	677,852	594,655	677,852	594,655
NDPBs and other designated bodies	1,092,442	1,046,881	2,270,037	22,862,351	3,362,479	23,909,232
Total	**1,092,442**	**1,046,881**	**2,947,889**	**23,457,006**	**4,040,331**	**24,503,887**

Staff on loan

As at 31 March 2019, 34 members of staff permanently employed by the core Department were attached on loan to other organisations on a short-term basis (loan duration up to six months) and 64 staff on a long-term basis (loan duration longer than six months). 29 people were attached to the core Department on loan from other organisations on a short-term basis and 55 on a long-term basis. Costs relating to staff on short-term loans were charged to Administration budgets in cases where the core Department paid the cost or would have been charged to Administration budgets had the core Department paid the cost.

	Outward staff loans		Inward staff loans	
Grade	**Less than 6 months**	**More than 6 months**	**Less than 6 months**	**More than 6 months**
Administrative assistant	-	-	-	1
Executive officer	-	11	5	2
Higher executive officer	6	12	3	3
Senior executive officer	5	6	3	7
Grade 7	14	21	9	22
Grade 6	5	10	4	11
Senior civil service	4	4	5	9
Total	**34**	**64**	**29**	**55**

Off-payroll engagements

Off-payroll engagements refer to workers paid off-payroll, without deducting tax and national insurance at source, typically contractors. In 2018-19, BEIS released new guidance and a more robust process to determine whether workers fall into off-payroll or on-payroll arrangements. The new process has been shared across the BEIS family.

The tables below present data on our off-payroll engagements. Tables 1a, 2a and 3a exclude the nuclear site licence companies; they are disclosed separately in tables 1b, 2b and 3b. Organisations within the reporting boundary, which have no employees and staff costs, have been excluded.

Table 1a: Off-payroll engagements as of 31 March 2019, for more than £245 per day and that last longer than 6 months

	At time of reporting, number that have existed for:					
	Total number	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 years or more
Core Department and agencies						
Core Department[1]	91	26	42	5	18	0
Insolvency Service	10	10	0	0	0	0
UK Space Agency	13	9	3	1	0	0
Consolidated in Departmental Group accounts (excluding nuclear site licence companies)						
Advisory, Conciliation and Arbitration Service	6	0	6	0	0	0
British Business Bank plc	18	4	8	4	2	0
Civil Nuclear Police Authority	7	4	2	0	1	0
Coal Authority	1	0	0	1	0	0
Competition Appeal Tribunal and Competition Service	1	0	0	0	0	1
Diamond Light Source Ltd	8	3	1	1	2	1
Low Carbon Contracts Company Ltd and Electricity Settlements Company Ltd	1	1	0	0	0	0
Nuclear Decommissioning Authority	23	10	9	1	1	2
└Radioactive Waste Management Ltd	21	3	11	1	2	4
└NDA Archives Ltd	1	1	0	0	0	0
Oil and Gas Authority	1	0	1	0	0	0
UK Research and Innovation	25	12	8	2	1	2
UK Shared Business Services Ltd	13	4	8	1	0	0
UK Atomic Energy Authority	62	14	24	7	0	17
Not consolidated in the Departmental Group accounts						
British Hallmarking Council	0	0	0	0	0	0
Groceries Code Adjudicator	1	0	1	0	0	0
Pubs Code Adjudicator	2	0	1	1	0	0
Total	**305**	**101**	**125**	**25**	**27**	**27**

[1] The core Department's contingent labour requirements are principally driven by ensuring the department has access to the right skills and capacity to manage delivery of its obligations in preparing to deliver EU Exit.

Table 2a: New off-payroll engagements, or those that reached 6 months in duration, between 1 April 2018 and 31 March 2019, for more than £245 per day and that last longer than 6 months

	Total number	Number assessed as in scope of IR35 tax assessment	Number assessed as outside scope of IR35 tax assessment	Number engaged directly (via PSC contracted to BEIS) and are on BEIS payroll	No. of engagements reassessed for consistency/ assurance purposes during the year	No. of engagements that saw change to IR35 statusfollowing the consistency review
Core Department and agencies						
Core Department	66	7	59	0	0	0
Insolvency Service	10	7	3	0	10	10
UK Space Agency	13	2	11	0	0	0
Consolidated in Departmental Group accounts (excluding nuclear site licence companies)						
Advisory, Conciliation and Arbitration Service	12	0	12	0	0	0
British Business Bank plc	18	1	17	0	0	0
Civil Nuclear Police Authority	5	0	5	0	5	0
Coal Authority	12	0	12	0	0	0
Diamond Light Source Ltd	4	0	4	0	4	0
Low Carbon Contracts Company Ltd	6	4	2	0	0	0
Nuclear Decommissioning Authority	16	4	12	0	14	1
└Radioactive Waste Management Ltd	10	3	7	7	0	0
└NDA Archives Ltd	1	1	0	0	0	0
Oil and Gas Authority	4	0	4	0	0	0
UK Research and Innovation	23	12	11	0	0	0
UK Shared Business Services Ltd	23	0	23	0	16	0
UK Atomic Energy Authority	30	29	1	0	1	0
Not consolidated in the Departmental Group accounts						
British Hallmarking Council	2	1	1	0	1	1
Total	**255**	**71**	**184**	**7**	**51**	**12**

Table 3a: Off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2018 and 31 March 2019

	Number of off-payroll engagements or board members, and/or senior officials with significant financial responsibility	Total number of individuals on payroll and off-payroll that have been deemed board members, and/or others with significant financial responsibility
Core Department and agencies		
Core Department	0	29
Insolvency Service	0	10
UK Space Agency	0	8
Consolidated in Departmental Group accounts (excluding nuclear site licence companies)		
Advisory, Conciliation and Arbitration Service	0	5
British Business Bank plc	0	7
└BBB Patient Capital Holdings Ltd	0	1
└British Business Investments Ltd	0	2
└British Business Finance Ltd	0	7
└British Business Financial Services Ltd	0	7
└British Patient Capital Limited	0	1
└Capital for Enterprise Fund Managers Ltd	0	2
Civil Nuclear Police Authority	0	4
Coal Authority	0	12
Competition Appeal Tribunal and Competition Service	2	6
Cornwall and Isles of Scilly Investments Ltd	0	1
Diamond Light Source Ltd	0	6
The Financial Reporting Council Ltd	0	2
Low Carbon Contracts Company Ltd	0	12
Midlands Engine Investments Ltd	0	1
Northern Powerhouse Investments Ltd	0	1
Nuclear Decommissioning Authority	0	18
└Radioactive Waste Management Ltd	0	7
Oil and Gas Authority	0	1
South Tees Site Company Ltd	0	2
UK Research and Innovation	3	13
UK Shared Business Services Ltd	0	2
UK Atomic Energy Authority	1	17
└AEA Insurance Ltd	3	3
Not consolidated in the Departmental Group accounts		
British Hallmarking Council	1	1
Committee on Climate Change1	0	14
Groceries Code Adjudicator	1	1
Pubs Code Adjudicator	0	2
Small Business Commissioner	2	3
Total	**13**	**208**

Notes to table 3a: off-payroll engagements of board members

The notes below relate to the senior off-payroll engagements in table 3a. It includes details of the exceptional circumstances that led to each off-payroll engagement and the length of time each engagement lasted.

Organisation	Duration and reason for senior off-payroll appointment
Competition Appeal Tribunal and Competition Service	From 2013 The President has a statutory duty to provide training to members of the Tribunal, and the off-payroll member was appointed as a training provider on his behalf. He was appointed in 2013, and the contract was renewed in 2015 and 2017. He has been a member of the Tribunal since its inception in 2000 and has knowledge of its processes and case histories and is a fellow of the Higher Education Academy among other qualifications. The President and the Registrar of the Tribunal view it as very important that he continues to develop and deliver training, and provide support with other engagements. From January 2019 Additional off payroll member appointed in January 2019 for the Training Committee.
UK Atomic Energy Authority	For March 2019 Short-term engagement of a retiring board member at the end of their tenure to cover the period until the appointment of a replacement.
AEA Insurance Ltd (AEAIL)	From 2002 and 2005 respectively AEAIL is a captive insurance company registered in the Isle of Man and subject to their tax and NI legislation. AEAIL does not employ anyone. Two AEAIL directors are off-payroll by default and are paid a small fee by AEAIL. From 2014 to 2019 The third off-payroll director is a director of UKAEA and on UKAEA payroll.
Groceries Code Adjudicator	Appointed in June 2013 The Adjudicator
British Hallmarking Council (BHC)	From 1 April to 5 April 2018 Since 2017, the Chair had been paid under off-payroll arrangements as they were self employed. In 2018, advice was taken by the BHC; it was concluded that the role is deemed to be a statutory office holder, employers national insurance was payable, and a payroll needed. This was put into operation in 2018, and backdated to 6 April 2018.
Small Business Commissioner (SBC)	From 7 January 2019 to present The SBC has two non-executive directors on their Advisory Board and Audit, Risk & Assurance Board. These members have a contract to work with the SBC for four years.

Nuclear site licence companies: off-payroll engagements

The nuclear site licence companies deliver work for the Nuclear Decommissioning Authority (NDA). These companies are included within the departmental accounting boundary; however, they operate with a high degree of autonomy. Although they have a higher number of off-payroll engagements, off-payroll workers represent a small proportion of the overall workforce. There is a need to bring in unique skills and experience which cannot be found in house due to the specialised and project driven nature of their work.

Table 1b: Off-payroll engagements as of 31 March 2019, for more than £245 per day and that last longer than 6 months

		At time of reporting, number that have existed for:				
	Total number	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 years or more
Nuclear site licence companies						
Dounreay Site Restoration Ltd	41	9	4	4	10	14
LLW Repository Ltd	48	16	9	10	8	5
Magnox Ltd	166	16	54	28	4	64
Sellafield Ltd	321	178	32	15	24	72
Total	**576**	**219**	**99**	**57**	**46**	**155**

Table 2b: New off-payroll engagements, or those that reached 6 months in duration, between 1 April 2018 and 31 March 2019, for more than £245 per day and that last longer than 6 months

	Total number	Number assessed as caught by IR35	Number assessed as not caught by IR35	Number engaged directly (via PSC contracted to BEIS) and are on the BEIS payroll	No. of engagements reassessed for consistency/ assurance purposes during the year	No. of engagements that saw a change to IR35 status following the consistency review
Nuclear site licence companies						
Dounreay Site Restoration Ltd	10	0	0	0	0	0
LLW Repository Ltd	53	0	53	0	0	0
Magnox Ltd	61	n/a	n/a	n/a	n/a	n/a
Sellafield Ltd	59	23	27	3	0	0
Total	**183**	**23**	**80**	**3**	**0**	**0**

Table 3b: Off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2018 and 31 March 2019

	Number of off-payroll engagements of board members, and/or senior officials with significant financial responsibility	Total number of individuals on payroll and off-payroll that have been deemed 'board members, and/or others with significant financial responsibility' during the financial year
Nuclear site licence companies		
Dounreay Site Restoration Ltd	8	9
LLW Repository Ltd	2	10
Magnox Ltd	2	2
Sellafield Ltd	0	1
Total	**12**	**22**

Notes to table 3b: off-payroll engagements of board members

The notes below relate to the senior off-payroll engagements in table 3b. It includes details of the exceptional circumstances that led to each off-payroll engagement and the length of time each engagement lasted.

Organisation	Duration and reason for senior off-payroll appointment
Dounreay Site Restoration Ltd	i) From 1 Apr 2013 to 22 May 2018, ii) From 30 Sep 2015 to 31 Mar 2019, iii) From 19 Feb 2016 to 31 Mar 2019, iv) From 1 Dec 2015 to date, v) and vi) From 1 Dec 2016 to date, vii) From 16 May 2017 to date, viii) From 16 Nov 2018 to date The eight off-payroll board members are employed by the Parent Body Organisation (PBO), Cavendish Dounreay Partnership Ltd, thus they are not on Dounreay's payroll. Dounreay pay the PBO for their services.
LLW Repository Ltd	From 30 Sept 2011 Post holder supplied by the parent body organisation as required by contractual arrangements with NDA. From 1 Dec 2015 Post holder supplied by the parent body organisation as required by contractual arrangements with NDA.
Magnox Ltd	From 13 Nov 2017 and 24 Oct 2017 respectively The Finance Director and Managing Director are seconded from the parent organisation, Cavendish Fluor Ltd; as such they are not on Magnox's payroll. This arrangement will cease when Magnox becomes a subsidiary of the NDA on 1 Sept 19.

Consultancy expenditure

The Departmental Group's expenditure on consultancy in 2018-19 was £61.9 million (2017-18: £63.0 million), of which £30.8 million (2017-18: £41.4 million) was related to Site Licence Companies. Consultants are hired to work on projects in a number of specific situations: where the department does not have the skills set required; where the particular requirement falls outside the core business of civil servants; or where an external, independent perspective is required. When used appropriately, consultancy can be a cost effective and efficient way of getting the temporary and skilled external input that the department needs. We are committed to the consistent application of the Cabinet Office's 2010 controls on consultancy and other spending.

Remuneration report

Remuneration policy

Service contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise. Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Further information about the work of the Civil Service Commissioners can be found at http://www.civilservicecommission.org.uk.

Ministers

Remuneration of ministers is determined in accordance with the provisions of the Ministerial and other Salaries Act 1975 (as amended by The Ministerial and other Salaries Order 1996) and the Ministerial and other Pensions and Salaries Act 1991.

Senior civil servants

The Senior Salaries Review Body provides independent advice to the Prime Minister on the remuneration of senior civil servants. The review body considers economic considerations such as local variations in labour markets and funds available to departments. Further information about the work of the review body can be found at https://www.gov.uk/government/organisations/review-body-on-senior-salaries.

Ministers: salary and pension entitlements

audited information

Salary and pension entitlements of ministers of the department for the year ending 31 March 2019 are set out in the tables below.

Ministers single total figure of remuneration

	Salary (£)		Pension benefits (to nearest £1,000)[1]		Total (to nearest £1,000)	
Ministers	**2018-19**	**2017-18**	**2018-19**	**2017-18**	**2018-19**	**2017-18**
Secretary of State						
Rt Hon Greg Clark MP	67,505	67,505	17,000	16,000	**84,000**	**84,000**
Ministers of State						
Rt Hon Claire Perry MP (from 12 June 2017)[2]	31,680	25,432	7,000	7,000	**39,000**	**32,000**
Chris Skidmore MP (from 5 December 2018)[3]	10,219	-	3,000	-	**13,000**	**-**
Sam Gyimah MP (from 10 January 2018 to 30 November 2018)[4]	29,040	5,830	5,000	2,000	**34,000**	**8,000**
Parliamentary Under-Secretaries of State						
Rt Hon Lord Henley (from 27 October 2017)[5]	105,076	45,194	17,000	7,000	**122,000**	**52,000**
Kelly Tolhurst MP (from 19 July 2018)[6]	15,072	-	4,000	-	**19,000**	**-**
Richard Harrington MP (from 14 June 2017 to 25 March 2019)[7]	27,608	16,781	6,000	5,000	**33,000**	**22,000**
Andrew Griffiths MP (from 10 January 2018 to 14 July 2018)[8]	12,030	3,993	1,000	1,000	**13,000**	**5,000**

Notes

Where ministers have moved to or from another department during the year, details of any remuneration relating to their subsequent or prior roles will be in that department's remuneration report. Ministers who transfer from another department continue being paid at the appropriate rate of pay with effect from the first day of the month following the date of appointment. Former ministers who transfer to other departments are paid at their current rate of pay up to the end of the month. Any increase in ministers' salaries on transfer from the date of appointment is paid by their new department.

Salary information above excludes employers' national insurance contributions. None of the ministers of the department received any benefits-in-kind during the year.

1. The value of pension benefits accrued during the year is calculated as (real increase in pension multiplied by 20) less (contributions made by the individual). Real increase excludes increases due to inflation or any increase or decrease due to transfer of pension rights.
2. Full year equivalent salary for 2017-18 is £31,680.
3. Full year equivalent salary for 2018-19 is £31,680; joint Minister of State at Department for Education but paid by Department for Business, Energy and Industrial Strategy.
4. Full year equivalent salary for 2018-19 is £31,680 (2017-18: £31,680); salary for 2018-19 includes £7,920 statutory payment on cessation of Ministerial office; joint Minister of State at Department for Education but paid by Department for Business, Energy and Industrial Strategy.
5. Full year equivalent salary for 2017-18 is £105,076; salary includes Lords Office Holders' Allowance of £36,366.
6. Full year equivalent salary for 2018-19 is £22,375; formerly Assistant Government Whip paid by HM Treasury.
7. Full year equivalent salary for 2018-19 is £22,375 (2017-18: £22,375); salary for 2018-19 includes £5,594 statutory payment on cessation of Ministerial office.
8. Full year equivalent salary for 2018-19 is £22,375 (2017-18: £22,375); salary for 2018-19 includes £5,594 statutory payment on cessation of Ministerial office.

Ministers: pension benefits

Ministers	Ministers pension benefits at age 65 at 31 March 2019 £'000	Real increase in pension at age 65 £'000	CETV at 31 March 2019[1] £'000	CETV at 31 March 2018 restated[1] £'000	Real increase in CETV £'000
Secretary of State					
Rt Hon Greg Clark MP[2]	10-15	0-2.5	142	121	8
Ministers of State					
Rt Hon Claire Perry MP (from 12 June 2017)[2]	0-5	0-2.5	42	33	4
Chris Skidmore MP (from 5 December 2018)	0-5	0-2.5	7	6	1
Sam Gyimah MP (from 10 January 2018 to 30 November 2018)[2]	0-5	0-2.5	28	23	2
Parliamentary Under-Secretaries of State					
Rt Hon Lord Henley (from 27 October 2017)	0-5	0-2.5	45	21	16
Kelly Tolhurst MP (from 19 July 2018)	0-5	0-2.5	5	2	1
Richard Harrington MP (from 14 June 2017 to 25 March 2019)[2]	0-5	0-2.5	26	18	5
Andrew Griffiths MP (from 10 January 2018 to 14 July 2018)[2]	0-5	0-2.5	5	4	1

1. Where ministers joined or left during the course of the year, their CETV opening or closing amounts will be as at their joining or leaving dates. See notes to Remuneration report for explanation of CETV.
2. Due to a change in calculation factors by the Government Actuary, opening CETV amounts have been restated.

Senior managers: salary and pension entitlements

audited information

Salary and pension entitlements of senior managers of the Core Department are set out in the tables below which comprise all those who were members of the Departmental Board or Executive Committee during 2018-19.

Senior managers single total figure of remuneration

Officials	Salary (£'000)[1]		Bonus payments (£'000)		Pension benefits (to nearest £1,000)[2]		Total (£'000)	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
Alex Chisholm	180-185	180-185	5-10	-	70,000	69,000	**255-260**	**245-250**
Sam Beckett	125-130	125-130	10-15	10-15	38,000	32,000	**175-180**	**165-170**
Nick Chism (from 1 June 2018)[3]	115-120	-	-	-	46,000	-	**160-165**	**-**
Julian Critchlow (from 14 May 2018)[4]	120-125	-	-	-	-	-	**120-125**	**-**
Gareth Davies	130-135	125-130	10-15	10-15	49,000	38,000	**190-195**	**175-180**
Sarah Harrison (from 28 February 2018)[5]	140-145	10-15	-	-	71,000	3,000	**210-215**	**10-15**
Jeremy Pocklington (to 27 August 2018)[6]	45-50	120-125	-	10-15	17,000	43,000	**65-70**	**170-175**
Jaee Samant[7]	125-130	125-130	-	-	99,000	160,000	**220-225**	**285-290**
Helen Shirley-Quirk (from 29 August 2018 to 7 October 2018)[8]	10-15	-	-	-	4,000	-	**10-15**	**-**
Joanna Whittington (from 8 October 2018)[9]	75-80	-	-	-	23,000	-	**95-100**	**-**
John Loughhead	130-135	130-135	-	-	62,000	57,000	**190-195**	**185-190**
Caleb Deeks (from 23 May 2017)[10]	100-105	75-80	0-5	-	61,000	68,000	**165-170**	**140-145**
Tom Taylor (from 15 January 2018)[11]	125-130	25-30	5-10	-	47,000	7,000	**180-185**	**30-35**
Doug Watkins (from 1 September 2018)[12]	70-75	-	10-15	-	57,000	-	**135-140**	**-**

1 Salary information excludes employers' national insurance contributions. No senior managers received any benefits-in-kind during the year or compensation for loss of office. Where managers have moved to or from a similar senior role in another department during the year, details of any remuneration relating to their subsequent or prior roles will be in that department's remuneration report.

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

3 Full year equivalent salary for 2018-19 is 140-145.

4 Full year equivalent salary for 2018-19 is 140-145.

5 Full year equivalent salary for 2017-18 is 140-145.

6 Full year equivalent salary for 2018-19 is 120-125; transferred on 27 August to Ministry of Housing, Communities and Local Government.

7 Full year equivalent salary for 2017-18 is 120-125; amount paid in 2017-18 includes pay adjustment relating to 2016-17.

8 Full year equivalent salary for 2018-19 is 95-100.

9 Full year equivalent salary for 2018-19 is 155-160.

10 Full year equivalent salary for 2017-18 is 85-90.

11 Full year equivalent salary for 2017-18 is 120-125.

12 Full year equivalent salary for 2018-19 is 120-125.

Senior managers pension benefits

Officials	Accrued pension at pension age as at 31 March 2019 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2019[1]	CETV at 31 March 2018[1]	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Alex Chisholm	25-30	2.5-5	332	246	37	-
Sam Beckett[2]	50-55 plus lump sum of 115-120	0-2.5 plus lump sum of (2.5-0)	947	822	17	-
Nick Chism (from 1 June 2018)	0-5	2.5-5	32	-	24	-
Julian Critchlow (from 14 May 2018)[3]	-	-	-	-	-	-
Gareth Davies	40-45	2.5-5	614	504	22	-
Sarah Harrison (from 28 February 2018)	50-55	2.5-5	914	773	47	-
Jeremy Pocklington (to 27 August 2018)[4]	40-45 plus lump sum of 20-25	0-2.5 plus lump sum of (2.5-0)	551	536	6	-
Jaee Samant	45-50 plus lump sum of 110-115	5-7.5 plus lump sum of 5-7.5	886	719	71	-
Helen Shirley-Quirk (from 29 August 2018 to 7 October 2018)	35-40 plus lump sum of 90-95	0-2.5 plus lump sum of (2.5-0)	743	739	2	-
Joanna Whittington (from 8 October 2018)	35-40 plus lump sum of 70-75	0-2.5 plus lump sum of (2.5-0)	674	594	10	-
John Loughhead	10-15	2.5-5	224	169	45	-
Caleb Deeks (from 23 May 2017)	25-30	2.5-5	319	239	27	-
Tom Taylor (from 15 January 2018)	40-45 plus lump sum of 95-100	2.5-5 plus lump sum of (2.5-0)	720	605	22	-
Doug Watkins (from 1 September 2018)	55-60 plus lump sum of 150-155	2.5-5 plus lump sum of 2.5-5	1,139	1,018	42	-

1 Where senior managers joined or left during the course of the year, their CETV opening or closing amounts will be as at their joining or leaving dates. See Notes to Remuneration report for explanation of CETV.

2 CETV as at 31 March 2018 increased from 818 as disclosed in 2017-18 report to 822 as result of retrospective change to service history.

3 Not a member of Civil Service pension arrangements for reporting year.

Notes to the Remuneration report

The information in this report relates only to the core Department. Similar information relating to chief executives and most senior managers of the executive agencies and other bodies of the departmental family is given in the separate annual reports and accounts of the relevant bodies.

Salary

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the core Department and thus recorded in these accounts. In respect of ministers in the House of Commons, departments bear only the cost of the additional ministerial remuneration; the salary for their services as an MP (£77,379 from 1 April 2018) and various allowances to which they are entitled are borne centrally. However, the arrangement for ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration which cannot be quantified separately from their ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the core Department and is therefore shown in full in the figures.

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2018-19 relate to performance in 2017-18 and the comparative bonuses reported for 2017-18 relate to performance in 2016-17.

Ministerial pensions

Pension benefits for ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute and the rules are set out in the Ministers' etc Pension Scheme 2015, available at http://qna.files.parliament.uk/ws-attachments/170890/original/PCPF%20MINISTERIAL%20SCHEME%20FINAL%20RULES.doc. Those ministers who are Members of Parliament may also accrue an MP's pension under the PCPF, details of which are not included in this report. A new MP's pension scheme was introduced from May 2015 although members who were MPs and aged 55 or older on 1 April 2013 have transitional protection to remain in the previous MP's final salary pension scheme. Benefits for ministers are payable from State Pension age under the 2015 scheme. Pensions are re-valued annually in line with Pensions Increase legislation both before and after retirement. The contribution rate from May 2015 is 11.1% and the accrual rate is 1.775% of pensionable earnings. The figure shown for pension value includes the total pension payable to the member under both the pre- and post-2015 ministerial pension schemes.

Ministerial pensions: Cash Equivalent Transfer Value

The 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 pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total ministerial service, not just their current appointment as a minister. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Ministerial pensions: Real increase in the value of the CETV

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

Civil Service pensions

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

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate in 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 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).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes but note that part of that pension may be payable from different ages.)

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

Civil Service pensions: Cash Equivalent Transfer Value

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

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

Civil Service pensions: Real increase in CETV

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

Fair pay disclosures

audited information

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

The banded remuneration of the highest paid director in BEIS in the financial year 2018-19, including extrapolation to the full year of any pay increases during the year plus any bonuses, was £185,000 to £190,000 (2017-18: £180,000 to £185,000). This was 4.81 times (2017-18: 4.91) the median remuneration of the workforce, which was £38,971 (2017-18: £37,200).

In 2018-19 one person (2017-18: one) received remuneration in excess of the highest paid director. Remuneration ranged from £18,200 to £194,747 (2017-18: £18,200 to £204,992).

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.

Fee entitlements for non-executive board members

audited information

The table below shows the fee entitlements for non-executive directors who were members of the Departmental Board in 2018-19.

Non-executive member	Fee entitlement for 2018-19	Fee entitlement for 2017-18
	£000	£000
Archie Norman	20-25	20-25
Professor Dame Ann Dowling (until 31 May 2018)[1]	5-10	20-25
Dame Carolyn McCall	15-20	15-20
Charles Randell (until 30 June 2018)[2]	5-10	20-25
Kathryn Parsons	15-20	15-20
Leena Nair (from 25 June 2018)[3]	15-20	-
Nigel Boardman (from 25 June 2018)[4]	15-20	-
Stephen Carter[5]	15-20	15-20
Stuart Quickenden[5]	15-20	15-20

1 Full year equivalent fee entitlement for 2018-19 is 20-25.

2 Full year equivalent fee entitlement for 2018-19 is 20-25; fee entitlement waived.

3 Full year equivalent fee entitlement for 2018-19 is 20-25.

4 Full year equivalent fee entitlement for 2018-19 is 20-25.

5 Fee entitlement waived.

Statement of Parliamentary Supply

audited information

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

Summary of resource and capital outturn 2018-19

		Estimate			Outturn			2018-19	2017-18 restated
	SoPS note	Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted outturn compared with Estimate: saving/ (excess)	Outturn Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Departmental Expenditure Limit									
- Resource	1.1	2,966,688	(1,532,275)	1,434,413	2,702,137	(1,455,648)	1,246,489	264,551	1,714,006
- Capital	1.2	11,496,267	-	11,496,267	10,813,932	-	10,813,932	682,335	10,391,920
Annually Managed Expenditure									
- Resource	1.1	(90,019,664)	352,000	(89,667,664)	(106,184,219)	319,330	(105,864,889)	16,164,555	75,124,046
- Capital	1.2	187,481	(142,400)	45,081	(274,854)	(141,811)	(416,665)	462,335	(1,196,772)
Total Budget		(75,369,228)	(1,322,675)	(76,691,903)	(92,943,004)	(1,278,129)	(94,221,133)	17,573,776	86,033,200
Total		**(75,369,228)**	**(1,322,675)**	**(76,691,903)**	**(92,943,004)**	**(1,278,129)**	**(94,221,133)**	**17,573,776**	**86,033,200**
Total Resource	1.1	(87,052,976)	(1,180,275)	(88,233,251)	(103,482,082)	(1,136,318)	(104,618,400)	16,429,106	76,838,052
Total Capital	1.2	11,683,748	(142,400)	11,541,348	10,539,078	(141,811)	10,397,267	1,144,670	9,195,148
Total		**(75,369,228)**	**(1,322,675)**	**(76,691,903)**	**(92,943,004)**	**(1,278,129)**	**(94,221,133)**	**17,573,776**	**86,033,200**

Voted Budgets are those approved by Parliament through the Supply Estimates process. Non-voted Budgets generally comprise CFERs (Consolidated Fund Extra Receipts) that represent operating income or expenditure financed directly from the Consolidated Fund as a standing service or from the National Insurance Fund. Non-voted expenditure does not require additional Parliamentary authority, but is included within Budgets set by HMT for completeness.

Net cash requirement 2018-19

				2018-19	2017-18 restated
	SoPS Note	Estimate	Outturn	Voted outturn compared with Estimate: saving / (excess)	Outturn
		£'000	£'000	£'000	£'000
Net cash requirement	3	16,406,161	13,787,150	2,619,011	13,616,211

Administration costs 2018-19

			2018-19	2017-18 restated
	Estimate	Outturn	Voted outturn compared with Estimate: saving / (excess)	Outturn
	£'000	£'000	£'000	£'000
Total administration costs	485,766	460,580	25,186	383,295

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

Explanations of the significant variances between Estimate and outturn are given in the Financial review on pages 36 to 44.

Prior year outturn is restated to reflect the changes as result of the Machinery of Government changes - see note 27.

The notes on pages 91 to 99 form part of these accounts.

Notes to the Statement of Parliamentary Supply

SoPS 1.1. Analysis of net resource outturn by section

		2018-19										2017-18 restated
		Outturn							Estimate			Outturn
		Administration			Programme							
		Gross	Income	Net	Gross	Income	Net	Total	Net Total	Net total compared with Estimate	Net total compared with Estimate, adjusted for virements	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Spending in departmental expenditure limit (DEL) by section												
Voted												
A	Deliver an ambitious industrial strategy	-	-	-	187,353	(5,067)	182,286	182,286	169,941	(12,345)	-	377,130
B	Maximise investment opportunities and bolster UK interests	-	-	-	69,518	1,187	70,705	70,705	66,700	(4,005)	-	40,218
C	Promote competitive markets and responsible business practices	798	-	798	110,537	(16,892)	93,645	94,443	103,780	9,337	9,337	86,230
D	Delivering affordable energy for households and businesses	-	-	-	43,156	999	44,155	44,155	43,018	(1,137)	-	32,381
E	Ensuring that our energy system is reliable and secure	-	-	-	12,084	(7,328)	4,756	4,756	11,485	6,729	6,729	4,201
F	Taking action on climate change and decarbonisation	-	-	-	24,831	(2)	24,829	24,829	36,016	11,187	11,187	91,076
G	Managing our energy legacy safely and responsibly	-	-	-	252,617	(747)	251,870	251,870	256,393	4,523	531	265,752
H	Science and Research	-	-	-	4,608	-	4,608	4,608	9,013	4,405	4,405	5,088
I	Capability	382,157	(31,991)	350,166	47,273	(3,591)	43,682	393,848	444,315	50,467	6,887	320,301
J	Government as Shareholder	3,890	(8)	3,882	184,383	(125,446)	58,937	62,819	118,625	55,806	52,819	112,900
K	Deliver an ambitious industrial strategy (ALB) net	-	-	-	15,147	-	15,147	15,147	17,700	2,553	2,553	21,305

L	Promote competitive markets and responsible business practices (ALB) net	8,783	-	8,783	45,852	-	45,852	54,635	55,210	575	575	51,648
M	Ensuring that our energy system is reliable and secure (ALB) net	-	-	-	(2,667)	-	(2,667)	(2,667)	1	2,668	1,698	(1,628)
N	Taking action on climate change and decarbonisation (ALB) net	3,353	-	3,353	2,716	-	2,716	6,069	5,099	(970)	-	4,834
O	Managing our energy legacy safely and responsibly (ALB) net	6,912	-	6,912	25,163	-	25,163	32,075	28,083	(3,992)	-	34,711
P	Science and Research (ALB) net	5,547	-	5,547	270,679	-	270,679	276,226	346,782	70,556	70,556	228,150
Q	Capability (ALB) net	30,475	-	30,475	-	-	-	30,475	4,382	(26,093)	-	33,635
R	Government as Shareholder (ALB) net	52	-	52	(19,531)	-	(19,531)	(19,479)	(22,466)	(2,987)	-	(73,072)
S	NDA and SLC expenditure (ALB) net	50,612	-	50,612	1,124,725	-	1,124,725	1,175,337	1,272,611	97,274	97,274	1,254,752
Total resource DEL voted spend		**492,579**	**(31,999)**	**460,580**	**2,398,444**	**(156,887)**	**2,241,557**	**2,702,137**	**2,966,688**	**264,551**	**264,551**	**2,889,612**
Non-voted												
T	Nuclear Decommissioning Authority Income (CFER)	-	-	-	-	(978,373)	(978,373)	(978,373)	(1,055,000)	(76,627)	(76,627)	(1,176,795)
U	Nuclear Safeguards Development	-	-	-	(2,275)	-	(2,275)	(2,275)	(2,275)	-	-	1,189
V	Managing our energy legacy safely and responsibly (CFER)	-	-	-	-	(475,000)	(475,000)	(475,000)	(475,000)	-	-	-
Total resource DEL non-voted spend		**-**	**-**	**-**	**(2,275)**	**(1,453,373)**	**(1,455,648)**	**(1,455,648)**	**(1,532,275)**	**(76,627)**	**(76,627)**	**(1,175,606)**
Total resource DEL spend		**492,579**	**(31,999)**	**460,580**	**2,396,169**	**(1,610,260)**	**785,909**	**1,246,489**	**1,434,413**	**187,924**	**187,924**	**1,714,006**
Spending in annually managed expenditure (AME) by section												
Voted												
W	Deliver an ambitious industrial strategy	-	-	-	(283,976)	(28,623)	(312,599)	(312,599)	(64,270)	248,329	248,329	17,448
X	Maximise investment opportunities and bolster UK interests	-	-	-	6,044	-	6,044	6,044	2,000	(4,044)	-	1,586
Y	Promote competitive markets and responsible business practices	-	-	-	79,000	-	79,000	79,000	79,000	-	-	7,000
Z	Ensuring that our energy system is reliable and secure	-	-	-	-	(295)	(295)	(295)	24,000	24,295	24,295	(415)
AA	Taking action on climate change and decarbonisation	-	-	-	-	-	-	-	500	500	500	-
AB	Managing our energy legacy safely and responsibly	-	-	-	(267,557)	(29,940)	(297,497)	(297,497)	(223,831)	73,666	73,666	(885,264)

AC	Science and Research	-	-	-	205,985	-	205,985	205,985	100,966	(105,019)	-	45,578
AD	Capability	-	-	-	(12,990)	-	(12,990)	(12,990)	8,344	21,334	21,277	13,557
AE	Government as Shareholder	-	-	-	7,558	(6,523)	1,035	1,035	33,775	32,740	28,696	(73,714)
AF	Renewable Heat Incentive	-	-	-	817,898	-	817,898	817,898	900,000	82,102	82,102	687,275
AG	Deliver an ambitious industrial strategy (ALB) net	-	-	-	(21,100)	-	(21,100)	(21,100)	11,700	32,800	32,800	4,867
AH	Taking action on climate change and decarbonisation (ALB) net	-	-	-	(2,971,284)	-	(2,971,284)	(2,971,284)	6,000,000	8,971,284	8,971,284	3,558,227
AI	Managing our energy legacy safely and responsibly (ALB) net	-	-	-	(2,022,249)	-	(2,022,249)	(2,022,249)	1,950,631	3,972,880	3,839,410	1,507,140
AJ	Science and Research (ALB) net	-	-	-	41,299	-	41,299	41,299	12,848	(28,451)	-	94,631
AK	Capability (ALB) net	-	-	-	1	-	1	1	2	1	1	-
AL	Government as Shareholder (ALB) net	-	-	-	93,768	-	93,768	93,768	94,671	903	903	(25,628)
AM	Nuclear Decommissioning Authority	-	-	-	(101,791,292)	-	(101,791,292)	(101,791,292)	(98,950,000)	2,841,292	2,841,292	69,911,856
	Promote competitive markets and responsible business practices (ALB) net	-	-	-	57	-	57	57	-	(57)	-	87
Total resource AME voted spend		**-**	**-**	**-**	**(106,118,838)**	**(65,381)**	**(106,184,219)**	**(106,184,219)**	**(90,019,664)**	**16,164,555**	**16,164,555**	**74,864,231**
Non-voted												
AN	Managing our energy legacy safely and responsibly (CFER)	-	-	-	-	-	-	-	-	-	-	-
AO	Government as Shareholder	-	-	-	326,414	(7,084)	319,330	319,330	352,000	32,670	32,670	259,815
Total resource AME non-voted spend		**-**	**-**	**-**	**326,414**	**(7,084)**	**319,330**	**319,330**	**352,000**	**32,670**	**32,670**	**259,815**
Total resource AME spend		**-**	**-**	**-**	**(105,792,424)**	**(72,465)**	**(105,864,889)**	**(105,864,889)**	**(89,667,664)**	**16,197,225**	**16,197,225**	**75,124,046**
Total resource DEL and AME spend		**492,579**	**(31,999)**	**460,580**	**(103,396,255)**	**(1,682,725)**	**(105,078,980)**	**(104,618,400)**	**(88,233,251)**	**16,385,149**	**16,385,149**	**76,838,052**

Explanations of the significant variances between the Outturn and Estimate are included in the Financial review on pages 36 to 44.

SoPS 1.2. Analysis of net capital outturn by section

							2018-19	2017-18 restated
				Outturn			Estimate	Outturn
		Gross	Income	Net	Net	Net total compared with Estimate	Net total compared with Estimate, adjusted for virements	Net
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Spending in Departmental Expenditure Limit (DEL) by section								
Voted								
A	Deliver an ambitious industrial strategy	220,461	(275,067)	(54,606)	(59,258)	(4,652)	13,667	142,364
B	Maximise investment opportunities and bolster UK interests	243,957	-	243,957	244,059	102	102	289,791
C	Promote competitive markets and responsible business practices	2,682	-	2,682	6,469	3,787	3,787	2,375
D	Delivering affordable energy for households and businesses	32,718	-	32,718	32,741	23	23	43,633
E	Ensuring that our energy system is reliable and secure	(626)	-	(626)	(606)	20	20	60
F	Taking action on climate change and decarbonisation	75,778	(2,657)	73,121	92,164	19,043	19,043	51,578
G	Managing our energy legacy safely and responsibly	4,572	(294)	4,278	7,309	3,031	3,031	7,944
H	Science and Research	628,196	(65,019)	563,177	674,599	111,422	52,831	2,634,812
I	Capability	30,335	(30)	30,305	(103,592)	(133,897)	-	18,777
J	Government as Shareholder	233,876	(58,005)	175,871	335,238	159,367	65,742	38,701
K	Deliver an ambitious industrial strategy (ALB) net	-	-	-	-	-	-	957,626
L	Promote competitive markets and responsible business practices (ALB) net	1,059	-	1,059	1,180	121	121	1,377
M	Ensuring that our energy system is reliable and secure (ALB) net	-	-	-	-	-	-	-

N	Taking action on climate change and decarbonisation (ALB) net	255	-	255	260	5	5	39
O	Managing our energy legacy safely and responsibly (ALB) net	9,503	-	9,503	10,799	1,296	1,296	13,559
P	Science and Research (ALB) net	7,530,042	-	7,530,042	7,540,496	10,454	7,972	3,803,928
Q	Capability (ALB) net	2,482	-	2,482	-	(2,482)	-	43
R	Government as Shareholder (ALB) net	197,015	-	197,015	696,409	499,394	499,394	334,300
S	NDA and SLC expenditure	2,002,699	-	2,002,699	2,018,000	15,301	15,301	2,051,013
Total capital DEL voted spend		**11,215,004**	**(401,072)**	**10,813,932**	**11,496,267**	**682,335**	**682,335**	**10,391,920**
Non-voted								
T	Nuclear Decommissioning Authority Income (CFER)	-	-	-	-	-	-	-
U	Nuclear Safeguards Development							-
V	Managing our energy legacy safely and responsibly (CFER)							-
Total capital DEL non-voted spend		-	-	-	-	-	-	-
Total capital DEL spend		**11,215,004**	**(401,072)**	**10,813,932**	**11,496,267**	**682,335**	**682,335**	**10,391,920**
Spending in Annually Managed Expenditure (AME) by section								
Voted								
W	Deliver an ambitious industrial strategy	-	-	-	-	-	-	-
X	Maximise investment opportunities and bolster UK interests	-	-	-	-	-	-	-
Y	Promote competitive markets and responsible business practices	-	-	-	-	-	-	-
Z	Ensuring that our energy system is reliable and secure	-	-	-	-	-	-	-
AA	Taking action on climate change and decarbonisation	-	-	-	-	-	-	-
AB	Managing our energy legacy safely and responsibly	35,412	-	35,412	29,941	(5,471)	-	611,792
AC	Science and Research	1,212	-	1,212	-	(1,212)	-	864
AD	Capability	-	-	-	-	-	-	-
AE	Government as Shareholder	6,240,000	(6,360,000)	(120,000)	315,000	435,000	399,810	(1,909)

AF	Renewable Heat Incentive	-	-	-	-	-	-	-
AG	Deliver an ambitious industrial strategy (ALB) net	(16,387)	-	(16,387)	(7,460)	8,927	8,927	(3,474)
AH	Promote competitive markets and responsible business practices (ALB) net	-	-	-	-	-	-	-
AI	Managing our energy legacy safely and responsibly (ALB) net	-	-	-	-	-	-	-
AJ	Science and Research (ALB) net	(59,692)	-	(59,692)	-	59,692	53,009	(63,845)
AK	Capability (ALB) net	-	-	-	-	-	-	-
AL	Government as Shareholder (ALB) net	(115,399)	-	(115,399)	(150,000)	(34,601)	-	(119,122)
Total capital AME voted spend		**6,085,146**	**(6,360,000)**	**(274,854)**	**187,481**	**462,335**	**461,746**	**424,306**
Non-voted								
AN	Managing our energy legacy safely and responsibly (CFER)	-	(141,811)	(141,811)	(142,400)	(589)	-	-
AK	Government as Shareholder	-	-	-	-	-	-	-
	Government as Shareholder (CFER)	-	-	-	-	-	-	(1,621,078)
Total capital AME non-voted spend		**-**	**(141,811)**	**(141,811)**	**(142,400)**	**(589)**	**-**	**(1,621,078)**
Total capital AME spend		**6,085,146**	**(6,501,811)**	**(416,665)**	**45,081**	**461,746**	**461,746**	**(1,196,772)**
Total capital DEL and AME spend		**17,300,150**	**(6,902,883)**	**10,397,267**	**11,541,348**	**1,144,081**	**1,144,081**	**9,195,148**

Explanations of the significant variances between the Outturn and Estimate are included in the Financial review on pages 36 to 44.

The increase in spend in 2016-17 and 2017-18 against Science and Research Capital DEL and decrease against Science and Research (ALB) Capital DEL reflects the reclassification of expenditure for the Higher Education Funding Council for England (HEFCE) for Science and Research following the Machinery of Government transfer of HEFCE to the Department for Education. With effect from 2018-19 this expenditure falls under Research England as part of UKRI, under Science and Research (ALB).

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

	Note	2018-19 Outturn £'000	2017-18 restated Outturn £'000
Total resource outturn in Statement of Parliamentary Supply	SoPS 1.1	(104,618,400)	76,838,052
Add:			
NDA remedial decommissioning costs which are capital in budgets but taken through the SoCNE		2,002,699	2,051,013
Capital Grants		1,507,472	1,351,725
Share of profit/loss of joint ventures and associates		(187,156)	(951)
Other non-budget		(43,793)	72,174
Share of minority interest		-	5,263
Research and Development costs		7,405,902	6,831,269
Less:			
Non-budgetary income		-	(103,858)
Profit on disposal of shares		-	(190,915)
Non-budget, non voted items in respect of BIS (Postal Services Act 2011) Company Limited and B Company Limited		(42,930)	(74,305)
Expected return on pension scheme assets		(40,825)	(36,510)
Gains/(losses) on defined benefit scheme		-	(5,219)
NDA income scored in SOPS only		126,783	114,345
Capital Income in SOCNE		(54,521)	(10,765)
Research and Development income		(488,889)	(411,290)
Other:			
Impact of intra group transactions		60,583	(26,135)
Other differences		12,814	6,313
Net Expenditure for the period in Consolidated Statement of Comprehensive Net Expenditure		**(94,360,261)**	**86,410,206**

The prior year comparatives present the Net Operating Expenditure as reported at 31 March 2018. This is restated following a Machinery of Government change – see note 27.

