Department for Business, Energy & Industrial Strategy

Annual report and accounts

2019-20

HC 709

Department for
Business, Energy
& Industrial Strategy

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Foreword by the Secretary of State

The Rt Hon
Alok Sharma
Secretary of State for Business, Energy and Industrial Strategy

BEIS is playing a crucial role in securing the UK's long-term future. It has been at the forefront of the fight against coronavirus, and is now leading Britain's recovery by tackling climate change, unleashing innovation and backing business. We will continue to build on the many achievements outlined in this report over the coming years to create a stronger, greener future.

Tackling Climate Change

Co-hosting the COP26 UN Climate talks next year gives us the opportunity to reinforce the UK's position as a world leader in climate action. Over the past year BEIS has continued its work to achieve net zero emissions by 2050. The deadline of coal phaseout was brought forward to 2024. Construction began on the world's largest offshore wind development, which will power 4.5 million UK homes. We are investing £800 million in Carbon Capture, Usage and Storage (CCUS) infrastructure, enabling us to establish the UK's first CCUS power plant. We know there is more to do and further opportunities to be seized as the UK leads a global green industrial revolution, creating thousands of jobs across the country.

Unleashing Innovation

We are using science and research to unite and level up our country, give people opportunities, and make the UK a science superpower. In March, we committed to increasing research and development investment to £22 billion per year by 2025. UK businesses are leaders in developing high-potential technologies, from nuclear fusion to space and satellite technology, electric vehicles, and developing a state-of-the-art climate supercomputer. Our unprecedented investment in science will strengthen research and build the foundations for the new industries of tomorrow.

Backing Business

The Government's ambition is for Britain to be the best country in the world to start and scale a business. We have invested in our key industries and local economies to level up opportunities across the UK. For workers, we saw the biggest cash increase ever for the lowest-paid with a new National Living Wage of £8.72 per hour, and we introduced new rights for paid parental bereavement leave.

Fighting Coronavirus

BEIS has been at the forefront of the Government's response to the Coronavirus pandemic. The Department worked quickly to ease regulatory burdens on business, produce workplace guidance safeguarding workers while supporting the economy, and agree measures with the energy industry to protect vulnerable consumers. Through the British Business Bank, BEIS has made available over £50 billion in business loans. Grants have also been given out to nearly 900,000 small businesses and individuals. We established the Vaccine Taskforce to marshal the collective effort of government, academia, industry and healthcare to produce a vaccine as quickly as possible.

Clearly, challenges remain, but I have been impressed by how business and government have come together to respond to Coronavirus. I am also immensely proud of the way that BEIS has risen to the challenges of the pandemic, working at pace to support the economy and safeguard jobs. I want to see this continue, driving a green recovery in jobs and industry and levelling up across the UK.

Report of the Permanent Secretary

Sarah Munby
Permanent Secretary and Principal Accounting Officer

It is an honour to become Permanent Secretary during such an important time as we work to help businesses, workers and consumers respond to, and recover from, coronavirus. On behalf of the Department, I would like to thank Alex Chisholm for his leadership as BEIS Permanent Secretary until April 2020, and Sam Beckett for her stewardship of the Department from April to July.

The Department has rapidly mobilised to best support the response to coronavirus. We found ways to collaborate ever more closely with businesses and their representative organisations to deliver vital grants, loans and advice to all sectors of the economy. We set up a PPE Make Unit to support the national effort to produce essential equipment and established the Vaccine Taskforce to drive forward and co-ordinate efforts to research and produce a coronavirus vaccine.

Our strong global leadership on climate change was recognised when the UK was selected to co-host with Italy the COP26 UN climate talks. BEIS is leading on cross-Government policy development ahead of the conference next November. The Government doubled international climate finance spend from £5.8 billion to £11.6 billion, and continued to invest in green technologies – for example by doubling the size of the Energy Innovation Programme to £1 billion and providing £1 billion over five years to boost automotive green technologies.

Creating the right conditions to unleash innovation remains a top priority for the Department. This year Government announced the largest ever increase in R&D funding, reaching £22 billion by 2024-25. Individual projects included a £36 million world-first National Timing Centre and a £40 million investment in quantum technology. We provided £179 million investment to support the next generation of scientists, mathematicians and engineers, as well as introducing the first ever Stephen Hawkings Fellowship. The Space Industry Act was passed into law, enabling the expansion of commercial space activities in the UK and creating the potential for hundreds of highly-skilled jobs and billions in investment.