SoPS 3: Reconciliation of net resource outturn to net cash requirement

	Estimate	Outturn	2018-19 Net total Outturn compared with Estimate: saving/(excess)
	£'000	£'000	£'000
Resource Outturn	(88,233,251)	(104,618,400)	16,385,149
Capital Outturn	11,541,348	10,397,267	1,144,081
	(76,691,903)	**(94,221,133)**	**17,529,230**
Accruals to cash adjustments:			
Adjustments to remove non-cash items:			
Depreciation	975	161,356	(160,381)
New provisions and adjustments to previous provisions	(133,466)	(10,253)	(123,213)
Other non-cash items	17,168	(29,165)	46,333
Adjustments for ALBs			
Remove voted resource and capital	79,063,062	95,136,699	(16,073,637)
Add cash in grant-in-aid	11,593,405	10,978,148	615,257
Add share purchase and loans		217,886	(217,886)
Less share capital repayment		(23,861)	23,861
Adjustments to reflect movements in working balances:			
Increase/(decrease) in receivables	920,059	(145,094)	1,065,153
(Increase)/decrease in payables		150,452	(150,452)
Use of provisions	314,186	283,348	30,838
Financial guarantees called in		10,637	(10,637)
Non-voted budget items:			
Removal of non-voted budget items:	1,322,675	1,278,130	44,545
Net cash requirement	**16,406,161**	**13,787,150**	**2,619,011**

SoPS 4: Income payable to the Consolidated Fund

SoPS 4.1: Analysis of income payable to the Consolidated Fund

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

		2018-19		2017-18
	Income	Outturn Receipts	Income	Outturn Receipts
	£'000	£'000	£'000	£'000
Operating income of the NDA	654,497	*654,497*	851,538	*863,000*
Other operating income	193,362	*193,362*	1,821,334	*1,821,334*
Income from coal pension surpluses	617,400	*617,400*	-	-
Total income payable to the Consolidated Fund	**1,465,259**	***1,465,259***	**2,672,872**	***2,684,334***

In the prior year there was £1.62 billion paid over to the Consolidated Fund in respect of the sale of the Green Investment Bank.

SoPS 4.2: Consolidated Fund income

Consolidated Fund income shown in SoPS note 4.1 above does not include any amounts collected by the Department where it was acting as agent for the Consolidated Fund rather than as principal. Full details of income collected as agent for the Consolidated Fund are in the department's Trust Statement published separately from but alongside these financial statements. Details are also provided in the individual accounts of the Insolvency Service of items which are not included above.

Parliamentary accountability disclosures

Losses and special payments

audited information

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

Losses statement

	2018-19		2017-18	
	Core and agencies	Departmental Group	Core and agencies	Departmental Group
Total number of losses	**8,955**	**9,719**	**6,396**	**8,521**
RPS receivable impairment (£m)	358	358	267	267
Other losses (£m)	27	28	15	19
Total value of losses (£m)	**385**	**386**	**282**	**286**

Details of cases over £300,000: claims abandoned: core Department

From 1 April 2018, the responsibility for Redundancy Payment Service (RPS) was transferred from the core Department to the Insolvency Service (INSS).

Redundancy Payment Service (RPS) receivable impairment: most of the redundancy payments made from the National Insurance Fund (NIF) are in respect of employees of insolvent companies. Repayment of debt is recovered from the sale of the assets of the insolvent company. A small proportion of the debt (12%) is preferential, and as such has a higher recovery rate. HMRC record the impairment of the RPS receivable in NIF accounts. The RPS receivable impairment for 2018-19 is £358 million (2017-18: £267 million).

Details of cases over £300,000: constructive losses: core Department

The core Department holds onerous leases for properties on the department's estate for which £113 million has been provided as at 31 March 2019 (31 March 2018: £126 million); payments in 2018-19 totalled £26.6 million (2017-18: £15.2 million).

The core Department paid £0.7 million to a former supplier of shared central services (finance, human resources etc) for early contract termination. The supplier had been contracted to supply these services to a predecessor department (the former Department of Energy and Climate Change) but supply has now been concentrated on a single provider.

Special payments

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

	2018-19		2017-18	
	Core and agencies	Departmental Group	Core and agencies	Departmental Group
Total number of special payments	6	13	17	21
Total value of special payments (£m)	-	2	60	60

Details of cases over £300,000

Special payments includes a fine of £380,000, associated costs of £96,753 and victim surcharge of £170 paid by Sellafield Ltd for safety breaches relating to equipment used for the processing of plutonium on 5 February 2017, following an investigation by the Office for Nuclear Regulation (ONR).

Special payments includes £1 million of interest on the corporation tax payment paid by UK Research and Innovation (UKRI) to HMRC in March 2019 with regard to the chargeable gains that arose on the transfer of assets from the legacy Councils into UKRI. Additional budget was received from HM Treasury to cover this payment and it did not reduce the funding available for science in the year.

Gifts and hospitality

Managing Public Money states that annual reports should include a note on gifts made by departments if their total value exceeds £300,000. Gifts with a value of more than £300,000 should be noted individually. During 2018-19, the Department did not give, nor did it receive, any reportable gifts above £300,000.

The core Department's gifts and hospitality policy expects the highest level of standards of behaviour from civil servants when deciding whether to accept or decline gifts and hospitality offered, as set out within the Civil Service Code and Managing Public Money. There are also constraints in giving hospitality to ensure that claims are proportionate, necessary, justifiable, modest, and defensible under public scrutiny and delivering value for money from the use of public funds.

The policy applies to BEIS's Civil Service staff, contractors, agents, and non-executive directors who are bound by the Civil Service Code. This policy does not apply to Ministers and special advisers who are covered under the Ministerial Code and Cabinet Office Code of Conduct for Special Advisers respectively. Additionally, Special Advisors gifts and hospitality registers are published on a quarterly basis, including nil returns.

Remote Contingent Liabilities

audited information

The Departmental Group has entered into the following contingent liabilities by offering guarantees, indemnities or letters of comfort. None of these is a contingent liability within the meaning of IAS 37, as the likelihood of a transfer of economic benefit in settlement is too remote. However, they are required to be disclosed under the requirements of the Government Financial Reporting Manual and Managing Public Money. Detail of quantifiable and unquantifiable remote contingent liabilities is presented in the sections below.

Quantifiable

Measurement of quantifiable contingent liabilities is carried out following the requirements of IAS 37, given that the reporting requirements of Managing Public Money. Managing Public Money requires that the full potential costs of such contracts be reported to Parliament.

	1 April 2018	Increase / (Decrease) in year	Liabilities crystallised in year	Obligations expired in year	31 March 2019	Amount reported to Parliament by Departmental Minute
	£m	£m	£m	£m	£m	£m
The core Department has indemnified Cornwall Council for any liability relating to the European Regional Development Fund (ERDF) that might arise from the transfer of Wave Hub due to (a) any breach of the ERDF Funding Agreements which occurred on or before the transfer date of 31 March 2017 and (b) any action or omission by the core Department or Wave Hub in relation to the ERDF Funding Agreements prior to the transfer which leads to finding of an Irregularity by any competent authority.	18	-	-	-	18	18
The core Department has indemnified the Coal Authority against potential claims arising from remunerated advisory work undertaken for other public sector bodies where settlement exceeds the Authority's professional indemnity insurance.	-	3	-	-	3	-
Total	**18**	**3**	**-**	**-**	**21**	**18**

Unquantifiable remote contingent liabilities: core Department

Statutory guarantees

- Under section 9 of the British Aerospace Act 1980, the government is liable to discharge any outstanding liability of BAE Systems plc which vested in the company on 1 January 1981 in the event of its being wound up other than for the purpose of reconstruction or amalgamation.

Statutory indemnities

- Indemnities have been given to indemnify UK Atomic Energy Authority to cover certain indemnities provided by the Authority to carriers and British Nuclear Fuels plc against certain claims for damage caused by nuclear matter in the course of carriage.
- Indemnities have been given to bankers of the Insolvency Service against certain liabilities arising in respect of non-transferable "account payee" cheques due to insolvent estates and paid into the Insolvency Service's account.
- Indemnities have been given to the police at the Police Information Technology Organisation (Home Office) by the core Department and Insolvency Service to cover any liabilities which they might incur in providing the Criminal Enforcement Team (formerly part of the core Department) with access to data from the Police National Computer.
- Indemnity has been given to National Grid's liabilities with regards to the interconnector linking the UK and France.

Intellectual property

- A liability to the European Patent Office could arise under Article 40 of the European Patent Convention of 1973 as the UK is one of the contracting states.
- A liability to the World Intellectual Property Organisation could arise under Article 57 of the Patent Cooperation Treaty as the UK is one of the contracting states.

Data usage indemnities

- An indemnity has been provided to Pöyry PLC relating to the use of their yield curve data for the sale of Green Investment Bank. The core Department has indemnified Pöyry PLC for any liability that occurs as a result of using their information in the sale process that may be brought by bidders in relation to the transaction.

Legal costs

- A contingent liability exists in relation to ongoing legal cases. The cost is dependent on the outcome of cases which currently cannot be reliably estimated.
- Under an agreement with the Financial Reporting Council (FRC), if the amount held in their legal costs fund falls below £1 million in any year, an additional grant will be made to cover legal costs subsequently incurred in that year.

Indemnities against personal liability

- Indemnities have been given to the directors appointed by the core Department to wholly owned subsidiaries. These indemnities are against personal liability following any legal action against the companies.
- Indemnities have been provided to directors appointed to the Low Carbon Contracts Company Limited and Electricity Settlements Company Limited against personal liability following any legal action against the companies, to be triggered only after all other means have been excluded i.e. company and directors' insurance (cover limit of £100 million) and recovery of costs through their levies.
- Indemnities have been provided to the Low Carbon Contracts Company Limited and Electricity Settlements Company Limited in respect of their officers, to be triggered only after all other means have been excluded i.e. company and directors' insurance (cover limit of £100 million) and recovery of costs through their levies.
- Indemnities have been provided to trustees of the Nuclear Liabilities Fund appointed by the Secretary of State against personal liability in the event of legal action against the Fund.

- Indemnities have been provided to trustees of the Nuclear Liabilities Fund appointed by British Energy (now EDF Energy) against personal liability in the event of legal action against the Fund, to be triggered only in the event of failed recourse to indemnities from EDF Energy.
- Indemnities have been provided to the Official Receiver relating to their actions as administrator of SSI Redcar with respect to administration of the site.
- Indemnities have been provided to the Oil and Gas Authority in respect of certain liabilities that could arise from the actions or omissions of its directors and otherwise arising from a director holding or having held office in the company.
- Indemnities have been provided to the MCS Service Company Limited and trustees of the MCS Charitable Foundation for any liability that might arise as a result of actions taken and decisions made for which the core Department was ultimately responsible prior to transfer to the Company and Charitable Foundation of responsibility for the Microgeneration Certification Scheme (MCS) in April 2018.

Insurance claims

- A statutory liability will arise in the event of a nuclear accident in the UK for third-party claims in excess of the operator's liability.
- A contingent liability exists in relation to Incidents/Accidents Insurance claims for exposure to ionising radiation pursued outside the existing UK Atomic Energy Authority insurance scheme.
- The core Department has indemnified Elexon Limited against third party claims relating to the design and/or implementation of the Contracts for Difference and Capacity Markets settlement systems which are not covered by insurance and/or guarantees by their sub-contractors.

Losses or damages under agreements

- An indemnity has been provided for any losses or damages caused to other parties to the Energy Research Partnership consortium agreement.

Environmental clean-up

- A contingent liability exists in relation to the costs of retrieving and disposing of sealed radioactive sources in the event that a company keeping such sources becomes insolvent under the High Activity Sealed Sources (HASS) Directive: Council Directive 2003/122/EURATOM.
- A contingent liability arises in relation to the remediation of land contaminated by a nuclear occurrence as the Secretary of State is deemed to be the appropriate person to bear responsibility under section 9 of The Radioactive Contaminated Land (Modification of Enactments) (England) (Amendment) Regulations 2007 SI 2007/3245.
- A constructive obligation was created in 2002 when the government undertook to underwrite the Nuclear Liabilities Fund in respect of uncontracted and decommissioning liabilities of British Energy (now EDF Energy Nuclear Generation Limited) to the extent that the assets of the Fund fall short. The undiscounted estimated liability as at 31 March 2019 of £20.9 billion (31 March 2018: £20.5 billion) has a present value of £22.3 billion (31 March 2018: £57.8 billion) using the revised approach to discounting at March 2019 described at note 1. The value of the Fund is £9.4 billion (31 March 2018: £9.3 billion) and is expected to increase in the future from investment returns. It is hard to quantify the extent to which the net position of the Fund might represent a contingent liability or contingent asset given the high level of uncertainty relating to estimation of cash outflows and investment returns over a future period exceeding 100 years. The department does not consider it to be either a contingent liability or contingent asset as at 31 March 2019.
- Under the United Nations Convention on the Law of the Sea (UNCLOS) 1982, OSPAR decision 98/3, the Energy Act 2004 and the Petroleum Act 1998, the department would become responsible for decommissioning most oil, gas and renewable energy installations in the event that operators are unable to fulfil their decommissioning commitments.

EU Exit

- In July 2018, the UK Government announced an extension of its guarantee of EU-funded projects after the UK has left the EU. The guarantee was originally announced in 2016. The guarantee now covers the following:
  a. The full Multiannual Financial Framework allocation for structural and investment funds over the 2014-20 funding period, with payments to beneficiaries made up to the end of 2023;
  b. The payment of awards where UK organisations successfully bid directly to the European Commission on a competitive basis for EU funding projects while we remain in the EU (e.g. before Exit day), for the lifetime of the project;
  c. The payment of awards where UK organisations successfully bid to the European Commission on a competitive basis to participate as a 3rd country after Exit, and until the end of 2020, for the lifetime of the project; and,
  d. The current level of agricultural funding under CAP Pillar 1 until 31 December 2020.
- The financial settlement was agreed in principle by both the UK and EU, as set out in the draft Withdrawal Agreement of 25th November 2018. The guarantee will therefore only be called in the event that the Withdrawal Agreement is not ratified in the case of no deal, and UK organisations are unable to access EU funding.
- On 29 March 2017, the UK Government submitted its notification to leave the EU in accordance with Article 50. The triggering of Article 50 started a two-year negotiation process between the UK and the EU. On 11 April 2019, the government confirmed agreement with the EU on an extension until 31 October 2019 at the latest, with the option to leave earlier as soon as a deal has been ratified. Any subsequent changes in legislation, regulation and funding arrangements are subject to the outcome of the negotiations. As a result, an unquantifiable contingent liability is disclosed. In accordance with accounting standards, no contingent assets can be recognised.

Others

- A liability could arise through non-compliance with the Cogeneration Directive (2004/8/EC) in the event of incorrect certification of combined heat and power plants by contractors of the Department.
- A contingent liability exists in respect of the risks associated with the Department assuming responsibility for uplifts in pension contributions for the UK Atomic Energy Authority's non-active pension scheme members.
- The Secretary of State Investor Agreement (SOSIA) provides protections in certain scenarios where the Hinkley Point C nuclear plant is shut down for reasons that are political or due to certain changes in insurance arrangements or certain changes in law. Payments under the SOSIA would be expected in the first instance to be made using funds from the Supplier Obligation but in certain circumstances they could also come direct from the Secretary of State, relying on spending powers granted under the relevant Appropriation Act or, if payments were to be made over a period longer than two years, seeking a new spending power at the time. The payments could be up to around £22 billion excluding non-decommissioning operational costs that may be incurred after any shutdown. However, the liability to make payments under the SOSIA is almost entirely within the control of HM Government.

Unquantifiable remote contingent liabilities: agencies and departmental ALBs

- UK Space Agency has an unquantifiable contingent liability arising from the international (UN) convention, which requires the UK Government to be ultimately liable for third party costs from accidental damage arising from UK space activities. To manage the risk to the Government, the Outer Space Act 1986 requires licensees to indemnify HMG against any proven third party costs. In March 2015 the Outer Space Act 1986 was amended to cap the previously unlimited liability for licensed activities. The cap is set at €60 million euro for the majority of missions. This amendment came into force from 1 October 2015 and was designed to adequately balance the risk to the UK Government whilst ensuring UK space operators remain competitive internationally. There is a requirement on licensees to obtain third party liability insurance (set at €60 million euro for the majority of missions) for the duration of the licensed activity, with the UK Government a named beneficiary.

- UKRI, through STFC, collaborates with a number of other international partners in the funding, management and operation of technical facilities which are not owned by STFC. In the event of a decision to withdraw from any of these arrangements, it is likely that STFC would assist in the search for a replacement partner to ensure that technical commitments were met. The most significant international collaborations are in respect of CERN and ESO. For both of these facilities there is the possibility that STFC would be obliged to contribute to decommissioning costs arising from a decision taken to discontinue operations. The decisions to decommission are not wholly within STFC's control.
- The NDA has non-quantifiable contingent liabilities arising from indemnities given as part of the contracts for the management of the nuclear site license companies. These indemnities are in respect of the uninsurable residual risk that courts in a country which is not party to the Paris and Brussels Conventions on third party liability in the field of nuclear energy may accept jurisdiction to determine liability in the event of a nuclear incident. Indemnities are in place in respect of Magnox, LLWR and Dounreay as set out in the relevant Parent Body Agreements. In addition, indemnities are provided to the previous Parent Body Organisations (PBOs) of Magnox and Sellafield covering the periods of their ownership.

Other potential or expected liabilities

The department has entered into the following arrangements, details of which are provided in the interests of transparency. Neither of them is a contingent liability requiring disclosure under IAS 37, the Government Financial Reporting Manual or Managing Public Money as the obligating events did not exist at the reporting date.

Hinkley Point C Funded Decommissioning Programme (FDP) and Waste Transfer Contracts (WTCs)

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

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

Alongside the FDP, the government has entered into two WTCs. These set out terms on which the government will take title to and liability for the spent fuel and intermediate level waste (ILW) from the site after decommissioning in order to dispose of the waste safely. The WTCs have generally been prepared in line with the government's published waste transfer pricing methodology.[4] Although the WTCs provide a default price based on today's best estimate, they allow the waste transfer price to be set after a specified later date. The final price agreed is subject to a cap, but

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

the likelihood of the future costs exceeding the agreed cap is considered remote.

Capacity agreements

The European Court of Justice (ECJ) ruling of 15 November 2018 has resulted in a 'Standstill Period' for the Capacity Market during which no State Aid (in the form of capacity payments) can be paid to capacity providers in relation to the annulled Main Scheme Approval. Electricity Settlements Company Limited (ESC), has subsequently made no capacity payments relating to Main Scheme Approval since the ruling. This means that no payments have been made in respect of the 2018/19 Delivery Year (which runs from October 2018 to September 2019). Prior to 15 November 2018, the company made total capacity payments of £175.6 million in respect of capacity agreements awarded in relation to Main Scheme Approval and Early Capacity Auction.

The ECJ's decision to annul the Main Scheme Approval did not affect the Early Capacity Auction approval, which continues to remain in place unaffected.

The company completed making all capacity payments required in relation to the Early Capacity Auction in November 2018 and, as the term of the relevant capacity agreements has now expired, no further capacity payments are due in respect of the Early Capacity Auction.

The Delivery Year for the Capacity Market runs from 1 October to 30 September of each year. The capacity payments made by ESC in respect of the last two financial years are summarised in the following table:

Capacity Market payments	31 March 2019 £m	31 March 2018 £m
Main Scheme Approval (SA.35980) – Transitional Arrangement Auction 2016/2017 (Delivery Year – October 2016 to September 2017)	-	7.4
Main Scheme Approval (SA.35980) - Transitional Arrangement Auction 2017/2018 (Delivery Year – October 2017 to September 2018)	5.6	7.2
SA. 44475 – Early Capacity Auction 2017/2018 (Delivery Year – October 2017 – September 2018)	170.0	206.1
Total capacity payments	**175.6**	**220.7**

The department has responsibility for administering the settlement process. This role is undertaken by ESC. The obligation for ESC to make capacity payments only arises when the respective levy is received from licensed suppliers and the generator provides the agreed level of capacity. The potential income and payments arising from these arrangements are outlined in the following table:

	31 March 2019				31 March 2018			
	Due within 1 year £m	Due within 2 to 5 years £m	Due over 5 years £m	Total £m	Due within 1 year £m	Due within 2 to 5 years £m	Due over 5 years £m	Total £m
Capacity Market - ESC	-	-	-	-	700	3,185	1,166	5,051
Income from levy - ESC	-	-	-	-	(700)	(3,185)	(1,166)	(5,051)
Total Departmental Group	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Alex Chisholm
Permanent Secretary and
Principal Accounting Officer

8 July 2019

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

Opinion on financial statements

I certify that I have audited the financial statements of the Department for Business, Energy and Industrial Strategy ("the Department") and of its Departmental Group for the year ended 31 March 2019 under the Government Resources and Accounts Act 2000. The Department comprises the core Department and its agencies. The Departmental Group consists of the Department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2018. The financial statements comprise: The Department's and Departmental Group's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Department's and the Departmental Group's affairs as at 31 March 2019 and of the Department's net expenditure and Departmental Group's net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Emphasis of matter – Provision for nuclear decommissioning, recognition of income for waste treatment performance obligations and Contracts for Difference (CfDs) derivatives

Without qualifying my opinion, I draw attention to the disclosures made in notes 1.26 and 19.1 to the financial statements concerning the uncertainties inherent in the nuclear decommissioning provisions. As set out in these notes, given the very long timescales involved and the complexity of the plants and materials being handled, a considerable degree of uncertainty remains over the value of the liability for decommissioning nuclear sites designated by the Secretary of State. Significant changes to the liability could occur as a result of subsequent information and events which are different from the current assumptions adopted. Note 19.1 shows the decrease in the liability during the year to 31 March 2019 arising from the changes in the long-term discount rate, underlining the uncertainty inherent in management's estimate associated with the long timescales involved and discount rate assumptions.

I also draw attention to the disclosures made in note 1.6.2 to the financial statements concerning the recognition of income for waste treatment performance obligations within reprocessing contracts. As set out in that note the Department has accounted for the waste treatment elements of overseas reprocessing contracts on a portfolio basis alongside the waste treatment elements of other reprocessing contracts. Management have adopted this treatment as they do not consider that income recognition, in the context of the Department's derogation from HMT Treasury to apply IFRS 15 on a prospective only basis would otherwise reflect the overall progress of the waste treatment programme.

Finally, I also draw attention to the disclosures made in notes 1.26 and 9 to the financial statements concerning the measurement of liabilities relating to CFDs. As described, the fair value of these liabilities is highly sensitive to assumptions regarding future prices and volumes, particularly in view of the long timescales involved. As disclosed in note 9, the

Department has concluded that the uncertainty over the valuation of the CFD for Hinkley Point C is such that the liability does not meet the recognition criteria set out in the Conceptual Framework for Financial Reporting.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2019 and shows that those totals have not been exceeded; and
- the income and expenditure 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.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Department in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the the group's and the Department's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

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. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the Department's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the group financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- in the light of the knowledge and understanding of the group and the parent and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in the Performance and Accountability Reports 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 parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

10 July 2019

Financial Statements

The ExoMars rover is being built in Stevenage. It will the first of its kind to roam around Mars and study it in depth.

Consolidated Statement of Comprehensive Net Expenditure

for the period ended 31 March 2019

Continuing operations	Note	31 March 2019 Core Department and Agencies £m	31 March 2019 Departmental Group £m	31 March 2018 restated Core Department and Agencies £m	31 March 2018 restated Departmental Group £m
Income from sale of goods and services	6.1	(749)	(3,260)	(1,023)	(3,341)
Total operating income		**(749)**	**(3,260)**	**(1,023)**	**(3,341)**
Staff costs	3	330	1,119	273	1,025
Purchase of goods and services	4.1	1,424	2,943	1,542	2,817
Depreciation and impairment charges	4.2	55	607	91	666
Provision expense	4.3	59	(97,721)	182	75,433
Grants	4.4	12,907	8,280	11,935	7,545
Other operating expenditure	4.5	(4)	(45)	(6)	(89)
Total operating expenditure		**14,771**	**(84,817)**	**14,017**	**87,397**
Net operating expenditure		**14,022**	**(88,077)**	**12,994**	**84,056**
Finance income	6.2	(214)	(251)	(184)	(350)
Finance expense	5	(249)	(3,855)	(19)	(1,206)
Contracts for difference derivatives	9	-	(1,991)	-	4,102
Share of post-tax profits of associates and joint ventures	13	-	(186)	-	-
Net expenditure for the year from continuing operations		**13,559**	**(94,360)**	**12,791**	**86,602**
Profit on disposal of Green Investment Bank	**15**	**-**	**-**	**(186)**	**(202)**
Net expenditure for the year from discontinuing operations	**15**	**-**	**-**	**-**	**11**
Net expenditure for the year		**13,559**	**(94,360)**	**12,605**	**86,411**
Other Comprehensive Income and Expenditure					
Net (gain)/loss on:					
Items that will not be reclassified to net operating expenditure:					
- revaluation of property, plant and equipment		-	(145)	-	(52)
- revaluation of intangible assets		-	(19)	-	(31)
Items that may be reclassified subsequently to net operating costs:					

Continuing operations	Note	31 March 2019 Core Department and Agencies £m	31 March 2019 Departmental Group £m	31 March 2018 restated Core Department and Agencies £m	31 March 2018 restated Departmental Group £m
- revaluation of investments		(35)	(63)	(114)	(165)
- other revaluation movements		56	2	2	15
- actuarial (gains)/losses		-	69	-	(123)
- joint venture and associate other movements		-	(35)	-	-
Total other comprehensive net income and expenditure from continuing operations		**21**	**(191)**	**(112)**	**(356)**
Total other comprehensive net income and expenditure from discontinuing operations		**-**	**-**	**-**	**5**
Total other comprehensive net income and expenditure		**21**	**(191)**	**(112)**	**(351)**
Comprehensive net expenditure for the year		**13,580**	**(94,551)**	**12,493**	**86,060**

All operations are continuing apart from those included in note 15.

Further analysis of staff costs can be found in the Staff cost note in the Accountability report on page 70.

The Notes on pages 123 to 225 form part of these Accounts.

Consolidated Statement of Financial Position

as at 31 March 2019

	Note	31 March 2019 Core Department and Agencies £m	31 March 2019 Departmental Group £m	31 March 2018 restated Core Department and Agencies £m	31 March 2018 restated Departmental Group £m	1 April 2017 restated Core Department and Agencies £m	1 April 2017 restated Departmental Group £m
Non-current assets:							
Property, plant and equipment	7	294	3,533	276	3,414	264	3,422
Investment properties		-	117	23	145	31	151
Intangible assets	8	14	167	9	145	6	103
Investment and loans in public bodies	10	3,348	1,758	2,996	1,630	2,171	1,317
Other financial assets	11	1,196	4,098	1,028	4,194	1,484	4,082
Recoverable contract costs	12	-	1,620	-	3,346	-	2,870
Derivative financial instruments	23	7	7	47	78	64	70
Investment in joint ventures and associates	13	-	1,039	-	367	-	347
Trade and other receivables	14	813	938	932	1,090	305	399
Total non-current assets		**5,672**	**13,277**	**5,311**	**14,409**	**4,325**	**12,761**
Current assets:							
Inventories		-	37	-	31	-	33
Non-current assets held for sale	15	-	20	-	15	1,517	2,609
Trade and other receivables	14	447	1,568	544	1,343	438	1,301
Investments and loans in public bodies	16	666	620	732	732	682	682
Other financial assets	11	-	-	142	142	1	1
Derivative financial instruments	23	17	17	31	31	31	42
Cash and cash equivalents	17	1,283	2,088	1,246	2,034	1,192	1,819
Total current assets		**2,413**	**4,350**	**2,695**	**4,328**	**3,861**	**6,487**
Total assets		**8,085**	**17,627**	**8,006**	**18,737**	**8,186**	**19,248**

	Note	31 March 2019 Core Department and Agencies £m	31 March 2019 Departmental Group £m	31 March 2018 restated Core Department and Agencies £m	31 March 2018 restated Departmental Group £m	1 April 2017 restated Core Department and Agencies £m	1 April 2017 restated Departmental Group £m
Current liabilities:							
Trade payables and other liabilities	18	(2,908)	(5,652)	(2,283)	(4,954)	(2,248)	(4,894)
Provisions for liabilities and charges	19	(260)	(3,050)	(278)	(3,332)	(289)	(3,582)
Financial guarantees and loan commitment liabilities	20	(11)	(11)	(16)	(16)	(18)	(18)
Derivative financial instruments	23	(1)	(13)	-	(11)	-	-
Non-current liabilities held for sale	15	-	-	-	-	-	(1,000)
Total current liabilities		**(3,180)**	**(8,726)**	**(2,577)**	**(8,313)**	**(2,555)**	**(9,494)**
Non-current assets plus/ less net current assets/ liabilities		**4,905**	**8,901**	**5,429**	**10,424**	**5,631**	**9,754**
Non-current liabilities:							
Trade payables and other liabilities	18	(1,141)	(2,901)	(1,203)	(2,901)	(1,023)	(2,460)
Provisions for liabilities and charges	19	(1,920)	(131,416)	(2,176)	(237,603)	(2,297)	(165,931)
Financial guarantees and loan commitment liabilities	20	(43)	(219)	(45)	(45)	(43)	(43)
Derivative financial instruments	9, 23	(2)	(12,923)	-	(15,904)	-	(12,339)
Retirement benefit obligations	21	-	(921)	-	(686)	-	(877)
Total non-current liabilities		**(3,106)**	**(148,380)**	**(3,424)**	**(257,139)**	**(3,363)**	**(181,650)**
Total assets less liabilities		**1,799**	**(139,479)**	**2,005**	**(246,715)**	**2,268**	**(171,896)**
Taxpayers' equity and other reserves:							

	Note	31 March 2019 Core Department and Agencies	31 March 2019 Departmental Group	31 March 2018 restated Core Department and Agencies	31 March 2018 restated Departmental Group	1 April 2017 restated Core Department and Agencies	1 April 2017 restated Departmental Group
		£m	£m	£m	£m	£m	£m
General fund		1,077	(142,304)	995	(250,098)	1,364	(175,148)
Revaluation reserve		722	2,155	1,010	2,915	904	2,813
Non-current assets held for sale revaluation reserve		-	-	-	-		15
Charitable funds		-	438	-	314	-	319
Non-controlling interests		-	232	-	154	-	105
Total equity		**1,799**	**(139,479)**	**2,005**	**(246,715)**	**2,268**	**(171,896)**

Core Department and Agencies comprise the core Department and the UK Space Agency and Insolvency Service.

The Notes on pages 123 to 225 form part of these Accounts.

Alex Chisholm
Permanent Secretary and
Principal Accounting Officer

8 July 2019

Consolidated Statement of Cash Flows

for the period ended 31 March 2019

	Note	2018-19 Core Department and Agencies £m	2018-19 Departmental Group £m	2017-18 restated Core Department and Agencies £m	2017-18 restated Departmental Group £m
Cash flows from operating activities					
Net operating cost		(13,559)	94,360	(12,605)	(86,400)
Net operating cost from discontinuing operations		-	-	-	(11)
Adjustment for non-cash expenditure		(151)	(103,085)	(60)	78,517
(Increase)/decrease in inventories		-	(6)	-	2
(Increase)/decrease in trade and other receivables	14	216	(73)	(733)	(733)
Less movements in receivables relating to items not passing through the Consolidated Statement of Comprehensive Net Expenditure		(71)	(71)	(7)	(7)
Increase/(decrease) in trade payables and other liabilities	18	563	698	215	501
Less movements in payables relating to items not passing through the Consolidated Statement of Comprehensive Net Expenditure		(730)	(1,531)	(54)	(294)
Use of provisions	19	(284)	(3,078)	(284)	(3,238)
Financial guarantees called in	20	(11)	(11)	(11)	(11)
Expenditure funded by the National Insurance Fund (RPS)	4.1	320	320	260	260
Payments to retirement benefit obligations		-	(144)	-	(19)
Net cash outflow from operating activities		***(13,707)***	***(12,621)***	***(13,279)***	***(11,433)***
Cash flows from investing activities					
Purchase of property, plant and equipment		(46)	(312)	(48)	(353)
Purchase of intangible assets		(8)	(36)	(4)	(33)
Proceeds of disposal of property, plant and equipment		-	3	11	106
Proceeds of disposal of investment property		20	20	11	11
Proceeds of disposal of assets held for sale		-	-	1,753	1,785
Adjustments for proceeds from disposal of assets held for sale and other assets		-	-	(1,639)	(1,620)
Loan redeemed from Post Office Limited	16	6,360	6,360	7,168	7,168
Loans made to Post Office Limited	16	(6,240)	(6,240)	(7,198)	(7,198)
Repayments of loans and investments		33	855	22	431
Payments to the Contracts for Difference generators	9	-	(980)	-	(544)
Other investments and loans made		(330)	(1,009)	(253)	(798)
Launch investment receipts		230	230	102	102

	Note	2018-19 Core Department and Agencies £m	2018-19 Departmental Group £m	2017-18 restated Core Department and Agencies £m	2017-18 restated Departmental Group £m
Venture capital fund redemptions		7	121	181	110
Venture capital fund investments		-	(235)	(8)	(121)
Dividends from joint ventures and associates	13	-	87	-	-
Disposal of joint venture and associates		-	-	-	1
Investment in joint ventures and associates	13	-	(37)	-	(7)
Investment in assets held for sale		-	-	(50)	(7)
Investment in shares		(125)	-	(393)	(30)
Repayment of shares		-	-	7	-
Net cash outflow from investing activities		***(99)***	***(1,173)***	***(338)***	***(997)***
Cash flows from financing activities					
From Consolidated Fund (supply) – current year		14,139	14,139	13,568	13,568
Advances from the Contingencies Fund		5	5	2	2
Repayments to the Contingencies Fund		(7)	(7)	-	-
From the National Insurance Fund		320	320	260	260
Payments in respect of the National Insurance Fund	4.1	(320)	(320)	(260)	(260)
Issue of share capital		-	-	-	3
Disposal of shares		-	3	-	-
Net financing		***14,137***	***14,140***	***13,570***	***13,573***
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**331**	**346**	**(47)**	**1,143**
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		1,463	1,465	2,684	1,655
Payments of amounts due to the Consolidated Fund		(1,757)	(1,757)	(2,583)	(2,583)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**37**	**54**	**54**	**215**
Cash and cash equivalents opening balance		**1,246**	**2,034**	**1,192**	**1,819**
Cash and cash equivalents at the end of the period	17	**1,283**	**2,088**	**1,246**	**2,034**

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

for the period ended 31 March 2019

	Note	General Fund restated £m	Revaluation reserve £m	Taxpayers' equity restated £m	Total Reserves restated £m
Balance at 1 April 2017		**1,364**	**904**	**2,268**	**2,268**
Net parliamentary funding – drawn down		13,568	-	13,568	13,568
Net parliamentary funding – deemed		977	-	977	977
National Insurance Fund - RPS	4.1	260	-	260	260
Supply (payable)/receivable adjustment	18	(928)	-	(928)	(928)
Income payable to the Consolidated Fund		(1,640)	-	(1,640)	(1,640)
Decrease in RPS receivables	14	(7)	-	(7)	(7)
Net expenditure for the year		(12,605)	-	(12,605)	(12,605)
Non-Cash Adjustments:					
Auditors' remuneration	4.1	1	-	1	1
Movements in Reserves:					
Other comprehensive net expenditure for the year		-	112	112	112
Transfers between reserves		5	(5)	-	-
Other movements		-	(1)	(1)	(1)
Balance at 31 March 2018		**995**	**1,010**	**2,005**	**2,005**
IFRS 9 opening balance adjustments		277	(263)	14	14
Revised balance at 1 April 2018		**1,272**	**747**	**2,019**	**2,019**
Net parliamentary funding – drawn down		14,139	-	14,139	14,139
Net parliamentary funding – deemed		928	-	928	928
National Insurance Fund - RPS	4.1	320	-	320	320
Supply (payable)/receivable adjustment	18	(1,280)	-	(1,280)	(1,280)
Income payable to the Consolidated Fund		(675)	-	(675)	(675)
Decrease in RPS receivables	14	(71)	-	(71)	(71)
Net expenditure for the year		(13,559)	-	(13,559)	(13,559)
Non-Cash Adjustments:					
Auditors' remuneration	4.1	1	-	1	1
Movements in Reserves:					
Other comprehensive net income for the year		-	(21)	(21)	(21)
Transfers between reserves		1	(1)	-	-
Other movements		1	(3)	(2)	(2)
Balance at 31 March 2019		**1,077**	**722**	**1,799**	**1,799**

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

for the period ended 31 March 2019

	Note	General Fund restated £m	Revaluation Reserve £m	Non-current Assets Held for Sale Revaluation Reserve £m	Taxpayers' Equity restated £m	Charitable Funds - Unrestricted/ Restricted £m	Non controlling interest £m	Total Reserves restated £m
Balance at 1 April 2017		**(175,148)**	**2,813**	**15**	**(172,320)**	**319**	**105**	**(171,896)**
Net parliamentary funding – drawn down		13,568	-	-	13,568	-	-	13,568
Net parliamentary funding – deemed		977	-	-	977	-	-	977
National Insurance Fund - RPS	4.1	260	-	-	260	-	-	260
Supply (payable)/receivable adjustment	14, 18	(928)	-	-	(928)	-	-	(928)
Income payable to the Consolidated Fund		(2,489)	-	-	(2,489)	-	-	(2,489)
Decrease in RPS receivables	14	(7)	-	-	(7)	-	-	(7)
Net expenditure for the year		(86,411)	-	-	(86,411)	-	-	(86,411)
Amounts paid from distributable reserves		(162)	-	-	(162)	-	-	(162)
Non-Cash Adjustments:								
Auditors' remuneration	4.1	1	-	-	1	-	-	1
Movements in Reserves:								
Other Comprehensive net (expenditure)/ income for the year		123	233	-	356	-	-	356
Transfers between reserves		108	(124)	(6)	(22)	(5)	-	(27)
Minority interest		-	-	-	-	-	49	49
Transfer to Statement of Comprehensive Net Expenditure		-	-	(9)	(9)	-	-	(9)
Issue of share capital		3	-	-	3	-	-	3
Other movements		7	(7)	-	-	-	-	-
Balance at 31 March 2018		**(250,098)**	**2,915**	**-**	**(247,183)**	**314**	**154**	**(246,715)**

	Note	General Fund restated £m	Revaluation Reserve £m	Non-current Assets Held for Sale Revaluation Reserve £m	Taxpayers' Equity restated £m	Charitable Funds - Unrestricted/ Restricted £m	Non controlling interest £m	Total Reserves restated £m
IFRS 9 opening balance adjustment		941	(926)	-	15	-	-	15
Revised balance at 1 April 2018		**(249,157)**	**1,989**	**-**	**(247,168)**	**314**	**154**	**(246,700)**
Net parliamentary funding – drawn down		14,139	-	-	14,139	-	-	14,139
Net parliamentary funding – deemed		928	-	-	928	-	-	928
National Insurance Fund - RPS	4.1	320	-	-	320	-	-	320
Supply (payable)/receivable adjustment	18	(1,280)	-	-	(1,280)	-	-	(1,280)
Income payable to the Consolidated Fund		(1,331)	-	-	(1,331)	-	-	(1,331)
Decrease in RPS receivables	14	(71)	-	-	(71)	-	-	(71)
Net expenditure for the year		94,360	-	-	94,360	-	-	94,360
Amounts paid from distributable reserves		(131)	-	-	(131)	-	-	(131)
Non-Cash Adjustments:								
Auditors' remuneration	4.1	1	-	-	1	-	-	1
Movements in Reserves:								
Other comprehensive net (expenditure)/ income for the year		(34)	225	-	191	-	-	191
Transfers between reserves		(55)	(60)	-	(115)	124	(9)	-
Minority interest		-	-	-	-	-	87	87
Other movements		7	1	-	8	-	-	8
Balance at 31 March 2019		**(142,304)**	**2,155**	**-**	**(140,149)**	**438**	**232**	**(139,479)**

The Notes on pages 123 to 225 form part of these Accounts.

Notes to the Accounts

1 Accounting policies, judgements and estimates

1.1 Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adapted and interpreted by the HM Treasury 2018-19 Financial Reporting Manual (FReM) and as set out in the Accounts Direction to the department pursuant to section 5(2) of the Government Resources and Accounts Act 2000 except as described at 1.2 below. Where the FReM permits a choice of accounting policy, the policy selected is that judged to be most appropriate to the particular circumstances of the department and its consolidated entities (the Group) for the purpose of giving a true and fair view. The policies adopted by the Group are described below; they have been applied consistently to items considered material to the accounts. Derogation has been obtained from HM Treasury to apply IFRS 15 for NDA income on first time adoption in 2018-19 on a prospective basis and therefore will not be required to report any retrospective adjustments.

The consolidated Statement of Financial Position shows significant net liabilities, primarily relating to Contracts for Difference derivatives and provisions for nuclear decommissioning which will be settled over many years. Liabilities in excess of those to be funded by the Group will be met by future funding voted by Parliament annually in Supply and Appropriation Acts. There is no reason to believe the resources to settle these liabilities will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.2 Accounting convention

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

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

1.3 Presentational currency

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

1.4 Basis of consolidation

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

1.5 Changes in accounting policies

Accounting policies for financial instruments and revenues from contracts with customers have been updated to reflect the new accounting standards adopted in the year. Detail of new accounting standards and FReM changes is discussed in note 1.6 below.

1.6 New accounting standards adopted in the year and FReM changes

1.6.1 IFRS 9 'Financial Instruments'

IFRS 9 'Financial Instruments' replaces IAS 39 'Financial Instruments: Recognition and Measurement' and was adopted by the public sector from 1 April 2018. The FReM removes the option to adopt IFRS 9 retrospectively, and therefore the Group has recognised any adjustments to the carrying amounts of financial assets and liabilities at the date of transition in the opening retained earnings and other reserves of the current period. Consequently, amendments to IFRS 7 'Financial Instruments: Disclosures' have also been applied to the current period only. The adoption of IFRS 9 has resulted in changes to the accounting policies for classification, measurement and impairment of financial assets.

Classification and measurement of financial assets

IFRS 9 contains three principal classification categories for financial assets: amortised cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 removes the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Derivatives embedded in contracts where the host is a financial asset in scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Under IFRS 9, the requirement for classifying and measuring financial assets is that:

- Loans and other debt instruments are classified as either amortised cost, FVOCI or FVTPL, dependent on the business model and cash flow characteristics of the financial assets
- Investments in equity instruments are classified as FVTPL, unless an irrevocable election is made on initial recognition to recognise subsequent changes in fair value in Other Comprehensive Income (OCI). The election is only available to equity instruments that are not held for trading.
- Derivatives are classified as FVTPL

Classification and measurement of financial liabilities

Financial liabilities are classified and subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss, which is applied to derivatives and other financial liabilities designated as such at initial recognition
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer
- Financial guarantee contracts and loan commitments

Impairment

IFRS 9 replaces the 'incurred loss model' in IAS 39 with a forward looking 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments and FVTPL financial assets. The accounting policy for impairment of financial assets can be found in note 1.20 and the impairment methodology is detailed in the financial instruments note 23.

(a) Reconciliation of carrying amounts of financial assets under IAS 39 and IFRS 9

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 on 1 April 2018:

	Reconciliation						Carrying amount under IFRS 9 at 1 April 2018		
	Carrying amount under IAS 39 at 31 March 2018	Transfer between categories	Transfer to associates	Transfer of embedded derivatives	Re-measurement under IFRS 9	Carrying amount under IFRS 9 at 1 April 2018	Amortised cost	FVOCI designated	FVTPL
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Loans and Receivables									
Cash and cash equivalents	2,034	-	-	-	-	2,034	2,034	-	-
Receivables	2,001	-	-	-	(2)	1,999	1,999	-	-
Loans to public sector bodies	943	-	-	-	-	943	943	-	-
Loans to private sector entities	598	61	-	-	2	661	661	-	-
Term deposits	7	-	-	-	-	7	7	-	-
Held to maturity									
Term deposits	7	-	-	-	-	7	7	-	-
Available for sale									
Repayable Launch Investments	1,047	-	-	-	-	1,047	-	-	1,047
Ordinary shares in public sector entities	1,337	-	-	-	-	1,337	-	1,337	-
Ordinary shares in private sector entities	-	99	-	-	-	99	-	99	-
Property related holdings	42	(42)	-	-	-	-	-	-	-
Equities (listed securities)	269	(269)	-	-	-	-	-	-	-
Private equities	317	(317)	-	-	-	-	-	-	-
Investment funds	1,321	544	-	31	-	1,896	-	-	1,896
Other investments	669	(76)	(461)	-	-	132	-	-	132
Bonds	59	-	-	-	(1)	58	58	-	-
Fair value through profit or loss									
Derivatives	109	-	-	(31)		78	-	-	78
Total financial assets	**10,760**	**-**	**(461)**	**-**	**(1)**	**10,298**	**5,709**	**1,436**	**3,153**

The Departmental Group's accounting policies on the classification of financial instruments under IFRS 9 are set out in note 1.20. The application of these policies resulted in the reclassifications set out in the table above and explained below:

- Cash and cash equivalents, receivables, loans to public sector bodies, and term deposits that were classified as 'loans and receivables' and 'held to maturity' are now measured at 'amortised cost'. There are no changes in terms of measurement for these assets upon transition.
- Loans to private sector entities that were classified as 'loans and receivables' under IAS 39 meet the solely payments of principal and interest test for cash flows characteristics. The objective of the business model is achieved by collecting the contractual cash flows only and therefore, they are classified as 'amortised cost' under IFRS 9. An adjustment for the impairment allowance of £2 million calculated under the ECL model was recognised in retained earnings at 1 April 2018.
- Bonds were classified as 'available for sale' and are now measured at 'amortised cost'. The Group's intention is to hold these bonds for collecting contractual cash flows only. Sale of the bonds only happens infrequently when there is an increase in the assets' credit risk. Their cash flows are solely payments of principal and interest. Upon transition, the cumulative gain previously recognised in OCI was removed from equity and applied against the fair value of the financial asset at the reclassification date resulting in an adjustment of £1 million to retained earnings and carrying amount of the asset at 1 April 2018.

From available for sale (IAS 39) to Amortised Cost	**2019** **£m**
Fair value as at 31 March 2018	59
Fair value gain/ (loss) that would have been recognised during the year if the financial asset had not been reclassified.	(1)

- Repayable launch investments were classified as 'available for sale' with the revaluation movements previously going through OCI. As the repayments are contingent on the sales of the products, they do not meet the solely payments of principal and interest test and are measured at 'FVTPL'. On adoption, the cumulative gain or loss previously recognised in Revaluation Reserve of £235m as at 31 March 2018 has been transferred to the Taxpayer's Equity.
- Ordinary shares in consolidated public sector entities were held at Cost under IAS 39/IAS 27, this continues to be permitted under IFRS 9/IAS 27.
- Ordinary shares in non-consolidated public sector entities in accordance with the FReM were classified as 'available for sale'. The Group intends to hold these, for long term strategic purposes, and as permitted by IFRS 9, have designated these investments at the date of initial application as measured at 'FVOCI'.
- Ordinary shares in private sector entities were classified as 'available for sale' under IAS 39. The Group intends to hold these, except for the £3 million of shares held by UK Green Infrastructure Platform (UKGIP), for long term strategic purposes, and as permitted by IFRS 9, have designated these investments at the date of initial application as measured at 'FVOCI'. The £3 million of shares held by UKGIP, for trading, and therefore, the OCI option is not available and they are measured at 'FVTPL'.
- Investment funds were classified as 'available for sale'. The holdings are standard investment funds with either a limited life or redeemable units, and measured at 'FVTPL' as they are debt instruments that do not meet the solely payments of principal and interest test.
  - On adoption, the cumulative gain or loss previously recognised in Revaluation Reserve of £926 million as at 31 March 2018 has been transferred to the Taxpayer's Equity.
  - The category transfer of £31 million from investment funds to ordinary shares in non-public sector entities is related to the ordinary share holding in the Global Climate Partners Fund, which is an investment company rather than a standard limited partnership fund with a limited life.

- Loans that were previously classified as ‘available for sale’ within the Other Investments category are those held by UKGIP. As they are held to sell, not to collect contractual cash flows, they fail the business model test and are classified as ‘FVTPL’ under IFRS 9.
- Derivatives were classified as ‘fair value through profit and loss’ under IAS 39 and remain measured at ‘FVTPL’ under IFRS 9. However, embedded derivatives are no longer assessed separately from the host financial asset leading to a category transfer of £31 million from derivatives to investment funds.

(b) Reconciliation of carrying amounts of financial liabilities under IAS 39 and IFRS 9

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 on 1 April 2018:

	Reconciliation				Carrying amount under IFRS 9 at 1 April 2018			
	Carrying amount under IAS 39 at 31 March 2018 £m	Transfer from provisions £m	Remeasurement under IFRS 9 £m	Carrying amount under IFRS 9 at 1 April 2018 £m	Amortised cost £m	FVTPL designated £m	FVTPL mandatory £m	Other £m
Fair value through profit or loss								
Derivatives	(15,915)	-	-	(15,915)	-	-	(15,915)	-
Other liabilities								
Payables	(2,175)	-	-	(2,175)	(2,175)	-	-	-
Financial guarantee liabilities	(61)	-	16	(45)	-	-	-	(45)
Loan commitment liabilities	-	(184)	-	(184)	-	(184)	-	-
Total financial assets	**(18,151)**	**(184)**	**16**	**(18,319)**	**(2,175)**	**(184)**	**(15,915)**	**(45)**

The explanations of changes to financial liabilities under IFRS 9 are set out below:

- The core Department’s financial guarantee liabilities were remeasured under IFRS 9, leading to £16 million decrease in the carrying amount, which was recognised in the adjustment to the general fund opening balances.
- The British Business Bank (BBB)’s Enterprise Capital Fund commitments to provide loans under market rates were designated under IFRS 9 to be measured at fair value through profit or loss because the group of financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented investment strategy and information is provided internally on that basis to the key management personnel. For clarity, the loan commitment liabilities were transferred out from provisions to be disclosed together with financial guarantee liabilities.

(c) Impacts of transition to financial statement line items

The following table summarises the impact of transition to IFRS 9 on assets, revaluation reserve and general fund at 31 March 2018:

	Closing balance under IAS 39 at 31 March 2018	Transfers	Gross carrying amount remeasurement under IFRS 9	Expected credit loss remeasurement under IFRS 9	Reclassification from AFS to amortised cost	Opening balance under IFRS 9 at 1 April 2018
	£m	£m	£m	£m	£m	£m
Receivables	2,001	-	-	(2)	-	1,999
Total impact on current assets		**-**	**-**	**(2)**	**-**	
Other financial assets	4,336	(430)	27	(25)	(1)	3,907
Investments in joint ventures and associates	367	461	-	-	-	828
Total impacts on non-current assets		**31**	**27**	**(25)**	**(1)**	
Derivatives	(15,806)	(31)	-	-	-	(15,837)
Provisions	(240,935)	184	-	-	-	(240,751)
Financial guarantee and loan commitment liabilities	(61)	(184)	16	-	-	(229)
Total impacts on non-current liabilities		**(31)**	**16**	**-**	**-**	
General fund	250,098	(926)	(43)	27	1	249,157
Revaluation reserve	(2,915)	926	-	-	-	(1,989)
Total impacts on reserves		**-**	**(43)**	**27**	**1**	

1.6.2 IFRS 15 ‘Revenue from Contracts with Customers’

IFRS 15 ‘Revenue from Contracts with Customers’ replaces IAS 18 ‘Revenue’ and IAS 11 ‘Construction Contracts’ and has been adopted by the public sector from 1 April 2018. The new standard requires the Group to apportion revenue earned from contracts to individual promises, or performance obligations, on a stand-alone selling price basis, based on a five-step model. The FReM removes the option to adopt IFRS 15 retrospectively, and therefore any difference between the previous carrying amount and the carrying amount under IFRS 15 has been recognised as adjustments to opening balances on 1 April 2018.

The impacts on significant income streams are set out below.

Sales of goods and services

Within the scope of IFRS 15, the stream of income that has been significantly affected by the new accounting standard is around £850 million from the service contracts held by Nuclear Decommissioning Authority (NDA) for fuel reprocessing, waste and product storage, and the transportation of spent fuel, waste and products. Due to the limited availability of consistent historical data relating to the contracts and the extent to which the contracts and associated assumptions have changed over time, NDA has obtained a derogation from HM Treasury to apply IFRS 15 on first-time adoption in 2018-19 on a prospective basis, and therefore, will not be required to report any retrospective adjustments for prior years. A derogation has been granted to the Group to this effect.

Under the new standard, NDA's income figure is subject to increased uncertainty as a higher proportion of revenue recognition will be dependent on the performance of key plants at Sellafield in the remainder of their commercial operations. In particular, the income figure for 2018-19 was highly reliant on the performance of the Thorp reprocessing plant in its final year of operations. The impact of volatility in Thorp output was more significant under IFRS 15 than under previous standards. The Thorp plant concluded reprocessing operations during 2018-19 thereby removing this uncertainty from future years.

In order to produce a consistent measurement of fulfillment of the remaining performance obligations under the waste treatment elements of the respective spent fuel reprocessing contracts, NDA has determined that the remaining revenue on overseas reprocessing contracts will be recognised over the remainder of the period in which waste treatment services for all wastes produced by the Thorp plant will be completed (currently expected to conclude in 2025). This means that the completion of the programme will be treated as a single performance obligation under a single contract and as a result there is a non-recurring impact on the contract loss provision on NDA's Statements of Financial Position. If NDA had not applied the portfolio approach to these contracts, revenue recognised in the period would have been approximately £440 million higher than that reported. The revenue will instead be recognised over the contract term, to the end of 2024-25.

During the year the NDA reviewed the revenue recognition basis of a legacy waste management contract, and concluded that the performance obligations of the contract had been fulfilled and therefore, given the NDA's derogation to set aside the requirement to retrospectively restate revenues, the remaining revenue could be recognised in the year, producing additional and non-recurring revenue in the year of approximately £120 million. The revenue would otherwise have been recognised over a long period of time at approximately £6 million per annum.

The first-time implementation of IFRS15 by the NDA (excluding the non recurring item described above) resulted in income recognised in the year being £44 million lower than the equivalent figure which would have been recognised under previous accounting standards. The variance arises from the different recognition profiles for the recognition of revenues for storage of wastes and products and the storage and de-storage of revenues, in which proportionately less revenue is recognised in the short term (and proportionately more in the medium to long term).

The prior period impact on the remaining non-NDA income stream is only £2.5 million. As a result, there is no adjustment to opening balances.

Levy income

The Group's levy income of £1,212 million (2017-18: £818 million) is comprised of Low Carbon Contract Company Ltd (LCCC)'s operational costs levy of £980 million, Electricity Settlements Company Ltd (ESC)'s settlement costs levy of £183 million, Oil and Gas Authority (OGA)'s petroleum licences levy of £22 million, Financial Reporting Council (FRC)'s preparers levy of £17m and the core Department's levy of £10 million. Apart from FRC's preparers levy, which is based on voluntary contributions and accounted for on a cash receipts basis, the majority of the remaining levies arise from regulations and legislation. They are typically set on an annual basis, invoiced quarterly or bi-annually, and accounted for in the period to which the invoices are related. LCCC and ESC do not prepare their individual accounts under FReM and have judged that IFRS 15 does not apply to income from electricity suppliers. IFRS 15 is applicable to the Group's levy income under FReM guidance. There are no changes in the recognition and measurement of levy income under IFRS 15.

Fees, charges and recharges

The Group's income from fees, charges and recharges is £250 million (2017-18: £466 million), of which the most significant income is Insolvency Service's administration fees of £79 million and Civil Nuclear Police Authority's income of £48 million. The adoption of IFRS 15 does not affect the recognition and measurement of this income stream.

Grant income

The total grant income for 2018-19 is £262 million (2017-18: £138 million). Under the FReM grants and grants-in-aid should be accounted for in accordance with IAS 20 'Accounting for Government

Grants and Disclosure of Government Assistance' as interpreted by the Manual. The grant income is, therefore, out of scope under IFRS 15.

Income from Mineworkers' Pension Scheme

Income of £475 million (2017-18: £742 million) was recognised during 2018-19 relating to the Government guarantee of certain benefits payable to members and beneficiaries of the Mineworkers' Pension Scheme. The Government is entitled to a portion of any periodic valuation surpluses determined by the Government Actuary following triennial valuations. The cash amounts are to be received annually up to 2027. The Coal Pension receivables have been classified as held at amortised cost under IFRS 9 'Financial Instruments'. The associated income, therefore, is out of scope of IFRS 15.

1.7 Applicable accounting standards issued but not yet adopted and FReM changes for 2019-20

IFRS 16 'Leases'

IFRS 16 'Leases' replaces IAS 17 'Leases' and will be adopted by the public sector in 2020-21. IFRS 16 represents a significant change in lessee accounting by removing the distinction between operating leases (off-statement of financial position financing) and finance leases (on-statement of financial position financing), and introducing a single lessee accounting model. IFRS 16 requires the recognition of all leases as finance leases with exemption given to low value leases and short-term leases, i.e. those with lease terms of less than 12 months. This will result in the recognition of a right-to-use asset, measured at the present value of future lease payments, and a matching liability in the Statement of Financial Position (SoFP). Disclosure of operating leases is included in note 21.2.1. The Group is currently assessing the impacts of the IFRS 16 adoption.

1.8 Operating income

Operating income relates directly to the operating activities of the Group and includes income from contracts with customers, levies, grants and income from the Mineworkers' Pension scheme.

The Group is required to identify receipts which it collects on behalf of the Consolidated Fund; these are not recognised as income but instead are disclosed in a separate Trust Statement published alongside these accounts and in note 4 in the Statement of Parliamentary Supply in the Accountability Report.

Operating income from contracts with customers

Income from contracts with customers are allocated to individual promises, or performance obligations, on a stand-alone selling price basis, and is recognised when the related performance obligation is satisfied, either over time or at a point in time. The performance obligations are typically satisfied upon delivery of goods and services in accordance with the contractually defined timescales. The payment terms for the invoices are typically 30 days. Where the Group receives consideration prior to the transfer of goods and services, the amount is recorded as contract liabilities. Where the Group has transferred goods and services to a customer and the right to consideration is conditioned on something other than the passage of time, the amount is recorded as contract assets.

The measurement of income takes account of significant financing components, variable consideration, any discounts or rebates.

Levies

Levy income is recognised in the Group accounts when an event has occurred that creates an obligation on a counterparty to pay the levy, the amount can be reliably measured, and it is probable that the assessed economic benefits from the taxable event will flow to the Group. Levies are typically set on an annual basis, invoiced quarterly or bi-annually, and accounted for in the period to which the invoices are related to and performance obligations are satisfied.

The Low Carbon Contracts Company Ltd (LCCC) and Electricity Supply Company Ltd are permitted to retain levies collected under statute and classified as taxes in the national accounts. This income is recognised by the companies in the same period as the related expenditure. The department is not permitted by the FReM to recognise tax income relating to future years, whereas LCCC, which does not apply the FREM, is able to. Adjustments are made on consolidation to ensure compliance with the Group accounting policy.

Grant income

Grant income including European Funding is recognised when there is reasonable assurance that there are no conditions attached, or that any such conditions have been complied with and it is certain the grant will be received. Research grants and fellowships are recognised in line with a schedule of pre-agreed payment profiles, which include matching considerations over the period of the grant duration and to the period which they relate. Where the terms and conditions do not specify a pre- agreed payment profile or other matching considerations, obligations are recognised in full. Where the profile indicates an unclaimed and/or unpaid amount exists at the reporting date, such sums are accrued.

Income from the Mineworkers' Pension scheme

Income arising from the Government guarantee of certain benefits payable to members and beneficiaries of the Mineworkers' Pension scheme is recognised when the core Department becomes entitled to the income and the value can be reliably measured.

1.9 Staff costs

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

1.10 Grants payable

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

1.11 Taxation

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

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

Deferred taxation

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

1.12 Property, plant and equipment (PPE)

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

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

Valuation of PPE

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

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

Revaluation of PPE

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

Depreciation of PPE

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

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

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

1.13 Investment property

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

1.14 Intangible non-current assets

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

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

1.15 Impairment of PPE and intangible non-current assets

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

1.16 Assets held for sale

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

1.17 Cash and cash equivalents

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

1.18 Leases

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

Finance leases

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

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

Operating leases

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

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

1.19 Subsidiaries, associates and joint ventures

Subsidiaries and public sector joint ventures are consolidated where designated within the Departmental Group boundary (note 28); those outside the Departmental boundary are measured in accordance with IFRS 9. Equity investments in associates or joint ventures outside the public sector are initially recorded at cost and subsequently adjusted to reflect the Group's share of net profit or loss of the associate or joint venture.

1.20 Financial instruments

Financial assets and liabilities are measured initially at fair value plus transaction costs unless carried at fair value through profit or loss in which case transaction costs are charged to Net expenditure for the year. Fair value is determined by reference to quoted prices where an active market exists for the instrument; otherwise it is determined using generally accepted valuation techniques including discounted estimated cash flows. A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using settlement date accounting.

Financial assets

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

Categories of financial asset
Financial assets are categorised as one of the following:

- Amortised cost are financial assets whose cash flows are the solely payments of principal and interests and the business model of which is to hold for collecting contractual cash flows only. They are initially recognised at fair value and thereafter at amortised cost using the effective interest method less any impairment. The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period.
- *Fair value through Other Comprehensive Income (FVOCI)* are either:

  (i) debt instruments whose cash flows are the solely payments of principal and interests and the business model of which is to hold for both collecting contractual cash flows and selling.

  (j) equity instruments that are neither held for trading nor contingent consideration recognised in a business combination, as the Departmental Group has made an irrevocable election at initial recognition.

  After initial recognition, these assets are subsequently carried at fair value. Gains and losses in fair value are recognised directly in equity. On de-recognition, the cumulative gain or loss previously recognised in equity is recognised in Net expenditure for the year for debt instruments and transferred to General Fund for equity instruments.
- *Fair value through profit or loss (FVTPL)* are any financial assets that are not measured at amortised cost or FVOCI. Transaction costs and any subsequent movements in the valuation of the asset are recognised in Net expenditure for the year.

Impairment of financial assets
Financial assets other than equity instruments and those at FVTPL are assessed for impairment at each reporting date using the expected credit loss (ECL) model. The three-stage model based on the level of credit risk is applied to any financial assets other than long term trade receivables, contract assets which do contain a significant financing component and lease receivables within the scope of IAS 17 as follows:

- For financial assets with low credit risk or assets that have not had a significant increase in credit risk since initial recognition, 12-month ECL are recognised and interest revenue is calculated on the gross carrying amount of the asset without the reduction of credit allowance.

- For financial assets that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment, lifetime ECL are recognised and interest revenue is calculated on the gross carrying amount of the asset.
- For financial assets that have objective evidence of impairment at the reporting date, lifetime ECL are recognised and interest revenue is calculated on the net carrying amount net of credit allowance.

Impairment gains or losses, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised in accordance with the Standard, are recognised in profit or loss.

For long term trade receivables, contract assets which do not contain a significant financing component and lease receivables within the scope of IAS 17 'Leases', the simplified approach is applied and lifetime ECL are recognised as dictated by the FReM.

Financial liabilities

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

Derivative financial instruments

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

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

Forward foreign exchange contracts

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

Contracts for Difference (CfDs)

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

1.21 Financial guarantees and loan commitments

Financial guarantee contract liabilities

Financial guarantees are initially recognised at fair value on the date the guarantee was given and subsequently re-measured at the higher of a) the amount of loss allowance determined in accordance with IFRS 9 'Financial Instruments' and b) the amount initially recognised less when appropriate, cumulative amortisation in accordance with IFRS 15 'Revenue from Contracts with Customers'.

Loan commitments at below market rate

The Group accepts a lower than market rate of return from Enterprise Capital Fund investments in order to encourage private sector investors to invest alongside. Although the Group expects to make a positive return from these investments, this return is less than that required by the private sector. The Group has at initial recognition elected to irrevocably designate the liability related to these loan commitments as measured at fair value through profit or loss because the group of financial assets and financial liabilities is managed, and its performance is evaluated on a fair value basis, in accordance with a documented investment strategy, and information is provided internally on that basis to the key management personnel.

1.22 Pensions

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

Funded defined-benefit pension schemes

The Group has nine funded defined-benefit pension schemes: the UKRI's Medical Research Council Pension Scheme (MRCPS), two schemes through the NDA and six others through the nuclear site licence companies.

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

Unfunded defined benefit pension schemes

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

Defined contribution pension schemes

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

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

1.23 Provisions

A provision is recognised when it is probable that an outflow of economic benefits will be required to settle a present obligation (legal or constructive) that can be reliably measured and which results from a past event. Where the time value of money is material the provision is measured at present value using discount rates prescribed by HM Treasury. Previously HM Treasury issued real rates based upon the real yield of UK index-linked gilts. From 2018-19 onwards, HM Treasury is issuing nominal rates that do not take account of inflation, unlike real rates. Using these nominal rates, the cash flows are inflated using the following inflation rates provided by HM Treasury except where a more appropriate forecast has been identified for specific provisions:

			31 March 2019	31 March 2018
	Nominal discount rate	Inflation rate	Equivalent real discount rate	Real discount rate
Cash outflows expected within two years	0.76%	2.0%	(1.22%)	(2.42%)
Cash outflows expected between two and five years	0.76%	2.1%	(1.31%)	(2.42%)
Cash outflows expected between five and ten years	1.14%	2.1%	(0.94%)	(1.85%)
Cash outflows expected after ten years	1.99%	2.1%	(0.11%)	(1.56%)

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

1.24 Contingent assets and liabilities

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

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

1.25 Third party assets

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

1.26 Judgements, estimates and assumptions

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

Judgements

Hinkley Point C (note 9)
In accordance with the IFRS Conceptual Framework - Hinkley Point C Contract for Difference (CfD) liability has not been recognised in these financial statements. This is due to the unavoidable

uncertainties in creating a fair value estimate for HPC CfD due to the duration of the contract and lack of reliable independent estimates or readily available forecasts of wholesale electricity prices beyond 2040. Reliability is defined as using information that is complete, neutral and free from error. This means that a condition of the Conceptual Framework, that an item is recognised in the financial statements when the item has a cost or value that can be measured with reliability, is not met.

Estimates

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

Income recognition (note 6.1)
A number of significant accounting judgements have been performed to apply IFRS 15 to the recognition of revenue and costs from contracts with customers held by the Nuclear Decommissioning Authority (NDA), including the determination of transaction price of each contract, the allocation of transaction price to each performance obligation, the timing of satisfaction of performance obligations, and the accounting treatment of contract costs. Detail is included in NDA's financial statements.

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

Impairment of assets (note 4.2, 7, 8, 10, 11, 13, 14, 16, and 23)
Impairment of non-financial assets is measured by comparing the carrying value of the asset or cash generating unit with management's estimate of its recoverable amount. Impairment of financial assets is measured using the expected credit loss model (note 1.20)

Fair value of Repayable Launch Investments (note 11.1)
The econometric model used to estimate future cash flows from Repayable Launch Investments includes a number of assumptions including on future economic growth.

Fair value of private equity investments (note 11.2)
A range of valuation techniques are used for private equity investments, including discounted cash flows and net asset values.

Redundancy Payments Service receivable (note 14)
There is uncertainty in the estimate of the amount to be realised by the Insolvency Service from sale of assets of insolvent employers.

CfD contracts (note 9)
The significant uncertainties affecting measurement of Financial Investment Decision Enabling for Renewables (FIDeR) and CfD contracts, which facilitate investment in low-carbon electricity generation, are described in the note.

Fair value of financial guarantees (note 20)
Fluctuations in the fair value of financial guarantees measured using modelling techniques.

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

1.27 Prior Period Adjustments

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

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

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

The option to adopt retrospectively has been removed by the FReM for IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers', therefore, no restatement of 31 March 2018 has been made for the adoption of these new accounting standards.

The prior period adjustments and their impact on the comparative amounts for the prior periods are detailed in note 27.

2 Reporting by operating segment

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

3 Staff costs

Staff costs comprise:

			2018-19	**2017-18**
	Permanently employed staff	**Others**	**Total**	**Total**
	£m	**£m**	**£m**	**£m**
Wages and salaries	785	70	855	779
Social security costs	86	-	86	81
Other pension costs	179	-	179	168
Sub total	**1,050**	**70**	**1,120**	**1,028**
Less recoveries in respect of outward secondments	(1)	-	(1)	(3)
Total net costs	**1,049**	**70**	**1,119**	**1,025**
Of which:				
Core Department and Agencies	309	21	**330**	**273**
NDPBs and other designated bodies	740	49	**789**	**752**
Total net costs	**1,049**	**70**	**1,119**	**1,025**

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

4 Operating expenditure

4.1 Purchase of goods and services

	2018-19		2017-18 restated	
	Core Department and Agencies £m	Departmental Group £m	Core Department and Agencies £m	Departmental Group £m
Rentals under operating leases	30	47	43	58
Accommodation and office equipment costs	42	218	50	202
Legal, professional and consultancy costs	142	288	101	199
Finance, HR, IT and support costs	110	127	102	120
Training and other staff costs	10	28	11	32
Travel and subsistence costs	11	55	8	51
Advertising and publicity	3	18	2	15
Programme management and administration of grants and awards	40	175	37	206
Capacity Market payments	-	176	-	224
Professional and international subscriptions	283	516	317	567
Enforcement costs of employment related policies	30	30	27	27
Donations	-	16	-	9
Funding Paternity, Adoption and Shared Parental Leave policy	79	79	7	7
Purchase of geographical and scientific equipment	-	46	-	51
Purchase of weather information and weather related services	108	108	99	99
Redundancy payments service	320	320	260	260
Sponsorship costs	2	3	-	1
Payment of taxes and levies	-	169	-	4
Subsidy to Post Office Limited	62	62	95	95
Energy intensive industries subsidies	141	141	302	302
Other purchase of goods and services cost	11	321	81	288
Total	**1,424**	**2,943**	**1,542**	**2,817**

Purchase of goods and services

Core Department

Included within Other purchase of goods and services costs for 2017-18 was £60 million of costs in relation to special payments; these were one-off payments and there is no corresponding cost in 2018-19. See the Losses and special payments disclosure in the Accountability Report for further details.

Audit fees

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

During the year the core Department did not purchase any non-audit services from its auditor, the National Audit Office. The non-cash auditors' remuneration of £625,570 (2017-18: £655,750) comprises £570,000 (2017-18: £600,000) for the cost of the audit of the Departmental Group, £20,000 (2017-18: £20,000) for the Trust Statement, and £35,750 (2017-18: £35,750) for the audit of the UK Atomic Energy Authority Pension Scheme Accounts.

Agencies

During the year the Agencies did not purchase any non-audit services from their auditor, the National Audit Office. Details of the non-cash auditors' remuneration of £152,000 (2017-18: £131,000) can be found in the accounts of the individual agencies.

NDPBs and other designated bodies

The cash remuneration of £2,287,880 (2017-18: £2,353,105) relates to the statutory audit of NDPBs and other designated bodies. Of this amount, £1,955,291 (2017-18: £1,943,700) was payable to the NAO and £332,589 (2017-18 restated: £409,405) was payable to auditors other than the NAO.

In 2018-19, £nil was payable to the NAO (2017-18: £nil) and £127,546 was payable to auditors other than the NAO (2017-18: £123,079) for non-audit services. Further details can be obtained from the accounts of the NDPBs and other designated bodies.

Redundancy Payments Service

From 1 April 2018, the responsibility for the Redundancy Payment Service (RPS) transferred from the core Department to the Insolvency Service (INSS). This was accounted for in accordance with the FReM as a Transfer by Absorption. Each entity accounts for the transfer at the carrying value of the assets and/or liabilities transferred at the date of transfer. No fair value adjustment is made to the assets and/or liabilities transferred and the comparatives for the core Department and INSS are not restated.

INSS, an executive agency of the department, is responsible for the approval and processing of claims under the Redundancy Payment Service (RPS), which is financed from the National Insurance Fund. Redundancy payments are made from the National Insurance Fund to employees whose employers have failed to make payments due or who were insolvent.

The Insolvency Service has a service level agreement with HM Revenue and Customs. Claims processed fall into two categories:

- RP1 (which covers redundancy pay, holiday pay and arrears of pay).
- RP2 (pay in lieu of notice).

There is associated income arising from two sources:

- Solvent Recovery – where money is recovered from solvent employers to meet the costs of redundancy payments made by the RPS.
- Insolvent Recovery – INSS becomes a creditor receiving a dividend if there are sufficient funds in the insolvency of the employer.

Expenditure in respect of RPS in 2018-19 totalled £320 million (2017-18: £292 million) against income of £nil (2017-18: £32 million). The net amount totalled £320 million (2017-18: £260 million). The 2017-18 comparatives before the transfer were recognised in the core Department.

Payments of taxes and levies

During 2018-19, UK Research and Innovation (UKRI) was required to pay corporation tax on the chargeable gain arising on the transfer of assets from the predecessor Research Councils into UKRI. The total value of this payment was £143m.

4.2 Depreciation and impairment charges

	2018-19		2017-18	
	Core Department and Agencies £m	Departmental Group £m	Core Department and Agencies £m	Departmental Group £m
Amortisation of recoverable contract costs	-	166	-	227
Depreciation	18	256	20	257
Amortisation	2	45	2	26
Impairment of property, plant and equipment	2	59	2	48
Impairment of investments	33	81	67	108
Total	**55**	**607**	**91**	**666**

4.3 Provision expense

	2018-19		2017-18	
	Core Department and Agencies £m	Departmental Group £m	Core Department and Agencies £m	Departmental Group £m
Increase/(decrease) in nuclear provisions due to changes in discount rate	(37)	(95,984)	(17)	70,985
Increase/(decrease) in other provisions due to changes in discount rate	(127)	(2,799)	47	1,594
Other provision movements excluding bad debt provisions and financial guarantee liabilities	210	1,057	148	2,850
Total increase/(decrease) in provisions excluding bad debt provisions and financial guarantee liabilities	**46**	**(97,726)**	**178**	**75,429**
Total increase/(decrease) in bad debt provisions	1	1	3	3
Total increase/(decrease) in financial guarantee liabilities	12	4	1	1
Total	**59**	**(97,721)**	**182**	**75,433**

The significant decrease in the provision expense was primarily driven by the change in discount rate. Further detail of the movements in provisions can be found in note 19.1 for Nuclear Provisions and note 19.2 for Other Provisions.

4.4 Grants

	2018-19		2017-18	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Research and development	31	49	101	115
Grant in aid	10,977	-	10,193	-
Post Office network reform	168	168	45	45
Market frameworks	71	71	63	63
Science and research	465	6,309	363	5,695
International Climate Fund	244	247	307	311
Global threat reduction programmes	2	2	11	11
Renewable Heat Incentive	818	818	687	687
Innovation programmes	128	613	136	667
Energy Markets and Consumers	3	3	9	8
Heat infrastructure team progammes	(4)	(4)	9	9
Other grants	4	4	11	(66)
Total	**12,907**	**8,280**	**11,935**	**7,545**

4.5 Other operating expenditure

	2018-19		2017-18	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Profit on disposal of investments and minority interest	1	(41)	3	(72)
Revaluations of investments and specific bad debt write offs	(5)	(4)	(9)	(17)
Total	**(4)**	**(45)**	**(6)**	**(89)**

The profit on disposal of financial assets mandatorily measured at fair value through profit or loss during the financial year is £42 million. The core Department does not hold any financial assets designated at fair value through profit or loss.

5 Finance expense

	2018-19 Core Department and Agencies £m	2018-19 Departmental Group £m	2017-18 Core Department and Agencies £m	2017-18 Departmental Group £m
Change in fair value - financial assets	(214)	(229)	4	28
Net loss on foreign exchange	-	2	-	4
Unrealised foreign exchange rate losses	2	1	2	3
Bank charges	-	1	1	1
Interest payable	-	33	-	27
Expected return on funded pension scheme assets	-	(41)	-	-
Interest on pension liabilities	-	38	-	37
Borrowing costs on provisions	(37)	(3,660)	(26)	(1,306)
Total	**(249)**	**(3,855)**	**(19)**	**(1,206)**

The impact of HM Treasury-prescribed negative discount rates for provisions in 2017-18 was to increase undiscounted liabilities for the Departmental Group, the unwinding of which gave rise to a negative expense for borrowing costs on provisions. From 2018-19 onwards HMT is issuing positive nominal rates and inflation rates, however the resulting real discount rates remain negative in 2018-19 (but less significantly that in 2017-18), leading to a negative expense for borrowing costs on provisions.

6 Income

6.1 Operating income

	2018-19 Core Department and Agencies £m	2018-19 Departmental Group £m	2017-18 Core Department and Agencies £m	2017-18 Departmental Group £m
Income from sales of goods and services:				
Income from contracts with customers				
Fees, charges and recharges to/from external customers and central Government organisations	139	250	146	466
Levy income	10	1,212	9	818
Sales of goods and services	11	936	12	955
Miscellaneous income	8	99	9	96
Other income				
European Union funding	4	26	2	24
Current grants and capital grants	102	262	1	138
Coal pension receipts	475	475	742	742
Venture capital and repayable launch investment income	-	-	102	102
Total operating income	**749**	**3,260**	**1,023**	**3,341**

Income of £475 million was recognised in 2018-19 (2017-18 £742 million) in relation to an additional sum receivable from the September 2017 valuation of the Mineworkers' Pension Scheme. Further detail of the Coal Pensions receivables is disclosed in note 14.

The most significant contracts of the Departmental Group are held by the Nuclear Decommissioning Authority (NDA). The table below shows the main types of contract, the main areas of performance obligations therein, and for each category:

- the revenue recognised in the reporting period [A]
- the revenue expected to be recognised in future reporting periods (being the aggregate amount allocation to performance obligations that are wholly or partially unsatisfied at the reporting date) [B]
- an indication of when NDA expects to recognise the remaining contract price

Contract type	Categories of performance obligation	[A]	[B]		Of which £m:	
		£m	£m	2020-2025	2026-2038	2039-2087
Spent fuel reprocessing and associated waste management	Receipt of spent fuel	30	-	-	-	-
	Spent fuel reprocessing	140	-	-	-	-
	Spent fuel storage	10	709	63	135	511
	Interim storage of wastes	83	496	496	-	-
	Treatment of wastes	62	370	370	-	-
	Storage of treated wastes	4	174	24	51	99
	Storage of products	17	844	100	216	528
Spent fuel receipts	Receipt of spent fuel	226	4,421	1,869	2,552	-
Other storage contracts	Storage of materials	55	1,161	422	536	203
Storage and destorage of residues	Storage	2	4	4	-	-
	Destorage	2	32	32	-	-
Waste substitution	Destorage	-	70	70	-	-
Legacy waste management		134	178	178		
Total		**765**	**8,459**	**3,628**	**3,490**	**1,341**

The remaining revenue to be recognised in future reporting periods comprises:

- Payments from customers made on account
- Expected remaining future payments from customers

6.2 Finance income

	Note	2018-19 Core Department and Agencies £m	2018-19 Departmental Group £m	2017-18 Core Department and Agencies £m	2017-18 Departmental Group £m
Effective interest for Repayable launch investments and other assets under IAS 39	11.1	-	-	39	39
Effective interest for other assets under IAS 39		-	-	12	38
Dividend and interest income under IAS 39		-	-	133	273
Effective Interest for FVTPL assets		30	30	-	-
Effective Interest for amortised cost assets		36	36	-	-
Interest income for amortised cost assets		10	74	-	-
Interest income for FVTPL assets		7	63	-	-
Dividend income for FVTPL assets held at the period end		-	3	-	-
Dividend income from investments in joint ventures, associates and public dividend capital		131	45	-	-
Total		**214**	**251**	**184**	**350**

In 2018-19 the core Department recognised dividend income of £131 million (2017-18: £121 million). This includes a dividend of £87 million from Enrichment Holdings Limited (EHL) (2017-18: £88 million).

In 2018-19 the Departmental Group received dividend income of £48 million (2017-18: £124 million). The dividend from URENCO is no longer recognised as finance income because, following the IFRS 9 implementation assessment, URENCO has been reclassified from an investment accounted for under IAS 39/IFRS 9 to an associate under IAS 28 - as the department has reassessed whether it has significant influence over URENCO and concluded that it does, this has been treated as an in year reclassification. As an associate, the department's investment in URENCO through EHL is accounted for using the equity accounting method. This results in the department recognising its share of URENCO's profits for the year in Other operating expenditure, £151 million in 2018-19, rather than the dividend from EHL (2017-18: £88 million) and a fair value movement in the investment recognised in Other Comprehensive income.

7 Property, plant and equipment

Departmental Group 2018-19	Land	Buildings	Dwellings	Leasehold Improvements	Information Technology	Plant and Machinery	Furniture, Fixtures and Fittings	Transport Equipment	Assets under Construction	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Cost or valuation										
Balance at 1 April 2018	**303**	**4,055**	**40**	**74**	**232**	**6,208**	**18**	**324**	**506**	**11,760**
Additions	4	2	-	2	6	32	4	4	258	312
Disposals	-	(1,842)	-	(13)	(8)	(122)	(1)	(2)	-	(1,988)
Impairments	(41)	(7)	-	-	-	3	-	(6)	-	(51)
Transfers in/(out) of boundary	-	(4)	-	(12)	(2)	-	-	-	3	(15)
Reclassifications	-	71	-	5	28	73	1	5	(195)	(12)
Revaluations	(23)	196	1	-	1	10	-	3	10	198
At 31 March 2019	**243**	**2,471**	**41**	**56**	**257**	**6,204**	**22**	**328**	**582**	**10,204**
Depreciation										
Balance at 1 April 2018	**-**	**(2,749)**	**-**	**(42)**	**(171)**	**(5,177)**	**(12)**	**(195)**	**-**	**(8,346)**
Charged in year	-	(56)	(1)	(7)	(29)	(142)	(2)	(19)	-	(256)
Disposals	-	1,839	-	13	8	121	1	2	-	1,984
Impairments	-	-	-	(1)	-	(7)	-	-	-	(8)
Transfers (in)/out of boundary	-	-	-	5	1	-	-	-	-	6
Reclassifications	-	-	-	-	-	1	-	(1)	-	-
Revaluations	(7)	(34)	1	-	-	(3)	-	(8)	-	(51)
At 31 March 2019	**(7)**	**(1,000)**	**-**	**(32)**	**(191)**	**(5,207)**	**(13)**	**(221)**	**-**	**(6,671)**
Carrying amount at 31 March 2019	**236**	**1,471**	**41**	**24**	**66**	**997**	**9**	**107**	**582**	**3,533**
Carrying amount at 1 April 2018	**303**	**1,306**	**40**	**32**	**61**	**1,031**	**6**	**129**	**506**	**3,414**
Asset financing:										
Owned	211	1,471	41	24	64	997	9	107	582	3,506
Finance leased	25	-	-	-	-	-	-	-	-	25
On balance sheet (SoFP) PFI and other service concession arrangements	-	-	-	-	2	-	-	-	-	2

Departmental Group 2018-19	Land	Buildings	Dwellings	Leasehold Improvements	Information Technology	Plant and Machinery	Furniture, Fixtures and Fittings	Transport Equipment	Assets under Construction	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Carrying amount at 31 March 2019	**236**	**1,471**	**41**	**24**	**66**	**997**	**9**	**107**	**582**	**3,533**
Of the total:										
Core Department and Agencies	18	98	-	20	5	81	2	-	70	294
NDPBs and other designated bodies	218	1,373	41	4	61	916	7	107	512	3,239
Carrying amount at 31 March 2019	**236**	**1,471**	**41**	**24**	**66**	**997**	**9**	**107**	**582**	**3,533**

Departmental Group 2017-18	Land	Buildings	Dwellings	Leasehold Improvements	Information Technology	Plant and Machinery	Furniture, Fixtures and Fittings	Transport Equipment	Assets under Construction	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Cost or valuation										
Balance at 1 April 2017	**374**	**4,110**	**39**	**72**	**210**	**6,057**	**20**	**326**	**462**	**11,670**
Additions	-	28	-	2	9	31	1	5	277	353
Disposals	(64)	(142)	-	(3)	(15)	(42)	(4)	(5)	(1)	(276)
Impairments	-	(2)	-	-	(2)	(8)	-	-	(32)	(44)
Transfers in/(out) of boundary	-	(1)	-	-	(2)	-	2	-	1	-
Reclassifications	-	22	-	3	27	151	(1)	1	(205)	(2)
Revaluations	(7)	40	1	-	5	19	-	(3)	4	59
At 31 March 2018	**303**	**4,055**	**40**	**74**	**232**	**6,208**	**18**	**324**	**506**	**11,760**
Depreciation										
Balance at 1 April 2017	**-**	**(2,816)**	**-**	**(37)**	**(149)**	**(5,051)**	**(13)**	**(182)**	**-**	**(8,248)**
Charged in year	-	(52)	(1)	(7)	(31)	(146)	(2)	(20)	-	(259)
Disposals	-	116	-	2	13	34	3	4	-	172
Impairments	-	-	-	-	-	(4)	-	-	-	(4)
Reclassifications	-	(1)	-	-	(1)	2	-	-	-	-
Revaluations	-	4	1	-	(3)	(12)	-	3	-	(7)

Departmental Group 2017-18	Land	Buildings	Dwellings	Leasehold Improvements	Information Technology	Plant and Machinery	Furniture, Fixtures and Fittings	Transport Equipment	Assets under Construction	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 31 March 2018	**-**	**(2,749)**	**-**	**(42)**	**(171)**	**(5,177)**	**(12)**	**(195)**	**-**	**(8,346)**
Carrying amount at 31 March 2018	**303**	**1,306**	**40**	**32**	**61**	**1,031**	**6**	**129**	**506**	**3,414**
Carrying amount at 1 April 2017	**374**	**1,294**	**39**	**35**	**61**	**1,006**	**7**	**144**	**462**	**3,422**
Asset financing:										
Owned	291	1,306	40	32	58	1,031	6	123	506	3,393
Finance leased	12	-	-	-	-	-	-	6	-	18
On balance sheet (SoFP) PFI and other service concession arrangements	-	-	-	-	3	-	-	-	-	3
Carrying amount at 31 March 2018	**303**	**1,306**	**40**	**32**	**61**	**1,031**	**6**	**129**	**506**	**3,414**
Of the total:										
Core Department and Agencies	18	93	-	29	2	75	1	-	58	276
NDPBs and other designated bodies	285	1,213	40	3	59	956	5	129	448	3,138
Carrying amount at 31 March 2018	**303**	**1,306**	**40**	**32**	**61**	**1,031**	**6**	**129**	**506**	**3,414**

Property, plant, and equipment (PPE) held by the Departmental Group

The professional valuations of land and buildings undertaken within the Departmental Group were prepared in accordance with the Royal Institute of Chartered Surveyors (RICS) Valuation Standards (6th Edition), the 'Red Book'. Unless otherwise stated, land and buildings are professionally revalued every five years and where appropriate in the intervening period, relevant indices are used. The most significant land and buildings at 31 March 2019 were held by Nuclear Decommissioning Authority (NDA) and UK Research and Innovation (UKRI). Revaluations were conducted by Avison Young Ltd Chartered Surveyors and Powis Hughes Ltd Chartered Surveyors (for UKRI), and Avison Young Ltd Chartered Surveyors (for NDA).

During the year NDA eliminated fully depreciated assets no longer performing commercial activity, which had a gross book value and accumulated depreciation of £1,939 million. The assets included the Thorp reprocessing plant and associated buildings and plant and equipment which no longer perform commercial activity following the cessation of reprocessing during the year.

In accordance with the FReM the majority of Leasehold improvements, Information Technology, Furniture, Fixtures and Fittings and Plant and Machinery are held at depreciated historic cost as a proxy for fair value as the assets have short useful lives or low values. Land, Freehold Buildings, Dwellings, Transport Equipment and the remainder of Plant and Machinery are held at fair value based on professional valuations.

Within the Departmental Group, a variety of valuation techniques are used depending upon whether the PPE asset is a specialised asset or a non-specialised asset. Where the PPE asset is a specialised asset, then a depreciated replacement cost valuation is used, for example by scientific institutes. Where the PPE asset is a non-specialised asset, then an existing-use valuation is used, for example for land and office buildings. Depreciated replacement cost (DRC) valuations are based on a number of unobservable inputs; these would be classified as level 3 in accordance with IFRS 13. Existing-use value (EUV) valuations are based on a number of market corroborated but unobservable inputs e.g. land valuations are based on similar prices per hectare adjusted for the specific location of the land, whilst other EUV valuations use specific unobservable inputs, e.g. rental yields. The EUV valuations inputs are classified as level 2 and level 3 in accordance with IFRS 13.

The Departmental Group does not hold any material individual PPE assets. Therefore there are no individually material level 3 assumptions included in the overall Departmental Group fair value of PPE. For there to be a material movement in the fair value of PPE, this would require a significant increase in a number of level 3 valuation assumptions across the Departmental Group. This is unlikely, given that the fair value movement in PPE in 2018-19 was £147 million (2017-18: £52 million).

Further information can be found in the financial statements of the individual bodies' accounts.

8 Intangible assets

Departmental Group 2018-19	Information Technology £m	Software Licences £m	Websites £m	Patents £m	Assets under Construction £m	Total £m
Cost or Valuation						
Balance at 1 April 2018	**152**	**72**	**1**	**297**	**7**	**529**
Additions	2	1	-	-	33	36
Disposals	-	(2)	-	-	-	(2)
Reclassifications	1	24	-	-	(13)	12
Transfers in/(out)	2	2	-	-	(3)	1
Revaluations	-	-	-	21	-	21
At 31 March 2019	**157**	**97**	**1**	**318**	**24**	**597**
Amortisation						
Balance at 1 April 2018	**(114)**	**(34)**	**(1)**	**(235)**	**-**	**(384)**
Charged in year	(13)	(19)	-	(13)	-	(45)
Disposals	-	1	-	-	-	1
Transfers in/(out)	-	(2)	-	-	-	(2)
At 31 March 2019	**(127)**	**(54)**	**(1)**	**(248)**	**-**	**(430)**
Carrying amount at 31 March 2019	**30**	**43**	**-**	**70**	**24**	**167**
Carrying amount at 1 April 2018	**38**	**38**	**-**	**62**	**7**	**145**
Asset financing:						
Owned	30	43	-	70	24	167
Carrying amount at 31 March 2019	**30**	**43**	**-**	**70**	**24**	**167**
Of the total:						
Core Department and Agencies	4	2	-	-	8	14
NDPBs and other designated bodies	26	41	-	70	16	153
Carrying amount at 31 March 2019	**30**	**43**	**-**	**70**	**24**	**167**

Departmental Group 2017-18	Information Technology £m	Software Licences £m	Websites £m	Patents £m	Assets under Construction £m	Total £m
Cost or Valuation						
At 1 April 2017	**139**	**52**	**1**	**267**	**7**	**466**
Additions	10	3	-	-	20	33
Disposals	(3)	(1)	-	-	-	(4)
Reclassifications	6	17	-	-	(21)	2
Transfers in/(out)	-	-	-	-	1	1
Revaluations	-	1	-	30	-	31
At 31 March 2018	**152**	**72**	**1**	**297**	**7**	**529**
Amortisation						
At 1 April 2017	**(107)**	**(28)**	**(1)**	**(227)**	**-**	**(363)**
Charged in year	(11)	(6)	-	(8)	-	(25)
Disposals	3	1	-	-	-	4
Reclassifications	1	(1)	-	-	-	-

Departmental Group 2017-18	Information Technology	Software Licences	Websites	Patents	Assets under Construction	Total
	£m	£m	£m	£m	£m	£m
At 31 March 2018	**(114)**	**(34)**	**(1)**	**(235)**	**-**	**(384)**
Carrying amount at 31 March 2018	**38**	**38**	**-**	**62**	**7**	**145**
Carrying amount at 1 April 2017	**32**	**24**	**-**	**40**	**7**	**103**
Asset financing:						
Owned	38	38	-	62	7	145
Carrying amount at 31 March 2018	**38**	**38**	**-**	**62**	**7**	**145**
Of the total:						
Core Department and Agencies	2	4	-	-	3	9
NDPBs and other designated bodies	36	34	-	62	4	136
Carrying amount at 31 March 2018	**38**	**38**	**-**	**62**	**7**	**145**

All software licenses are acquired separately.

All Information Technology (IT) assets are internally generated. IT assets are initially classified as assets under construction and are not amortised until they are commissioned, at which time they are re-classified as IT.