We continue to focus on making the UK the best place to work and grow a business, whether through our work on the National Living Wage or through our support to help businesses preparing for the end of the Transition Period. In particular this year we boosted support for SMEs, announcing the expansion of the British Business Bank's venture capital and debt support programmes. The UK is also making strong progress on improving gender diversity in senior business positions following the Hampton-Alexander review: a third of FTSE 100 board positions are now held by women.

I am immensely proud of all that the Department has delivered over the past year, during a period of considerable turbulence. We stand ready for our critical role in the year ahead.

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Performance report

Overview

The overview section, pages 6 to 19 provides a summary of the annual report and accounts. It includes a summary of our performance, expenditure and risks during the year, and our organisational structure as at the reporting date.

Our purpose

Our purpose is to build an economy which is fairer, cleaner, more innovative, and attracts investment from all over the world.

What we set out to achieve

BEIS began the 2019-20 financial year with five objectives as published in June 2019, in the Department's Single Departmental Plan (SDP). These included:

- delivering an ambitious industrial strategy;
- maximising investment opportunities and bolster UK interests as we leave the EU;
- promoting competitive markets and responsible business practices;
- ensuring the UK has a reliable, low cost and clean energy system; and
- building a flexible, innovative, collaborative, and business facing department.

With the change in government during the financial year, BEIS reprioritised its aims focusing on the following four priorities:

- Getting businesses ready for Brexit and the opportunities beyond[1]
- Leading the world in tackling climate change
- Solving the Grand Challenges facing our society
- Making the UK the best place in the world to work and do business

Following the UK leaving the EU on 31 January 2020 and the main aim of the first priority above being achieved the Department continued to focus on the following three priorities and aims.

1 This priority represented the following aims:
– Deliver a Brexit that works for businesses. Help every UK business get ready for Brexit
– Prepare businesses to take advantage of new trading relationships and markets opened around the world
– Forge an outward looking, free trading, entrepreneurial and creative UK economy outside of the EU.
Note: The second and third aims of Getting business ready for Brexit and opportunities beyond were incorporated into Making the UK the best place in the world to work and grow a business.

Leading the world in tackling climate change

- Achieve net zero greenhouse gas emissions and end our contribution to global warming by 2050.
- Drive economic growth through the race to cut carbon, becoming a leader in green technologies and clean energy on the path to net zero.
- Accelerate climate action through strong global leadership

Solving the Grand Challenges facing our society

- Increase productivity and improve lives by tackling our Grand Challenges in life sciences, artificial intelligence, automation and space.
- Making the UK a science superpower through backing ideas and supporting talent from home and abroad.
- Invest in R&D and innovation to drive discovery and unleash potential

Making the UK the best place in the world to work and grow a business.

- Forge an outward-looking economy, supporting businesses all over the UK to take advantage of new trading relationships with the EU and around the world
- Reform corporate governance and improve boardroom diversity so the top of UK businesses better serve and reflect the whole society
- Create fairer, inclusive, flexible workspaces so everyone has the chance to succeed and balance work and home life.

Our highlights in 2019-20

Helped businesses, workers and consumers affected by coronavirus, by introducing loans, guarantees and cash grants, easing regulatory burdens and providing greater flexibility on competition law, annual leave and the testing of new products.

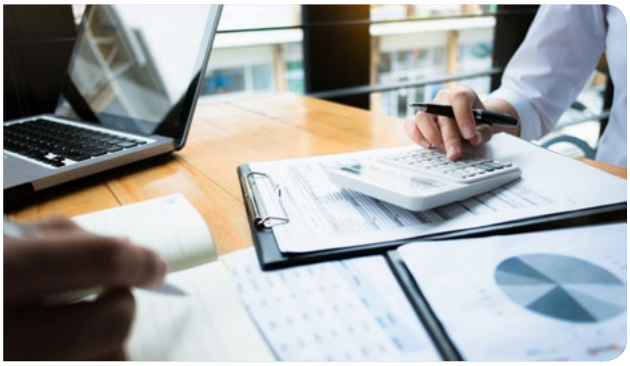
Supported the UK's world-class scientists by launching a new simplified process to apply for research funding, helping to free researchers to focus more exclusively on undertaking trailblazing research.

Led the world in tackling climate change by being the first major economy to legislate to end our contribution to carbon emissions and announcing that we will double our international climate finance spend from £5.8 billion to £11.6 billion over the next five years. This global leadership was recognised when the UK was chosen to co-host the COP26 UN climate talks.

Took steps towards achieving net zero by 2050. Since 1990 we have grown our economy by 75% whilst cutting emissions by 43%. Renewable sources provided more electricity to UK homes and businesses than fossil fuels for the first time in the third quarter of 2019, with less than 1% of electricity generated by coal-fired power.