The Departmental Group holds its intangible assets at valuation. In accordance with the FReM, the Departmental Group adopts cost less amortisation as a proxy for fair value as the intangible assets have short lives. The exception to this is patents which are held at fair value based on a valuation model.

The model uses a variety of assumptions to estimate the value of future income streams from the patents to determine the fair value; these include an estimate for future royalty income derived from the consensus forecast data from industry specialists, which are adjusted for expected future USD/GBP exchange rates, the territories in which the patents are applicable and potential threats to future income (such as competitor products and regulatory approval). In accordance with IFRS 13, these assumptions would be classed as level 3 assumptions. The carrying amount of the patents at 31 March 2019 is £70 million (2017-18: £62 million) and there would need to be a substantial increase in expected royalty income to result in a material increase in the fair value of the patents.

9 Derivative financial instruments

The most significant items included within Derivatives on the Consolidated Statement of Financial Position (SoFP) are the Contracts for Difference (CfDs).

Contracts for Difference (CfDs)

Contracts for Difference (CfDs) are a mechanism used to support investment in UK low carbon generation projects. CfDs have been established as a contract between the 'Generator' and the Low Carbon Contracts Company Ltd (LCCC), a company wholly owned by the government and consolidated within the department's accounts.

CfDs, other than the CfD relating to Hinkley Point C (HPC) nuclear generating plant, have been classified as derivatives in accordance with IFRS 9 'Financial Instruments' and in the prior year in accordance with IAS 39 'Financial Instruments: Recognition and Measurement' and recognised at their 'fair value' by deferring the difference between fair value and transaction price at initial recognition. Any subsequent gain or loss in fair value is recognised in the Statement of Comprehensive Net Expenditure. The HPC CfD has not been recognised in these accounts and its accounting treatment is described under heading 'Hinkley Point C' of this note.

The fair value of any derivative is assessed by reference to IFRS 13 'Fair Value Measurement', which provides three options for assessment. Fundamentally the value should always reference an open market place but where no market place exists, an option is available for internally generated fair value. The different options are hierarchical and classed as Level 1, 2, or 3 inputs, where Level 1 is based on market prices, Level 2 is based on observable data other than market prices and Level 3 is used where Level 1 or 2 data is unavailable.

The fair value of the department's CfDs has been calculated using the income approach based on Level 3 inputs, which reflects the present value (PV) of future cash flows that are expected to occur over the contract term of the CfD. The discount rate which has been used to determine the PV for financial reporting is the Financial Instrument real rate of 0.7% set by HM Treasury Public Expenditure System (PES) Secretariat on 7 December 2018.

By contrast, for investment decisions and project appraisal, the department is required to use the social discount rate of 3.5% published in HM Treasury's Green Book. As the cash flows from HPC CfD are expected to occur over a 35 year period from 2025 to 2060, the valuation for financial reporting based on the 0.7% discount rate will be significantly higher than the economic valuation based on the 3.5% discount rate, even where all other inputs are the same.

The deferred difference between the fair value of the liability on day one and the transaction price is amortised over the contract life of the CfDs, which commences from the earlier of i) the actual start date of generation or ii) the end of the Target Commissioning Window (TCW) identified in the CfD, as this is the point at which the contractual liability will start to unwind (i.e. it is the point at which the potential payment period under the CfD commences).

The significance of these two dates is that they are the part of the contractual provisions which determine when the right to potential CfD payments starts. The contract payment period is typically for 15 years, but specific exceptions exist:

- for contracts relating to biomass conversion which have an expiration date in 2027;
- the contract for HPC nuclear generating plant which will expire at the earlier of 35 years after the start date of the second reactor or when the total CfD payments made have reached the Generation Cap (i.e. 910,000,000 MWh).

CfDs may be signed many years in advance of actual generation. The main benefit to generators is the fact that they can derive economic benefit from these contracts across the payment period life of the contract and the added certainty which the CfD contract provides helps them to finance the project.

Under the legislation, there is an obligation placed on licensed electricity suppliers to fund the CfD liabilities as they crystallise through the Supplier Obligation Levy. The future levy amounts which will be received from the licensed suppliers will be accounted for within LCCC and will be triggered by the generation and supply of low carbon electricity.

As at 31 March 2019 LCCC was counterparty to 53 contracts recognised in the accounts (at 31 March 2018: 56 contracts). The liability associated with HPC has not been recognised in the accounts and is further explained below.

Measurement differences relating to day one recognition

The transaction price for CfDs differs from the fair value at initial recognition measured using a valuation model, mainly because the transaction price is not established in an active market. If there are significant unobservable inputs used in the valuation technique (Level 3), the financial instrument is recognised at the transaction price and any difference between the transaction price and fair value at initial recognition measured using a valuation model is deferred.

The following table represents the difference between the CfD liability at initial recognition and at the reporting date:

	Core Department and Agencies £m	LCCC CfDs £m	Departmental Group Total £m
CfD liability as at 31 March 2017 recognised on the Consolidated Statement of Financial Position	**-**	**12,334**	**12,334**
Re-measurement of the CfD liability	-	3,720	3,720
Payments to the CfD generators	-	(544)	(544)
Deferred difference recognised during the year	-	382	382
CfD liability as at 31 March 2018 recognised on the Consolidated Statement of Financial Position	**-**	**15,892**	**15,892**
Other non-CfD liabilities as at 31 March 2018	-	-	12
Carrying value of non-current derivative liabilities as at 31 March 2018	**-**	**15,892**	**15,904**
Remeasurement of the CfD liability	-	(2,743)	(2,743)
Release of liability relating to terminated contracts	-	39	39
Payments to the CfD generators	-	(980)	(980)
Deferred difference recognised during the year	-	713	713
CfD liability as at 31 March 2019 recognised on the Consolidated Statement of Financial Position	**-**	**12,921**	**12,921**
Other non-CfD liabilities as at 31 March 2019	-	-	2
Carrying value of non-current derivative liabilities as at 31 March 2019	**-**	**12,921**	**12,923**

The net movement in the fair value of CfDs is recognised in the Statement of Comprehensive Net Expenditure.

Movement in deferred measurement differences

The following table shows the movement in deferred day one loss.

	Core Department and Agencies £m	LCCC CfDs exc. HPC £m	Departmental Group Total £m
Deferred measurement differences as at 31 March 2017	**-**	**19,079**	**19,079**
Measurement differences deferred during the year	-	4,612	4,612
Deferred measurement differences recognised during the year	-	(382)	(382)
Carrying value of CfDs at 31 March 2018	**-**	**23,309**	**23,309**
Measurement differences recognised in respect of terminated CFDs	-	(268)	(268)
Deferred measurement differences recognised during the year	-	(713)	(713)
Deferred measurement differences as at 31 March 2019	**-**	**22,328**	**22,328**

Fair value measurement of CfDs

The fair value of CfDs (which excludes the HPC CfD which has not been recognised in these accounts) represents the LCCC's best estimate of the payments which the LCCC will be committed to make, if and when the generators supply low carbon electricity in accordance with their contractual terms. They are based upon the estimates of future electricity prices to forecast the potential liabilities using the Dynamic Dispatch Model (DDM) owned by the department.

Should no low carbon electricity be supplied in accordance with the contractual terms, then the LCCC is not under any obligation to make these payments.

Fair value of CfDs (financial liabilities at fair value through profit and loss)

The following table shows the impact of the fair value of all CfDs which have been recognised in these accounts, classified under Level 3, by using the assumptions described below (all held by LCCC):

	LCCC CfDs exc. HPC £m	Departmental Group Total £m
Balance at 31 March 2017	**31,413**	**31,413**
Additions during the year	4,612	4,612
Change in fair value during the year	3,720	3,720
Payments to the CfD generators	(544)	(544)
Balance at 31 March 2018	**39,201**	**39,201**
Change in fair value during the year	(2,743)	(2,743)
CFDs terminated during the year	(229)	(229)
Payments to the CfD generators	(980)	(980)
Balance at 31 March 2019	**35,249**	**35,249**

The decrease in fair value year-on-year is mainly due to revisions to the wholesale price electricity forecasts that are expected to be achieved by generators and payments made during the 2018/19 year. These decreases are partially offset by the change in indexation for 2019. The actual cash payments made to generators during the lives of the contracts will vary, depending upon a number of key matters, such as projected wholesale electricity prices, commissioning dates for generation and the average load factor for each generator.

The fair value of the unquoted contracts has been estimated using a discounted cash flow model.

This method involved the projection of a series of cash flows and application of a discount rate to establish the present value of the expenses associated with the liability. The valuation requires management to make certain assumptions about the model inputs, including cash flows, the discount rate, credit risk and volatility. Further information relating to the assumptions is included below.

Key assumptions (excluding HPC CfD)

The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted contracts. Annual cash flow is estimated as reference price less strike price multiplied by estimated generation delivered. The series of cash flows is then discounted using the HM Treasury discount rate of 0.7% (2017-18: 0.7%). The following assumptions are key to the CfD valuation:

a. Transmission Loss Multiplier (TLM)

TLM reflects the fact that electricity is lost as it passes through the transmission system from generators to suppliers. If the TLM is incorrect, this will have implications for the volume of electricity subject to CfD payments. Any change in TLM will be corrected through adjustments in strike prices although the change in TLM is expected to be immaterial.

b. Start date

Generators nominate a Target Commissioning Date (TCD) in their binding application form for a CfD, and this date is specified in their CfD following contract award. However, the generator is free to commission at any time within their Target Commissioning Window (TCW), a period of one year from the start of the TCW for most technologies, with no penalty, or after the end of the TCW and up to their 'Longstop Date' (one to two years after the end of the TCW depending on technology) with a penalty in the form of reduction of contract length for each day they are late in commissioning after the end of the TCW. The contract can be terminated if the generator has not commissioned 95% (or 85% for Investment Contracts and offshore wind) of their revised installed capacity estimate by the end of the Longstop Date. Any change to the start date will change the timing of future cash flows and impact on the discounted fair value. The valuation uses the most recent estimate from generators on the start date.

c. Strike price

The strike price is an agreed price which determines the payments made to the generator under the contract with reference to its low carbon output and the market reference price. The relevant strike price is specified in each CfD and is not intended to change for the duration of the project other than through indexation to CPI and certain network charges or in the event of certain qualifying change in law. The strike price used in the valuation of the CfDs is the 2019-20 strike price and reflects the CPI rate for January 2019 in-line with the requirements of the CfD contract.

d. Future forecast wholesale electricity prices

Forecast wholesale electricity prices are derived from the DDM which has been developed by the department to facilitate/inform policy decisions by modelling investor behaviour in response to fuel and carbon prices and policy environment. The DDM estimates the wholesale price by:

- using the Short Run Marginal Cost (SRMC) for each plant
- using daily demand for electricity, taking into account wind profiles, inter-connector flows, pumped storage, auto-generation and wind generation
- using a mark-up on the price derived from historic data and the difference between marginal price and cost affected by reduced capacity

Economic, climate, policy, generation and demand assumptions are external inputs to the model including demand load curves for both business and non-business days and seasonal impacts. Specific assumptions can also be modelled for domestic and non-domestic sectors and smart meter usage.

The forecast trajectory of electricity prices is uncertain. In the valuation, the central case from the DDM has been used. The DDM also produces low and high cases. These have been included in the sensitivity analysis.

In the valuation, the wholesale price has been reduced to reflect the price the wind generator is likely to receive. Additionally, wholesale electricity forward prices have been used for the liquid trading horizon (covering the nearest 2 years period). On windy days, the price that wind generators receive is likely to be reduced. The effect of reduced prices for wind generation adds approximately £3.1 billion to the valuation.

e. Installed capacity

The figure for the maximum installed capacity was provided by the generator in its application for a CfD and specified in its CfD contract following allocation. The installed capacity cannot be increased after contract signature, but can be reduced by the generator by no more than 25% with no penalty between contract signature and the completion of the first contractual milestone by its contractual deadline (i.e. the Milestone Requirement which must be completed 12 months after contract award). Thereafter the installed capacity figure can only be reduced by the generator for a permitted contractual construction event (which is a narrowly defined concept) or by the difference by which the relevant project has an installed capacity of 95% (or 85% in the case of offshore wind) of its current contractual installed capacity figure and 100%. The actual output of the generator will depend on the load factor.

f. Load factor

Load factor is defined as the actual power output of a project as a proportion of its rated installed capacity. It is a percentage figure which is used to transform installed capacity into actual power output (generation). Load factor assumptions are based on reference factors published by the department for given technology types; however, actual power outputs are sensitive to technological and environmental factors which may impact actual cash flows. Plant specific load factors (where a minimum of 6 months' generation data is available) is also available for consideration when valuing the CfDs.

Sensitivity analysis (excluding HPC CfD)

The following table shows the impact on the fair value of CfDs, classified under Level 3 in accordance with IFRS 13 ‘Fair Value Measurement’, by using reasonable possible alternative assumptions:

Change in fair value of CfDs recognised in the accounts if:

	Favourable changes £m	Unfavourable changes £m
Electricity prices decrease by 10%	-	2,857
Electricity prices increase by 10%	2,857	-
10% more load factor	-	3,525
10% less load factor	3,525	-
Estimated Commissioning Date moves back by one year	390	-
Generation starts at the earliest possible date	-	184
DDM high case	3,822	-
DDM low case	-	5,625

The fair value is highly dependent upon the actual capacity generated once the plant is built and the electricity prices which will prevail at the time of generation. The favourable and unfavourable changes show how the impact of changes in capacity and prevailing electricity prices will affect the fair value of CfDs due to the change in the level of cash flows. The Group auditors continue to include an emphasis of matter paragraph in their audit certificate concerning the uncertainty around valuation of these CfD contracts.

Significant unobservable inputs

The following table discloses the valuation techniques and significant unobservable inputs for CfDs recognised at fair value and classified as Level 3 along with the range of values used for these significant unobservable inputs.

	Fair value of CfDs £m	Valuation technique	Significant unobservable input	Range Min - Max	Units
2018	39,201	DCF	Future electricity prices	37.13 - 63.25	£/MWh
2019	35,249	DCF	Future electricity prices	44.55 - 67.73	£/MWh

Hinkley Point C

The department entered into the Hinkley Point C (HPC) CfD on 29 September 2016. This project has a maximum lifetime generation cap of 910,000,000 MWh. The HPC contract will expire at the earlier of 35 years after the start date of the second reactor or when the total CfD payments made have reached the generation cap.

The valuation of HPC CfD requires that an assumption be made of wholesale electricity prices in each year to 2060. The department uses its Dynamic Despatch Model to develop scenario-based estimates of future wholesale electricity prices. This model currently extends only as far as 2050 and the department has therefore assumed flat wholesale prices for the ten years 2050-2060. Moreover there is an inherent limitation in accurate estimation beyond 2050 because there is a paucity of independent third-party information beyond this point from which to validate the department’s assumptions. The unavoidable uncertainty over possible scenarios so far into the future extend to a variety of factors including electricity demand, fossil fuel prices, generation mix, carbon prices and technology.

Under IFRS the Conceptual Framework (2010) sets out the concepts which underlie the preparation and presentation of financial statements. The Conceptual Framework deals with, amongst other things, the definition, recognition and measurement of the elements from which financial statements are constructed. Paragraph 4.38 of the Conceptual Framework states that an element should be recognised in the accounts if:

a) it is probable that any future economic benefit associated with the item will flow to or from the entity

b) the item has a cost or value that can be measured with reliability (defined as: using information that is complete, neutral and free from error)

In comparison to other CfDs the department considers the CfD for HPC to be unique. The European Pressurised Reactor is a much more complex asset than the wind turbines or bio-mass generators associated with the department's other CfDs. It has very high levels of safety, reinforcement and containment incorporated into the design, which make it more expensive and complex to build and result in a significant lead time before generation commences (planned for 2025). Until these challenges are overcome and the asset is built, no payments will be made by the department under the CfD. This unavoidably long lead time before generation commences is relevant to condition (a) above.

The HPC CfD contract duration is also more than double (35 years) the length of other CfDs (15 years) so far entered into by the department. This makes it considerably more challenging to provide a single point fair value estimate, as required for accounting purposes, as that requires estimation of future wholesale electricity prices in every year out to 2060. This means that there are considerable but unavoidable uncertainties in creating a fair value estimate for the HPC CfD because of the unusually long time period involved.

Uncertainty increases with time and so the choice of discount rate plays a significant part in determining how much uncertainty is weighted into a present value calculation; a higher discount rate places less weight on increasingly more uncertain later years of a present value calculation. For example, in conducting the economic appraisal for the HPC project the department used the social discount rate of 3.5% per year, as required by the HM Treasury Green Book. However for valuing financial instruments like CfDs the department is obliged to use the financial instrument discount rate of 0.7%, as required by the Government Financial Reporting Manual. Therefore, compared to an economic appraisal, a present value estimate for a financial instrument includes progressively more weight from the less certain later years of the appraisal period. For comparison, using the social discount rate leads to a valuation of £16.6 billion compared to £30.3 billion using the financial instrument discount rate of 0.7%.

This is particularly relevant to the HPC CfD fair value because external forecasts for wholesale electricity prices are not currently readily available beyond 2050. It has not been possible for the department to satisfactorily verify whether a single point fair value estimate for the HPC CfD is complete, neutral and free from error. (Verifiability is one of the qualitative characteristics of useful financial information for financial statements as set out in the Conceptual Framework.) The department has therefore concluded that for the time being the HPC CfD fails to meet the recognition criteria (b) as outlined above. Therefore, the HPC CfD has not been recognised as a transaction in these primary statements.

The department has nonetheless set out below its best estimation of the fair value of the contract, and the assumptions which have been considered in its valuation, in the interests of transparency. This follows a 'Level 3' methodology under IFRS 13 'Fair Value Measurement', which allows for use of the entity's own models and assumptions.

Fair value measurement of HPC

The department has set out below its best estimation of the fair value of the contract, and the assumptions which have been considered in its valuation. This follows a Level 3 methodology under IFRS 13 'Fair Value Measurement', which allows for use of the entity's own models and assumptions. This disclosure is consistent with IFRS 9 'Financial Instruments' and in the prior years in accordance with IAS 39 'Financial Instruments' where the initial recognition of a financial instrument like the HPC CfD requires a deferred liability disclosure rather than a transaction of the initial fair value estimate through the primary statements.

The following table provides an analysis of the fair value of HPC, grouped into Levels 1 to 3 within the fair value hierarchy based on the degree to which the fair value is observable:

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Balance at 31 March 2018	-	-	36,585	36,585
Balance at 31 March 2019	-	-	30,309	30,309

The department's estimate of the fair value of the liabilities under the HPC CfD at 31 March 2019 is £30,309 million. This represents a £6,276 million (17%) decrease on the valuation prepared to 31 March 2018. The reduction year-on-year is mainly as a result of revisions to the wholesale electricity forecasts used within the valuation. In common with the other CfDs, payments made during the financial year will vary due to changes within projected wholesale electricity prices, commissioning dates for generation and the average load factor of the generator

Information on other factors which impact on the fair value of HPC is set out below;

Start date

The Target Commissioning Date (TCD: current expected start date) for reactor one and reactor two of the HPC project are 1 December 2025 and 1 June 2026 respectively.

The TCW for reactor one is 1 May 2025 to 30 April 2029. The TCW for reactor two is 1 November 2025 to 31 October 2029.

Any change to the start date will change the timing of future cash flows and impact on the discounted fair value.

Equity gain share for HPC

The equity gain share mechanism consists of two separate components: (i) a mechanism to capture gains above specified levels where the HPC project outperforms relative to the original base case assumptions; and (ii) a mechanism to capture gains above specified levels arising from the sale of equity and economic interests (direct or indirect) in the HPC project.

In each case, as and when the Internal Rate of Return (IRR) thresholds are reached:

- If the relevant IRR is more than 11.4%, the LCCC will receive 30% of any gain above this level
- If the relevant IRR is more than 13.5%, the LCCC will receive 60% of any gain above this level.

Installed Capacity

HPC which does not have an installed capacity cap, is only entitled to CfD payment support up to a Generation Cap of 910,000,000 MWh.

Strike price

The strike price is an agreed price which determines the payments made to the generator under the contract with reference to its low carbon output and the market reference price. The relevant strike price is specified at £92.50 in real 2012 terms and is not intended to change for the 35 year contract duration, other than through indexation to CPI and certain network charges, or in the event of certain qualifying changes in law.

In addition to the factors mentioned above, HPC's strike price change is also subject to the following three additional factors:

1. Construction gain share for HPC
If the construction costs of HPC come in under budget, the strike price will be adjusted downwards so that the gain (or saving) is shared with the LCCC. The gain share is 50/50 for the first billion pounds, with savings in excess of this figure being shared 75% to the LCCC and 25% to the generator, NNB Generation Company (HPC) Limited (NNBG).

If the outturn cost of construction is less than assumed then by reducing the strike price the amounts paid out to NNBG under the CfD will reduce and hence the benefit of the lower construction costs is shared between NNBG and ultimately consumers. There is, however, no similar upward adjustment if the construction cost of HPC is over budget.

2. OPEX reopener for HPC
The strike price may be adjusted upwards if the operational expenditure costs are more than assumed and downwards if they are less. There are two operational expenditure reopener dates, at 15 years and 25 years after the first reactor start date. The rationale behind the reopener is that the strike price is based on long-term assumptions on operational expenditure costs. The reopener provides a way of mitigating long-term cost risks for both parties.

3. Sizewell C strike price adjustment for HPC
If a CfD in relation to Sizewell C is entered into before the reactor one start date then the applicable strike price shall be reduced with effect from the date of satisfaction of the Sizewell C condition by £3/MWh.

Sensitivity analysis

Using a Level 3 technique to assess the value of the HPC CfD is permissible when there is no observable input against which to assess the valuation. The department has used internally generated models and assumptions consistent with an emissions pathway towards the government's decarbonisation commitments to generate the wholesale electricity price scenarios used in the valuation of the HPC CfD. There is unavoidable uncertainty inherent in all such modelling and as such the results should be interpreted as a range of plausible scenarios rather than a single point value. However, IFRS13 'Fair Value Measurement' requires that a single amount be declared for fair value and so to satisfy this condition the department has adopted its central scenario when valuing the HPC CfD. In the sensitivity analysis a high and a low case scenario have also been included.

To provide transparency for the reader it is important to highlight the uncertainty inherent in material values over a long period of time such is the nature of this CfD. The predicted price series from the DDM between 2025 and 2050 (flat-lined from 2050 to 2060) has a higher degree of certainty in the early years (2025-2050) and a lower degree of certainty in later years (2050-2060). This is due to the lack of available market data against which to judge the output. In the valuation, the DDM central case has been used. The department also publishes low and high cases. These have been included in the sensitivity analysis.

The department has illustrated some empirical impact of changes in assumptions on the fair value of the HPC CfD. These are shown in the table below:

Change in fair value of HPC if:

	Favourable changes £m	Unfavourable changes £m
Electricity prices decrease by 10%	-	4,967
Electricity prices increase by 10%	4,967	-
At generation cap	-	192
10% less load factor	3,031	-
Estimated commissioning date moves back one year	368	-
Generation starts one year earlier	-	389
Sizewell C strike price adjustment for HPC	2,613	-
DDM Low Case	-	10,753
DDM High Case	4,370	-

10 Investments and loans in other public sector bodies

	Ordinary shares	Public Dividend Capital	Other investments and loans	Core Department and Agencies Total	Elimination of shares and other investments and loans held in NDPBs	NDPBs Ordinary Shares	Departmental Group Total
	£m	£m	£m	£m	£m	£m	£m
Balance at 1 April 2017	**1,723**	**81**	**367**	2,171	**(1,276)**	**422**	1,317
Additions	393	-	243	**636**	(556)	30	**110**
Disposals	(7)	-	-	**(7)**	7	-	**-**
Redemptions	-	-	(22)	**(22)**	22	-	**-**
Impairments	23	-	-	**23**	(23)	-	**-**
Revaluations	214	-	-	**214**	-	8	**222**
Unwinding of discount	-	-	1	**1**	-	-	**1**
Loans repayable within 12 months transferred to current assets	-	-	(20)	**(20)**	-	-	**(20)**
Balance at 31 March 2018	**2,346**	**81**	**569**	**2,996**	**(1,826)**	**460**	**1,630**
Additions	125	-	305	**430**	(352)	-	**78**
Redemptions	-	-	(24)	**(24)**	24	-	**-**
(Impairments) / Impairment reversal	(30)	-	-	**(30)**	30	-	**-**
Revaluations	38	-	-	**38**	-	29	**67**
Unwinding of discount	-	-	1	**1**	(1)	-	**-**
Loans repayable within 12 months transferred to current assets	-	-	(63)	**(63)**	46	-	**(17)**
Balance at 31 March 2019	**2,479**	**81**	**788**	**3,348**	**(2,079)**	**489**	**1,758**

10.1 Ordinary Shares in other public sector bodies

	31 March 2019		31 March 2018	
	Core Department and Agencies £m	Departmental Group £m	Core Department and Agencies £m	Departmental Group £m
Balance at 1 April	**2,346**	**1,337**	**1,723**	**1,086**
Additions	125	-	393	30
Disposals	-	-	(7)	-
(Impairments) / Impairment reversal	(30)	-	23	-
Revaluations	38	67	214	221
Reclassification	-	-	-	-
Balance at 31 March	**2,479**	**1,404**	**2,346**	**1,337**
Comprising				
Ordinary Shares held within the Departmental boundary - held at cost	1,564	-	1,468	-
Ordinary Shares held outside the Departmental boundary - held at fair value	915	1,404	878	1,337
Balance at 31 March	**2,479**	**1,404**	**2,346**	**1,337**

Core Department

Ordinary Shares in other public sector bodies held within the Departmental boundary

In accordance with the FReM, ordinary shares held within the Departmental boundary are carried at historical cost less any provision for impairment. They are eliminated on consolidation.

British Business Bank Plc (BBB)

The core Department holds 1,496,407,933 ordinary shares (31 March 2018: 1,371,407,933), each with a nominal value of £1. BEIS made £125 million (31 March 2017: £300 million) of share capital additions in BBB during the year. The core Department's holding had a cost of £1,496 million at 31 March 2019 (31 March 2018: £1,371 million).

The principal objective of the company is to address long-standing, structural gaps in the supply of finance and bring together in one place Government finance support for small and mid-sized businesses.

UK Green Infrastructure Platform (UK GIP)

On 17 August 2017, immediately after the sale of the Green Investment Bank (GIB), the core Department acquired 900 shares (90% of the share capital) of UK Green Infrastructure Platform Limited, each with a nominal value of £1.

UKGIP was acquired for £93 million and the recognition of a shareholder loan of £40 million. The core Department's holding had a cost less provision for impairment of £65 million at 2018-19 (2017-18: £93 million). The total loan outstanding at 2018-19 was £8 million (2017-18: £31 million) which is included within the loans and investments in public sector bodies note.

UKGIP was established to enable Government to retain an interest in five existing GIB investments. The Green Investment Group is the remaining 10% shareholder. The primary activity of UK GIP is to hold green investments and identify opportunities to realise them in a way which returns best value for taxpayers' money.

UK Shared Business Services Limited (UKSBS)

The core Department holds 62,016,358 non-voting shares and one voting share in UKSBS, held at cost less provision for impairment of £3 million at 31 March 2019 (31 March 2018: £3 million).

The company is a specialist business services organisation that provides finance, procurement, grants, information systems and HR and payroll services to the public sector. Its main objective is to improve the economy, efficiency and effectiveness of corporate services to BEIS bodies.

Low Carbon Contracts Company Limited (LCCC)

The core Department holds one ordinary share in LCCC with a nominal value of £1.

The principal objective of the company is to be the counterparty to and manage Contracts for Difference (CfDs) throughout their lifetime.

Electricity Settlements Company Limited (ESC)

The core Department holds one ordinary share in ESC with a nominal value of £1.

The principal objective of the company is to oversee settlement of the Capacity Market agreements.

Enrichment Holdings Limited (EHL)

The core Department holds two shares of £1 each in EHL with a nominal value of £2.

EHL has been set up as a holding company, along with a subsidiary company, Enrichment Investments Limited (EIL), solely to hold the Government's one third share in Urenco Limited, an entity operating in the civil uranium enrichment sector.

BIS (Postal Services Act 2011) Company Limited

The core Department holds one ordinary share in BIS (Postal Services Act 2011) Company Limited with a nominal value of £1.

The principal objective of the company is to dispose of the assets transferred to it from the Royal Mail Pension Plan (RMPP).

South Tees Site Company Limited (STSC)

The core Department holds one ordinary share in STSC with a nominal value of £1.

The principal objective of the company is to secure and manage the South Tees Site.

Postal Services Holding Company Limited (PSH)

The Secretary of State for BEIS owns 50,005 ordinary shares in PSH which is 100% of the issued share capital at a historic cost of £430 million at 31 March 2019 (31 March 2018: £430 million). The Secretary of State for BEIS also owns one special share in PSH, relating to certain areas for which Special Shareholder's consent is required.

The core Department's holding had a cost less provision for impairment of £nil at 31 March 2019 (31 March 2018: £nil million), due to a return of capital from PSH to BEIS core of £6.9 million during 2017-18. PSH is currently in the process of liquidation due to the cessation of its primary activities.

The principal objective of the company prior to cessation was to hold and manage its shares in POL.

Ordinary Shares held outside of the Departmental boundary

Shares held outside of the Departmental boundary are carried at fair value.

Post Office Limited (POL)

The core Department holds 50,003 ordinary shares in POL at a nominal value of £1 each which is 100% of the issued share capital. There is a special share in POL (nominal value of £1) which is held directly by the Secretary of State for BEIS.

This shareholding is held at fair value, but as there is no active market for these shares the net asset value of POL is considered to be a reasonable approximation for fair value. The fair value of the investments, held by the core Department, as at 31 March 2019 was £256 million (31 March 2018: £195 million).

The principal objective of POL is to provide retail post office services through its national network of branches.

British Nuclear Fuels Limited (BNFL)

The core Department holds 50,000 ordinary shares in BNFL at a nominal value of £1 each. The Secretary of State for BEIS holds 49,999 ordinary shares and the Treasury Solicitor holds one ordinary share.

The core Department's shareholding is held at fair value, but because there is no active market for these shares the net asset value of BNFL is considered to be a reasonable approximation of fair value. The fair value as at 31 March 2019 was £324 million (31 March 2018: £324 million).

Ordnance Survey Limited (OSL)

The core Department holds 34,000,002 ordinary shares in OSL at a nominal value of £1 each which is 100% of the issued share capital.

The shareholding is held at fair value, but as there is no active market for these shares the net asset value of OSL is considered to be a reasonable approximation for fair value. The fair value as at 31 March 2019 was £179 million (31 March 2018: £196 million).

The principal objective of OSL is to produce mapping products and mapping data information.

NPL Management Limited (NPLML)

The core Department holds 57 ordinary shares in NPLML which is 100% of the issued share capital.

The shareholding is held at fair value, but as there is no active market for these shares the net asset value of NPLML is considered to be a reasonable approximation for fair value. The fair value as at 31 March 2019 was £78 million (31 March 2018: £85 million).

NNL Holdings Limited (NNLH)

The core Department holds two shares of £1 each in NNLH with a nominal value of £1 each.

NNLH has been set up as a holding company, to hold all the shares in the National Nuclear Laboratory Limited.

The shareholding is held at fair value but because there is no active market for these shares the net asset value of NNLH is considered to be a reasonable approximation of fair value. The fair value as at 31 March 2019 was £79 million (31 March 2018: £78 million).

NDPBs and other designated bodies

NDA subsidiaries

The NDA controls the following subsidiaries, all of which are outside the Departmental Group boundary and not consolidated into these accounts. The holdings are valued at fair value. As there is no active market, the net assets of the entities are considered the most appropriate approximation of fair value, and amounted to £489 million as at 31 March 2019 (31 March 2018: £459 million).

Name	Country of incorporation	Nature of business	Holding entity	Proportion of ordinary shares held
Direct Rail Services Limited	UK	Rail transport services within the UK	NDA	100%
International Nuclear Services France SAS (i)	France	Transportation of spent fuel	NDA	100%
International Nuclear Services Japan KK (i)	Japan	Transportation of spent fuel	NDA	100%
International Nuclear Services Limited	UK	Contract management and the transportation of spent fuel, reprocessing products and waste	NDA	100%
NDA Properties Limited	UK	Property management	NDA	100%
Pacific Nuclear Transport Limited (i)	UK	Transportation of spent fuel, reprocessing products and waste	NDA	68.75%
Rutherford Indemnity Limited	Guernsey	Nuclear insurance	NDA	100%

(i) Ownership through International Nuclear Services Limited.

10.2 Public Dividend Capital (PDC)

	Companies House	UK Intellectual Property Office	Met Office	Total
	£m	£m	£m	£m
Balance at 1 April 2017	**16**	**6**	**59**	**81**
Additions	-	-	-	-
Redemptions	-	-	-	-
Impairments	-	-	-	-
Balance at 31 March 2018	**16**	**6**	**59**	**81**
Additions	-	-	-	-
Redemptions	-	-	-	-
Impairments	-	-	-	-
Balance at 31 March 2019	**16**	**6**	**59**	**81**

PDC is held by the core Department.

In accordance with the FReM, PDC is carried at historical cost less any impairment.

Companies House has been reclassified from a trading fund to a central government body. It is exempted from consolidation for 2018-19 and will be consolidated from 2019-20 onwards.

10.2.1 Share of net assets and results for Public Dividend Capital holdings outside the Departmental consolidation boundary

The department is required to disclose its share of the net assets and the results for the year of other public sector bodies, which are outside of the departmental boundary. The following disclosures relate to the Department's trading funds

	Companies House	UK Intellectual Property Office	Met Office
	£m	£m	£m
Net Assets/(Liabilities) at 31 March 2018	79	92	258
Turnover	69	96	230
Surplus/profit (deficit/loss) for the year before financing	3	10	20
Net Assets/(Liabilities) at 31 March 2019	79	93	259
Turnover	72	100	239
Surplus/profit (deficit/loss) for the year before financing	4	5	3

For all bodies, information for 2018-19 was derived from their draft unaudited accounts. The information for 2017-18 was derived from their audited accounts. The accounts were prepared on an IFRS basis, in accordance with the requirements of the FReM.

10.3 Other investments and loans in public sector bodies

		31 March 2019		31 March 2018
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Balance at 1 April	**569**	**211**	**367**	**150**
Additions	305	79	243	80
Repayments	(24)	-	(22)	-
Unwind of discount	1	-	1	-
Revaluations	-	-	-	1
Loans repayable within 12 months transferred to current assets	(63)	(17)	(20)	(20)
Balance at 31 March	**788**	**273**	**569**	**211**

Core Department

Loans in other public sector bodies

The balance comprises a number of loans to public sector bodies, the most significant loans making up the balance are detailed below:

Energy Efficiency Loans

The core Department's energy efficiency loans scheme was set up under the Environmental Protection Act 1990 to help businesses and public sector organisations reduce their energy costs by providing interest free loans for the implementation of energy efficiency projects. The total carrying amount with public sector bodies is £212 million at 31 March 2019 (31 March 2018: £180 million). The non-current element of the loans is £169 million at 31 March 2019 (31 March 2018: £141 million) included in the table above; the current element of these loans is £43 million at 31 March 2019 (31 March 2018: £39 million), which is included in note 16.

These loans are to non-consolidated public sector entities and are not eliminated on consolidation.

Fleetbank Funding Limited Loan (Enable Funding programme)

The core Department's loan to Fleetbank Funding Limited is to provide funding to support the Enable Funding programme, managed by the British Business Bank. This was launched in November 2014 and aimed at improving the provision of asset and lease finance to smaller UK businesses.

The carrying amount of the Fleetbank Funding Limited loan is £339 million at 31 March 2019 (31 March 2018: £205 million).

This loan is to an entity that is consolidated within these financial statements and the loan is eliminated on consolidation.

Northern Powerhouse Investment Limited and Midlands Engine Investment Limited Loans

The core Department has loans with Northern Powerhouse Investment Fund and Midlands Engine Investment Fund. The funds are matched by funding from the European Investment Bank. The funds are set up to provide commercially-focused finance to help small and medium sized enterprises start up and grow.

The carrying amount of the loan investments in these entities is £109 million at 31 March 2019 (31 March 2018: £63 million). The loans are accounted for at cost under IAS 27 and disclosed in the core Department and Agencies column.

These loans are to consolidated bodies and are eliminated on consolidation.

10.4 Special Shares

The Secretary of State holds one Special Share in each of the entities listed below. The list is a summary and not a comprehensive record of the terms of each respective shareholding. Further details can be obtained from the annual report and financial statements of each body or their Articles of Association.

The core Department does not recognise the special or 'golden' shares on its Statement of Financial Position.

Body in which Share is held and type and value of Share	Significant terms of Shareholding
Postal Services Holding Company Limited. £1 Special Rights Preference Share	• Created in January 2001 (formerly called Royal Mail Holdings plc) • It may be redeemed at any time by the shareholder • The consent of the special shareholder is required for a number of decisions, including: - Appointments to the Board (the special shareholder can also make appointments to the Board) - Setting (and approving any material changes in) the remuneration packages of the Directors - Borrowing - Disposing of substantial assets of the business and shareholdings - Voluntary winding-up of the company - Varying certain of the company's Articles of Association, including the rights of the special shareholder. • Note: The company is now in members' voluntary liquidation and control of its affairs has been passed to the Joint Liquidators.

Body in which Share is held and type and value of Share	Significant terms of Shareholding
Post Office Limited ("POL") £1 Special Rights Redeemable Preference Share	• Created in April 2012 • Special Shareholder is entitled to attend and speak at any general meeting or any meeting of any other class of shareholders of POL, but the Special Share does not carry voting rights or any other rights at any such meeting. • It may be redeemed at any time by the Special Shareholder. POL cannot redeem the Special Share without prior consent of the Special Shareholder. • The consent of the special shareholder is required for a number of decisions, including: - Varying POL's Articles of Association, including the rights of the special shareholder; - Appointment or removal from office of any Director of POL; - Approval of (including material variations) Directors' remuneration and terms of employment; - Adoption of (and any material variation in) POL's strategic plan; - Substantial alterations in the nature of the business carried on by POL; - Sale of material assets in the absence of which POL would not be able to deliver its strategic plan; - Incurring of any borrowing exceeding pre-set limits as agreed with HM Treasury; - Issuing or allotment of shares or granting of share rights in the company; and - Voluntary winding-up of the company or member of the group. - Any transaction which will result in a commitment or liability – either individually or when taken together with related relevant transactions – of an amount in excess of £50m
BAE Systems plc £1 Special Rights Preference Share	• Created in 1985 (but subsequently amended). • No time limit. • Provides for a 15% limit on any individual foreign shareholding, or group of foreign shareholders acting in concert, in the company. • Requires a simple majority of the Board and the Chief Executive to be British. • Requires any Executive Chairman to be British and, if both the Chairman and Deputy Chairman are non-executives, requires at least one of them to be British.
Rolls Royce Holdings plc £1 Special Rights Non-Voting Share	• Created in 1987 (but subsequently amended and transferred to Rolls-Royce Holdings plc). • No time limit. • Provides for a 15% limit on any individual foreign shareholding, or group of foreign shareholders acting in concert, in the company. • Requires a simple majority of the Board to be British. • Allows either the Chairman or the Chief Executive to be either an EU or US citizen provided that the other is a British citizen. • Provides for a veto over the material disposal of assets of the group. • Provides for a veto for a proposed voluntary winding up.

Body in which Share is held and type and value of Share	Significant terms of Shareholding
EDF Energy Nuclear Generation Group Limited (formerly British Energy Group plc) £1 Special Share	• British Energy Group plc Special Share created on 13 January 2005 and held jointly by the Secretary of State for Business, Energy and Industrial Strategy and the Secretary of State for Scotland. • The consent of the Special Shareholder, which can only be refused on grounds of national security (except in relation to an amendment to the company's Articles of Association), is required in respect of: - various amendments to the company's Articles of Association; - any purchase of more than 15% of the company's shares; - the issue of shares carrying voting rights of 15% or more in the company; - variations to the voting rights attaching to the company's shares; and the giving of consent in respect of the issue of shares by, the sale of shares in or amendments to the Articles of Association of various subsidiaries in certain cases.
British Energy Bond Finance plc (formerly British Energy Holdings plc) £1 Special Share	• British Energy Holdings plc Special Share created on 13 January 2005 and held jointly by the Secretary of State for Business, Energy and Industrial Strategy and the Secretary of State for Scotland. • The consent of the Special Shareholder, which can only be refused on grounds of national security (except in relation to an amendment to the company's Articles of Association), is required in respect of: - various amendments to the company's Articles of Association; and the giving of consent in respect of the issue of shares by, the sale of shares in or amendments to the Articles of Association of various subsidiaries in certain case.
EDF Energy Nuclear Generation Limited (formerly British Energy Generation Ltd) £1 Special Share	• British Energy Generation Ltd Special Share created in 1996 is held solely by the Secretary of State for Business, Energy and Industrial Strategy. • The consent of the Special Shareholder, which can only be refused on grounds of national security (except in relation to an amendment to the company's Articles of Association), is required in respect of: - various amendments to the company's Articles of Association; - the disposal of any of the nuclear power stations owned by the company; and - prior to the permanent closure of such a station, the disposal of any asset which is necessary for the station to generate electricity.
British Energy Ltd (formerly British Energy plc) £1 Special Share	• British Energy plc Special Share created in 1996 is held solely by the Secretary of State for Business, Energy and Industrial Strategy. • The consent of the Special Shareholder, which can only be refused on grounds of national security (except in relation to an amendment to the company's Articles of Association), is required in respect of: - various amendments to the company's Articles of Association; and - the giving of consent in respect of the issue of shares by, the sale of shares in or amendments to the Articles of Association of various subsidiaries in certain cases. • The company has no significant assets or liabilities as a result of the restructuring scheme, which came into effect on 14 January 2005.

Body in which Share is held and type and value of Share	Significant terms of Shareholding
Nuclear Liabilities Fund Ltd £1 Special Rights Redeemable Preference Share	• Created in 1996. • The Secretary of State for Business, Energy and Industrial Strategy has a Special 'A' Share (there is also a 'B' Share held by British Energy). • The consent of the Special Shareholder is required for any of the following: - to change any of the provisions in the Memorandum of Association or Articles of Association; - to alter the share capital or the rights attached thereto; - the company to create or issue share options; - the 'B' Special Shareholder or any of the Ordinary shareholders to dispose or transfer any of their rights in their shares; - the company to pass a members voluntary winding-up resolution; - the company to recommend, declare or pay a dividend; - the company to create, issue or commit to give any loan capital; - the company to issue a debenture; or - the company to change its accounting reference date.

10.5 Membership Fund

The Secretary of State for Business, Energy and Industrial Strategy has a share in the membership fund of the Carbon Trust. The members' fund at 31 March 2019 was £nil (31 March 2018: £nil).

11 Other financial assets

	Note	31 March 2019 Core Department and Agencies £m	31 March 2019 Departmental Group £m	31 March 2018 Core Department and Agencies £m	31 March 2018 Departmental Group £m
Balance at 1 April		**1,170**	**4,336**	**1,485**	**4,083**
IFRS 9 adjustments		-	(429)	-	-
Revised balance at 1 April		**1,170**	**3,907**	**1,485**	**4,083**
Additions		25	1,176	17	839
Repayments		(236)	(1,152)	(284)	(605)
Effective interest		29	29	39	39
Unwinding of discount		-	2	-	-
Amortisation		-	-	-	(1)
Revaluations		212	182	(83)	23
Impairments		(4)	(69)	(4)	(57)
Impairment reversals		-	23	-	14
Balance at 31 March		**1,196**	**4,098**	**1,170**	**4,336**
Comprising:					
Repayable launch investments	11.1	1,058	1,058	1,047	1,047
Other loans and investments	11.2	138	3,040	123	3,289
Balance at 31 March		**1,196**	**4,098**	**1,170**	**4,336**

Other financial assets analysed between current and non-current assets:

	31 March 2019		31 March 2018	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Due within twelve months	-	-	142	142
Due after twelve months	1,196	4,098	1,028	4,194
Total	**1,196**	**4,098**	**1,170**	**4,336**

11.1 Repayable launch investments

	31 March 2019		31 March 2018	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Balance at 1 April	**1,047**	**1,047**	**1,205**	**1,205**
Repayments	(230)	(230)	(103)	(103)
Effective interest	29	29	39	39
Revaluations	212	212	(94)	(94)
Balance at 31 March	**1,058**	**1,058**	**1,047**	**1,047**

Repayable Launch Investments (RLI) are held by the core Department.

The core Department has determined that RLI are classified as 'fair value through profit or loss financial assets' in accordance with IFRS 9. Fair value gains and losses are therefore recognised directly in the SoCNE. In 2017-18, before the Departmental Group's adoption of IFRS 9, they were classified as 'available for sale financial assets', under IAS 39 with fair value movements recognised in Other Comprehensive Income, rather than the SoCNE.

The core Department, under the provisions of the 1982 Civil Aviation Act, provides repayable launch investment to companies to fund a proportion of the non-recurring eligible design and development capital costs on civil aerospace development products. Each product supported is covered by separate contractual terms and conditions. Under these contracts, periodic repayments become due when products are delivered or at other specific points. The portfolio of investments is valued twice annually and the valuations are based on forecast annual income arising under each contract.

Measurement and carrying values

RLI contracts are initially recognised at fair value which is the transaction price. After initial recognition, the value is the discounted forecast value of future income streams, excluding accrued income which is included in receivables when products are delivered. The value of future income streams is predominantly driven by the core Department's view of the applicable programme's performance in the global market over the period of the contract's life; a number of activities inform this view and some are described below.

The core Department uses a variety of sources to inform a forecast of deliveries for individual programmes. This can include using: an internal delivery forecast model and market share model, forecast delivery schedules and other data directly provided from the RLI recipient companies, publicly available aircraft delivery forecasts, specifically commissioned consultant programme forecasts as well as commentary and views from industry experts.

The approach taken is entirely dependent on the programme in question.

Other valuation variables include inflation measures – or proxies (such as RPI, RPIX, gilt rates and GDP deflators). Some contracts entitle the core Department to a share of aircraft or engine spare part and support income, and the valuation of these contracts is based on analysis of past income streams and forecasts of future demand. The forecast income streams are adjusted by inflation of 2.6% and then are discounted to present value using a constant discount rate of 3.5% representing the effective rate of return of the investment portfolio.

The carrying value of RLI is influenced by the interaction of key drivers such as aircraft or engine deliveries and economic variables. The core Department uses Monte-Carlo simulation to understand the effect of different scenarios for these drivers on the valuation of each contract. The core Department considers that the carrying value is a reasonable approximation of the fair value of RLI.

The carrying value of the investments derived from the discounted cash flow model at 31 March 2019 was £1,058 million (31 March 2018: £1,047 million). The historic cost, including repayments to date and excluding accrued income, of the portfolio at 31 March 2019 was £389 million (31 March 2018: £527 million).

Sensitivity analysis

The core Department has developed a Monte-Carlo based approach which uses the software package @Risk to assess the impact of uncertainty on forecast income, overall contract values, and enhance the robustness of the valuation process. Uncertainties are addressed by constructing different scenarios for the key drivers and then assigning probabilities to these scenarios to implement a Monte-Carlo simulation of the contracts on a contract-by-contract basis. The key variables include: programme development delays, changes to entry into service and out of service dates, production levels, market shares and economic variables used as inflation measures.

The contracts are highly complex and generally distinct from each other in their terms and structure, yet there are cases of significant interdependencies between contracts and correlations between variables.

The model is iterated ten thousand times to produce distributions of income for each contract and thus the overall portfolio. Each iteration of the model produces an income forecast. These are collated and used to form an income distribution. It is from this distribution that the value of the portfolio is calculated.

In order to give an assessment of potential volatility for the portfolio, we calculate the 5th and 95th percentiles from the income distribution - 90% of all the iterations outputted from the Monte-Carlo simulation lie between these particular percentile points. The lower (5th) and upper (95th) points which define this interval were £1,004 million and £1,090 million respectively, at 31 March 2019 (2017-18: £999 million and £1,076 million).

Risk

Market Risk

This constitutes the largest area of potential risk in the portfolio as the primary method of the calculation of income streams is based on the forecasts of aircraft or engine deliveries. The core Department uses internal analysis, company information and third-party information to forecast deliveries and ultimately future income on each investment over the life of the investment period. Deliveries in the short term are driven by variables which include manufacturer production plans, market cycles, customer demand and availability of financing. Medium and longer-term deliveries will be affected by overall market growth and the market attractiveness of an aircraft programme. A negative shift in outlook may result in the core Department not being able to recover its investment in whole or in part, although once deliveries have commenced some level of income is usually due to the core Department. The core Department aims to minimise risk of under-recovery of investments by carrying out a full evaluation of each business case submitted for launch investment support, and by monitoring programmes for the substantive life of the contracts to allow it to assess exposure to risks (including project risk, market risk and technical risk).

Interest Rate Risk

A number of the contracts use retail price indexes (such as RPI and RPIX) or other surrogates as a tool to inflate the value of income due to the core Department over time. As such there is a risk relating to the forecasting of these indexes and surrogates within the valuation, although we estimate that the risk is relatively low and the overall impact relatively minor.

Foreign Exchange Risk

The core Department has a small number of contracts which may deliver a US Dollar denominated income in their later stages which would be translated into pounds sterling. We assess these income streams as relatively low value, thus exchange rate risk exists but is minimal in the context of the overall portfolio.

Credit Risk

Company failure could result in the core Department's investment not being recovered in whole or in part. The core Department seeks to offset this low probability risk by analysing the financial health of any applicant at the time of application for launch investment and reviewing financial health as part of the programme monitoring activity. In addition, contracts aim to contain provisions which will (as a minimum) not disadvantage the core Department compared to other creditors in the event of a corporate failure. The core Department takes steps to monitor the payments that become due to companies under launch investment contracts to ensure they comply with the terms of the contracts. Finally, the contracts also require the company's auditors to confirm that all payments have been made correctly and to identify any errors made.

Other Risk

The core Department's investments are exposed to wider risks such as economic downturns or market shocks from natural or non-natural events. These risks may adversely impact the value and timing of the income received by the core Department. The core Department seeks to manage this risk by actively monitoring such events when they arise to assess any potential impact.

11.2 Other loans and investments

	Gilts and bonds	Term deposits	Private sector loans	Property related holdings	Private sector shares	Equities (listed securities)	Private equities	Investment funds	Other investments	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 April 2017	**46**	**14**	**423**	**65**	**-**	**266**	**443**	**1,245**	**376**	**2,878**
Additions	12	-	306	-	-	-	7	299	215	**839**
Redemptions	-	-	(111)	(23)	-	(18)	(98)	(220)	(32)	**(502)**
Revaluations	1	-	(3)	-	-	21	(35)	23	110	**117**
Impairments	-	-	(17)	-	-	-	-	(40)	-	**(57)**
Impairment reversals	-	-	-	-	-	-	-	14	-	**14**
Balance at 31 March 2018	**59**	**14**	**598**	**42**	**-**	**269**	**317**	**1,321**	**669**	**3,289**
IFRS 9 adjustment - transfers between categories	-	-	61	(42)	99	(269)	(317)	544	(76)	**-**
IFRS 9 adjustment - Other	(1)	-	2	-	-	-	-	31	(461)	**(429)**
Revised balance at 1 April 2018	**58**	**14**	**661**	**-**	**99**	**-**	**-**	**1,896**	**132**	**2,860**
Additions	8	-	391	-	108	-	-	660	7	**1,174**
Redemptions	(25)	(1)	(228)	-	(24)	-	-	(616)	(28)	**(922)**
Revaluations	-	-	-	-	(16)	-	-	28	(43)	**(31)**
Unwinding of discount	2	-	-	-	-	-	-	-	-	**2**
Impairments	-	-	(63)	-	(3)	-	-	-	-	**(66)**
Impairment reversals	-	-	23	-	-	-	-	-	-	**23**
Loans provided for in year	-	-	-	-	-	-	-	-	-	**-**
Balance at 31 March 2019	**43**	**13**	**784**	**-**	**164**	**-**	**-**	**1,968**	**68**	**3,040**
Of the total:										
Core Department and Agencies	-	-	2	-	46	-	-	90	-	**138**
NDPBs and other designated bodies	43	13	782	-	118	-	-	1,878	68	**2,902**
Balance at 31 March 2019	**43**	**13**	**784**	**-**	**164**	**-**	**-**	**1,968**	**68**	**3,040**

Core Department

Investment Funds

Investment funds are classified as 'fair value through profit or loss' (FVTPL) financial assets and are measured at fair value in accordance with IFRS 9. Fair value gains and losses are recognised directly in the SoCNE. In 2017-18 prior to the adoption of IFRS 9, they were classified as 'available for sale financial assets' and measured at fair value in accordance with IAS 39 with fair value movements recognised in Other Comprehensive Income, rather than the SoCNE.

After initial recognition, the fair value is based upon the valuations prepared by the fund managers. They are taken from the most recent set of annual accounts for each of the funds and, where available, updated with interim fund manager valuations. These investments support private sector led venture capital to stimulate private investment into early stage small and medium-sized enterprise (SME) businesses.

NDPBs and other designated bodies

Gilts and Bonds

The Nesta Trust holds investments in bonds. The investments in corporate bonds are measured at 'amortised cost' in accordance with IFRS 9. In 2017-18, prior to the adoption of IFRS 9, under IAS 39, they were classified as 'available-for-sale financial assets', and measured at fair value based on market quotes (31 March 2018: £59 million).

Private sector loans

British Business Bank (BBB), Fleetbank Funding Ltd (FFL) and UK Research and Innovation (UKRI) have entered into loan agreements with parties within the private sector. The loans within the Departmental Group are carried at historic cost as a proxy for amortised cost because the NDPBs and other designated bodies have determined that there is no material difference between historical cost and amortised cost. As part of the review undertaken on financial instruments on transition to IFRS 9, it was identified that £61million of financial instruments held by BBB that were disclosed as an investment fund, and would be more appropriately disclosed as a private sector loan. The balance at 31 March 2018, has been transferred to the Private Sector Loan category. Remeasurement of the loan value including related expected credit losses has led to an adjustment on adoption of IFRS 9 of £2 million to BBB's private sector loans.

As at 31 March 2019, £784 million of loans were held by NDPBs and other designated bodies (31 March 2018: £598 million).

The value of loans held by BBB as at 31 March 2019 was £432 million (31 March 2018: £397 million). The conditions attached to each loan vary depending on the details of the arrangement. Repayment schedules have been agreed and all loans are expected to be repaid at the end of the loan term. During the reporting period BBB made loans of £26 million (31 March 2018: £239 million) to private companies through the BFP Small Business and Investment Programme schemes. BBB provides invoice discount finance and peer to peer lending through the Investment Programme funds which were valued at £233 million at 31 March 2019 (31 March 2018: £242 million).

During 2018-19, FFL made loans of £141 million (31 March 2018: £66 million) to private companies through the Enable Loan Programme scheme. The value of loans held by FFL as at 31 March 2019 was £330 million (31 March 2018: £189 million).

Property related holdings

These holdings relate to a number of marketable real estate investment funds and were assessed as part of the transition to IFRS 9 and transferred to the Investment Funds category within note 11.2. These assets are measured at 'fair value through profit and loss' (FVTPL) in accordance with IFRS 9, with their fair value movements recognised directly in the SoCNE. In 2017-18, prior to the adoption of IFRS 9, under IAS 39, they were held as 'available for sale financial assets'.

Private Sector Shares, Equities (listed securities) and Private equities

At 31 March 2019 the Departmental Group held £164 million of private sector shares. These were held by BIS (Postal Services Act 2011) Company Ltd, Nesta Trust and UKRI. These are measured at 'fair value through other comprehensive income', with movements going through the statement of taxpayers' equity and other reserves.

Private Sector shares were split between listed securities and private equities as at 31 March 2018. Following the IFRS 9 review, reclassification between categories has been made to ensure a consistent disclosure. In particular, £39 million of listed securities and £3 million of private equities were transferred into private sector shares, with the remainder £544 million (made up of £230 million Equities (listed securities) and £314 million Private Equities) being transferred to investment funds. In addition, £25 million was reclassified from Other investments to Private Sector shares and £32 million was reclassified from investment funds, relating to holdings in private sector shares.

The fair values are estimated based on a variety of valuation techniques, adopted by the investment managers that comply with the International Private Equity and Venture Capital (PEVC) Valuation Guidelines or the valuation guidelines produced by the British Venture Capital Association (BVCA). Valuation techniques used include the use of earnings multiples, discounted cash flows analysis, and net asset values.

Investment Funds

BBB, Nesta Trust, BIS (Postal Services Act 2011) Company Limited, Northern Powerhouse Investment Limited and Midlands Engine Investments Limited hold investment funds. The value invested at 31 March 2019 was £1,968 million (31 March 2018: 1,321 million). In accordance with IFRS 9, the investments are measured at 'fair value through profit or loss' with fair value movements going directly to the SoCNE. In 2017-18, prior to the adoption of IFRS 9, under IAS 39 they were classified as 'available-for-sale financial assets' with fair value movements recognised in Other Comprehensive Income. As part of the implementation review for IFRS 9, it was identified that financial investments of £42 million previously disclosed as Property, Related Holdings, £230 million previously disclosed as Equities (listed securities), £314 million previously disclosed as Private equites and £50 million previously disclosed as Other investments, were reclassified as Investments Funds which better represent their nature. £61 million was transferred out of investment funds to private sector loans, and £31 million was transferred out into private sector shares.

BBB held investment funds valued at £1,281 million at 31 March 2019 (31 March 2018: £1,195 million). The most significant investment is in the Business Finance Partnership (BFP) for medium sized businesses at 31 March 2019, this was valued at £435 million (31 March 2018: £551 million). The BFP aims to increase the supply of capital through non-bank lending channels and, in the longer term, to help to diversify the sources of finance available to businesses. BBB also has an investment fund in Enterprise Capital Funds which were valued at £222 million at 31 March 2019 (31 March 2018: £182 million).

The fair value of the investments in BIS (Postal Services Act 2011) Company Ltd as at 31 March 2019 was £254 million (31 March 2018: £305 million). These investments primarily comprised investments in European and North American unquoted shares.

Under IFRS 9, embedded derivatives are no longer assessed separately from the host instrument, leading to the transfer of BBB's £31 million of embedded derivatives to the investment fund category, prior to the adoption of IFRS 9, under IAS 39 this was disclosed as a Derivative.

Other Investments

Other investments includes UK Green Infrastructure Platform Ltd investments which are classified as 'fair value through profit and loss' in accordance with IFRS 9. The fair value of these investments as at 31 March 2019 was £68 million (31 March 2018: £132 million). Investments included within this category as at 31 March 2018 were assessed under IFRS 9 and transferred to more appropriate categories accordingly.

12 Recoverable contract costs

The Group has commercial agreements in place under which some or all of the expenditure required to settle nuclear provisions will be recovered from third parties. Net recoverable costs at 31 March 2019 were £1,620 million (31 March 2018: £3,346 million).

Recoverable contract costs relating to nuclear provisions	Departmental Group 31 March 2019 £m	Departmental Group 31 March 2018 restated £m
Gross recoverable contract costs	5,046	7,081
Less applicable payments received on account	(3,092)	(3,192)
Less associated contract loss provisions	(334)	(543)
Balance at 31 March	**1,620**	**3,346**

The Gross recoverable contract costs disclosed in the BEIS 2017-18 Annual Report and Accounts has been restated to be align with the Nuclear Decommissioning Authority's disclosure. This has increased the Gross recoverable contract costs by £292 million and increased the amount deducted from the associated contract loss provision of (£292) million. This is solely a disclosure adjustment, as BEIS discloses the net position for Recoverable contract costs, Nuclear decommissioning provision, Contract loss provision (Note 19) and Payments received on account disclosed in Trade and other receivables, which are unaffected by the disclosure change as the net values were correctly reported in the BEIS 2017-18 Annual Report and Accounts.

The above balances relate to the Nuclear Decommissioning Authority. The movements in gross recoverable contract costs during the year were:

	Departmental Group 31 March 2019 £m	Departmental Group 31 March 2018 restated £m
Gross recoverable contract costs at 1 April	**7,081**	**6,885**
Increase/(decrease) in year	(1,510)	764
Unwinding of discount	(83)	(49)
Release in year - continuing operations	(276)	(291)
Amortisation of recoverable contract costs	(166)	(228)
Gross recoverable contract costs at 31 March	**5,046**	**7,081**

The gross balance of recoverable contract costs of £5,046 million (31 March 2018 restated: £7,081 million) comprises £1,617 million (31 March 2018: £1,783 million) of past costs which were incurred before the revenue recognition period of the related contracts and will be amortised in future years in line with revenue and £3,429 million (31 March 2018 restated: £5,298 million) of probable future costs which form part of the nuclear decommissioning provision (Note 19) and will be released as they are incurred. Further details are published in the NDA's accounts.

The movement in the gross recoverable contract costs during the year broken down by the type of costs are detailed in the table below:

	Departmental Group 2018-19			Departmental Group 2017-18		
	Historic costs £m	Future costs £m	Total costs £m	Historic costs £m	Future costs £m	Total costs £m
Balance at 1 April	**1,783**	**5,298**	**7,081**	**2,011**	**4,874**	**6,885**
Increase in the year	-	(1,510)	(1,510)	-	764	764
Unwinding of discount	-	(83)	(83)	-	(49)	(49)
Amortisation	(166)	-	(166)	(228)	-	(228)
Release in year	-	(276)	(276)	-	(291)	(291)
Balance at 31 March	**1,617**	**3,429**	**5,046**	**1,783**	**5,298**	**7,081**

The historic costs within the above are deemed contract assets under IFRS 15 'Revenue from Contracts with Customers'. The opening balances, amortisation in period and closing balances for each main contract type are:

	Departmental Group 2018-19			Departmental Group 2017-18		
	Spent fuel reprocessing and associated waste management £m	Spent fuel receipt and management £m	Total £m	Spent fuel reprocessing and associated waste management £m	Spent fuel receipt and management £m	Total £m
Balance at 1 April	**1,162**	**621**	**1,783**	**1,358**	**653**	**2,011**
Amortisation	(136)	(30)	(166)	(196)	(32)	(228)
Balance at 31 March	**1,026**	**591**	**1,617**	**1,162**	**621**	**1,783**

Contract assets under IFRS15 are deemed financial instruments for the purposes of IFRS 9 'Financial Instruments' and, therefore, are ordinarily required to be reviewed for expected credit loss impairment. The above contract asset balances comprise costs which have been previously incurred and are now being amortised in each reporting period. They are matched in full by payments on account and, therefore, a credit loss impairment is not required.

13 Investments in Joint Ventures and Associates

	31 March 2019 Core Department and Agencies £m	31 March 2019 Departmental Group £m	31 March 2018 Core Department and Agencies £m	31 March 2018 Departmental Group £m
Balance at 1 April	**-**	**367**	**-**	**347**
Opening balance transfer of investments	-	461	-	-
Revised balance at 1 April	**-**	**828**	**-**	**347**
Additions	-	37	-	7
Dividends	-	(87)	-	-
Disposals	-	-	-	(1)
Profit/(Loss)	-	186	-	1
Impairments	-	(1)	-	-
Revaluations	-	76	-	13
Balance at 31 March	**-**	**1,039**	**-**	**367**

NDPBs and other designated bodies

The Francis Crick Institute Limited

United Kingdom Research and Innovation (UKRI) and United Kingdom Atomic Energy Authority (UKAEA) have joint ventures and/or associates. The most significant holding is the Francis Crick Institute Limited (the Crick).

The Crick was established in 2010 to deliver a world class interdisciplinary biomedical research centre. UKRI holds 42% (31 March 2018: 42%) of the ordinary shares in the Institute. The remaining shares are held by Cancer Research UK, University College London, the Wellcome Trust, Kings College London and Imperial College of Science, Technology and Medicine. The Institute became fully operational in 2016-17 following the completion of the Crick building. Accordingly, the value of the Departmental Group's investment at 31 March 2019 is £304 million (31 March 2018: £254 million), reflecting Departmental Group's share of net assets. This includes a £48 million upwards revaluation adjustment in 2018-19 (2017-18: £nil million) which aligns the Crick's property, plant and equipment accounted for under the `historic cost' model to the Departmental Group's revaluation model.

The principal place of business is Midland Road, London.

The results of the Crick are summarised below:

Summarised financial information	2018-19 £m	2017-18 £m
Current assets	85	52
Non-current assets	559	580
Current liabilities	(34)	(26)
Revenue	153	146
Profit/(loss) from continuing activities	4	(28)

Other financial information	2018-19 £m	2017-18 £m
Cash and cash equivalents	34	39
Depreciation and amortisation	(39)	(40)
Capital commitments	4	4

NDPBs and other designated bodies

Reclassification of URENCO

All investment classifications and accounting judgements have been re-assessed as part of the adoption of IFRS 9 in 2018-19, and this includes the Department's 33% ordinary share holding in URENCO through Enrichment Holdings Limited (EHL). As a result of the re-assessment, URENCO has been reclassified as an associate from 1 April 2018 at a value of £456 million, with the Department's share of dividends, profit, and revaluation in 2018-19 being £87 million, £151 million and £31 million respectively. The department's holding is valued at £551 million. For further details on the changes to the disclosure of income related to URENCO, see note 6.2.

The principal place of business is Bells Hill, Stokes Poges, Buckinghamshire.

Summary financial information	2018-19 £m
Current assets	804
Non-current assets	4,846
Current liabilities	(351)
Non-current liabilities	(3,646)
Revenue	1,732
Profit/(loss) from continuing activities	452

Other financial information	2018-19 £m
Cash and cash equivalents	216
Current financial liabilities (excl trade and other payables and provisions)	(30)
Non-current financial liabilities (excl trade and other payables and provisions)	(1,848)
Depreciation and amortisation	(284)
Amortisation of intangible assets	(7)
Interest income	61
Interest expense	(155)

14 Trade and other receivables

	31 March 2019		31 March 2018	
	Core Department and Agencies £m	Departmental Group £m	Core Department and Agencies £m	Departmental Group £m
Amounts falling due within one year:				
Trade receivables	109	743	97	433
Other receivables:				
VAT and other taxation	22	144	20	133
Staff receivables	2	3	1	2
RPS receivables	57	57	128	128
Other	143	184	196	262
Contract Assets	6	38	-	-
Prepayments and accrued income	108	399	102	385
	447	**1,568**	**544**	**1,343**
Amounts falling due after more than one year:				
Trade receivables	9	59	17	75

	31 March 2019		31 March 2018	
	Core Department and Agencies	**Departmental Group**	**Core Department and Agencies**	**Departmental Group**
	£m	**£m**	**£m**	**£m**
Other receivables	804	833	915	968
Contract Assets	-	5	-	-
Prepayments and accrued income	-	41	-	47
	813	**938**	**932**	**1,090**
Total receivables at 31 March	**1,260**	**2,506**	**1,476**	**2,433**

Other receivables held by the core Department include a discounted receivable of £920 million (31 March 2018: £1,033 million) relating to the Government guarantee of certain benefits payable to members and beneficiaries of the Mineworkers' Pension Scheme made after privatisation of the British Coal Corporation in 1994. The undiscounted amount is £1,058 million. The agreement relating to the guarantee entitles the Government to a portion of any periodic valuation surpluses, generally determined by the Government Actuary following triennial valuations, the most recent valuation was at 30 September 2017. The receivables have been classified as Amortised Cost assets in accordance with IFRS 9: Financial Instruments. In accordance with IFRS 9 the receivable is initially recognised at fair value which equates to the future cash flows being discounted at HM Treasury's financial instrument nominal rate of 3.7%. Income of £475 million was recognised in 2018-19 (2017-18: £742 million) in relation to an additional sum receivable from the September 2017 valuation (note 6.1). A contingent asset in relation to a similar financial guarantee for the British Coal Staff Superannuation Scheme is disclosed in note 25. More information about the pension schemes can be found at http://www.mps-pension.org.uk and https://www.bcsss-pension.org.uk.

From 1 April 2018, the responsibility for the Redundancy Payment Service (RPS) was transferred from the core Department to the Insolvency Service (INSS). This was accounted for in accordance with the FReM as a Transfer by Absorption, where the carrying value of the RPS Receivable on 1 April 2019 was transferred to INSS. The RPS debtor was transferred out of the core Department in to INSS and as the income and expenditure from 1 April 2018 is incurred by INSS, the comparatives for the core Department have not been restated in line with the FReM guidance for a Transfer by Absorption. The Redundancy Payment Service (RPS) receivable is shown net of an annual impairment.

The impairment is calculated by the Insolvency Service using a model which is approved by HMRC. The model calculates the recoverable debt as £57 million as at 31 March 2019 (31 March 2018: £128 million). Previously the rate of recoverability was estimated at 14%. It was recognised that there was a risk that this was over-optimistic and therefore could result in a downward revision in future years. In line with IFRS 9, RPS debts have been grouped into similar types, in this case they have been grouped between preferential or non-preferential debts. Analysis of historic trends of recovery of these types of debts has revealed that the best estimate of recovery is 5.5% for non-preferential, and 40.7% for preferential, as opposed to the overall 14% previously utilised.

15 Non-current assets and liabilities held for sale

	31 March 2019		31 March 2018	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Balance of assets at 1 April	**-**	**15**	**1,517**	**2,609**
Additions and reclassifications	-	-	50	(12)
Disposals	-	-	(1,567)	(2,582)
Revaluations	-	5	-	-
Carrying amount of assets at 31 March	**-**	**20**	**-**	**15**
Balance of liabilities at 1 April	**-**	**-**	**-**	**(1,000)**
Disposals	-	-	-	1,000
Carrying amount of liabilities at 31 March	**-**	**-**	**-**	**-**
Carrying amount of net assets at 31 March	**-**	**20**	**-**	**15**

The 2017-18 disposal related to the sale of the core Department's shareholding in Green Investment Bank (GIB) to Macquarie Group Limited for £1,753 million, against a carrying value of £1,567 million, resulting in a profit on disposal of £186 million, which is disclosed on the face of the Statement of Comprehensive Net Expenditure in the core Department.

In the Departmental Group, the net assets at the date of disposal were £1,561 million, resulting in a profit on disposal of £202 million. Further details of the sale can be found in last year's financial statements.

No new assets or liabilities have been held for sale in 2018-19.

16 Investments and loans in public sector bodies: current

	31 March 2019		31 March 2018	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Balance at 1 April	**732**	**732**	**682**	**682**
Additions	6,240	6,240	7,198	7,198
Repayments	(6,369)	(6,369)	(7,168)	(7,168)
Loans repayable within 12 months transferred from non-current assets	63	17	20	20
Balance at 31 March	**666**	**620**	**732**	**732**

The most significant item included above is a loan facility to Post Office Limited (POL). Since October 2003 the core Department has made available to POL a revolving loan facility of up to £950 million. This is to help the company fund its daily in-branch working capital requirements to deliver services through the network, such as social benefits payments and access to cash. The facility was due to mature in March 2018 but was extended to run until 31 March 2021. The outstanding balance at 31 March 2019 was £565 million (31 March 2018: £644 million) which is included in the £666 million (31 March 2018: £732 million) above.

17 Cash and cash equivalents

	31 March 2019		31 March 2018	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Balance at 1 April	**1,246**	**2,034**	**1,192**	**1,819**
Net change in cash and cash equivalent balances	37	54	54	215
Balance at 31 March	**1,283**	**2,088**	**1,246**	**2,034**
The following balances at 31 March were held at:				
The Government Banking Service (GBS)	1,282	1,828	1,244	1,818
Commercial banks and cash in hand	1	260	2	216
Balance at 31 March	**1,283**	**2,088**	**1,246**	**2,034**

18 Trade payables and other liabilities

	31 March 2019		31 March 2018	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Amounts falling due within one year:				
VAT, social security and other taxation	10	108	7	102
Trade payables	79	195	14	461
Other payables	552	1,020	68	365
Contract Liabilities	5	474	-	-
Other accruals and deferred income	979	2,569	948	2,779
Amounts issued from the Consolidated Fund for supply but not spent at year end	1,280	1,280	928	928
Advances from Contingencies Fund	-	-	2	2
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund:				
Received	3	6	316	317
	2,908	**5,652**	**2,283**	**4,954**
Amounts falling due after more than one year:				
Trade Payables	-	7	-	-
Contract Liabilities (see note 18.1)	-	1,691	-	-
Other payables, accruals and deferred income	1,141	1,203	1,203	2,901
	1,141	**2,901**	**1,203**	**2,901**
Total payables at 31 March	**4,049**	**8,553**	**3,486**	**7,855**

18.1 Contract Liabilities

	31 March 2019	
	Core Department and Agencies	Departmental Group
	£m	£m
Balance at 1 April	**-**	**-**
IFRS 15 Adjustment to opening balances	-	2,290
Revised balance at 1 April	**-**	**2,290**
Additions	5	703
Release to SOCNE	-	(828)
Balance at 31 March	**5**	**2,165**
Of which:		
Due within 1 year	5	474
Due in over 1 year	-	1,691
Balance at 31 March	**5**	**2,165**

Included under accruals and deferred income are:

Core Department

Promissory note liabilities with maturities of less than one year of £284 million (31 March 2018: £276 million) and with maturities greater than one year of £1,140 million (31 March 2018: £1,202 million) which represent amounts owed for various ODA (Official Development Assistance) programmes to which the core Department has contributed.

During the year the British Business Bank (BBB) loaned the £600 million (2017-18; nil million) un-invested portion of its loan from the Nuclear Liabilities Fund (NFL), £350 million in August 2018 and a further £250 million in December 2018, to the core Department. £75 million of the loan was repaid before the year end. The remaining balance of £525 million is held in Other payables due within one year. Since it is an intercompany transaction, it is eliminated from the Departmental Group balance. See more detail on the NLF loan in the narrative for NDPBs and other designated bodies that follows.

NDPBs and other designated bodies

The majority of contract liabilities are the sums received on account by the Nuclear Decommissioning Authority relating to income from long term contracts to be recognised within one year of £461 million (31 March 2018: £680 million) and after one year of £1,691 million (31 March 2018: £1,594 million); more details are available in the accounts of the Nuclear Decommissioning Authority.

Included in Other payables due within one year in the table above is a loan to BBB from the Nuclear Liabilities Fund (NLF). In August 2018 BBB received a loan from the NLF, a non-consolidated public corporation of the Departmental Group. The purpose of this is for the NLF to achieve a higher rate of return than it has on its investments in the National Loan Fund in previous years. The carrying amount of the borrowing from NLF as at 31 March 2019 was £604 million (31 March 2018: £nil million).

19 Provisions for liabilities and charges

	Note	31 March 2019 Core Department and Agencies £m	31 March 2019 Departmental Group £m	31 March 2018 Core Department and Agencies £m	31 March 2018 Departmental Group £m
Current liabilities:					
Not later than one year		260	3,050	278	3,332
Total current liabilities		**260**	**3,050**	**278**	**3,332**
Non-current liabilities:					
Later than one year and not later than five years		883	12,235	944	12,963
Later than five years		1,037	119,181	1,232	224,640
Total non-current liabilities		**1,920**	**131,416**	**2,176**	**237,603**
Total at 31 March		**2,180**	**134,466**	**2,454**	**240,935**
Total provisions					
Nuclear	19.1	1,346	131,094	1,412	235,101
Other	19.2	834	3,372	1,042	5,834
Total at 31 March		**2,180**	**134,466**	**2,454**	**240,935**

The provision liabilities in tables 19.1 and 19.2 below have been discounted to present value using discount rates as provided by HM Treasury who have required a change in the approach to discounting as at 31 March 2019 compared to prior years. Discounting as at 31 March 2018 was applied to real forward cash flows at constant prices as at that date. Discounting as at 31 March 2019 has been applied to nominal cash flows which include allowance for future inflation using a forecast of consumer price inflation provided by HM Treasury except where a more appropriate forecast has been identified for specific provisions. The impact of the change in the discounting approach is included in the "Change in discount rate" movement of provisions.

	31 March 2019 Nominal discount rate	31 March 2019 Inflation rate	31 March 2019 Equivalent real discount rate	31 March 2018 Real discount rate
Cash outflows expected within two years	0.76%	2.0%	(1.22%)	(2.42%)
Cash outflows expected between two and five years	0.76%	2.1%	(1.31%)	(2.42%)
Cash outflows expected between five and ten years	1.14%	2.1%	(0.94%)	(1.85%)
Cash outflows expected after ten years	1.99%	2.1%	(0.11%)	(1.56%)

Allowances for future inflation and discounting can impact on reported liabilities significantly; uninflated, undiscounted equivalent values are provided in the descriptions of the provisions below to illustrate the effect.

19.1 Nuclear provisions

	British Energy	UK Atomic Energy Authority Decommissioning	Core Department and Agencies Total	NDA Decommissioning	Contract loss	Departmental Group Total
	£m	£m	£m	£m	£m	£m
Balance at 1 April 2017	**1,286**	**306**	**1,592**	**163,135**	**521**	**165,248**
Net amount deducted from recoverable contract costs	-	-	**-**	-	27	**27**
Unwinding of discount	(14)	(1)	**(15)**	(1,286)	(15)	**(1,316)**
Change in discount rate	(18)	1	**(17)**	71,002	-	**70,985**
Provided in the year	37	8	**45**	3,462	40	**3,547**
Recoverable contract cost release in year	-	-	**-**	(291)	-	**(291)**
Provisions utilised in the year	(193)	-	**(193)**	(2,740)	(166)	**(3,099)**
Balance at 31 March 2018	**1,098**	**314**	**1,412**	**233,282**	**407**	**235,101**
Net amount deducted from recoverable contract costs	-	-	**-**	-	209	**209**
Unwinding of discount	(17)	(5)	**(22)**	(3,615)	(15)	**(3,652)**
Change in discount rate	(4)	(33)	**(37)**	(95,969)	22	**(95,984)**
Provided in the year	25	146	**171**	(1,114)	(427)	**(1,370)**
Recoverable contract cost release in year	-	-	**-**	(276)	-	**(276)**
Provisions utilised in the year	(178)	-	**(178)**	(2,599)	(157)	**(2,934)**
Balance at 31 March 2019	**924**	**422**	**1,346**	**129,709**	**39**	**131,094**
Estimated forward discounted cash flows as at 31 March 2019						
Not later than one year	160	2	**162**	2,735	-	**2,897**
Later than one year and not later than five years	455	126	**581**	11,149	7	**11,737**
Later than five years	309	294	**603**	115,825	32	**116,460**
Total forward cash flows as at 31 March 2019	**924**	**422**	**1,346**	**129,709**	**39**	**131,094**

Core Department

British Energy

As a result of the restructuring of British Energy (BE) in January 2005, the Government assists BE (now EDF Energy Nuclear Generation Limited) in meeting its contractual historic fuel liabilities. The provision is based on the forecast payment schedule up to 2029 which is set out in the waste processing contracts agreed between BE, BNFL and the department. The discounted liability at 31 March 2019 is £924 million (31 March 2018: £1,098 million). Payments are adjusted in line with the Retail Prices Index and the liability includes allowance for future inflation using a forecast for the Index from the Office for Budget Responsibility. The undiscounted liability at 31 March 2019, at prices as at the reporting date so excluding the impact of future inflation, is £956 million (31 March 2018: £1,022 million).

UK Atomic Energy Authority (UKAEA) Decommissioning

The decommissioning provision represents the estimated costs of decommissioning fusion research facilities at UKAEA's Culham site, including the storage, processing and eventual disposal of radioactive wastes. The core Department retains the liability for these costs. Given that much of the work will not be undertaken until well into the future, the provision involves an element of estimation. In addition, the timing of expenditure is dependent on the closure date of the Joint European Torus facility. The discounted liability at 31 March 2019 is £422 million (31 March 2018: £314 million) and reflects a review during 2018-19 of the detailed Life Time Plan for decommissioning, drawn up in 2007-08. The undiscounted liability at 31 March 2019, at prices as at the reporting date so excluding the impact of future inflation, is £402 million (31 March 2018: £273 million). The increase is mainly due to changed requirements for waste preparation and packaging and additional project management and other staffing costs.

NDPBs and other designated bodies

NDA Decommissioning

The NDA's nuclear decommissioning liability represents NDA's best estimate of the costs of decommissioning plant and equipment on each of the designated nuclear licensed sites in accordance with the published strategy.

The programme of decommissioning work will take until 2137 but, in preparing the estimate, the NDA has focused in particular on the first 20 years which represent £50 billion out of the total £130 billion provision (31 March 2018: £56 billion out of £233 billion). The estimates are necessarily based on assumptions about the processes and methods likely to be used to discharge the obligations and reflect the latest technical knowledge, existing regulatory requirements, Government policy and commercial agreements. Given the very long timescale and the complexity of the plants and material being handled, considerable uncertainty remains in the cost estimate, particularly in the later years. Discounting of the forward cash flow estimates to present value also has a significant impact on the liability reported in the Statement of Financial Position of £130 billion at 31 March 2019 (31 March 2018: £233 billion). The undiscounted equivalent of this reported liability is £123 billion at 31 March 2019 (31 March 2018: £120 billion). The Group auditors continue to include an emphasis of matter paragraph in their audit certificate concerning the overall measurement uncertainty.

The NDA has commercial agreements in place under which a portion of the expenditure required to settle certain elements of the decommissioning provision are recoverable from third parties. Changes in future cost estimates of discharging these particular elements are therefore matched by a change in recoverable contract costs. In accordance with IAS 37, these recoverable amounts are not offset against the decommissioning provision but are treated as a separate asset (note 12).

Sensitivity Analysis:

An increase of 0.5% in the discount rate would reduce the provision to £110 billion, whilst a decrease in discount rate of 0.5% would increase the provision to £158 billion.

The change in discount rates (see note 1.23) in the current financial year produced a decrease of £107,764 million (2018: £65,964 million increase). This figure excludes the change relating to inflation plus the recoverable contract costs off-setting balance which otherwise result in a decrease of £95,969 million.

Analysis of expected timing of discounted cash flows for the NDA Nuclear Provision is as follows:

	Waste £m	Research £m	Sellafield £m	Fuel Manufacturing & Generation £m	Others £m	2018-19 Total £m	2017-18 Total £m
Up to 1 year	77	257	1,911	420	70	2,735	2,855
2 to 5 years	328	1,051	8,127	1,311	332	11,149	11,557
6 to 20 years	2,354	1,883	30,408	1,165	595	36,405	41,442
21 to 50 years	3,907	208	33,343	806	488	38,752	62,942
50 years +	4,788	61	24,743	11,893	132	41,617	115,274
	11,454	**3,460**	**98,532**	**15,595**	**1,617**	**130,658**	**234,070**
Deduction in respect of Site Licence Companies pension receivable from NDA						(949)	(788)
Total NDA Decommissioning Provisions						**129,709**	**233,282**

Sensitivity	Waste £m	Research £m	Sellafield £m	Fuel M&G £m	Others £m	2018-19 Total £m	2017-18 Total £m
Increase	28,244	180	83,098	5,707	112	117,341	253,947
Reduction	(4,191)	(360)	(13,850)	(5,707)	(225)	(24,333)	(55,888)

The NDA calculates its provision based on management's best estimate of the future costs of the decommissioning programme, which is expected to take until 2137 to complete. The NDA also considers credible risks and opportunities which may increase or decrease the cost estimate, but which are deemed less probable than the best estimate. These are the basis of the sensitivities identified above, and the key sensitivities are as follows:

- Waste activities cover the Low Level Waste Repository and the Geological Disposal Facility (GDF), with the key sensitivities being in the timing and costs of constructing and operating the GDF. The above range from a reduction of £4,191 million to an increase of £28,244 million and reflect three separate sensitivities:
  - The potentially higher costs of constructing and operating the GDF itself, which dependent on the location and construction requirements of the facility, could be up to £25,144 million higher (or £4,191 million lower) than the base case assumption
  - The impact of the timing of the facility's construction and operations. The current planned date for the facility to receive waste is 2045. NDA has identified a risk that the construction and opening of the facility may be delayed beyond 2045 (Further information on this can be found in the Governance Statement of the NDA's Annual Report and Accounts). A delay to this date may increase the cost of the facility itself, along with the cost of interim storage of waste at sites across the NDA estate. A delay of a small number of years is considered to be within the overall tolerance of the estimate for GDF construction and waste transfer, and is not considered to have

a material impact on the provision estimate. A longer delay of say 20 years could materially impact the provision, by approximately £2,100 million.

- A delay of 20 years would not necessarily increase the underlying costs of the facility, but would increase the discounted value of the estimate by approximately £1 billion due to the effect of long term negative discount rates.

- Activities on the sites primarily used for research (Dounreay, Harwell, and Winfrith) are concerned with final decommissioning of assets and site clearance. Sites will be cleared by 2080. Options are being explored to accelerate site clearance, which in the case of Dounreay would reduce the provision by £360 million; an increase in the cost and/or a delay of past the latest anticipated Interim State date (2033) would increase the provision by up to £180 million.
- Sellafield represents activities associated with operation of the site, reprocessing and eventual decommissioning, and includes all site overheads. Principal sensitivities are around the cost of delivering the plan, particularly the costs of new construction, decommissioning and post operational clean out (POCO) work in the long-term (beyond the next twenty years). The potential costs range from a £13,850 million reduction against the current estimate, to a £83,098 million increase.
- fuel manufacturing and generation (which for this purpose includes Magnox and Springfields) programme of work includes defueling the generating stations and preparing for interim Care and Maintenance (complete by 2030) followed by a final site clearance phase around 2070 to 2107. The main cost risk is in the final site clearance phase, which may increase costs by £5,707 million. Conversely a reduction in the costs associated with this phase may reduce costs by £5,707 million.

Further details are reported in the Financial review on page 42 of the Annual Report and in the NDA Annual Report and Accounts.

Contract loss

Contract loss provisions have been recognised by the Nuclear Decommissioning Authority to cover anticipated shortfalls between total income and total expenditure on relevant long term contracts. The amounts are disclosed net after deduction of amounts relating to recoverable contract costs (note 12). The amount provided in the year for contract losses relates to changes in estimates of the costs of existing contracts. The discounted liability at 31 March 2019 is £39 million (31 March 2018: £407 million). Further detail, including movement on the gross provision, can be found in the accounts of the NDA.

19.2 Other provisions

	Concessionary fuel	British Shipbuilders	Legacy ailments	Onerous leases	Other	Core and Agencies total	Coal Authority	Early departure costs and restructuring	Other	Departmental Group total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 April 2017	**433**	**198**	**131**	**113**	**119**	**994**	**2,818**	**121**	**332**	**4,265**
Change in discount rate	28	12	3	(1)	5	**47**	1,485	-	62	**1,594**
Provided in the year	49	3	-	31	24	**107**	80	1	3	**191**
Provisions not required written back	-	-	(2)	-	(3)	**(5)**	(2)	(16)	15	**(8)**
Provisions utilised in the year	(42)	(11)	(7)	(15)	(16)	**(91)**	(26)	(20)	(2)	**(139)**
Unwinding of discount	(5)	(1)	(1)	(2)	(1)	**(10)**	(27)	(1)	(31)	**(69)**
Balance at 31 March 2018	**463**	**201**	**124**	**126**	**128**	**1,042**	**4,328**	**85**	**379**	**5,834**
IFRS 9 - transfer to loan commitment liability note	-	-	-	-	-	**-**	-	-	(184)	**(184)**
Revised balance at 1 April 2018	**463**	**201**	**124**	**126**	**128**	**1,042**	**4,328**	**85**	**195**	**5,650**
Change in discount rate	(42)	(56)	(11)	(7)	(11)	**(127)**	(2,634)	-	(38)	**(2,799)**
Provided in the year	-	-	8	23	24	**55**	776	12	10	**853**
Provisions not required written back	(11)	(1)	-	-	(3)	**(15)**	(74)	(1)	(2)	**(92)**
Provisions utilised in the year	(40)	(7)	(18)	(27)	(14)	**(106)**	(28)	(16)	(4)	**(154)**
Unwinding of discount	(7)	(3)	(2)	(2)	(1)	**(15)**	(69)	(1)	(1)	**(86)**
Balance at 31 March 2019	**363**	**134**	**101**	**113**	**123**	**834**	**2,299**	**79**	**160**	**3,372**
Estimated forward discounted cash flows as at 31 March 2019										
Not later than one year	37	8	13	23	17	**98**	27	17	11	**153**
Later than one year and not later than five years	122	33	35	74	38	**302**	141	37	18	**498**
Later than five years	204	93	53	16	68	**434**	2,131	25	131	**2,721**
Total forward cash flows as at 31 March 2019	**363**	**134**	**101**	**113**	**123**	**834**	**2,299**	**79**	**160**	**3,372**

Core Department

Concessionary fuel

The provision covers the cost of the core Department's responsibility, arising from government announced guarantees, to provide either solid fuel or a cash alternative to ex-miners formerly employed by British Coal and their dependants and to certain former employees who lost their entitlement as a consequence of the restructuring and run down of UK Coal in 2013 and 2015; it includes administration costs. Of the total of 43,801 current beneficiaries at 31 March 2019, 37,505 have opted for the cash alternative at an average cost per beneficiary of £732 per annum; the average annual cost of solid fuel for the remainder is £1,147 per beneficiary excluding delivery costs and VAT. The provision is based on standard female mortality rates and assumes beneficiaries will continue to switch their entitlement from solid fuel to cash in line with rates observed in the recent past. Costs are expected to be incurred up to 2062. The discounted liability at 31 March 2019 is £363 million (31 March 2018: £463 million); the undiscounted liability at 31 March 2019, at prices as at the reporting date so excluding the impact of future inflation, is £352 million (31 March 2018: £397 million).

British Shipbuilders

The provision covers the cost of personal injury compensation claims by former employees of British Shipbuilders and its subsidiaries arising primarily from exposure to asbestos during the course of their work. The core Department has taken on full responsibility for the liabilities of the former Corporation which was abolished in March 2013. It is subject to considerable uncertainty. The discounted liability at 31 March 2019 is £134 million (31 March 2018: £201 million); the undiscounted liability of £159 million (31 March 2018: £168 million) is based on an actuarial review as at 31 March 2016 and includes allowance for future inflation judged appropriate by the actuary. The review had identified the range for the potential inflated, undiscounted liability at 31 March 2016 as between £118 million and £389 million with liabilities extending up to 2048.

British Coal Corporation Health Liabilities (Legacy ailments)

The provision covers the cost of compensation claims relating to personal injuries suffered by former British Coal mineworkers, responsibility for which falls to the core Department by a restructuring scheme under the Coal Industry Act 1994. The discounted liability at 31 March 2019 is £101 million (31 March 2018: £124 million); the undiscounted liability of £98 million, at prices as at the reporting date so excluding the impact of future inflation (31 March 2018: £109 million), is based on forecasts of settlement of claims, taking account of discussion with the core Department's legal advisors and claim handlers and recent actuarial estimates. It is subject to considerable uncertainty and includes undiscounted estimates at prices as at the reporting date of £11 million (31 March 2018: £22 million) for induced hearing loss, £68 million (31 March 2018: £68 million) for miscellaneous disease claims including phurnacite, mesothelioma, pneumoconiosis, pleural thickening, asbestos related conditions, vibration white finger, chronic obstructive pulmonary disease, cancer, pleural plaques and other minor benefits schemes and £19 million (31 March 2018: £19 million) for litigation by former British Coal Coke Oven Workers. The current estimate is that liabilities will extend up to 2050.

Onerous leases

The core Department has onerous leases in respect of office accommodation at 151 Buckingham Palace Road, 10-18 Victoria Street and other locations. The leases are held by the Government Property Agency but the obligation to finance their running costs remains with the core Department. The department has attempted to mitigate potential losses by subleasing but, given current market conditions and future forecasts, has determined that, at the reporting date, neither the current nor future potential subleases will recover the full costs incurred. The discounted liability at 31 March 2019 is £113 million (31 March 2018: £126 million); the undiscounted liability at 31 March 2019, including the impact of future inflation is £115 million (31 March 2018: £119 million). The liabilities extend to 2026.