Positioned the UK at the global forefront of new automotive technology development, investing up to £1 billion over 5 years in R&D and the development of UK supply chains for the large-scale production of electric vehicles.

Backed ground-breaking research and innovation in the UK through key strategic investments, including £1.2 billion to develop a state-of-the-art climate supercomputer, £200 million for a world-leading genomics project and £220 million for the initial design of a fusion power station.



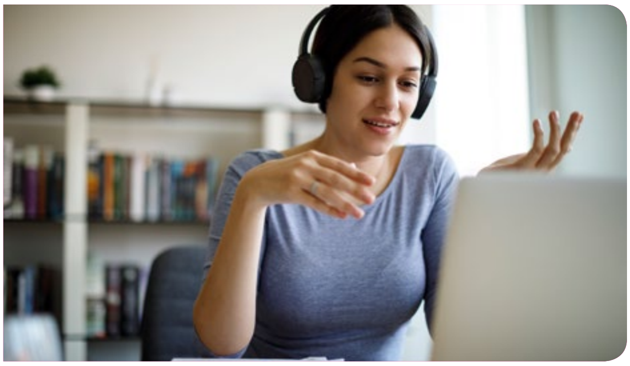
Prepared businesses for EU Exit by creating a £15 million Business Readiness Fund for business groups and trade associations to help firms prepare and running the Brexit Business Readiness Roadshow with more than 30 events over five weeks spanning the breadth of the UK.

Created new legislation to lay the groundwork for our future outside the EU, covering areas such as product safety and metrology, employment rights, carbon emissions and renewable energy.

Introduced a new right to paid parental bereavement leave, which will mean that working parents who lose a child under the age of 18 will get two weeks' statutory leave.

Increased the National Living Wage to £8.72 per hour, a 6.2% pay rise for the lowest-paid workers representing the biggest cash increase ever and bringing the rate to the target of 60% of median earnings.

Safeguarded 3,200 jobs in the steel industry by supporting the sale of British Steel, marking the start of a new chapter for UK steel.



Continued our work to build a flexible, innovative, collaborative and business-facing department. In particular, responding effectively to the coronavirus crisis by rapidly mobilising staff onto work on the response to coronavirus; implementing at pace our new IT collaboration platform ensuring we continued to work effectively following the move from office to home working; and by supporting staff with caring responsibilities.