NDPBs and other designated bodies

Coal Authority

The Coal Authority provision relates predominantly to the Authority's responsibilities for mine water treatment, public safety and subsidence pumping stations. Significant uncertainties are associated with estimation of likely costs in respect of these liabilities. The discounted liability at 31 March 2019 is £2,299 million (31 March 2018: £4,328 million). The undiscounted liability at 31 March 2019 is £2,174 million (31 March 2018: £1,902 million). Further details are reported in the Coal Authority Annual Report and Accounts.

Included in other provisions in note 19.2 for the core Department is the Coal Health provision (legacy ailments), which is subject to significant uncertainty.

Early departure costs and restructuring

£67 million (31 March 2018: £72 million) of the restructuring provision relates to site licence companies and includes continuing annual payments under early retirement arrangements to individuals who retired early, or had accepted early retirement, before 31 March 2019 and will continue at least until the date at which the individual would have reached normal retirement age. The undiscounted equivalent is 31 March 2019 is £68 million (31 March 2018: £76 million).

Enterprise Capital Fund

Following the introduction of IFRS 9 'Financial Instruments', the British Business Bank's Enterprise Capital Fund commitments to provide loans under the market rate were designated to be measured at Fair Value through Profit or Loss. As a result, the Departmental Group has transferred out the loan commitment liabilities of £184 million as at 31 March 2018 from "Other provisions" to disclose separately together with financial guarantee liabilities. Further details can be found in note 20 'Financial Guarantee and Loan Commitment Liabilities'.

20 Financial Guarantee and Loan Commitment Liabilities

	31 March 2019		31 March 2018	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Balance at 1 April	**61**	**61**	**61**	**61**
IFRS 9 Adjustments to Opening Balances	(16)	168	-	-
Revised balance at 1 April	**45**	**229**	**61**	**61**
Additions	20	58	17	17
Net remeasurement	-	(46)	(5)	(5)
Called	(11)	(11)	(11)	(11)
Amortisation	-	-	(1)	(1)
Balance at 31 March	**54**	**230**	**61**	**61**
Comprising:				
Financial guarantee liabilities	54	54	61	61
Loan commitment liabilities	-	176	-	-
Balance at 31 March	**54**	**230**	**61**	**61**
Of which:				
Current liability	11	11	16	16
Non-current liability	43	219	45	45
Balance at 31 March	**54**	**230**	**61**	**61**

Following the introduction of IFRS 9 'Financial Instruments', the British Business Bank's Enterprise Capital Fund commitments to provide loans under the market rate were designated to be measured at Fair Value through Profit or Loss. As a result, the Departmental Group has transferred out the loan commitment liabilities of £184 million as at 31 March 2018 from "Other provisions" to disclose separately together with financial guarantee liabilities.

21 Retirement benefit obligations

The Departmental Group consolidates 9 defined benefit pension arrangements from its designated bodies including:

- UK Research and Innovation
- Nuclear Decommissioning Authority
- Nuclear site licence companies

All schemes are accounted for in accordance with IAS 19 'Employee Benefits'. They are subject to the UK regulatory framework and under the scope of the scheme specific funding requirement. The schemes' trustees are responsible for operating these defined benefit plans and have a statutory responsibility for ensuring the schemes are sufficiently funded to meet current and future benefit payments.

Defined benefit scheme liabilities expose the Departmental group to material financial uncertainty, arising from factors such as changes in life expectancy and in the amount of pensions payable. Some scheme investments, such as equities, should offer long-term growth in excess of inflation, but can be more volatile in the shorter term than government bonds.

The details of each scheme are discussed below.

UK Research and Innovation (UKRI)

The UKRI operates the legacy Medical Research Council (MRC) defined benefit, final salary pension scheme. A full actuarial evaluation was undertaken as at 31 December 2016 which was rolled forward by the actuary to determine the approximate position as at 31 March 2019.

Further details regarding the nature of the benefits provided, regulatory framework, actuarial assumptions, sensitivity analysis, key risks and risk management policy including asset-liability matching strategies, and any funding arrangements or funding policy that may affect future contributions can be found in the accounts of UKRI.

Nuclear Decommissioning Authority (NDA)

Two defined benefit pension schemes relate to the NDA – the Closed and Nirex sections of the Combined Nuclear Pension Plan (CNPP). Both are closed to new entrants. Full actuarial evaluations were undertaken as at 31 March 2016. The actuaries rolled forward the results to determine approximate positions as at 31 March 2019. Further details regarding the nature of the benefits provided, regulatory framework, actuarial assumptions, sensitivity analysis, key risks and risk management policy including asset-liability matching strategies, and any funding arrangements or funding policy that may affect future contributions can be found in the accounts of NDA.

Nuclear site licence companies (SLCs)

There are 6 defined benefit final salary pension schemes relating to the 4 SLCs comprising: a) the LLWR section of the CNPP (for LLW Repository Limited), b) the SLC section of the Magnox Electric Group of the ESPS and the Magnox Section of the CNPP (for Magnox Limited), c) the Group Pension Scheme SLC section of the CNPP and the Sellafield section of the CNPP (for Sellafield Limited) and d) the Dounreay Section of the CNPP (for Dounreay Site Restoration Limited). All are closed to new entrants. The most recent triennial actuarial valuations were undertaken as at 31 March 2016 for all six SLCs schemes. The actuaries rolled forward the results to determine approximate positions as at 31 March 2019.

Further details regarding the nature of the benefits provided, regulatory framework, key risks and risk management policy including asset-liability matching strategies, and any funding arrangements or funding policy that may affect future contributions can be found in the CNPP Statement of Investment Principles at https://www.cnpp.org.uk/document-library/, and in the Electricity Supply Pension Scheme's Annual Reports at https://megtpensions.com/ finance-report.

	31 March 2019 Funded pension schemes £m	31 March 2018 Funded pension schemes £m
Present value of defined benefit obligation at 1 April	**7,632**	**7,568**
Interest cost	197	190
Current service cost	248	267
Past service cost	15	6
Benefits paid	(231)	(215)
Actuarial (gains)/losses in financial assumption	422	(127)
Actuarial (gains)/losses on defined benefit obligation due to demographic assumptions	(68)	(103)
Actuarial (gains)/losses arising from experience adjustments	13	20
Employee contributions	25	26
Transfer in	(13)	-
Present value of defined benefit obligation at 31 March	**8,240**	**7,632**
Fair value of assets at 1 April	**6,946**	**6,691**
Expected return on plan assets	179	170
Employer contributions	149	143
Benefits paid	(231)	(215)
Actuarial gains/(losses)	264	131
Employee contributions	25	26
Transfer in	(13)	-
Fair value of assets at 31 March	**7,319**	**6,946**
Net liability at 31 March	**921**	**686**

The increase in the net liability at 31 March 2019 compared to 31 March 2018 is primarily due to a decrease in the discount rate applied to the defined benefit obligation for Magnox Limited from 2.6% at 31 March 2018 to 2.4% at 31 March 2019 and for Sellafield Limited from 2.6% at 31 March 2018 to 2.5% at 31 March 2019.

Net (asset)/liability by scheme

	31 March 2019			31 March 2018		
	Present value of defined benefit obligation £m	Fair value of assets £m	Net liability/ (asset) £m	Present value of defined benefit obligation £m	Fair value of assets £m	Net liability/ (asset) £m
UK Research and Innovation - Medical Research Council	1,605	1,649	(44)	1,460	1,582	(122)
LLW Repository Ltd - LLWR section of CNPP	33	22	11	27	20	7
Magnox Ltd - SLC section of Magnox Electric Group of ESPS	3,298	3,214	84	3,185	3,140	45
Magnox Ltd - Magnox section of CNPP	161	120	41	141	109	32
Sellafield Ltd - Group Pension Scheme SLC section of CNPP	707	682	25	682	649	33
Sellafield Ltd - Sellafield section of CNPP	2,119	1,386	733	1,852	1,217	635
Dounreay Site Restoration Ltd - Dounreay section of CNPP	159	106	53	130	94	36
Nuclear Decommissioning Authority	158	140	18	155	135	20
Total net liability at 31 March	**8,240**	**7,319**	**921**	**7,632**	**6,946**	**686**

Asset allocation

	31 March 2019 £m	31 March 2018 £m
Equities	2,211	2,471
Property	765	698
Government bonds	1,933	1,678
Corporate bonds	541	626
Other growth assets	1,734	1,362
Other	135	111
Balance at reporting date	**7,319**	**6,946**

The Magnox schemes had a total asset balance of £3,331 million, of which £119 million of property assets and £1,185 million of other growth assets were not quoted in an active market. The Sellafield schemes had £2,067 million of total assets, the majority of which excluding the amount held in the Trustees' bank account and some private equity investments due to their illiquid nature had a quoted market value in an active market. The UKRI - MRC scheme's total assets of £1,649 million included £451 million of quoted equities and £129 million of quoted bonds.

Expected contribution over the next accounting period

It is possible that the actual amount paid might be different to the estimated amount. This may be due to contributions, benefits payments or pensionable payroll differing from expected, changes to schemes' benefits or settlement/curtailment events that are currently unknown.

	31 March 2019 £m	31 March 2018 £m
UK Research and Innovation - Medical Research Council	25	27
LLW Repository Ltd – LLWR section of CNPP	1	1
Magnox Ltd – SLC section of Magnox Electric Group of ESPS	27	39
Magnox Ltd – Magnox section of CNPP	5	10
Sellafield Ltd – Group Pension Scheme SLC section of CNPP	7	6
Sellafield Ltd – Sellafield section of CNPP	78	74
Dounreay Site Restoration Ltd – DSRL section of CNPP	6	7
Nuclear Decommissioning Authority	1	1
Total	**150**	**165**

Weighted average duration of the defined benefit obligation plans

	31 March 2019 £m	31 March 2018 £m
UK Research and Innovation – Medical Research Council	21	21
LLW Repository Ltd – LLWR section of CNPP	20	20
Magnox Ltd – SLC section of Magnox Electric Group of ESPS	16	16
Magnox Ltd – Magnox section of CNPP	22	22
Sellafield Ltd – Group Pension Scheme SLC section of CNPP	20	20
Sellafield Ltd – Sellafield section of CNPP	20	20
Dounreay Site Restoration Ltd – DSRL section of CNPP	20	30
Nuclear Decommissioning Authority	23	23

Major actuarial assumptions for SLC schemes

	Dounreay Site Restoration Limited		LLW Repository Limited		Magnox Limited		Sellafield Limited	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
Discount rate	2.5%	2.6%	2.4%	2.6%	2.4%	2.6%	2.5%	2.6%
Inflation (Retail Prices Index)	3.5%	3.1%	3.2%	3.1%	3.5%	3.4%	3.5%	3.5%
Life expectancy in years at 65, currently aged 65 (male)	21.8		21.8	21.9			21.8	21.9
Life expectancy in years at 65, currently aged 45 (male)	22.9		22.9	23.1			22.9	23.1
Life expectancy in years at 65, currently aged 65 (female)	23.7		23.7	23.8			23.7	23.8
Life expectancy in years at 65, currently aged 45 (female)	25.0		25.0	25.0			25.0	25.0
Life expectancy in years at 60, currently aged 60 (male)		26.6			28.0	28.3		

	Dounreay Site Restoration Limited		LLW Repository Limited		Magnox Limited		Sellafield Limited	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
Life expectancy in years at 60, currently aged 40 (male)		28.1			29.0	29.4		
Life expectancy in years at 60, currently aged 60 (female)		28.6			30.0	30.3		
Life expectancy in years at 60, currently aged 40 (female)		30.2			31.1	31.4		

Major actuarial assumptions for NDA and UKRI

	Nuclear Decommissioning Authority		UK Research and Innovation	
	2018-19	2017-18	2018-19	2017-18
Discount rate	2.5%	2.6%	2.4%	2.6%
Inflation (Retail Prices Index)	3.5%	3.5%	3.6%	3.4%
Life expectancy in years at 65, currently aged 65 (male)	21.8	21.9	23.0	23.0
Life expectancy in years at 65, currently aged 45 (male)	22.9	23.1	24.9	24.9
Life expectancy in years at 65, currently aged 65 (female)	23.7	23.8	24.6	24.6
Life expectancy in years at 65, currently aged 45 (female)	25.0	25.0	26.5	26.5

Sensitivity analysis

	Dounreay Site Restoration Limited	LLW Repository Limited	Magnox Limited	Sellafield Limited	Nuclear Decommissioning Authority	UK Research and Innovation
	£m	£m	£m	£m	£m	£m
0.1 percentage point decrease in annual discount rate	-	-	63	-	-	-
0.1 percentage point increase in inflation assumption	-	-	61	-	-	-
0.5 percentage point decrease in annual discount rate	17	4	-	347	16	176
0.5 percentage point increase in inflation assumption	17	4	-	347	16	128
1 year increase in life expectancy	6	1	148	102	6	48

The table shows the increase in liability that would result from changes in these actuarial assumptions.

22 Capital and other commitments

Total minimum payments in respect of capital, lease and other commitments

		31 March 2019		31 March 2018 restated	
	Note	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
		£m	£m	£m	£m
Contracted capital commitments	22.1	22	1,929	5	1,912
Minimum future payments under:					
Operating leases	22.2	326	462	213	333
Finance leases		-	28	-	30
PFI contracts and service concession arrangements		-	-	2	2
Other financial commitments	22.3	3,012	3,427	2,928	3,370
Total		**3,360**	**5,846**	**3,148**	**5,647**

22.1 Capital commitments

	31 March 2019		31 March 2018	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Contracted capital commitments not otherwise included in these financial statements:				
Property, plant and equipment	17	271	3	315
Intangible assets	5	20	2	28
Loans, Investments	-	1,638	-	1,569
Total	**22**	**1,929**	**5**	**1,912**

Core Department

The core Department has not entered into any significant capital commitments.

NDPBs and other designated bodies

Capital commitments as at 31 March 2019 include the following significant items:

- Property, plant and equipment commitments for United Kingdom Research and Innovation (UKRI) of £231 million (31 March 2018: £181 million) at the UKRI Institute sites due in one to three years.
- Investment commitments of £1,203 million (31 March 2018: £1,139 million) for the British Business Bank plc (BBB) relating to undrawn investment commitments, £176 million (31 March 2018: £234 million) for Northern Powerhouse Investment Limited relating to capital calls to be utilised over the next eight years, £176 million (31 March 2018: £118 million) for Midlands Engine Investments Limited relating to capital calls to be utilised over the next nine years and £83 million (31 March 2018: £79 million) for the BIS (Postal Services Act 2011) Company Limited, which has capital calls relating to investments in respect of its private equity and property funds financial instruments.

22.2 Commitments under leases

22.2.1 Operating leases: Department as a lessee

Total future minimum lease payments under operating leases are given in the table below for each of the following periods:

	31 March 2019		31 March 2018	
	Core Department and Agencies £m	Departmental Group £m	Core Department and Agencies £m	Departmental Group £m
Obligations under operating leases comprise:				
Land:				
Not later than one year	-	1	-	1
Later than one year and not later than five years	-	2	-	2
Later than five years	-	20	-	20
	-	**23**	**-**	**23**
Buildings:				
Not later than one year	57	73	59	75
Later than one year and not later than five years	139	176	124	157
Later than five years	122	172	22	67
	318	**421**	**205**	**299**
Other:				
Not later than one year	5	9	5	7
Later than one year and not later than five years	3	9	3	4
	8	18	8	11
Total	**326**	**462**	**213**	**333**

The commitment for Buildings for the core Department has increased to £295 million at 31 March 2019 (31 March 2018: £188 million) due to extension of the lease on the property at 1 Victoria Street, London; this commitment is £187 million at 31 March 2019 (31 March 2018: £45 million). Further information about finance leases and sub-lease arrangements of the Agencies, NDPBs and other designated bodies can be found in the accounts of the relevant bodies.

22.2.2 Operating leases: Department as a lessor

Total future minimum lease receivables under operating leases are given in the table below:

	31 March 2019		31 March 2018	
	Core Department and Agencies £m	Departmental Group £m	Core Department and Agencies £m	Departmental Group £m
Receivables under operating leases for the following periods comprise:				
Not later than one year	-	10	-	9
Later than one year and not later than five years	1	25	1	22
Later than five years	3	40	3	42
Total	**4**	**75**	**4**	**73**

22.3 Other financial commitments

The Departmental Group has entered into non-cancellable contracts (which are not leases, PFI contracts or other service concession arrangements) for subscriptions to international bodies and various other expenditures. Future payments to which the Departmental Group is committed are as follows:

	31 March 2019		31 March 2018 restated	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Not later than one year	484	698	553	764
Later than one year and not later than five years	982	1,182	1,224	1,440
Later than five years	1,546	1,547	1,151	1,166
Total	**3,012**	**3,427**	**2,928**	**3,370**

22.3.1 International subscriptions

The financial commitments payable include subscriptions payable to international bodies, analysed by the period in which the payments are due:

Organisation	Note	Within one Year £m	Later than 1 year and not later than 5 years £m	Later than 5 Years £m	Total 31 March 2019 £m	Total 31 March 2018 £m
International Atomic Energy Agency	a	17	68	85	**170**	**139**
European Space Agency	b	267	415	-	**682**	**926**
Other subscriptions		8	30	35	**73**	**62**
Core Department and Agencies total		**292**	**513**	**120**	**925**	**1,127**
European Organisation for Nuclear Research (CERN)	c	149	83	-	**232**	**235**
Institut Laue Langevin (ILL)	d	19	78	-	**97**	**113**
Other subscriptions		44	39	1	**84**	**91**
Departmental Group total		**504**	**713**	**121**	**1,338**	**1,566**

Notes:

The Departmental Group is required to subscribe to a number of bodies on an on-going and continuous basis. These subscriptions are paid in Euros, Swiss Francs and pounds sterling. The subscriptions described below are paid in Euros or Swiss Francs and amounts paid are subject to fluctuations due to exchange rate differences.

a) The core Department is responsible for paying in the UK's annual subscriptions to the International Atomic Energy Agency (IAEA). The IAEA is the UN-affiliated organisation responsible for ensuring the safe, secure and peaceful use of civil nuclear technologies, through monitoring nuclear safeguards, setting international standards and guidance for nuclear safety and security promoting nuclear applications for development.

b) The UK Space Agency pays international subscriptions to the European Space Agency (ESA) three times a year and these amounts are agreed several years in advance. The payments reported reflect existing commitments on forward exchange contracts placed with the Bank of England to cover periods until 1 October 2021. The annual subscriptions are to be set at a minimum of €300 million and will be aligned with the agreed ESA programmes activity. It is expected that these amounts will be paid by means of forward exchange contracts or amounts translated on the date of payment.

c) United Kingdom Research and Innovation (UKRI) shares the funding of the capital and running costs of CERN with other major scientific nations. There is a notice of withdrawal period of 12 months after the end of the current calendar year. The commitment is due to end in 2020.

d) The UK, through UKRI, has signed up to International Conventions, with respect to Institut Laue-Langevin (ILL). The 5th protocol of the Intergovernmental Convention was signed in July 2013 and will remain in force until 31 December 2023. Thereafter it shall be tacitly extended from year to year unless any of the Governments gives written notification to the other Governments of its intention to withdraw from the Convention. Any such withdrawal will take effect upon the expiry of two years from the date of receipt of the notification by any of the other Governments or on such later date as may be specified in the notification.

22.3.2 Other commitments

The financial commitments payable in future years include payments due under non-cancellable contracts to the following organisations:

Organisation	Note	Within one year £m	Later than one year and not later than five years £m	Later than five years £m	Total 31 March 2019 £m	Total 31 March 2018 restated £m
Met Office	a	91	407	1,395	**1,893**	**1,546**
Other commitments		101	62	31	**194**	**161**
Core Department and Agencies total		**192**	**469**	**1,426**	**2,087**	**1,707**
Other commitments		2	-	-	**2**	**3**
Departmental Group total		**194**	**469**	**1,426**	**2,089**	**1,710**

Commitments for the core Department as at 31 March 2018 have been restated to remove contracts with Ordnance Survey which transferred to the Cabinet Office in 2018-19. The nature of the most significant contract is described below:

a) The core Department has agreements with the Met Office (a trading fund owned by the department) to provide meteorological services including the Public Weather Service agreement which the department manages on behalf of the government and for which the forward commitment is separately itemised above; this agreement is of indefinite duration but reviewed on an annual basis.

23 Financial instruments

The carrying amounts of financial instruments in each of the IFRS 9 categories are as follows:

	Note	31 March 2019 Core Department and Agencies £m	31 March 2019 Departmental Group £m	31 March 2018 Core Department and Agencies £m	31 March 2018 Departmental Group £m
Financial assets					
Financial assets at amortised cost:					
Cash and cash equivalents	17	1,283	2,088	1,246	2,034
Receivables(i)	14	1,146	2,023	1,374	2,001
Loans to public sector bodies(ii) & (iii)	10.3, 16	1,285	893	1,238	943
Other financial assets and private sector loans		2	840	2	606
Held to maturity assets	11.2	-	-	-	7
Total financial assets at amortised cost		**3,716**	**5,844**	**3,860**	**5,591**
Available for sale financial assets:					
Repayable launch investments	11.1	-	-	1,047	1,047
Ordinary shares in public sector companies(iv)	10.1	-	-	880	1,337
Other financial assets	11.2	-	-	121	2,676
Total available for sale financial assets		**-**	**-**	**2,048**	**5,060**
Financial assets elected at fair value through other comprehensive income (FVOCI):					
Ordinary shares in public sector companies(iv)	10.1	915	1,404	-	-
Other financial assets	11.2	46	60	-	-
Total financial assets elected at FVOCI		**961**	**1,464**	**-**	**-**
Financial assets mandatory at fair value through profit or loss (FVTPL):					
Repayable launch investments	11.1	1,058	1,058	-	-
Derivatives - Forward contracts		24	24	78	86
Other financial assets	11.2	90	2,140	-	1
Total financial assets mandatory at FVTPL		**1,172**	**3,222**	**78**	**87**
Public dividend capital:					
Public dividend capital	10.2	81	81	81	81
Total public dividend capital		**81**	**81**	**81**	**81**
Financial liabilities					
Financial liabilities as amortised cost:					
Payables(i)	18	(1,924)	(2,623)	(1,335)	(2,175)
Total financial liabilities as amortised cost		**(1,924)**	**(2,623)**	**(1,335)**	**(2,175)**
Financial liabilities mandatory at fair value through profit or loss (FVTPL):					
Derivatives - Forward contracts		(3)	(15)	-	-
Derivatives - Contracts for difference (CfD)	9	-	(12,921)	-	(15,892)

	Note	31 March 2019 Core Department and Agencies £m	31 March 2019 Departmental Group £m	31 March 2018 Core Department and Agencies £m	31 March 2018 Departmental Group £m
Total financial liabilities mandatory at FVTPL		**(3)**	**(12,936)**	**-**	**(15,892)**
Financial liabilities designated at fair value through profit or loss (FVTPL):					
Loan commitment liabilities	20	-	(176)	-	-
Total financial liabilities designated at FVTPL		**-**	**(176)**	**-**	**-**
Financial guarantee liabilities:					
Financial guarantee liabilities	20	(54)	(54)	(61)	(61)
Total financial guarantee liabilities		**(54)**	**(54)**	**(61)**	**(61)**

i. The amounts disclosed above as payables and receivables exclude any assets or liabilities which do not arise from a contractual arrangement.

ii. Loans to public sector bodies comprises the loans detailed in Note 16 and Other loans and investments in Other public sector bodies detailed in 10.3.

iii. Loans to public sector bodies in the core Department for 2018-19 excludes £169 million (2017-18: £63 million) related to the loan investments in the UK Climate Investments LLP, Cornwall and Isles of Scilly Investments Limited, Northern Powerhouse Investment Fund and Midlands Engine Investment Fund, as these are accounted for at cost under IAS 27.

iv. Ordinary shares in public sector companies excludes bodies that are consolidated in the Departmental Group, as these are held at cost, see Note 10.1.

Financial risk management

IFRS 7 'Financial Instruments: Disclosure' requires the disclosure of information which will allow users of financial statements to evaluate the significance of financial instruments on the Departmental Group's financial performance and position and the nature and extent of its exposure to risks arising from these instruments.

As the cash requirements of the Departmental Group are largely met through the Estimates process, financial instruments play a more limited role in creating risk than would apply to a private sector body of a similar size.

The Departmental Group is however exposed to credit, market, interest rate, liquidity and commodity price risks due to the specific programmes and activities undertaken in pursuance of the Departmental Group's objectives.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Significant credit risks can be summarised as follows:

Core Department

- Investment Funds – Investee companies may not perform as expected and the core Department may not recover its initial investment. The core Department minimises the risk by monitoring the overall performance of the Funds and to secure value for the department as an investor. This includes a full evaluation of each business case submitted prior to committing funds.
- Financial guarantees – the core Department is exposed to credit risk from potential default by recipients of loans guaranteed by the core Department. The risk is minimised for the most significant guarantee scheme, the Enterprise Financial Guarantee (EFG) scheme, by devolving

responsibility to the lending institutions to determine that prospective borrowers are commercially viable. Lenders are required to apply normal commercial practice. The department undertakes an independent audit of lenders participating in the EFG scheme by sampling and checking guarantees granted and defaults arising using recognised statistical sampling and auditing techniques and by auditing individual default claims by exception. Losses are shared between the department and lending institution. The EFG is subject to a cap which limits the Department's exposure. As at 31 March 2019 the core Department has £588 million of guarantees outstanding (31 March 2018: £630 million) which will expire over the next 10 years as the underlying debt matures. Due to the cap on payouts, the maximum amount that could be paid out if all loans defaulted is £260 million (31 March 2018: £239 million). However, not all loans are expected to default and the liability is estimated at £54 million (31 March 2018: £61 million). Future fees receivable for the guarantees are estimated at £24 million after allowing for bad debts (31 March 2018: £27 million). Both the liability for expected pay outs and asset for future fees are recognised on the Statement of Financial Position.

NDPBs and other designated bodies

The British Business Bank (BBB) investments are assessed by BBB's Valuation Committee. BBB produces credit risk ratings for its investments based upon a risk grading of the financial obligor and the estimated Loss Given Default on that investment. Risk drivers which are assessed in setting the ratings include the financial viability and lending safety of the investment and, if available, the rating assigned by an external credit agency. This is mitigated by new product approval processes that assess default and loss rates, due diligence of delivery partners underwriting methods, and portfolio monitoring and default models being put in place.

Credit risk rating and loss allowance

The Departmental Group has the following financial assets subject to the expected credit loss model:

- Trade receivables, contract assets, and lease receivables
- Loans, bonds, and term deposits
- Cash and cash equivalents

Trade receivable, contract assets and lease receivables

The core Department applies the IFRS 9 simplified approach using an allowance matrix to measure the lifetime expected loss allowance for trade receivables in accordance with the FReM guidance.

Trade receivables are grouped based upon credit risk characteristics and the number of past-due days. Default is defined as 90 days past due. The loss rates are estimated using the historic data for each aging group. Forward-looking information such as macroeconomic factors and entity specific situations are considered for entities with significant outstanding balances. Balances with other core central government departments are excluded from recognising stage-1 and stage-2 impairments following the FReM adaptions.

On this basis, the loss allowance as at 31 March 2019 determined as follows for trade receivables in the core Department:

31 March 2019 Core Department	Current	1-30 days	31-60 days	61-90 days	91+ days	Total
Expected Loss rate	11%	7%	2%	52%	100%	
Gross carrying amount- trade receivables (excluding other government debt) (£m)	5	1	1	0	5	12
Loss allowance (£m)	1	0	0	0	5	6

The loss allowance for trade receivable balances held by ALBs has been assessed at an organisation level and the total loss allowance estimated is immaterial for detailed disclosure on loss rates.

The movement in the allowance for provisions in respect of trade receivables during the year was disclosed below with the comparative amounts for 2017-18 reflecting the allowance for impairment losses under IAS 39.

	Core Department and Agencies	31 March 2019 Departmental Group
	£m	£m
Balance at 1 April	**-**	**-**
IFRS 9 Adjustment to opening balances	14	15
Revised balance at 1 April	**14**	**15**
Net remeasurement	1	7
Write-off	-	-
Balance at 31 March	**15**	**22**

The Group has assessed the contract assets and lease receivables, and the ECL was estimated to be nil.

Loans, bonds and term deposits

Where possible, the Departmental Group monitors changes in credit risk by tracking published external credit ratings. For all assets other than those held by British Business Bank, an internal credit rating system, which was developed based on other established methodologies, was used to assign credit risks for loans that do not have external credit rating. The 12-month and lifetime probabilities of default are based upon Moody's published research on the global default rate adjusted for historical repayment data and any macro-economic pressures which could impact the entity's ability to repay the loan.

The British Business Bank (BBB) investments are assessed by BBB's Valuation Committee. BBB produces credit risk ratings for its investments based upon a risk grading of the financial obligor and the estimated Loss Given Default on that investment. Further details can be found in BBB's annual report and accounts.

The following table presents an analysis of credit quality of loans, bonds and term deposits. It indicates whether assets were subject to a 12-month ECL or lifetime ECL allowance, and whether they were credit-impaired.

	31 March 2019				31 March 2018			
	Amortised cost							
	12 month ECL	Lifetime ECL- not impaired	Lifetime ECL- impaired	Total	Loans and receivables	Available for sale	Held to maturity	Total
Credit rating	£m	£m	£m	£m	£m	£m	£m	£m
Low risk financial assets	1,267	-	-	1,267	1,143	40	7	1,190
Medium risk financial assets	310	25	2	337	145	78	-	223
High risk financial assets	115	19	-	134	286	-	-	286
Default financial assets	-	-	78	78	17	-	-	17
Total gross carrying amounts	**1,692**	**44**	**80**	**1,816**	**1,591**	**118**	**7**	**1,716**
Loss allowance	(11)	(15)	(57)	(83)	(42)	-	-	(42)
Carrying amount	**1,681**	**29**	**23**	**1,733**	**1,549**	**118**	**7**	**1,674**

The Departmental Group does not hold any loans, bonds and term deposits measured at FVOCI.

The movement in the allowance for impaired loans, bonds and term deposits at amortised cost during the year was as follows.

				31 March 2019
	12m ECL	Lifetime ECL not impaired	Lifetime ECL credit impaired	Total
	£m	£m	£m	£m
Balance at 1 April	-	-	-	-
IFRS 9 Adjustment to opening balances	11	11	45	**67**
Revised balance at 1 April	**11**	**11**	**45**	**67**
Additions	5	8	3	**16**
Net remeasurement	(3)	(2)	(1)	**(6)**
Repayment	(1)	(2)	(2)	**(5)**
Transfer to credit loss not impaired	-	-	12	**12**
Transfer to credit loss impaired	(1)	-	-	**(1)**
Balance at 31 March	**11**	**15**	**57**	**83**

Cash and cash equivalents

The Group held cash and cash equivalents of £2,088 million as at 31 March 2019 (31 March 2018: £2,034 million). The cash and cash equivalents are held with banks and financial institutions which are rated AA- to AA+ based on S&P ratings.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Departmental Group considers that cash and cash equivalents have a low credit risk based on the external credit ratings of the holding parties.

Financial guarantee contracts and loan commitments

BBB's ECF loan commitments were designated to be measured at FVTPL and the credit risk is, therefore, reflected in their fair value.

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Collateral

The Departmental Group holds collateral over loans held at amortised cost. The collateral held is in the form of cash and buildings. The value of the assets held which are secured by collateral is £575 million (31 March 2018: £654m). The value of the collateral held is higher than the value of the assets secured by the collateral. The collateral was considered in estimating ECL.

Market risk

Market risk is the risk that fair values and future cash flows will fluctuate due to changes in market prices. Market risk generally comprises of:

a) Foreign Currency risk.

Core Department

The core Department is exposed to a small amount of currency risk with respect to Repayable Launch Investment contracts where income due from aircraft or engine sales may initially be based in US Dollars, but it is minimal in the context of the overall Repayable Launch Investment portfolio. Otherwise the core Department's exposure to foreign currency risk during the year was insignificant. Foreign currency income was negligible, and foreign currency expenditure was a small percentage of total expenditure (less than 1%).

All material assets and liabilities are denominated in pounds sterling.

Agencies

- Forward contracts - The UKSA pays an annual subscription in Euros to the European Space Agency (ESA) and has entered into forward contracts to mitigate the risk. These derivative contracts have been designated as cash flow hedges.

NDPBs and other designated bodies

- Forward contracts - UKRI are subject to foreign currency risks and have entered into forward contracts to help mitigate these risks. These derivative contracts have been designated as cash flow hedges by UKRI and at the reporting date the hedges met the IFRS 9 effectiveness criteria.
- Cash and cash equivalents held in foreign currency - BIS (Postal Services Act 2011) Company Limited, UKRI and Nesta Trust are subject to minor foreign currency risk through the maintenance of bank accounts in foreign currencies (predominantly USD and EUR) to deal with day-to-day overseas transactions.

b) Interest Rate risk

Core Department

The core Department does not invest or access funds from commercial sources, but it is exposed to interest rate risk with respect to the SFLGS and the EFG. For SFLGS and EFG, the core Department is exposed to interest rate risk, as the majority of the loan guarantees are provided against variable rate loans. The banks' usual lending practices mean that fixed rate loans are usually available only for small value short term loans. To minimise the risk of default due to interest rate rises, accompanied by a decline in the economic environment, the core Department relies on the lenders assessment using best commercial practice to manage the risk of default.

NDPBs and other designated bodies

For BIS (Postal Services Act 2011) Company Limited interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and future cash flows. The Company holds fixed interest securities that are exposed to fair value interest rate risk. The principal strategy is to manage the fair value risk by holding the debt securities until maturity unless opportunities exist in the market for it to profit, for example, from any favourable interest rate movements. Interest rate risk is not expected to have a significant impact.

BBB holds both fixed and variable rate investments. Interest rate risk is regularly monitored by each organisation to ensure that the mix of fixed and variable borrowing is appropriate. BBB does not use derivatives to hedge interest rate risk.

The impact of interest rates affects the discount rate used to arrive at the fair value of the CfD liability held by LCCC. Changes in interest rates which affect the discount rate would therefore affect the Statement of Financial Position valuation. However, the Group is not financially exposed to this risk because the liability is funded through a levy on suppliers.

c) Other Market risk

Core Department

The core Department is exposed to wider risks relating to the performance of the economy as a whole. The main risks resulting from a downward movement in the economy include failures of investee companies of investment funds, loan defaults under the core Department's EFG Scheme and negative impacts on the core Department's repayable launch investment income and valuations from the potential resultant decrease in demand in the aerospace industry.

NDPBs and other designated bodies

UK Green Infrastructure Platform (UKGIP) is exposed to market risk through the concentration of investments in the clean energy sector. UKGIP is also exposed to equity price risk due to its investments in businesses developing construction assets across its priority sectors. The company intends to withdraw from the investments when these assets are operational in order to recycle their capital. The risk is minimised by spreading investments across all of its priority sectors.

The Nesta Trust is exposed to equity price risk due to its investment of a portion of its endowment assets in publicly listed equity investments. Nesta Trust minimises this risk by investing for the medium to long term, diversifying its equity investments over a number of managers with complementary styles, and invests in investment funds with large institutional investors. The performance of these investment managers is monitored regularly.

Inflation risk

The CfD valuation is based on models which use assumptions about future prices. The amounts payable under the CfD contracts will be affected by the indexation of strike prices to reflect actual inflation and an inflation risk arises from the possibility of differences between the assumed inflation in the model and in the actual contracts. Inflation rates may not continue at the relatively low levels experienced in recent years; the Group is not financially exposed to this risk because the liability is funded through a levy on suppliers.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The core Department and its Agencies

In common with other Government departments, the future financing of its liabilities is to be met by future grants of Supply, voted annually by Parliament. There is no reason to believe that future approvals will not be forthcoming, therefore, on this basis the liquidity risk to the core Department and its Agencies is minimal.

NDPBs and other designated bodies

Information about the Departmental Group's objectives, policies and processes for managing and measuring risk can be found in the Governance Statement.

Commodity price risk

Commodity price risk is the risk or uncertainty arising from possible price movements. The amounts payable under the CfD contracts are exposed to price risk through the fluctuations in future actual wholesale electricity prices, specifically, on how they will differ from the current forecast of future prices in the central scenario. However the LCCC and the department are not financially exposed to this risk because the liability is funded through a levy on suppliers.

Financial instruments: fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 - uses quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - uses inputs for the assets or liabilities other quoted prices, that are observable either directly or indirectly;
- Level 3 - uses inputs for the assets or liabilities that are not based on observable market data, such as internal models or other valuation method.

The following table presents the Departmental Group's financial assets and liabilities that are measured at fair value at 31 March 2019 and 31 March 2018:

	Note	31 March 2019 Level 1 £m	31 March 2019 Level 2 £m	31 March 2019 Level 3 £m	31 March 2019 Total £m	31 March 2018 Level 1 £m	31 March 2018 Level 2 £m	31 March 2018 Level 3 £m	31 March 2018 Total £m
Financial assets									
Available for sale									
Ordinary shares in public sector bodies	10.1	-	-	-	-	-	1,337	-	**1,337**
Ordinary shares in listed equities	11.2	-	-	-	-	269	-	-	**269**
Ordinary shares in unlisted private equities	11.2	-	-	-	-	-	9	308	**317**
Repayable launch investments	11.1	-	-	-	-	-	-	1,047	**1,047**
Gilts and bonds	11.2	-	-	-	-	59	-	-	**59**
Property related holdings	11.2	-	-	-	-	-	-	42	**42**
Investment funds	11.2	-	-	-	-	-	-	1,321	**1,321**
Other investments	11.2	-	-	-	-	8	456	204	**668**
Total available for sale financial assets		**-**	**-**	**-**	**-**	**336**	**1,802**	**2,922**	**5,060**
FVOCI elected									
Ordinary shares in public sector bodies	10.1	-	1,404	-	**1,404**	-	-	-	-
Private sector shares	11.2	8	47	21	**76**	-	-	-	-
Total financial assets at FVOCI elected		**8**	**1,451**	**21**	**1,480**	**-**	**-**	**-**	**-**
FVTPL mandatory									
Repayable launch investments	11.1	-	-	1,058	**1,058**	-	-	-	-
Investment funds	11.2	187	-	1,781	**1,968**	-	-	-	-
Bonds	11.2	1	-	-	**1**	-	-	-	-
Private sector shares	11.2	88	-	-	**88**	-	-	-	**-**
Other investments	11.2	-	-	68	**68**	-	-	-	**-**
Derivatives - Forward contracts		-	24	-	**24**	-	109	-	**109**
Total financial assets at FVTPL mandatory		**276**	**24**	**2,907**	**3,207**	**-**	**109**	**-**	**109**
Total financial assets measured at fair value		**284**	**1,475**	**2,928**	**4,687**	**336**	**1,911**	**2,922**	**5,169**
Financial Liabilities									
FVTPL mandatory									
Loan commitment liabilities	20	-	-	(176)	**(176)**	-	-	-	-
Total liabilities at FVTPL mandatory		**-**	**-**	**(176)**	**(176)**	**-**	**-**	**-**	**-**
FVTPL designated									
Derivatives - Forward contracts		-	(15)	-	**(15)**	-	(15)	-	**(15)**
Derivatives - CfD	9	-	-	(12,921)	**(12,921)**	-	-	(15,892)	**(15,892)**
Total financial liabilities at FVTPL designated		**-**	**(15)**	**(12,921)**	**(12,936)**	**-**	**(15)**	**(15,892)**	**(15,907)**
Total financial liabilities measured at fair value		**-**	**(15)**	**(13,097)**	**(13,112)**	**-**	**(15)**	**(15,892)**	**(15,907)**

Transfers between levels of the fair value hierarchy are deemed to occur at the end of the reporting period. There were no transfers between level 1 and 2 during the year.

Specific valuation techniques used to value financial instruments include:

- The fair value of the CfDs has been calculated using the income approach based on level 3 inputs, which reflects the present value of future cash flows that are expected to occur over the contract term of the CfD.
- For details regarding the fair value measurement of RLI's, refer to note 11.1.
- The fair value of forward foreign exchange contracts is determined using forward exchange rate at the reporting date based on Level 2 inputs, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis or for non-quoted ordinary shares and investment funds that are not actively traded, the net assets of the company/ underlying fund are used. These are classified as level 3.
- The fair value of Public Sector shares are based upon net assets and classified as level 2.

The following table presents the changes in level 3 instrument for the year ended 31 March 2019, excluding the CfDs which are disclosed in note 9.

	Ordinary shares in unlisted private equities £m	Repayable launch investments £m	Property related holdings, Investment funds and Other financial assets £m	Loan Commitment Liabilities £m	Total £m
Balance at 1 April	**308**	**1,047**	**1,567**	**-**	**2,922**
IFRS 9 transfers into level 3	10	-	1	-	**11**
IFRS 9 transfer between different investment categories	(298)	-	298	-	**-**
IFRS 9 transfers in/ (out) of fair value	-	-	(66)	(184)	**(250)**
Balance at 1 April	**20**	**1,047**	**1,800**	**(184)**	**2,683**
Additions	18	-	509	(38)	**565**
Repayments/disposals	-	(230)	(436)	46	**(620)**
Gains and losses recognised in CSoCNE	(17)	241	(24)	-	**200**
Balance at 31 March	**21**	**1,058**	**1,849**	**(176)**	**2,752**

The following table presents the changes in level 3 instrument for the year ended 31 March 2018, excluding CfDs which are disclosed in note 9.

	Ordinary shares in unlisted private equities £m	Repayable launch investments £m	Property related holdings, Investment funds and Other financial assets £m	Total £m
Balance at 1 April	**429**	**1,205**	**1,327**	**2,961**
Additions	7	-	650	**657**
Repayments/disposals	(94)	(103)	(409)	**(606)**
Gains and losses recognised in SoCNE	(34)	(55)	(1)	**(90)**
Balance at 31 March	**308**	**1,047**	**1,567**	**2,922**

The most significant individual valuation using level 3 inputs in the Departmental Group excluding CfDs is Repayable Launch Investments; sensitivity analysis is detailed in note 11.1.

The sensitivity analysis for the significant valuations using level 3 inputs for property related holdings and investment funds are detailed in the financial statements of British Business Bank Plc and BIS (Postal Services Act 2011) Company Limited.

Maturity profiles – discounted cashflows

The maturity profile of the discounted cashflows for the CfDs excluding Hickley Point C is shown below:

	< 1 year	2-5 years	>5 years	Total
	£m	£m	£m	£m
As at 31 March 2018	581	4,596	10,715	15,892
As at 31 March 2019	871	4,441	7,609	12,921

24 Contingent Liabilities

The core Department has the following contingent liabilities:

Basis of Recognition	Description
Unquantifiable	
Core Department – Financial Reporting Council funding	A guarantee has been given to the Financial Reporting Council that, if the Council's general voluntary funding from external sources falls sufficiently for the department to have to consider making legislation to activate the statutory levy under section 17 of the Companies (Audit, Investigations and Community Enterprise) Act 2004, the department will make such a grant to cover the Council's costs as is sufficient to meet the preconditions in those levy raising powers provided the requisite funding has not been made available through another grant.
Core Department - Coal Industry Act 1994	Responsibility for compensation claims relating to personal injuries suffered by former British Coal mineworkers between 1947 and 31 December 1994 transferred to the department on 1 January 1998 by a restructuring scheme under the Coal Industry Act 1994. It is possible this liability could exceed the amount for which provision has been made in note 19 depending on court judgements relating to future claims.
Core Department - Deeds relating to the Mineworkers' Pension Scheme and British Coal Staff Superannuation Scheme under Paragraph 2(9) of Schedule 5 to the Coal Industry Act 1994	Government guarantees were put in place on 31 October 1994, the day the schemes were changed to reflect the impact of privatisation of the coal industry. They are legally binding contracts between the scheme Trustees and the Secretary of State for Business, Energy and Industrial Strategy. The guarantees ensure that benefits earned by scheme members during their employment with British Coal, and any benefit improvements from surpluses which were awarded prior to 31 October 1994, will always be paid and will be increased each year in line with the Retail Prices Index. If, at any periodic valuation, the assets of the Guaranteed Fund of either scheme were to be insufficient to meet its liabilities, the assets must be increased to bring the Fund back into balance. This is a long-term contingent liability dependent on the performance of the schemes' investments and their mortality experience. Further details regarding the schemes can be found in note 14.
Core Department - Indemnity to Public Appointment Assessors	The Cabinet Secretary has provided a government-wide indemnity to Public Appointments Assessors (PAAs) against personal civil liabilities incurred in the execution of their PAA functions.
Core Department - Nuclear agreements and treaties	The department has a range of civil nuclear liabilities arising through its association with the United Kingdom Atomic Energy Authority and British Nuclear Fuels Limited as well as ensuring that the Government complies with its obligations under the various international nuclear agreements and treaties.