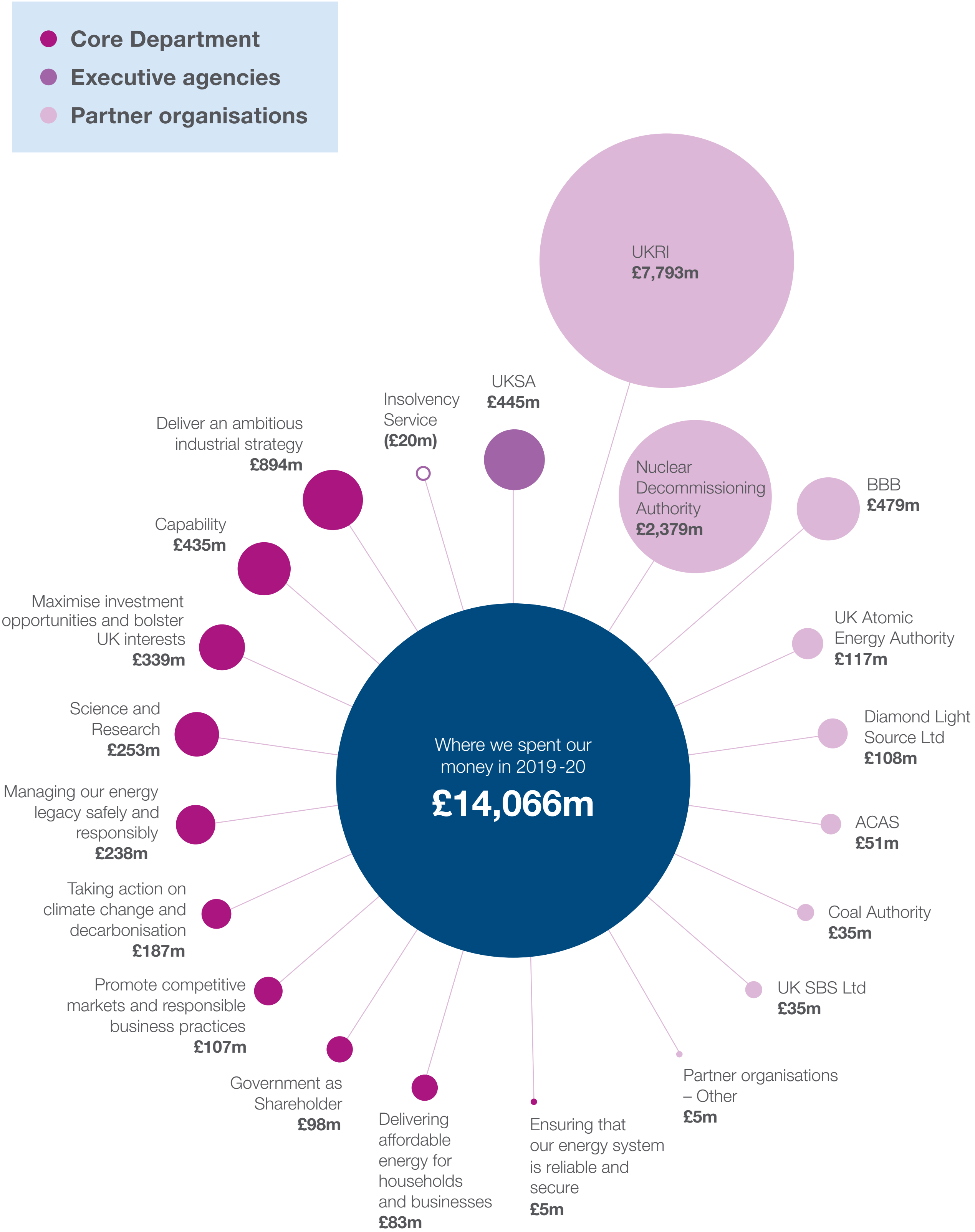
Where we spent our money in 2019-20

For the year ended 31 March 2020, the Departmental Group incurred spend of **£14.1 billion**[2]. Of this **£3.1 billion** related to the Core Department and Agencies, and **£11.0 billion** related to our partner organisations and designated bodies.

The diagram opposite shows the major areas of spend. The majority of the Departmental spend, and policy delivery is through it's Partner Organisations, including:

- **£7,793 million** by **UK Research and Innovation (UKRI)**, on funding for Science and Research
- **£2,379 million** by the **Nuclear Decommissioning Authority (NDA)** on managing our energy legacy safely and responsibly.
- **£445 million** by **UK Space Agency (UKSA)** on delivering an excellent space programme with the maximum economic, scientific and policy benefit for the UK.
- **£479 million** by the **British Business Bank (BBB),** through the Enable programme, Northern Powerhouse Investment Fund, Midlands Engine Investment Fund and Cornwall and Isles of Scilly Investment Fund, on supporting small business in the UK at all stages of their development.

2 The 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 in the Financial Review on page 29.


Core Department
Executive agencies
Partner organisations
UKRI £7,793m
UKSA £445m
Insolvency Service (£20m)
Deliver an ambitious industrial strategy £894m
Nuclear Decommissioning Authority £2,379m
BBB £479m
Capability £435m
Maximise investment opportunities and bolster UK interests £339m
UK Atomic Energy Authority £117m
Science and Research £253m
Diamond Light Source Ltd £108m
Where we spent our money in 2019-20
£14,066m
Managing our energy legacy safely and responsibly £238m
ACAS £51m
Taking action on climate change and decarbonisation £187m
Coal Authority £35m
Promote competitive markets and responsible business practices £107m
UK SBS Ltd £35m
Government as Shareholder £98m
Delivering affordable energy for households and businesses £83m
Ensuring that our energy system is reliable and secure £5m
Partner organisations – Other £5m

Our business model

Our work and stakeholders

Following ministerial priorities, we design and implement policy relating to our priorities: leading the world in tackling climate change, solving the Grand Challenges facing our society and making the UK the best place in the world to work and grow a business.

We build strong and collaborative relationships with stakeholders, including: businesses and business representative organisations; workers and their unions; and consultations with the wider public. We also work closely with and other government departments.

4,345 people

Our people

Our Core Department is made up of 4,345 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 businesses through 40 partner organisations. 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.

£14.1 billion

Our funding

Our annual funding is agreed with Treasury and Parliament. In 2019-20, we were responsible for the efficient stewardship of £14.1 billion of Departmental funds.