Basis of Recognition	Description
Core Department - Site restoration liabilities inherited from British Coal	The department inherited responsibility from British Coal to reimburse certain third parties for costs incurred meeting statutory environmental standards in the restoration of particular coal-related sites.
Core Department – National Dock Labour Board	Responsibility for compensation claims relating to personal injuries suffered by former National Dock Labour Board employees transferred to the department on 30 June 1990 under the Dock Work Act 1989 The timing and amounts of any future liabilities will depend on the nature of future claims and whether the courts decide that compensation is due and could exceed the amount for which provision has been made in note 19.
Core Department – Supplier indemnity	An indemnity has been provided to a supplier in respect of potential liabilities arising from claims under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE).
Quantifiable	
Core Department – Loan guarantees (£45 million)	In order to encourage lending to smaller businesses, the department has guaranteed a portion of net losses on designated loan portfolios of participating banks (in excess of an agreed 'first loss' threshold) in return for a fee under the ENABLE Guarantee programme administered by the British Business Bank. The department has approved guarantee facilities totalling £1 billion, of which £283 million is effective as at 31 March 2019 (31 March 2018: £nil) with a potential loss to the department of £45 million (31 March 2018: £nil).
Core Department – Guarantees to British Business Bank (£206 million)	The department guarantees British Business Bank under the Enterprise Financial Guarantee and Help to Grow financial guarantee schemes. The Enterprise Financial Guarantee Scheme facilitates lending to viable businesses with the maximum obligation for the department capped at £205 million at 31 March 2019 (31 March 2018: £241 million). The amount lent under the Help to Grow scheme was £2.9 million at 31 March 2019 (31 March 2018: £1.8 million) with a maximum potential liability for the department at 31 March 2019 of £1 million.
Core Department - Ofgem administration costs from the buy-out fund (£3.6-£3.8 million)	The department, the Scottish Government and the Northern Ireland Executive have undertaken to support Ofgem's costs for administering the Renewables Obligation scheme (around £3.6 - £3.8 million) if there is insufficient money in both the buy-out fund and late payment fund to cover these costs. The size of the 2018-19 buy-out fund will not be known until October 2019. It is dependent in part on the availability and price of Renewable Obligation Certificates (ROCs) - if there is a surplus of ROCs, suppliers may be more inclined to meet their obligations by submitting ROCs but ultimately much depends on supplier behaviour which is difficult to predict. The department will have an indication of how many ROCs are available and whether there is likely to be a surplus after the end of the obligation year (31 March 2019) but will not know the size of the buy-out fund until October 2019.
Core Department - Wave Hub transfer (£5 million)	The department has indemnified Cornwall Council up to 2028 in respect of the transfer of Wave Hub to a maximum of £5 million.

The Departmental Group has the following contingent liabilities, which are either unquantifiable or quantifiable contingent liabilities of more than £1 million in either this financial year or prior financial year. Other liabilities are disclosed in our partner organisation accounts.

Basis of Recognition	Description
Unquantifiable	
Coal Authority - Environmental Legal Claims	Under the Environmental Information Regulations 2004 - The Coal Authority is aware of potential legal proceedings in respect of past fees paid for Mining Information. In the eventuality of receiving formal notification to commence legal proceedings, the Coal Authority will strongly defend its position.
Coal Authority - Legal claims	The Coal Authority is subject to various claims and legal actions in the ordinary course of its activities. Where appropriate, provisions are made in the accounts on the basis of information available and in accordance with guidance provided under the FReM and IFRS. The Coal Authority does not expect that the outcome of the above issues will materially affect its financial position.
Coal Authority - Restructuring Scheme	Where liabilities transferred under the various Coal Authority Restructuring Schemes (CARS) have crystallised due to planning conditions, agreements, claims etc, provision has been made in these financial statements. It has not, however, been possible to quantify contingent liabilities that may arise in the future. It is expected that any costs will be covered by future allocations of grant in aid.
Coal Authority - Subsidence damage and public safety liabilities	Licensees of mining operations are required to provide security to the Coal Authority to cover the anticipated future costs of settling subsidence damage liabilities within their areas of responsibility. Outside the areas of responsibility of the holders of licences under Part II of the 1994 Act, the Coal Authority is responsible for making good subsidence damage. Where an area of responsibility is extinguished this would transfer to the Coal Authority who would become responsible for the discharge of outstanding subsidence liabilities. The Coal Authority also has an ongoing liability to secure and keep secured the majority of abandoned coal mines. In all cases the liability for operating collieries is the responsibility of the licensees/lessees and security is held to address those liabilities. The above liabilities have been provided for within the Public Safety and Subsidence provision based on analysis of trends and claims experience. However it is possible that significant, unexpected events outside of this provision may materialise. It is expected that any deficit will be covered by future allocations of grant in aid.
CNPA - Legal Claims	There are a number of potential liabilities in respect of claims from employees, which depend on actual or potential proceedings. The timing and amounts of any payment are uncertain. These liabilities have not been provided for as the CNPA believes that the claims are unlikely to be successful and unlikely to lead to a transfer of economic benefits.
CNPA - MFSS	The CNPA has a liability arising through its association with the Multi Force Shared Service (MFSS) for a share of costs incurred. The timing and amount of this liability is uncertain
Insolvency Service - Cheques Act 1992	Following the enactment of the Cheques Act 1992, the Secretary of State for BEIS has indemnified the Insolvency Service's bankers against certain liabilities arising in respect of non-transferable "account payee" cheques due to insolvent estates and paid into the accounts of the agency. The Police Information Technology Organisation (Home Office) provides the Criminal Enforcement Team (formerly part of BEIS) with access to data from the Police National Computer (PNC). The Insolvency Service (and BEIS) has indemnified the police against any liabilities which they might incur as a result of providing that access.
Insolvency Service: Police Information Technology Organisation	The Police Information Technology Organisation (Home Office) provides the Criminal Enforcement Team (formerly part of BEIS) with access to data from the Police National Computer (PNC). The Insolvency Service (and BEIS) has indemnified the police against any liabilities which they might incur as a result of providing that access.

Basis of Recognition	Description
NDA – Pension Schemes	Whilst not the lead employer, the NDA is the lead organisation and has ultimate responsibility for certain nuclear industry pension schemes, including the Combined Nuclear Pension Plan, the Magnox section of the ESPS, and the GPS Pension Scheme. Provisions for known deficits are included within Nuclear Provisions. However, movements in financial markets may adversely impact the actuarial valuations of the schemes, resulting in an increase in scheme deficits and consequent increase in nuclear provision
UKRI - Indemnity to Roslin Institute	The former BBSRC sponsored Roslin institute transferred to the University of Edinburgh on 13 May 2008. BBSRC agreed to provide indemnity for any potential costs that arise as a result of past actions of the institute and indemnity for any fall in grant income of the Neuropathogenesis Unit as a result of the transfer. The proportion of settlement UKRI will fund declines on an annual basis and is limited to claims up to May 2023.
Others	There are a number of potential liabilities for the Department in respect of claims from suppliers, employees and third parties which depend on actual or potential proceedings. The timing and amounts of any liabilities are uncertain.
Quantifiable	
BBB – Financial guarantee (£2 million)	Under the Bank's Help to Grow financial guarantee programme, the Bank has entered in to financial guarantee agreements of £30 million (31 March 2018: £60 million). The Bank has guaranteed 75% of eligible lending to SMEs under these agreements and a counter guarantee is in place that guarantees 50% of the Bank's 75% of eligible lending. As at 31 March 2019 the amount lent under these financial guarantee agreements was £3.2 million (31 March 2018: £1.8 million). During the year ending 31 March 2019 one of the guarantee agreements totalling £30 million has expired with no amounts lent under it. Since the balance sheet date, the remaining agreement totalling £30 million has expired with no further amounts being able to be lent under it.
UKRI – (BBSRC) Contamination (£3 million)	As part of a Sale Agreement relating to a previous BBSRC site, BBSRC agreed to indemnify the purchaser against contamination resulting from dangerous substances. The indemnity was over a 10-year period commencing in 2013-14 and was capped at £3 million.
UKRI – (BBSRC) Exit costs (£31 million)	Prior to 31 March 2018, some staff at BBSRC strategically funded institutes were on BBSRC terms and conditions. Whilst their direct salary costs are paid by the institutes, BBSRC is liable for any exit costs for these staff. The date and number of staff to take exit packages in any one year is unknown; however, if all staff were to take exit packages, the maximum liability is estimated at £31M, with the amount declining on an annual basis up to March 2025.
UKRI – (Innovate UK) Decommissioning costs (£2.6 million)	UKRI has a contingent liability which may arise if UKRI has to provide a grant to Narec (Natural Renewable Energy Centre) in order for it to be able to decommission a weather monitoring platform in the North Sea. This is currently collecting data to support the development of an offshore wind test site. This may take place anytime between three and 25 years from now dependent on the development of the site, at an estimated cost of £2.6 million.
UKRI –(MRC) Dilapidation (£0.6 million)	UK Research and Innovation (UKRI) has identified a contingent liability of £0.6 million (31 March 2018 £1.8 million) for dilapidation works that may be required at the end of property leases which are due to expire within the next year.
UKRI – (STFC) Decommissioning costs (£1.7 million)	A contingent liability exists for European Synchrotron Radiation Facility (ESRF) decommissioning costs associated with the dismantling of the facility and infrastructures. Decommissioning occurs on winding up of ESRF. If exit by the UK (or any other Member) results in ESRF being wound up, the Members are required to arrange for decommissioning of ESRF's plant and buildings and to meet the costs of doing so in proportion to their share of capital at the time of dissolution. The contingent liability is estimated to be £1.7 million

Basis of Recognition	**Description**
UKRI – (STFC) Reprocessing and staff commitments (£13.6 million)	A contingent liability exists in respect of the Science and Technology Facilities Council (STFC)'s share of Institut Laue-Langevin (ILL) unfunded provisions for staff related costs (e.g. early retirement) and costs associated with reprocessing fuel elements. The contingent liability is estimated to be £13.6 million (31 March 2018: £13.7 million).
UKRI – Tax Status change (£30 million)	Prior to the creation of UKRI, the Research Councils paid levels of tax consistent with charitable status, although they were not registered as charities. HMRC have indicated that, due to changes in legislation, they may review whether the Research Councils should have been applying charitable tax reliefs after 1 April 2012 without registering as charities. UKRI has a contingent liability relating to the potential clawback of previously applied Value Added Tax relief of £30 million.
UKAEA – JET contract (€30 million)	United Kingdom Atomic Energy Authority has a contingent liability (capped at €30 million and approved by BEIS) in relation to the ongoing contract for JET operations with the European Commission. The contingent liability relates to the costs of operating JET during the period January 2020 to June 2021 in the event of key contract milestones not being met. The likelihood of the indemnity being called on is considered possible.

25 Contingent assets

The core Department has the following contingent assets:

Basis of Recognition	Description
Quantifiable	
Core Department - Deed Relating to the British Coal Staff Superannuation Scheme (BCSSS) under Paragraph 2(9) of Schedule 5 to the Coal Industry Act 1994 (£1.7 billion)	Within twelve months of 31 March 2033, the trustee of the BCSSS shall pay to 'the Guarantor' (the Secretary of State) any surplus remaining on the scheme net of any amount retained for the obligation. The value of the surplus will depend on the value of scheme assets in relation to outstanding obligations. Based on the Government Actuary's Department's estimate of a £1.7 billion surplus as at 31 March 2015, the department considers a receipt from the scheme to be probable.

The Departmental Group has the following contingent assets:

Basis of Recognition	Description
Unquantifiable	
Coal Authority - Restructuring Schemes	By virtue of the seventh and ninth Coal Authority Restructuring Schemes (CARS 7 and 9) the Coal Authority is the beneficiary of restrictive covenants and clawback provisions relating to land and properties sold by the British Coal Corporation. In the event that the purchasers are able to retrospectively secure added value by obtaining planning consent for alternative uses the Authority will receive a share of the added value. Quantification of this asset is not possible.
Coal Authority - Allen Court – Kirkcaldy	In excess of 25 damage notices have been submitted to the Coal Authority in respect of subsidence damage to properties at Allen Court, Kirkcaldy. £1.6 million of costs have been recognized as at 31 March 2019. The property development was undertaken following the provision of a permit by the Authority which incorporated indemnity clauses. The Coal Authority will continue to strongly pursue resolution and expects to recover its costs from the developer.

26 Related-party transactions

The core Department is the parent of the bodies listed in note 28 'List of bodies within the Departmental Group' – these bodies are regarded as related parties and various material transactions have taken place during the reporting period between members of the Departmental Group. The related parties of the consolidating bodies are disclosed in their respective accounts. The core Department is also the sponsor of Companies House, UK Intellectual Property Office (UKIPO), Met Office (Trading Funds), Ordnance Survey, NPL Management Limited, NNL Holdings Limited and British Nuclear Fuels.

The core Department has had various material transactions with other Government departments, Government bodies and devolved administrations comprising the Northern Ireland Executive, Scottish Government and Welsh Government. The most significant of these transactions have been HM Treasury, Post Office, HM Treasury's consolidated fund, United Kingdom Research and Innovation, Nuclear Decommissioning Authority, UK Space Agency, BBB plc, Nuclear Liabilities Fund and Department for International Trade.

No minister, board member, key manager of the group or other related party have undertaken any material transactions with the core Department during the year. Details of the department's minsters and senior mangers are shown in the Remuneration Report.

Professor Dame Ann Dowling, Non-Executive Director of BEIS Departmental Board until May 2018 is an unpaid President and Chairman of the Board of Trustees of the Royal Academy of Engineering. The Royal Academy of Engineering received £28 million in grants from the core Department during the year.

Professor Dame Ann Dowling and her husband are employees of the University of Cambridge. The University of Cambridge received payments of £377 million from UK Research and Innovation (UKRI) during the year.

In the course of allocating funding during the year, UKRI entered into material transactions with various Higher Education Institutions. Where these bodies have board members who are also members of university councils, each body operates a policy that precludes interested parties from voting on the funding to the university in which they have an interest. Further details of these transactions can be found in statutory accounts of UKRI.

27 Restatement of Statement of Financial Position and Statement of Comprehensive Net Expenditure as a result of changes to the Departmental boundary and other restatements

Machinery of Government (MoG) restatements

On 1 April 2018, the core Department and Departmental Group had three MoGs and these are listed below;

Digital signatures

Responsibility for Digital Signatures including the trust service elements of the eIDAS Regulation No 91012014, transferred from the core Department to the Department for Digital, Culture, Media and Sport (DCMS). BEIS and DCMS will have a joint role in shaping the strategic relationship with the Open Data Institute, The Alan Turing Institute and Digital Catapult. The core Department and Departmental Group's comparative net expenditure and net assets were not restated due to the Machinery of Government change being immaterial to both the departments. Had the core Department and Departmental Group's comparative net expenditure been restated this would have resulted in a reduction in the core Department and Departmental Group's net expenditure for 2017-18 of £0.1 million and a £nil movement in the core Department and Departmental Group's net assets.

Strategic geospatial data policy initiatives

Responsibility for strategic geospatial data policy initiatives from the core Department which encompassed Public Sector Mapping Agreement, Postcode Address File and Open Source Data Agreement, were transferred to Cabinet Office to support the work of the Geospatial Commission. This resulted in the 2017-18 core Department and Department's Group's comparative net expenditure being reduced by £78 million, a corresponding £78 million reduction in the core Department's Net parliamentary funding and a £0.1 million net assets movement.

UK Research and Innovation – Research England

Through the enactment of section 81 of the Higher Education and Research Act 2017, the Higher Education Funding Council for England (HEFCE) ceased to exist and closed on 31 March 2018. A transfer order was put in place at midnight on 31 March 2018 which transferred the remaining net liabilities from HEFCE to the Secretary of State for Education and then directly onto two public bodies. These were the Office for Students (OfS), sponsored by the Department for Education (DfE) and Research England (RE), which forms part of UK Research and Innovation (UKRI), sponsored by the core Department, both were established by the Higher Education and Research Act 2017.

The existing assets, liabilities and staff of HEFCE were transferred between these entities in a practical way, which reflects the services they provide. Teaching and associated services are provided by the OfS and Research, Knowledge Exchange and associated services are provided by Research England. UKRI, have followed the FReM guidance to recognise the transfer of functions from HEFCE as a Transfer by Absorption, this resulted in the existing assets and liabilities transferred from HEFCE being recognised in UKRI at book values, without restating the prior year comparatives. From the date of the transfer, the combined results of the functions being recognised and disclosed in UKRI's financial statements. In the core Department and Departmental Group, in accordance with the FReM the transfer is recognised as a Transfer by Merger, with comparatives restated if the transfer is material, to reflect the combined entity's results as if they had always been combined.

The Departmental Group has not restated the prior year comparatives due to the impact on the Departmental Group accounts and the Statement of Parliamentary Supply being immaterial. This is because in previous years, the core Department funded, HEFCE via the Department for Education, this funding of £2 billion in 2017-18 was recognised in note 4.4 Grants as Science and research grants in the Departmental Group accounts, which is equivalent to the spend in HEFCE that would have related to Research England. If the grant was removed and Research England's prior year spend was recognised, there would be an immaterial reclassification of £2.7 million from Science and research grants in note 4,4, and note 3 Staff Costs. The comparatives for the core Department have been restated, resulting in a £2 billion increase in Grant in Aid and corresponding reduction in Science and Research expenditure. This restatement is reversed out on consolidation, recognising the spend of Research England as Science and Research expenditure. Therefore, there is no impact on the Departmental Group values.

Changes in accounting policy

Accounting policies for financial instruments and revenues from contracts with customers have been updated to reflect the new accounting standards IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' adopted in year. The FReM removes the option to adopt IFRS 9 and IFRS 15 retrospectively, and therefore no restatements are required to the prior year figures. Any differences between the previous carrying amount and the carrying amount under the new accounting standards have been recognised as adjustments to opening balances on 1 April 2018. Detail of the impacts is discussed in note 1.6.

All investment classifications and accounting judgements in relation to the adoption of IFRS 9 in 2018-19 have been re-assessed, and as a result of this work, the department's 33% ordinary shareholding in URENCO has been reclassified from an investment under IFRS 9/IAS 39 to an associate under IAS 28. The net financial statement impact of this for 2017-18 is £72 million to the Statement of Consolidated Net Expenditure, no restatement has been made.

Impact of restatements on opening balances for the Departmental Group at 1 April 2018

	Balance at 31 March 2018 per 2017-18 published accounts £m	Machinery of Government changes £m	Restated balance at 31 March 2018 £m	New accounting standard IFRS 9 £m	Restated balance at 1 April 2018 £m
Consolidated Statement of Comprehensive Net Expenditure					
Net expenditure for the period	86,489	(78)	**86,411**	-	**86,411**
Other comprehensive net income and expenditure	(351)	-	**(351)**	-	**(351)**
Total comprehensive expenditure	**86,138**	**(78)**	**86,060**	**-**	**86,060**
Consolidated Statement of Financial Position					
Non-current assets	14,409	-	**14,409**	32	**14,441**
Current assets	4,328	-	**4,328**	(2)	**4,326**
Current liabilities	(8,313)	-	**(8,313)**	-	**(8,313)**
Non-current liabilities	(257,139)	-	**(257,139)**	(15)	**(257,154)**
General fund	250,098	-	**250,098**	(941)	**249,157**
Revaluation reserve	(2,915)	-	**(2,915)**	926	**(1,989)**
Charitable funds	(314)	-	**(314)**	-	**(314)**
Non-controlling interests	(154)	-	**(154)**	-	**(154)**
Statement of Parliamentary Supply					
Resource DEL	1,720	(5)	**1,715**	-	**1,715**
Capital DEL	10,464	(73)	**10,391**	-	**10,391**
Resource AME	75,124	-	**75,124**	-	**75,124**
Capital AME	(1,197)	-	**(1,197)**	-	**(1,197)**
Net outturn for the year	**86,111**	**(78)**	**86,033**	**-**	**86,033**

28 List of bodies within the Departmental Group

The table below shows the list of BEIS organisations that are included in the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2018, known as the Designation Order. The individual Annual Report and Accounts for each of these bodies can be found on their own websites or via the Inside Government website (https://www.gov.uk/government/organisations/department-for-business-energy-and-industrial-strategy).

The bodies whose accounts have been consolidated within the Departmental Group accounts are shown in section (a) of the table. Bodies within the Departmental Group but not consolidated, such as where net assets are not considered material to the Departmental Group accounts, are indicated separately in section (b) of this table.

As a result of changes made in the 2018-19 Designation Order, some additional bodies are now included in the Departmental Group accounts boundary. Where boundary changes have an impact on previously reported financial results, these are shown in Note 27.

Designated Body *(linked bodies are indicated in italics below their parent body)*	**Status**	**Website** *(further information about linked bodies or those closed during the year is also included)*
(a) Bodies consolidated in Departmental Group accounts for 2018-19		
Executive Agencies		
Insolvency Service	Executive Agency	gov.uk/government/organisations/insolvency-service
UK Space Agency	Executive Agency	gov.uk/government/organisations/uk-space-agency
NDPBs and other designated bodies[2]		
Advisory, Conciliation and Arbitration Service[1]	NDPB	acas.org.uk
Central Arbitration Committee	*Linked but independent institution of ACAS*	*Consolidated by ACAS*
Certification Office for Trade Union and Employers' Associations	*Linked but independent institution of ACAS*	*Consolidated by ACAS*
BIS (Postal Services Act 2011) Company Limited	Limited Company owned by BEIS	beta.companieshouse.gov.uk/company/07941521
British Business Bank plc	Public Limited Company owned by BEIS	british-business-bank.co.uk
BBB Patient Capital Holdings Limited	*Limited Company*	*Consolidated by British Business Bank plc*
British Business Investments Ltd	*Limited Company*	*Consolidated by British Business Bank plc*
British Business Finance Ltd	*Limited Company*	*Consolidated by British Business Bank plc*
British Business Financial Services Ltd	*Limited Company*	*Consolidated by British Business Bank plc*

British Business Aspire Holdco Ltd	*Limited Company*	*Consolidated by British Business Bank plc*
British Patient Capital Limited	*Limited Company*	*Consolidated by British Business Bank plc*
Capital for Enterprise Fund Managers Limited	*Limited Company*	*Consolidated by British Business Bank plc*
Capital for Enterprise (GP) Limited	*Limited Company*	*Consolidated by British Business Bank plc*
Capital for Enterprise Limited	*Limited Company*	*Consolidated by British Business Bank plc*
The Start-Up Loans Company	*Limited Company*	*Consolidated by British Business Bank plc*
Civil Nuclear Police Authority[1]	NDPB	gov.uk/government/organisations/civil-nuclear-police-authority
Coal Authority[1]	NDPB	gov.uk/government/organisations/the-coal-authority
Committee on Fuel Poverty	NDPB	gov.uk/government/organisations/committee-on-fuel-poverty Costs are included in the core Department's expenditure.
Committee on Radioactive Waste Management	NDPB	gov.uk/government/organisations/committee-on-radioactive-waste-management Costs are included in the core Department's expenditure.
Competition Service	NDPB	catribunal.org.uk/244/Competition-Service.html
Competition Appeal Tribunal	NDPB	catribunal.org.uk
The Copyright Tribunal	NDPB	gov.uk/government/organisations/copyright-tribunal No accounts produced as costs are included in the core Department's expenditure. It is funded by BEIS and operated by UK Intellectual Property Office.
Cornwall and Isles of Scilly Investments Limited	Limited Company owned by BEIS	https://british-business-bank.co.uk/ourpartners/cornwall-isles-scilly-investment-fund-ciosif/
Council for Science and Technology	Expert Committee	gov.uk/government/organisations/council-for-science-and-technology No accounts produced as costs are included in the core Department's expenditure.
Diamond Light Source Limited	Limited Company	diamond.ac.uk
Dounreay Site Restoration Limited	Limited Company	dounreay.com Site Licence Company - private company, which operates sites on behalf of, and under contract from the NDA.
Enrichment Holdings Ltd	Limited Company owned by BEIS	This is a special purpose vehicle for the Government's investment in Urenco Limited.

Enrichment Investments Limited	*Limited Company*	*Consolidated by Enrichment Holdings Limited*
Electricity Settlements Company Ltd	Limited Company owned by BEIS	emrsettlement.co.uk/
Fleetbank Funding Limited	Limited Company owned by BEIS	This is a vehicle for the Government to facilitate the Enable Loan Guarantee Scheme
The Financial Reporting Council Limited	Limited Company	frc.org.uk
Harwell Science and Innovation Campus Public Sector Limited Partnership	Limited Partnership	Joint venture owned by UKRI and UK Atomic Energy Authority
Industrial Development Advisory Board	Expert Committee	gov.uk/government/organisations/industrial-development-advisory-board No accounts produced. Funded by BEIS and operated by the Insolvency Service. Costs are included as part of the core Department.
LLW Repository Limited	Limited Company	llwrsite.com Site Licence Company - private company, which operates sites on behalf of, and under contract from the NDA.
Low Carbon Contracts Company Ltd	Limited Company owned by BEIS	lowcarboncontracts.uk/
Low Pay Commission	NDPB	gov.uk/government/organisations/low-pay-commission No accounts produced as costs are included in the core Department's expenditure
Magnox Limited	Limited Company	magnoxsites.com Site Licence Company - private company, which operates sites on behalf of, and under contract from the NDA.
Midlands Engine Investments Limited	Limited Company owned by BEIS	british-business-bank.co.uk/ourpartners/midlands-engine-investment-fund/
The NESTA Trust	Charitable Trust	nesta.org.uk/faqs/what_is_the_nesta_trust
Northern Powerhouse Investments Limited	Limited Company owned by BEIS	british-business-bank.co.uk/ourpartners/northern-powerhouse-investment-fund/
Nuclear Decommissioning Authority[1]	NDPB	gov.uk/government/organisations/nuclear-decommissioning-authority
Radioactive Waste Management Limited	*Limited Company*	*Consolidated by Nuclear Decommissioning Authority*
Sellafield Limited	*Limited Company*	sellafieldsites.com/ *Site Licence Company - private company, which operates sites on behalf of, and under contract from the NDA.*

Nuclear Liabilities Financing Assurance Board	Expert Committee	gov.uk/government/organisations/nuclear-liabilities-financing-assurance-board Costs are included in the core Department's expenditure.
Office of Manpower Economics[1]	Part of the core Department	gov.uk/government/organisations/office-of-manpower-economics No accounts produced as costs are included in the core Department's expenditure.
Oil and Gas Authority	Limited Company owned by BEIS	ogauthority.co.uk/
Postal Services Holding Company Limited	Limited Company owned by BEIS	Company in liquidation. Former holding company for the Government's investment in Post Office Limited.
Regulatory Policy Committee	NDPB	gov.uk/government/organisations/regulatory-policy-committee No accounts produced as costs are included in the core Department's expenditure.
South Tees Site Company Limited	Limited Company owned by BEIS	https://www.southteesdc.com/about-us/south-tees-site-company-ltd/ This is a vehicle for managing the Government investment in the South Tees Site
UK Climate Investments LLP	Limited Partnership between BEIS and UK Green Investment Bank	greeninvestmentbank.com/funds/international/
UK Climate Investments Indigo Limited	*Limited Company*	*Consolidated by the UK Climate Investments LLP*
UK Climate Investments Lakeside Limited	*Limited Company*	*Consolidated by the UK Climate Investments LLP*
UK Climate Investments VC Limited	*Limited Company*	*Consolidated by the UK Climate Investments LLP*
UK Green Infrastructure Platform Limited	Limited Company owned by BEIS	Investment vehicle managed by UK Green Investment Bank Limited on behalf of BEIS.
United Kingdom Research and Innovation	NDPB	https://www.ukri.org/
The Arts and Humanities Research Council[1]	*NDPB*	*Former Research Council now part of UKRI*
The Biotechnology and Biological Sciences Research Council[1]	*NDPB*	*Former Research Council now part of UKRI*
The Economic and Social Research Council[1]	*NDPB*	*Former Research Council now part of UKRI*
The Engineering and Physical Sciences Research Council[1]	*NDPB*	*Former Research Council now part of UKRI*
Medical Research Council[1]	*NDPB*	*Former Research Council now part of UKRI*
The Natural Environment Research Council[1]	*NDPB*	*Former Research Council now part of UKRI*

The Science and Technology Facilities Council (STFC)[1]	*NDPB*	*Former Research Council now part of UKRI*
Innovate UK (trading name of The Technology Strategy Board)	*NDPB*	*Former Research Council now part of UKRI*
Innovate UK Loans Limited	*Limited Company*	*Consolidated by UKRI*
STFC Innovations Limited	*Limited Company*	*Consolidated by UKRI*
UK Shared Business Services Limited	Limited Company	uksbs.co.uk
United Kingdom Atomic Energy Authority[1]	NDPB	gov.uk/government/organisations/uk-atomic-energy-authority (corporate) ccfe.ac.uk (fusion research)
AEA Insurance Limited	*Limited Company*	*Consolidated by United Kingdom Atomic Energy Authority*
(b) Bodies not consolidated in Departmental Group accounts for 2018-19		
British Hallmarking Council	NDPB	gov.uk/government/organisations/british-hallmarking-council Turnover and net assets are not material to Departmental Group accounts.
Committee on Climate Change[1]	NDPB	theccc.org.uk/about/ Turnover and net assets are not material to Departmental Group accounts.
Daresbury SIC (PubSec) LLP	Limited Liability Partnership	https://beta.companieshouse.gov.uk/company/OC360004 A joint venture between the Science and Technology Facilities Council and Halton Borough Council. Turnover and net assets are not material to Departmental Group accounts.
Daresbury Science & Innovation Campus Limited	Company Limited by Guarantee	www.sci-techdaresbury.com A joint venture between the Science and Technology Facilities Council and Langtree. Turnover and net assets are not material to Departmental Group accounts.
East Midlands Early Growth Fund Limited	Limited Company owned by BEIS	Recorded as investment in core Department accounts. Turnover and net assets are not material to Departmental Group accounts.
Groceries Code Adjudicator	Office Holder and Corporation Sole	gov.uk/government/organisations/groceries-code-adjudicator Turnover and net assets are not material to Departmental Group accounts.
NDA Archives Limited	Limited Company	gov.uk/government/organisations/nuclear-decommissioning-authority Turnover and net assets are not material to Departmental Group accounts.

NW VCLF HF LLP	Limited Liability Partnership	Recorded as investment in core Department accounts. Turnover and net assets are not material to Departmental Group accounts.
Pubs Code Adjudicator	Office Holder and Corporation Sole	gov.uk/government/organisations/pubs-code-adjudicator Turnover and net assets are not material to Departmental Group accounts.
Research Sites Restoration Limited	Limited Company	Dormant – Site Licence Company No costs or activities incurred in 2018-19 as the activities transferred to Magnox in 2016-17.
Small Business Commissioner	NDPB	https://www.smallbusinesscommissioner.gov.uk/ Turnover and net assets are not material to Departmental Group accounts.

Notes:

1. Entities fall in scope of the Trade Union (Facility Time Publication Requirements) Regulations 2017. Disclosure regarding Facility Time can be found in the relevant accounts.
2. During 2018-19 the Office of National Statistics (ONS) reclassified two of the department's non-consolidated Executive Agencies, HM Land Registry and Companies House, from Public Corporations to Central Government Bodies. This reclassification would result in these entities being consolidated into the Departmental Group accounts from ONS's reclassification. However, the department has received a derogation from HM Treasury to not consolidate these entities, until their Trading Fund status is revoked in Parliament, which is scheduled for 2020-21.

29 Events after the Reporting Period

Non-adjusting events

On 11 April 2019, the government confirmed agreement with the EU on an extension of Article 50, until 31 October 2019 at the latest, with the option to leave earlier as soon as a deal has been ratified. The department has disclosed a remote contingent liability in relation to EU Exit and the HM Government guarantee in the Parliamentary accountability disclosures in the Accountability report on page 105.

On 23 April 2019, it was announced that the responsibility for business Greenhouse Gas reporting guidance and regulations will transfer from the Department for Environment, Food and Rural Affairs to the Department for Business, Energy and Industrial Strategy.

29.1 Date Accounts authorised for issue

BEIS's Accounting Officer has authorised these Accounts to be issued on the same day as they were certified.

Trust Statement

The UK is a world leader in clean growth and low carbon services, whilst growing our national income.

Accounting Officer's foreword to the Trust Statement

Introduction and scope

The Department for Business, Energy and Industrial Strategy (BEIS) is responsible for collection of revenue, expenditure and cash flows for the schemes listed below. These amounts are collected by the Department for payment to the Consolidated fund. The Trust Statement also provides disclosure of any material income or expenditure not applied to the purposes Parliament intended or not conformed to the governing authorities.

- EU Emissions Trading Scheme
- Carbon Reduction Commitment
- Climate Change Agreements
- Energy Savings Opportunity Scheme

The EU Emissions Trading Scheme

Background

The EU Emissions Trading Scheme (ETS) is the largest multi-country, multi-sector greenhouse gas emissions trading system in the world. It includes more than 11,000 power stations and industrial plants across the EU with around 1,000 of these in the UK. These include power stations, oil refineries, offshore platforms and industries that produce iron and steel, cement and lime, paper, glass, ceramics and chemicals.

Other organisations, including universities and hospitals, may also be covered by the EU ETS depending upon the combustion capacity of equipment at their sites. Aviation operators flying into or from a European airport are also covered by the EU ETS.

The EU ETS works on a 'cap and trade' basis: there is a 'cap' or limit set on the total greenhouse gas emissions allowed by participants covered by the System. This cap is converted into tradable emission allowances.

Tradable emission allowances are allocated to participants in the market; in the EU ETS this is done via a mixture of free allocation and auctions. One allowance gives the holder the right to emit one tonne of CO_2 (or its equivalent). Participants covered by the EU ETS must monitor and report their emissions each year and surrender enough allowances to cover their annual emissions.

Participants who are likely to emit more than their allocation have a choice between taking measures to reduce their emissions or buying additional allowances, either bilaterally between operators from the secondary carbon market or from Member State-held auctions.

The carbon price signifies the amount paid per EU Allowance (EUA) which is based on demand and supply. There are currently separate EU Aviation Allowances (EUAA) for airline operators.

The first phase of the EU ETS ran from 2005 to 2007 and the second phase ran from 2008 to 2012 to coincide with the first Kyoto Commitment Period. The EU ETS is now in Phase III (2013 to 2020), and this builds upon the previous two phases ensuring a greater contribution to tackling climate change. There is a single EU-wide cap for Phase III. Each Member State was required to submit a list of all the participants that will be included in Phase III, setting out its proposed levels of free allocation in accordance with the revised ETS Directive.

The UK Government appointed ICE Futures Europe to conduct auctions of EU ETS Phase III on its behalf from November 2012. An extension of two years (the maximum allowed for in the EU Auctioning Regulation), was then permitted until November 2017. Following an open-competition through the Official Journal of the European Union to re-procure the UK's auction platform upon expiry of the original contract, ICE Futures Europe were awarded a new contract to conduct UK auctions from November 2017. The auction calendars from 2013 to 2018 are available on the ICE auctions web pages at www.theice.com/emissions/auctions

The UK held 19 auctions of EUA allowances in 2018-19. A total of 82.679 million allowances were auctioned successfully. There was one EUAA auction of 860,000 allowances held in 2018-19.

Future developments

In December 2018 the European Commission confirmed that from 01 January 2019 the relevant processes for the UK in the Union Registry would be temporarily suspended until the day after ratification instruments concerning the withdrawal agreement are deposited. As stated on the Commission website: 'from 1 January 2019 onwards the UK will not be able to auction allowances, allocate allowances for free to operators or exchange international credits for as long as this suspension remains in place'. In line with the suspension notification of the Commission, the UK government will not issue any 2019 allowances unless and until the suspension is lifted.

On leaving the EU, the UK Government and Devolved Administrations have clearly stated their preference for a UK national greenhouse gas emissions trading system (UK ETS) linked to the EU ETS as set out in the Political Declaration. Linking a UK ETS to the EU ETS is subject to negotiations and cannot be guaranteed. Therefore potential 'fall-back' options remain in consideration in the event that a linked ETS cannot be achieved. Fall-back options do not preclude the opportunity to achieve a linked carbon pricing system in the future and include the UK introducing its own UK ETS, which would not be linked to the EU ETS, the introduction of a tax on carbon, and participating in Phase IV of the EU ETS. All options will deliver on the Clean Growth Strategy commitments: any carbon pricing system will be at least as ambitious as remaining in the EU ETS and deliver a smooth transition for businesses.

Financial summary

The UK held 19 EUA auctions and 1 EUAA auction. This yielded a total income of £1,271 million (2017-18: £571 million) – as shown in note 2.2 of the Trust Statement. All auctions were wholly competitive auctions. The increase in income in 2018-19 was due to an increase in price of EU ETS allowances over the period compared to 2017-18.

The total income was passed to the Consolidated Fund within a few days of each auction. Auctions were completed in Euros and converted to sterling. Exchange rate differences amounted to £1,248,000 (2017-18: £424,000). The exchange differences are recognised in the Statement of Revenue, Other Income and Expenditure.

The Environmental Agency, as regulator, imposed 204 civil penalties amounting to £2,635,535 (2017-18: 137 penalties totalling £1,892,941). Most of the penalties relate to non-compliance in meeting installation targets under the UK small emitter opt-out scheme, for those who have opted-out of the main requirements of the ETS. The opt-out requires that installations must keep their emissions below a set target. A penalty is charged for every tonne of CO_2 above the emission target. Some of these penalties (for example on aviation) relate to previous compliance years.

OPRED (Offshore Petroleum Regulator for Environment and Decommissioning) also issued 5 penalties in 2018-19, amounting to £109,553 (2017-18: 7 penalties totalling £127,643).

The offshore industry is regulated by OPRED, a discrete directorate within BEIS. The sanctions relate to a backlog of failures to surrender sufficient allowances and to comply with a permit condition. OPRED expects the number of penalties to increase as they identify more compliance issues. The relevant Civil Sanctions Guidance has been published alongside the civil penalties. The costs associated with administering the scheme were borne by the Department – shown in note 3 and included within the Department's Accounts.

Carbon Reduction Commitment Energy Efficiency Scheme

Background

The Carbon Reduction Commitment Energy Efficiency Scheme (CRC) is a mandatory scheme covering large, non-energy intensive, users of energy in the public and private sectors (5,000+ organisations). The organisations must use over 6GWh of qualifying electricity and therefore must monitor their energy use and report their energy supplies annually. They must buy allowances for each tonne of carbon dioxide equivalent of emissions. In March 2016 it was announced that the CRC scheme would close following the 2018-19 compliance year to simplify the business energy efficiency tax landscape. Organisations will report under the CRC for the last time by the end of July 2019 and surrender allowances for emissions from energy supplied in the 2018-19 compliance year by the end of October 2019. Participants in the scheme are required to maintain their records until 2025 so they are available for audit. The CRC regulations specify that refunds maybe granted up to 2025, BEIS are currently considering the approach to handling refund requests post 31 March 2022.

The Streamlined Energy and Carbon Reporting framework (SECR) launched on 1 April 2019 and replaces the reporting elements of the CRC energy efficiency scheme.

The financial year 2018-19 saw the fifth forecast sale for Phase II of the scheme (for compliance year 2018-19) and the fourth buy-to-comply sale (for compliance year 2017-18). The prices across the scheme are as follows;

CRC scheme year	Compliance sale price	Forecast sale price
2018-19	£18.30	£17.20
2017-18	£17.70	£16.60
2016-17	£17.20	£16.10
2015-16	£16.90	£15.60
2014-15	£16.40	£15.60

Financial summary

Allowance sales under the CRC scheme in 2018-19 generated £440 million (2017-18: £580 million). There were 6 civil penalties levied against CRC participants. The civil penalties amounted to £69,090 (2017- 18: £49,000). The costs incurred in administering the CRC Scheme were borne by the Department as shown in note 3 and included within the Department's Accounts.

Climate Change Agreements

Background

Climate Change Agreements (CCAs) are voluntary agreements that allow businesses in 53 energy intensive sectors to receive up to a 93% reduction in the Climate Change Levy (CCL) in exchange for meeting stretching energy efficiency/carbon targets. The CCA scheme was launched on 1 April 2013 and runs until 31 March 2023. If all sectors meet their targets from 2013 to 2020 against agreed baselines, the scheme is estimated to deliver a reduction in emissions of 19 metric tonnes CO_2 (based on a 2008 baseline) and savings to participants on the CCL of between £200-£300 million each year.

The CCA generates three potential money streams:

Charging income

Paid by CCA participants to the Administrator on an annual basis, in accordance with a charging scheme established under paragraph 52C Finance Act 2000, Schedule 6 (as amended by Finance Act 2012). These monies are retained by the Environment Agency and will not feature in the Trust Statement.

Civil penalties

Payments received by the Administrator for minor infractions, passed by the Department to the Consolidated Fund in accordance with powers given in 52F Finance Act 2000, Schedule 6 (as amended by Finance Act 2012). The amounts are specified in The Climate Change Agreements (Administration) Regulations 2012.

Buy-out payments

Payments made by participants at the end of each 2-year target period in cases where CCA targets are not met. For the first two target periods for the scheme up to 31 December 2016, payments were calculated on the basis of £12 per tonne of CO_2 by which the target is exceeded. From 1 January 2017, this has been increased to £14 per tonne of CO_2, for which the powers are given in 52F Finance Act 2000, Schedule 6 (as amended by Finance Act 2012). The amount is specified in The Climate Change Agreements (Administration) Regulations 2012 (as amended in 2016). The collection of buy-out payment income commenced in 2015-16 in respect of the first Target Reporting Period and will continue for both buy-out payments and civil penalties, until the scheme ends in 2023. The income distribution is explained under the section on Financial Review.

Future developments

BEIS are currently evaluating the CCA scheme, this will conclude by the end of 2019 with a report published by the end of March 2020. This will help inform any potential future CCA scheme.

Financial summary

In 2018-19, the income from buy-out payments generated £107,760 (£22.966 million in 2017-18), – as shown in note 2.3 of the Trust Statement. The lower income in the current reporting year was due to 2018-19 being a period of secondary reporting for Target Reporting Period II, where participants make further top-up buy-out payments after an audit or they receive a refund if they have been overpaid. By comparison the prior year comparatives reflect the primary reporting period income for Target Reporting Period II.

2 civil penalties were issued under the CCA scheme for the first time totalling £565 income.

Energy Savings Opportunity Scheme

Background

The Energy Savings Opportunity Scheme (ESOS) is an energy assessment scheme, mandatory for all large undertakings in the UK. The Government established ESOS in response to the requirements of Article 8 (4-6) of the EU Energy Efficiency Directive. Qualifying organisations must carry out audits every 4 years of the energy used by their buildings, industrial processes and transport to identify cost-effective energy saving measures. We are now in the second phase of the scheme, which commenced on 31 December 2018. The scheme runs until 5 December 2027.

In Phase 1 there were 6,075 Ultimate Parent organisations in the scheme. The Environment Agency and equivalent regulators in the devolved administrations are responsible for ensuring ESOS compliance. Participants who fail to comply with the scheme could be fined up to £50,000. The first penalties under ESOS were imposed in March 2018. ESOS is estimated to deliver a net benefit to the UK of £1.6 billion (between 2015-2030).

There are currently no charges for registering with the scheme.

Future developments

BEIS are currently evaluating ESOS to identify any potential changes to the scheme, especially in relation to supporting the ambition to enable businesses and industry to improve energy efficiency by at least 20% by 2030.

Financial summary

The income stream consists of non-compliance penalties. 28 penalties totalling £272,202 were issued in 2018-19 (2017-18: 5 penalties totalling £17,110)

Remote contingent liabilities

Audited information

On 29 March 2017, the UK Government submitted its notification to leave the EU in accordance with Article 50. The triggering of Article 50 started a two-year negotiation process between the UK and the EU. On 11 April 2019, the government confirmed agreement with the EU on an extension until 31 October 2019 at the latest, with the option to leave earlier as soon as a deal has been ratified. Any subsequent changes in legislation, regulation and funding arrangements are subject to the outcome of the negotiations. As a result, an unquantifiable contingent liability is disclosed. In accordance with accounting standards, no contingent assets can be recognised.

Further information on the core Department's remote contingent liability relating to the UK leaving the EU is detailed on page 105.

Auditors

These financial statements have been audited, under the Exchequer and Audit Departments Act 1921, by the Comptroller and Auditor General, who is appointed under statute and reports to Parliament. The audit opinion is on 234 to 236. The auditor's notional remuneration is included within the Department's Accounts. There were no fees in respect of non-audit work.

Basis for preparation

The HM Treasury Accounts Direction, issued in accordance with Section 2 of the Exchequer and Audit Departments Act 1921 requires the Department to prepare the Trust Statement to give a true and fair view of the state of affairs relating to the collection and allocation of the carbon allowance auction receipts for the EU Emissions Trading Schemes, the allowances sales from the CRC scheme, buy-out payments from the CCA Scheme and civil penalties receivable under the EU ETS, CRC, CCA and ESOS schemes. Regard is given to all relevant accounting and disclosure requirements given in Managing Public Money and other guidance issued by HM Treasury.

Accounting judgements

As the Accounting Officer, it is my responsibility to apply suitable accounting policies in the preparation of the Trust Statement. Revenues are recognised in the period in which the event that generates the revenue takes place, consequently the anticipated proceeds from future auctions and licences as detailed in note 2 are not recognised as assets within this statement. All the transactions within the Trust Statement reflect transactions that have taken place.

Events after the reporting period

Details of events after the reporting period are given in note 10 to the Trust Statement.

Governance statement

The Department's governance statement covers both the Accounts and the Trust Statement, and is included in the Governance section of this report.

Alex Chisholm
Permanent Secretary and
Principal Accounting Officer

8 July 2019

Statement of Accounting Officer's responsibility for the Trust Statement

Under section 2 of the Exchequer and Audit Departments Act 1921, HM Treasury has directed the **Department for Business, Energy and Industrial Strategy** to prepare for each financial year a Trust Statement in the form and on the basis set out in the Accounts Direction.

HM Treasury has appointed the Permanent Secretary as Accounting Officer of the Department for Business, Energy and Industrial Strategy with overall responsibility for preparing the Trust Statement and for transmitting it to the Comptroller and Auditor General.

The Accounting Officer is responsible for ensuring that: there is a high standard of financial management, including a sound system of internal control; that financial systems and procedures promote the efficient and economical conduct of business and safeguard financial propriety and regularity; that financial considerations are fully taken into account in decisions on policy proposals; and that risk is considered in relation to assessing value for money.

The Accounting Officer is responsible for the fair and efficient administration of the EU ETS including conducting the auction of EU Allowances in the UK for Phase III of the Scheme and Aviation allowances of the EU ETS, collection of the proceeds and onward transmission of the funds in their entirety to the Consolidated Fund. The Accounting Officer is also responsible for the collection of CRC Allowances and CCA buy-out payments for onward transmission to the Consolidated Fund and, the collection of civil penalties levied under the EU ETS, CCA, CRC, and ESOS schemes for onward transmission to the Consolidated Fund.

The responsibilities of the Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out in Managing Public Money published by HM Treasury.

The Trust Statement must give a true and fair view of:

- the statement of affairs of the EU ETS, CCA Schemes and penalties issued under the EU ETS, ESOS, CCA and CRC Schemes

These streams of income are recognised on an accruals basis;

- the state of affairs of the CRC Allowance Scheme sales which are recognised on a cash received basis
- the revenue collected, and expenditure incurred together with the net amounts surrendered to the Consolidated Fund

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

- **observe** the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- **make judgements** and estimates on a reasonable basis
- **state** whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts
- **prepare** the Trust Statement on a going-concern basis

Accounting Officer's confirmation

I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Department's auditors are aware of that information.

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

Alex Chisholm
Permanent Secretary and
Principal Accounting Officer

8 July 2019

The Trust Statement Audit Report of the Comptroller and Auditor General to the House of Commons

Opinion on financial statements

I have audited the financial statements of Department for Business, Energy and Industrial Strategy Trust Statement ("the Trust Statement") for the year ended 31 March 2019 under the Exchequer and Audit Departments Act 1921. The financial statements comprise the Statement of Revenue, Other Income and Expenditure, the Statement of Financial Position, the Statement of Cash Flows and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

In my opinion:

- the Trust Statement gives a true and fair view of the state of affairs of balances stemming from: the collection of EU Emissions Trading Scheme (ETS) auction receipts; Carbon Reduction Commitment (CRC) allowance sales; Climate Change Agreements (CCA) receipts; and EU ETS, CRC, CCA, and Energy Savings Opportunity Scheme (ESOS) civil penalties as at 31 March 2019 and of the net revenue for the year then ended; and
- the financial statements have been properly prepared in accordance with the Exchequer and Audit Departments Act 1921 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects the income and expenditure 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.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Department in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Department's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

Responsibilities of the Accounting Officer for the audit of the financial statements

As explained more fully in the Statement of Accounting Officer's responsibility for the Trust Statement, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, and report on the financial statements in accordance with the Exchequer and Audit Departments Act 1921.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure 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.

Other information

The Accounting Officer is responsible for the other information. The other information comprises information included in the Accounting Officer's foreword to the Trust Statement and Statement of the Accounting Officer's responsibility for the Trust Statement, but does not include the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the information given in the Accounting Officer's foreword to the Trust Statement and Statement of the Accounting Officer's responsibility for the Trust Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Gareth Davies
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

10 July 2019

Statement of Revenue, Other income and Expenditure

for the year ended 31 March 2019

	Note	2018-19 £'000	2017-18 £'000
Revenue			
Licence fees and taxes			
Carbon Reduction Commitment allowance sales	2.1	440,280	580,201
EU Emissions Trading Scheme auction income	2.2	1,270,535	570,688
Climate Change Agreements buy-out payments income	2.3	108	22,966
Total licence fees and taxes		**1,710,923**	**1,173,855**
Fines and penalties			
Civil penalties – EU Emissions Trading scheme	2.4	2,745	2,021
Civil penalties – Energy Savings Opportunity Scheme	2.4	272	17
Civil penalties – Carbon Reduction Commitment Scheme	2.4	69	49
Civil penalties – Climate Change Agreements		1	-
Total fines and penalties		**3,087**	**2,087**
Total revenue and other income		**1,714,010**	**1,175,942**
Expenditure			
EU Emissions Trading Scheme costs	3.1	(1,269)	(432)
Credit losses – debts written off	3.2	-	(972)
Total expenditure		**(1,269)**	**(1,404)**
Net revenue for the Consolidated Fund		**1,712,741**	**1,174,538**

There were no recognised gains or losses accounted for outside of the above Statement of Revenue, Other Income and Expenditure.

The notes on pages 240 to 245 form part of this statement.

Statement of Financial Position

as at 31 March 2019

	Note	31 Mar 2019 £'000	31 Mar 2018 £'000
Current assets			
Receivables and accrued fees	4	2,797	1,471
Cash and cash equivalents	5	27,898	23,921
Total current assets		**30,695**	**25,392**
Current liabilities			
Payables	6	(324)	(404)
Total current liabilities		**(324)**	**(404)**
Net current assets		**30,344**	**24,988**
Total net assets		**30,371**	**24,988**
Represented by:			
Balance on Consolidated Fund Accounts	**7**	**30,371**	**24,988**

The notes on pages 240 to 245 form part of this statement.

Alex Chisholm
Permanent Secretary and
Principal Accounting Officer

8 July 2019

Statement of Cash Flows

for the year ended 31 March 2019

	Note	2018-19 £'000	2017-18 £'000
Net cash flows from operating activities	**A**	**1,711,335**	**1,175,406**
Cash paid to the Consolidated Fund	7	(1,707,358)	(1,168,572)
Increase/(decrease) in cash in this period	**B**	**3,977**	**6,834**

Notes to the statement of Cash Flows

	Note	2018-19 £'000	2017-18 £'000
A: Reconciliation of Net Cash Flow to Movement in Net Funds			
Net Revenue for the Consolidated Fund	7	1,712,741	1,174,538
(Increase)/decrease in receivables and accrued fees	4	(1,326)	982
Increase/(decrease) in payables	6	(80)	(114)
Net cash flows from operating activities		**1,711,335**	**1,175,406**

B: Analysis in changes in Net Funds			
Increase/(decrease) in cash in this period		3,977	6,834
Net Funds as at 1 April (net cash at bank)	5	23,921	17,087
Net Funds as at 31 March (closing balance)	**5**	**27,898**	**23,921**

Notes to the Trust Statement

1 Statement of Accounting Policies

1.1 Basis of Accounting

The Trust Statement is prepared in accordance with the accounts direction issued by HM Treasury under section 2 of the Exchequer and Audit Departments Act 1921. The Trust Statement is prepared in accordance with the accounting policies detailed below. These have been agreed between the Department for Business, Energy and Industrial Strategy (the Department) and HM Treasury and have been developed in accordance with International Financial Reporting Standards (IFRS) and other relevant guidance. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

The income and associated expenditure contained in the Departmental Trust Statement are those flows of funds which the Department administers on behalf of the Consolidated Fund.

The financial information in the Trust Statement is rounded to the nearest £'000.

The Trust Statement is presented in pounds sterling, which is the functional currency of the Department.

1.2 Accounting convention

The Trust Statement has been prepared in accordance with the historical cost convention.

1.3 Revenue Recognition

IFRS 15 'Revenue from Contracts with Customers' was adopted on 1 April 2018. This replaced IAS 18 'Revenue' and IAS 11 'Construction Contracts'. The FReM extends the definition of a contract under IFRS 15 para 9 to include legislation and regulations which enable an entity to obtain revenue that is not classified as a tax by the Office of National Statistics (ONS). As both EU-ETS auction income and CRC allowances sales are classified as taxes by ONS and CCA income meets the definition of a tax under ONS's guidance, IFRS 15 is not applicable to the material revenue streams of the BEIS Trust Statement.

Income from these schemes is recognised as follows:

- EU ETS receipts represent proceeds from the auction of carbon allowances under Phase III and aviation allowances of the EU ETS. Revenue is recognised at the close of each competitive auction, when the revenue can be measured reliably.
- Revenue in respect of CRC allowance sales is recognised on a cash received basis by agreement with HM Treasury.
- Revenue in respect of CCA buy-out payments is recognised on an accruals basis, albeit the recognition point is when the income is received.
- Revenue in respect of civil penalties is recognised when the penalty is imposed. In 2018-19, civil penalties for the CCA are recognised for the first time.

All result in a cash flow to the Consolidated Fund. This has resulted in no difference to the income recognition methodology applied in previous years.

CRC participants may request refunds for over-surrendered allowances (note 9 Contingent Liabilities refers). These are accounted for in the period in which the refund request is authorised and processed.

1.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Department becomes a party to the contractual provisions of an instrument.

1.5 Financial assets

For the purposes of this Trust Statement, the Department holds financial assets in the following categories:

- Receivables held at amortised cost;
- Cash and cash equivalent.

Both receivables and cash and cash equivalents are held at amortised cost following the adoption of IFRS 9 'Financial Instruments' as a replacement for IAS 39 'Financial Instruments: Recognition and Measurement' from 1 April 2018. There were no changes in terms of measurement for these assets upon transition.

Receivables held at amortised cost comprise:

- for EU ETS the amounts due from Primary Participants in respect of established auction liabilities for which, at the financial year end, payments had not been received. The amounts due are calculated at the close of each auction and have a maturity of less than three months;
- civil penalties levied against participants in the EU ETS, ESOS, CCA and CRC Schemes, amounts for which have not been received at the financial year end.

Cash and cash equivalents comprise current balances with banks and other financial institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less.

1.6 Financial liabilities

For the purposes of this Trust Statement the Department holds financial liabilities in the following category:

- Other financial liabilities

Other financial liabilities comprise:

- Payables in the Statement of Financial Position. Payables are amounts established as due at the reporting date, but where payment is made subsequently. Since these balances are expected to be settled within 12 months of the reporting date there is no material difference between fair value, amortised cost and historical cost.

The adoption of IFRS 9 has not had a significant effect on the Department's accounting policies for financial liabilities

1.7 Foreign currency

Transactions that are denominated in a foreign currency are translated into sterling at the rate of exchange ruling on the date of each transaction. Monetary assets and liabilities denominated in foreign currency at the year-end are translated at the rates ruling at that date unless a forward rate has been fixed with the Bank of England. All translation differences are included in the Statement of Revenue, Other Income and Expenditure for the period.

2 Revenue

2.1 CRC allowance sales

	2018-19 £'000	2017-18 £'000
Allowance sales	440,280	580,201
Total	**440,280**	**580,201**

2.2 EUETS auction income

	2018-19 £'000	2017-18 £'000
Phase III Auctions Income	1,258,836	565,933
Aviation Auctions Income	11,699	4,755
Total	**1,270,535**	**570,688**

Dates for the carbon allowances auctions under Phase III and Aviation schemes pertaining to the EU ETS, along with number of units auctioned are available on the Intercontinental Exchange website on the auction calendar link at www.theice.com/emissions/auctions

2.3 CCA buy-out payments income

	2018-19 £'000	2017-18 £'000
Buy-out payment income receivable	108	22,966
Total	**108**	**22,966**

In 2018-19, the income from buy-out payments generated £107,760 (£22.966 million in 2017-18). This is due to 2018-19 being a period of secondary reporting for Target Reporting Period II which entailed top up payments as a result of audit or refunds only. The income relating to buy-out payments for the prior year comparatives is higher since 2017-18 was the Primary Reporting Period for Target Reporting Period II.

2.4 Civil penalties

	2018-19 £'000	2017-18 £'000
Levied under EU ETS Scheme	2,745	2,021
Levied under ESOS Scheme	272	17
Levied under CRC Scheme	69	49
Levied under CCA Scheme	1	-
Total	**3,087**	**2,087**

There were 209 civil penalties totalling £2,745,088 (2017-18: 144 penalties totalling £2,020,584), levied under the EU ETS scheme for the year under review. CRC penalties of £69,090 were recognised in 2018-19 (2017-18: £49,000). 28 penalties totalling £272,202 (2017-18: 5 penalties totalling £17,110) were recognised under the ESOS scheme in 2018-19. 2 penalties totalling £565 were recognised under the CCA scheme for the first time in 2018-19.

3 Expenditure and disbursements

3.1 Costs incurred in the collection of receipts

	2018-19 £'000	2017-18 £'000
Foreign currency translation costs (EU ETS)	1,248	424
Interest charges on Euro auction bank account (EU ETS)	21	8
Total	**1,269**	**432**

3.2 Credit losses

	2018-19 £'000	2017-18 £'000
De-recognition due to successful appeal – EU ETS Penalties	-	969
De-recognition of CRC penalty	-	3
Total	**-**	**972**

No penalties were appealed in 2018-19, with just 2 EU ETS penalties successfully appealed and written back in 2017-18. No disbursements are now paid out via the BEIS Trust Statement. However, the Department incurred expenditure of £668,113 (2017-18: £606,340) in administering EU ETS and £368,211 (2017-18: £430,037) in respect of the CRC Scheme. Expenditure to administer the CCA scheme totalled £357,643 (2017-18: £363,124). Expenditure incurred administering the ESOS scheme in 2018-19 amount to £915,405 (2017-18: £1,190,555). Expenditures on EU ETS, ESOS, CRC and CCA are included in the Department's Accounts because there is no express statutory provision for these costs to be deducted from the revenue collected and paid over to the Consolidated Fund.

4 Receivables and accrued fees

	2018-19 £'000	2017-18 £'000
Civil Penalties receivable	2,797	1,471
Total	**2,797**	**1,471**

Civil penalties receivable represent the amounts due from the participants where invoices for payment have been issued but not paid for at the year end.

5 Cash and cash equivalents

	2018-19 £'000	2017-18 £'000
Balance as at 1 April	23,921	17,087
Net change in cash and cash equivalent balances	3,977	6,834
Balance at 31 March	**27,898**	**23,921**
The following balances at 31 March were held at:		
Government Banking Service	27,898	23,921
Total	**27,898**	**23,921**

6 Payables

	2018-19 £'000	2017-18 £'000
Other	324	404
Total	**324**	**404**

7 Balance on the Consolidated Fund accounts

	2018-19 £'000	2017-18 £'000
Balance on the consolidated Fund as at 1 April	24,988	19,022
Net revenue for the Consolidated Fund	1,712,741	1,174,538
Less amounts paid to the Consolidated Fund	(1,707,358)	(1,168,572)
Balance on the Consolidated Fund as at 31 March	**30,371**	**24,988**

8 Financial instruments

8.1 Classification and categorisation of financial instruments

	Note	2018-19 £'000	2017-18 £'000
Financial assets			
Cash	5	27,898	23,921
Civil penalties receivable	4	2,797	1,471
Total financial assets		**30,695**	**25,392**
Financial liabilities			
Other Payables	6	(324)	(404)
Total financial liabilities		**(324)**	**(404)**

8.2 Risk exposure to financial instruments

EU Emissions Trading Scheme

The EU Emissions Trading Scheme is exposed to foreign currency risk due to the timing difference in recognising the proceeds at the auction exchange rate and the date at which the proceeds are converted into Sterling, which is one day after the close of the auction; this results in either an exchange loss or gain. As shown in note 3.1 there was an exchange loss incurred this financial year of £1,248,000 (2017-18: £424,000). The scheme is not exposed to interest rate or liquidity risk and its exposure to market risk is limited due to there being a current demand for carbon allowances.

The civil penalties imposed under the EU ETS scheme are subject to credit risk, but this risk is assessed by management as minimal due to the nature of the participants in the scheme. However, no penalties were written back in 2018-19. 2 aviation civil penalties were written off in 2017-18 (note 3.2) as the companies successfully appealed the penalties.

CRC Scheme

The allowance sales under the Carbon Reduction Commitment are subject to credit risk, but this risk is assessed by management as low. This is borne out in the results from previous years of the scheme. The civil penalties imposed under the CRC scheme are subject to credit risk, but this risk is assessed by management as minimal due to the nature of the participants in the scheme.

CCA Scheme

The buy-out payment revenue collected under the CCA scheme is subject to credit risk, but this risk is assessed by management as low, due to the nature of participants in the scheme. All fees under the regime are received in sterling minimising any other risks.

Information which will allow Trust Statement users to evaluate the significance of financial instruments on the Department's financial performance and position and the nature and extent of the Department's exposure to other risks arising from financial instruments can be found in note 23 to the Department's Accounts

9 Contingent liability

A contingent liability exists for refunds the Department may have to pay to participants in the CRC Energy Efficiency Scheme who have over-surrendered allowances. This is as a result of legislation included in the CRC Order 2013, which came into force in May 2013. The refunds are contingent upon participants being able to prove that the over- surrender was due to a reporting error and must be agreed by the Secretary of State.

The Department is unable to quantify the amount of future refunds, but based on the most recent information available from the scheme administrators, the refunds are not expected to be significant. Future refunds will be paid as and when they fall due out of future scheme receipts. The Department has issued guidance to participants detailing the refund process.

Furthermore, for the CCA scheme a contingent liability also exists in the secondary reporting phase of each Target Reporting Period. This is where a participant has undergone review or audit procedures and it is deemed they have overpaid. Thus, the participant is due a refund. The Department must retain sufficient funds in order to satisfy this requirement of the CCA scheme.

10 Events after the reporting period

There were no significant events after the reporting period that require disclosure.

The Accounting Officer has duly authorised the issue of the Trust Statement on the date of the Comptroller and Auditor General's audit certificate.

Annex D: Annexes to the Trust Statement

Accounts Direction given by HM Treasury in accordance with section 2 of the Exchequer and Audit Departments Act 1921

1. This direction applies to those government departments listed in appendix 2.
2. The Department shall prepare a Trust Statement ("the Statement") for the financial year ended 31 March 2019 for the revenue and other income, as directed by the Treasury, collected by the Department as an agent for others, in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual by HM Treasury ("FReM") which is in force for 2018-19.
3. The Statement shall be prepared, as prescribed in appendix 1, so as to give a true and fair view of (a) the state of affairs relating to the collection and allocation of taxes, licence fees, fines and penalties and other income by the Department as agent and of the expenses incurred in the collection of those taxes, licence fees, fines and penalties insofar as they can properly be met from that revenue and other income; (b) the revenue and expenditure; and (c) the cash flows for the year then ended.
4. The Statement shall also be prepared so as to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
5. When preparing the Statement, the Department shall comply with the guidance given in the FReM (Chapter 8). The Department shall also agree with HM Treasury the format of the Principal Accounting Officer's Foreword to the Statement, and the supporting notes, and the accounting policies to be adopted, particularly in relation to revenue recognition. Regard shall also be given to all relevant accounting and disclosure requirements in Managing Public Money and other guidance issued by HM Treasury, and to the principles underlying International Financial Reporting Standards.
6. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with HM Treasury.
7. The Statement shall be transmitted to the Comptroller and Auditor General for the purpose of his examination and report by a date agreed with the Comptroller and Auditor General and HM Treasury to enable compliance with the administrative deadline for laying the audited accounts before Parliament before the Summer Recess.
8. The Trust Statement, together with this direction (but with the exception of the related appendices) and the Report produced by the Comptroller and Auditor General under section 2 of the Exchequer and Audit Departments Act 1921 shall be laid before Parliament at the same time as the Department's Resource Accounts for the year unless the Treasury have agreed that the Trust Statement may be laid at a later date.

Vicky Rock
Interim Director,
Government Financial Reporting
HM Treasury

Appendix 1 to Annex D

Trust Statement for the year ended 31 March 2019

1. The Trust Statement shall include:
   - a Foreword by the Principal Accounting Officer
   - a Statement of the Principal Accounting Officer's Responsibilities
   - a Governance Statement
   - a Statement of Revenue, Other Income and Expenditure
   - a Statement of Financial Position
   - a Cash Flow Statement
   - such notes as may be necessary to present a true and fair view
2. The notes shall include among other items:
   - the accounting policies, including the policy for revenue recognition and estimation techniques and forecasting techniques together with statements explaining any significant uncertainty surrounding estimates and forecasts
   - a breakdown of material items within the accounts
   - any assets, including intangible assets and contingent liabilities
   - summaries of losses, write-offs and remissions
   - post balance sheet events
   - any other notes agreed with HM Treasury and the National Audit Office

Appendix 2 to Annex D

Application of the accounts direction

Sponsoring Department	Income Stream	Responsible Entity
Department for Business, Energy and Industrial Strategy	EU Emissions Allowance	BEIS
	Fines and Penalties	BEIS
	CRC Allowances	BEIS
	Climate Change Agreements	BEIS

Annexes

The Construction Sector Deal - a partnership between the industry and government - aims to transform the sector's productivity via innovative technologies and a more highly skilled workforce.

Annex A: Common core tables

Table 1 – Public spending

This table provides a summary of departmental net expenditure using the same headings as voted within the Estimate.

	2014-15 Outturn £000	2015-16 Outturn £000	2016-17 Outturn £000	2017-18 Outturn £000	2018-19 Outturn £000	2019-20 Plans £000
Resource DEL						
Deliver an ambitious industrial strategy	286,154	433,415	419,912	377,129	182,286	161,508
Maximise investment opportunities and bolster UK interests	3,980	19,368	25,651	40,218	70,705	65,000
Promote competitive markets and responsible business practices	71,654	71,310	78,724	85,923	94,443	139,461
Delivering affordable energy for households and businesses	355,160	342,329	36,365	32,381	44,155	55,139
Ensuring that our energy system is reliable and secure	18,822	11,560	5,823	4,201	4,756	13,090
Taking action on climate change and decarbonisation	115,824	95,211	27,236	91,076	24,829	39,417
Managing our energy legacy safely and responsibly	318,312	306,343	291,203	265,752	251,870	230,630
Science and Research	10,819	13,540	(1,985)	5,088	4,608	250
Capability	408,745	361,322	307,082	320,301	393,848	513,313
Government as Shareholder	241,890	200,008	151,208	113,207	62,819	102,805
Deliver an ambitious industrial strategy (ALB) net	-	-	5,433	15,172	15,147	-
Promote competitive markets and responsible business practices (ALB) net	49,766	49,295	48,127	51,648	54,635	54,912
Ensuring that our energy system is reliable and secure (ALB) net	(280)	674	1,707	(1,628)	(2,667)	1
Taking action on climate change and decarbonisation (ALB) net	4,416	4,894	2,399	4,834	6,069	4,473
Managing our energy legacy safely and responsibly (ALB) net	23,188	46,977	39,234	34,711	32,075	23,857
Science and Research (ALB) net	41,696	88,406	257,413	234,283	276,226	284,022
Capability (ALB) Net	59,268	39,218	39,818	33,635	30,475	-
Government as Shareholder (ALB) net	16,238	(30,023)	(34,034)	(73,072)	(19,479)	(32,828)
NDA and SLC expenditure	1,431,342	1,414,542	1,287,445	1,254,752	1,175,337	1,516,279

	2014-15 Outturn £000	2015-16 Outturn £000	2016-17 Outturn £000	2017-18 Outturn £000	2018-19 Outturn £000	2019-20 Plans £000
Nuclear Decommissioning Authority Income (CFER)	(1,008,787)	(974,558)	(1,026,768)	(1,176,795)	(978,373)	(1,060,000)
Nuclear Safeguards Development	-	-	-	1,189	(2,275)	-
Managing our energy legacy safely and responsibly (CFER)	-	-	-	-	(475,000)	-
Total Resource DEL	**2,448,207**	**2,493,831**	**1,961,993**	**1,714,005**	**1,246,489**	**2,111,329**
Of which:						
Staff costs	518,385	548,832	519,570	533,290	605,821	*
Purchase of goods and services	2,198,703	2,111,285	1,977,969	1,938,532	1,936,980	*
Income from sales of goods and services	(1,157,876)	(1,144,381)	(1,172,788)	(1,079,179)	(996,751)	(1,107,885)
Current grants to local government (net)	18,354	25,513	12,055	9,587	22,388	23,980
Current grants to persons and non-profit bodies (net)	585,126	548,517	178,351	135,838	133,554	122,046
Current grants abroad (net)	31,427	41,307	58,511	59,465	72,274	91,194
Subsidies to private sector companies	-	246,476	274,038	526,638	141,423	124,000
Subsidies to public corporations	230,402	183,035	145,239	95,170	61,530	50,000
Net public service pensions[2]	(7)	-	-	(9)	(12)	-
Rentals	(63,400)	(47,642)	40,608	49,177	37,077	36,715
Depreciation[1]	293,609	268,978	355,397	266,467	310,652	322,469
Take up of provisions	23	(30)	780	(165)	-	-
Change in pension scheme liabilities	12	35	128	1,372	547	170
Other resource	(206,551)	(288,094)	(427,865)	(822,178)	(1,078,994)	(174,656)

Resource AME						
Deliver an ambitious industrial strategy	(93,804)	(7,428)	215,413	17,448	(312,599)	(74,565)
Maximise investment opportunities and bolster UK interests	3,881	(457)	1,844	1,586	6,044	-
Promote competitive markets and responsible business practices	74,000	102,008	133,000	7,000	79,000	150,000
Ensuring that our energy system is reliable and secure	342,599	(309,667)	(3,204)	(415)	(295)	(27)
Taking action on climate change and decarbonisation	497,618	841,397	(1,337,205)	-	-	-

	2014-15 Outturn £000	2015-16 Outturn £000	2016-17 Outturn £000	2017-18 Outturn £000	2018-19 Outturn £000	2019-20 Plans £000
Managing our energy legacy safely and responsibly	(96,723)	(308,924)	(258,615)	(885,264)	(297,497)	(148,565)
Science and Research	87,581	49,871	41,888	45,578	205,985	101,333
Capability	(29,793)	(21,783)	(6,012)	13,557	(12,990)	(26,252)
Government as Shareholder	25,524	(60,526)	(12,313)	(73,714)	1,035	40,845
Renewable Heat Incentive	158,946	372,420	545,426	687,275	817,898	1,010,000
Deliver an ambitious industrial strategy (ALB) net	(4,159)	7,741	(10,853)	4,962	(21,100)	(6,000)
Promote competitive markets and responsible business practices (ALB) net	(243)	(161)	(59)	87	57	181
Taking action on climate change and decarbonisation (ALB) net	1,987,931	9,281,975	1,065,496	3,558,227	(2,971,284)	-
Managing our energy legacy safely and responsibly (ALB) net	(65,835)	1,906,630	2,025	1,507,140	(2,022,249)	(86,198)
Science and Research (ALB) net	48,830	107,287	91,411	94,536	41,299	9,182
Capability (ALB) Net	-	2	(400)	-	1	-
Government as Shareholder (ALB) net	(148,034)	(56,337)	(26,653)	(25,628)	93,768	36,796
Nuclear Decommissioning Authority	5,644,353	89,797,932	2,850,516	69,911,856	(101,791,292)	1,620,000
Government as Shareholder	239,776	254,256	231,511	259,815	319,330	328,000
Total Resource AME	**8,672,448**	**101,956,236**	**3,523,216**	**75,124,046**	**(105,864,889)**	**2,954,730**
Of which:						
Staff costs	-	-	-	-	4,404	*
Purchase of goods and services	19,776	23,450	36,665	101,425	145,292	*
Income from sales of goods and services	(152)	-	-	-	(3)	-
Current grants to persons and non-profit bodies (net)	392,622	429,826	429,011	353,221	416,439	621,900
Subsidies to private sector companies	158,943	372,420	545,426	687,275	817,898	1,010,000
Rentals	(139)	(81)	(718)	(2,456)	(2,198)	-
Depreciation[1]	2,653,848	10,126,954	59,847	4,397,424	(1,962,038)	82,863
Take up of provisions	6,022,459	91,967,474	2,984,041	71,236,030	(101,359,925)	1,703,913
Release of provision	(407,513)	(692,733)	(352,371)	(316,703)	(3,078,344)	(327,188)
Change in pension scheme liabilities	29,627	19,199	20,375	34,554	29,717	-

	2014-15 Outturn £000	2015-16 Outturn £000	2016-17 Outturn £000	2017-18 Outturn £000	2018-19 Outturn £000	2019-20 Plans £000
Unwinding of the discount rate on pension scheme liabilities	43,398	37,423	38,095	36,924	37,782	80
Other resource	(240,421)	(327,696)	(237,155)	(1,403,648)	(913,900)	(139,311)
Total Resource Budget	**11,120,655**	**104,450,067**	**5,485,209**	**76,838,051**	**(104,618,400)**	**5,066,059**
Of which:						
Depreciation[1]	2,947,457	10,395,932	415,244	4,663,891	(1,651,386)	405,332
Capital DEL						
Deliver an ambitious industrial strategy	(345,273)	289,783	298,132	142,364	(54,606)	98,816
Maximise investment opportunities and bolster UK interests	190,635	319,887	303,527	289,791	243,957	270,000
Promote competitive markets and responsible business practices	47	(12,700)	376	2,375	2,682	5,389
Delivering affordable energy for households and businesses	137,266	131,102	42,201	43,633	32,718	58,009
Ensuring that our energy system is reliable and secure	1,158	5,071	(548)	60	(626)	130
Taking action on climate change and decarbonisation	47,620	54,871	39,569	51,578	73,121	278,862
Managing our energy legacy safely and responsibly	7,103	5,017	7,747	7,944	4,278	-
Science and Research	521,482	442,991	2,596,657	2,634,812	563,177	976,108
Capability	11,027	11,929	10,181	18,777	30,305	244,438
Government as Shareholder	106,569	227,462	8,535	(96,042)	175,871	(88,839)
Deliver an ambitious industrial strategy (ALB) net	-	-	5	32	-	-
Promote competitive markets and responsible business practices (ALB) net	1,559	940	1,027	1,377	1,059	1,160
Ensuring that our energy system is reliable and secure (ALB) net	2,207	975	1,005	-	-	-
Taking action on climate change and decarbonisation (ALB) net	4,004	959	601	39	255	99
Managing our energy legacy safely and responsibly (ALB) net	5,895	12,243	8,778	13,559	9,503	14,650

	2014-15 Outturn £000	2015-16 Outturn £000	2016-17 Outturn £000	2017-18 Outturn £000	2018-19 Outturn £000	2019-20 Plans £000
Science and Research (ALB) net	6,133,277	6,260,785	4,257,684	4,761,522	7,530,042	7,707,822
Capability (ALB) Net	773	641	480	43	2,482	-
Government as Shareholder (ALB) net	616,035	595,189	1,172,665	469,043	197,015	139,019
NDA and SLC expenditure	1,845,932	1,827,695	1,970,695	2,051,013	2,002,699	1,755,000
Nuclear Decommissioning Authority Income (CFER)	(2,916)	(51,639)	-	-	-	-
Total Capital DEL	**9,284,400**	**10,123,201**	**10,719,317**	**10,391,920**	**10,813,932**	**11,460,663**
Of which:						
Staff costs	499,321	480,039	477,555	480,982	502,376	*
Purchase of goods and services	529,348	572,620	400,772	498,431	833,595	*
Income from sales of goods and services	(122,637)	(131,102)	(258,776)	(276,222)	(260,137)	(23,070)
Current grants to persons and non-profit bodies (net)	4,465,923	4,666,325	3,098,274	3,582,865	5,744,797	6,810,013
Current grants abroad (net)	317,714	302,460	317,400	330,130	340,794	158,240
Subsidies to public corporations	(1,238)	(2,655)	151,078	98,737	-	60
Capital support for local government (net)	21,570	54,528	42,270	41,473	5,826	57,500
Capital grants to persons & non-profit bodies (net)	968,596	999,113	424,678	482,446	888,564	1,104,893
Capital grants to private sector companies (net)	131,354	155,115	239,455	21,138	32,893	167,213
Capital grants abroad (net)	203,769	425,981	525,993	483,289	308,624	282,254
Capital support for public corporations	90,278	170,203	147,126	81,835	204,229	92,290
Purchase of assets	2,071,328	2,059,177	2,242,318	2,412,651	2,345,321	1,996,601
Income from sales of assets	(37,628)	(92,106)	(65,827)	(142,274)	(23,144)	-
Net lending to the private sector and abroad	519,050	630,964	1,069,550	253,812	22,276	326,171
Other capital	(372,348)	(167,461)	1,907,451	2,042,627	(132,082)	(22,449)

Capital AME						
Deliver an ambitious industrial strategy	(35,000)	-	-	-	-	-
Maximise investment opportunities and bolster UK interests	17,413	2,310	-	-	-	-
Managing our energy legacy safely and responsibly	(620,294)	61,891	(38,273)	611,792	35,412	5,471
Science and Research	-	-	834	864	1,212	-

	2014-15 Outturn £000	2015-16 Outturn £000	2016-17 Outturn £000	2017-18 Outturn £000	2018-19 Outturn £000	2019-20 Plans £000
Government as Shareholder	291,559	210,202	129,181	(1,909)	(120,000)	-
Renewable Heat Incentive	1,697	(22)	-	-	-	-
Deliver an ambitious industrial strategy (ALB) net	7,159	17,299	84,842	(3,474)	(16,387)	35,000
Science and Research (ALB) net	(71,497)	(55,972)	(61,156)	(63,845)	(59,692)	-
Government as Shareholder (ALB) net	(1,206,678)	(430,678)	(129,935)	(119,122)	(115,399)	(77,070)
Managing our energy legacy safely and responsibly (CFER)	-	-	-	-	(141,811)	(142,400)
Government as Shareholder	-	-	-	(1,621,078)	-	-
Government as Shareholder (ALB) net	-	(1,434,995)	-	-	-	-
Total Capital AME	**(1,615,641)**	**(1,629,965)**	**(14,507)**	**(1,196,772)**	**(416,665)**	**(178,999)**
Of which:						
Staff costs	(25,110)	(16,992)	(18,461)	(18,719)	(15,325)	*
Purchase of goods and services	-	-	834	(7,325)	(2,330)	*
Capital grants to persons & non-profit bodies (net)	1,697	(22)	-	-	-	-
Capital grants to private sector companies (net)	(500,441)	(12,798)	(4,819)	(184,787)	-	-
Capital grants abroad (net)	17,413	2,310	-	-	-	-
Capital support for public corporations	292,000	53,248	134,000	36,000	(120,000)	-
Purchase of assets	79	350	54,158	318	-	-
Income from sales of assets	(264,404)	(32,150)	15	-	-	-
Net lending to the private sector and abroad	(1,070,518)	(1,753,009)	(141,781)	(1,638,862)	(273,597)	(184,470)
Other capital	(66,357)	129,098	(38,453)	616,603	(5,413)	5,471
Total Capital Budget	**7,668,759**	**8,493,236**	**10,704,810**	**9,195,148**	**10,397,267**	**11,281,664**

Total departmental spending[3]	**15,841,957**	**102,547,371**	**15,774,775**	**81,369,308**	**(92,569,747)**	**15,942,391**
Of which:						
Total DEL	11,438,998	12,348,054	12,325,913	11,839,458	11,749,769	13,249,523
Total AME	4,402,959	90,199,317	3,448,862	69,529,850	(104,319,516)	2,692,868

[1] Includes impairments

[2] Pension schemes report under FRS 17 accounting requirements. These figures therefore include cash payments made and contributions received, as well as certain non-cash items.

[3] Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.

* Figures for Plans for staff costs and purchase of goods and services, which include assumptions on future price and pay movements, are redacted in line with HMT guidance.

Notes:

The large increase in spend in 2014-15 and 2015-16 on Delivering affordable energy for households and businesses Resource DEL is due to the Government Electricity Rebate.

Resource DEL expenditure for Nuclear Safeguards Development is shown separately in 2017-18 as this expenditure was funded through a Contingencies Fund advance, pending passage of the Nuclear Safeguards Bill through Parliament. Repayment of that advance in 2018-19 was made against Capability DEL, offset by the credit shown against Nuclear Safeguards Development.

The receipt in 2018-19 against Managing our energy legacy safely and responsibly (CFER) Resource DEL relates to income from coal pension scheme surpluses.

The increase in spend in 2016-17 and 2017-18 against Science and Research Capital DEL and decrease against Science and Research (ALB) Capital DEL reflects the reclassification of expenditure for the Higher Education Funding Council for England (HEFCE) for Science and Research following the Machinery of Government transfer of HEFCE to the Department for Education. With effect from 2018-19 this expenditure falls under Research England as part of UKRI, under Science and Research (ALB).

The figures for Depreciation in Resource AME include the movement in fair value for Contracts for Difference, shown against Taking action on climate change and decarbonisation and Taking action on climate change and decarbonisation (ALB).

The large movements in take up of provisions within Resource AME in 2015-16, 2017-18 and 2018-19 is due to movements in the long term discount rate for provisions. This largely impacts the lines for Nuclear Decommissioning Authority and Managing our energy legacy safely and responsibly (ALB).

The receipt in 2017-18 against Government as Shareholder (CFER) Capital AME reflects the proceeds from the sale of the Green Investment Bank.

In their role as administrator of the Government's GB Renewable Heat Incentive scheme, Ofgem made payments to scheme participants totalling £817,898,169 in the financial year 2018-19. Based on Ofgem's sampling of the population and subject to our detailed assumptions, we can be 95% confident that the estimated value of error for GB Renewable Heat Incentive scheme payments made or accrued in the financial year 2018-19 is between the upper and lower limits of £21,765,747 and £43,175,637. Based on the same assumptions, the most likely estimated value of error for the same period is £32,470,692. This is less than 4 per cent of scheme spend in 2018-19.

Table 2 - Administration Budget

	2014-15 Outturn £'000	2015-16 Outturn £'000	2016-17 Outturn £'000	2017-18 Outturn £'000	2018-19 Outturn £'000	2019-20 Plans £'000
Resource DEL						
Deliver an ambitious industrial strategy	1,935	583	-	-	-	-
Promote competitive markets and responsible business practices	796	818	827	814	798	864
Managing our energy legacy safely and responsibly	-	-	(3,801)	-	-	-
Science and Research	58	59	-	2	-	-
Capability	345,965	327,944	288,546	280,222	350,166	441,124
Government as Shareholder	3,108	3,885	4,299	3,876	3,882	5,562
Promote competitive markets and responsible business practices (ALB) net	10,102	8,630	7,362	8,735	8,783	8,539
Taking action on climate change and decarbonisation (ALB) net	4,043	3,752	3,535	3,447	3,353	4,472
Managing our energy legacy safely and responsibly (ALB) net	5,536	10,191	12,104	7,044	6,912	4,703
Science and Research (ALB) net	7,305	4,685	986	3,371	5,547	3,722
Capability (ALB) Net	59,268	39,218	39,818	33,635	30,475	-
Government as Shareholder (ALB) net	267	251	162	27	52	-
NDA and SLC expenditure	37,110	34,992	38,195	42,121	50,612	55,869
Total Administration Budget	**475,493**	**435,008**	**392,033**	**383,294**	**460,580**	**524,855**
Of which:						
Staff costs	341,753	365,590	329,069	326,207	385,642	*
Purchase of goods and services	179,482	145,800	159,274	154,657	177,278	*
Income from sales of goods and services	(123,790)	(135,538)	(37,585)	(31,151)	(10,220)	(39,795)
Current grants to persons and non-profit bodies (net)	30	29	38	493	425	91
Current grants abroad (net)	18	108	106	170	184	-
Subsidies to private sector companies	-	-	-	9	-	-
Subsidies to public corporations	-	-	-	-	28	-
Net public service pensions	(7)	-	-	(9)	(12)	-
Rentals	27,074	31,852	30,117	34,299	22,485	23,853
Depreciation	30,738	29,956	27,034	22,901	18,850	34,754
Take up of provisions	(12)	2	-	(50)	-	-
Change in pension scheme liabilities	(65)	25	106	184	141	-
Other resource	20,272	(2,816)	(116,126)	(124,416)	(134,221)	(11,158)

* Figures for Plans for staff costs and purchase of goods and services, which include assumptions on future price and pay movements, are redacted in line with HMT guidance.

Annex B: Glossary

ACAS: Advisory, Conciliation and Arbitration Service

AFS: Available for Sale

AHRC: Arts and Humanities Research Council

AI: Artificial intelligence

ALB: Arm's-length Bodies

AME: Annual Managed Expenditure

ARAC: Audit and Risk Assurance Committee

BAES: BAE Systems

BBB: British Business Bank Plc

BBIL: British Business Investments Ltd

BBSRC: Biotechnology and Biological Sciences Research Council

BEIS: Department for Business, Energy and Industrial Strategy

BFP: Business Finance Partnership

BIS: Department for Business, Innovation and Skills, one of our predecessor departments

BNFL: British Nuclear Fuels Ltd

BVCA: British Venture Capital Association

CAT: Competition Appeal Tribunal

CAV: Connected Autonomous Vehicles

CCA: Climate Change Agreements

CCC: Committee on Climate Change

CCL: Climate Change Level

CCUS: International Carbon, Capture and Storage

CEO: Chief Executive Officer

CERN: European Organisation for Nuclear Research

CETV: Cash Equivalent Transfer Value

CfD: Contracts for Difference

CFP: Committee on Fuel Poverty

CNPA: Civil Nuclear Police Authority

CNPP: Civil Nuclear Pension Plan

CRC: Carbon Reduction Commitment

CSOPS: Civil Servant and Other Pension Scheme

DDM: Dynamic Dispatch Model

DECC: Department for Energy and Climate Change, one of our predecessor departments

Defra: Department for Food, Environment and Rural Affairs

DEL: Departmental Expenditure Limit

DfE: Department of Education

ECF: Enterprise Capital Fund

ECL: Expected Credit Loss

EDFE: EDF Energy Nuclear Generation Limited

EFG: Enterprise Financial Guarantee

EHL: Enrichment Holdings Limited

EII: Energy Intensive Industries

EMR: Electricity Market Reform

EPSRC: Economic and Physical Sciences Research Council

ERDF: European Regional Development Fund

ESA: European Space Agency

ESC: Electricity Settlements Company

ESO: European Southern Observatory

ESOS: Energy Savings Opportunity Scheme

ESRC: Economic and Social Research Council

EUA: European Union Allowance

EUAA: European Union Aviation Allowance

EU ETS: EU Emissions Trading Scheme

EUV: Existing-use Value

ExCo: Executive Committee

FDP: Funded Decommissioning Programme

FIDeR: Financial Investment Decision Enabling for Renewables

FLS: Future Leaders Scheme

FRC: Financial Reporting Council

FReM: Government Financial Reporting Manual

FVOCI: Fair Value through Other Comprehensive Income

FVPTL: Fair Value for Profit and Loss

GCRF: Global Challenges Research Fund

GDF: Geological Disposal Facility

GDPR: General Data Protection Regulation

GGC: Greening Government Commitments

GHG: Greenhouse Gas

GIAA: Government Internal Audit Agency

GIB: Green Investment Bank Ltd

GMPP: Government Major Projects Portfolio

GPA: Government Property Agency

GRAA: Greenhouse Resources and Accounts Act

HEFCE: Higher Education Funding Council for England

HMRC: HM Revenue and Customs

HMT: HM Treasury

HNIP: Heat Networks Investment Project

HPC: Hinkley Point C

IAEA: International Atomic Energy Agency

IDB: Inter-American Development Bank

IDP: Individual Development Programme

IAS: International Accounting Standards

IFRS: International Financial Reporting Standards

INSS: Insolvency Service

IPCC: Inter-Governmental Panel on Climate Change

IRR: Internal Rate of Return

ISCF: Industrial Strategy Challenge Fund

ITER: International Thermonuclear Experimental Reactor

IUK: Innovate UK (Technology Strategy Board)

JET: Joint European Torus

JPA: Joint Procurement Agency

LCCC: Low Carbon Contracts Company Ltd

LEP: Local Enterprise Partnerships

LLC: Local Land Charges

LTP: Life Time Plan

MDG: Millennium Development Goals

MEIL: Midlands Engine Investment Ltd

MHCLG: Ministry of Housing, Communities and Local Government

MRC: Medical Research Council

MRCPS: Medical Research Council Pension Scheme

NAO: National Audit Office

NDA: Nuclear Decommissioning Authority

NDC: Nationally Determined Contributions

NDPB: Non-Departmental Public Bodies

NERC: Natural Environment Research Council

NESTA: National Endowment for Science, Technology and the Arts

NFL: Nuclear Liabilities Fund

NGC: Nominations and Governance Committee

NIF: National Insurance Fund

NMDF: National Battery Manufacturing Development Facility

NNHL: National Nuclear Holdings Ltd

NPIL: Northern Powerhouse Investment Ltd

NPLML: NPL Management Ltd

OCI: Other Comprehensive Income

ODA: Official Development Assistance

Ofgem: Office of Gas and Electricity Markets

OGA: Oil and Gas Authority

ONS: Office for National Statistics

OPRED: Offshore Petroleum Regulator for Environment and Decommissioning

OSL: Ordnance Survey Limited

PBL: Parliamentary Business and Legislation Committee

PBO: Parent Body Organisation

PCFP: Parliamentary Contributory Pension Fund

PCSPS: Principal Civil Service Pension Scheme

PDC: Public Dividend Capital

PES: Public Expenditure System

PEVC: International Private Equity and Venture Capital

PFR: Performance Finance and Risk Committee

PSH: Postal Services Holding Company Ltd

PIC: Projects and Investment Committee

PNC: Police National Computer

PO: Partner Organisations

POpCo: People and Operations Committee

POL: Post Office Ltd

PPE: Property, Plant and Equipment

PV: Present Value

QA: Quality Assurance

R&D: Research and Development
RMPP: Royal Mail Pension Plan
RPC: Regulatory Policy Committee
RPS: Redundancy Payment Services
RSRL: Research Sites Restoration Limited
RWM: Committee on Radioactive Waste Management
SCS: Senior Civil Service
SDG: Sustainable Development Goals
SDP: Single Departmental Plan
SFLG: Small Firms Loan Guarantee Scheme
SI: Statutory Instrument
SLC: Site Licence Company
SLS: Senior Leaders Scheme
SME: Small and Medium sized Enterprise
SoCNE: Statement of Comprehensive Net Expenditure
SoFP: Statement of Financial Position
SoPS: Statement of Parliamentary Supply
SOSIA: Secretary of State Investor Agreement
SPRC: Strategic Policy Review Committee
SRMC: Short Run Marginal Cost
STFC: Science and Technology Facilities Research Council
STSC: South Tees Site Company Ltd
SULCO: Start Up Loans Company
TCD: Target Commissioning Date
TCW: Target Commissioning Window
TLM: Transmission Loss Multiplier
TME: Total Managed Expenditure
UKAEA: UK Atomic Energy Authority
UKGIP: UK Green Infrastructure Platform Ltd
UKIIF: UK Innovation Investment Fund
UKRI: UK Research and Innovation
UKSA: UK Space Agency
UKSBS: UK Shared Business Services Ltd
VAT: Value Added Tax
WTC: Waste Transfer Contract