How we are organised: our organisational structure

Our ministers

Secretary of State for Business, Energy and Industrial Strategy
Rt Hon Alok Sharma MP

Minister of State for Business, Energy and Clean Growth
The Rt Hon Kwasi Kwarteng MP

Parliamentary Under Secretary of State Minister for Business and Industry
Nadhim Zahawi MP

Parliamentary Under Secretary of State Minister for Science, Research, and Innovation
Amanda Solloway MP

Parliamentary Under Secretary of State, Minister for Small Business, Consumers and Labour Markets
Paul Scully MP

Parliamentary Under Secretary of State, Minister for Climate Change and Corporate Responsibility
Lord Callanan

Minister for Investment (jointly with the Department for International Trade)
Lord Grimstone

Our management: senior officials

Permanent Secretary and Principal Accounting Officer
Sarah Munby[3]

Acting Director General, Corporate Services
Doug Watkins

Director General, Energy Transformation and Clean Growth
Julian Critchlow

Director General, Energy and Security
Joanna Whittington

Director General, Industrial strategy, Science and Innovation
Jo Shanmugalingam

Director General, Market Frameworks
Jaee Samant

Acting Director General, Trade, Europe and analysis
Ashley Ibbett

BEIS Scientific Adviser
Professor John Loughhead

Chief Financial Officer
Tom Taylor

Chief Economic Adviser
Mike Keoghan

Director, Policy Delivery, and Private Office
Chris Thompson

Director, Communications
Craig Woodhouse

Our management: non-executives

Lead non-executive board member
Archie Norman

Non-executive board member
Nigel Boardman

Non-executive board member
Leena Nair

Non-executive board member
Stephen A. Carter

Non-executive board member
Carolyn McCall

Non-executive board member
Kathryn Parsons

Non-executive board member
Stuart Quickenden

3 Alex Chisholm was the Permanent Secretary and Principal Accounting Officer until 9 April 2020, then Sam Beckett became Acting Permanent Secretary and Principal Accounting Officer from 14 April 2020, until Sarah Munby was appointed the Permanent Secretary and Principal Accounting Officer from 20 July 2020.

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

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

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
Committee on Climate Change
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
Companies House[4]
Competition & Markets Authority
Groceries Code Adjudicator
Independent Complaints Reviewer
Intellectual Property Office
International Nuclear Services Limited
Land Registry[4]
Met Office
National Nuclear Laboratory
National Physical Laboratory
Nuclear Liabilities Fund
OFGEM
Ordnance Survey
Post Office Ltd
Pubs Code Adjudicator
Small Business Commissioner

4 These entities have been re-classified by ONS in 2018-19. See footnote 2 in note 27: list of bodies within the Departmental Group, for an explanation of the impact of this change

Risks affecting delivery of our objectives

Risk Management

Our risk management framework continued to develop and improve over the last year, further information on this can be found in the governance statement section of this report.

The BEIS risk management framework is structured around the following five principles, which complement and build upon those outlined in the Orange Book.

Accountable	Risk management is the responsibility of all staff. Senior management should ensure that roles and responsibilities are clear, communicated, understood and embedded at all levels of the organisation. This includes equipping staff with the skills to manage risk and understand where they can afford to take more risk, what necessitates immediate escalation / corrective action.
Open	Senior management should ensure that risk discussions are transparent and considered integral to making informed decisions (e.g. policy making, strategy setting, planning, Programme and Project Management).
Evidence-Based	All staff should consult with relevant stakeholders to produce timely and accurate risk information via the online reporting system and the control and assurance record to support decision-making.
Proportionate	Risk management processes should enable – not drive – our work. So all staff should consistently review and identify risk as part of their business activity using existing governance arrangements.
Consistent	All staff should consistently review and identify risk as part of their business activity e.g. using existing governance arrangements - such as committees, team meetings or deep dives - to increase visibility and focus on meaningful actions.

The table below describes our risk profile: principal risks we have faced during the financial year and the mitigating actions taken.

Key:

Icons in the table map the risk to our objectives

Solving the Grand Challenges facing our society

Making the UK the best place in the world to work, and to grow a business

Leading the world in tackling climate change

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

Risk	Mitigating activities	Risk severity and direction of risk trend
Failure to meet carbon budgets due to ineffective measures to mitigate climate change and promote clean energy investment	→ We have developed and implemented further policies to deliver emission reductions in line with Clean Growth Strategy and Net Zero commitments, and committed additional funding in areas including energy, industry, transport and low carbon buildings. → We continue to refine and strengthen our analysis of future emissions and the potential contribution of different policy areas to reducing emissions. → We have strengthened governance including through a new Climate Action Strategy Committee, chaired by the Prime Minister, to drive further action on domestic and international climate change. → We became the first major economy in the world to set a legally binding target to reach net zero greenhouse gas emissions by 2050. → We published the Green Finance Strategy, setting out plans to mobilise capital into low carbon investments.	H
Catastrophic or severe incident affecting energy or nuclear critical national infrastructure	→ We work with the Office for Nuclear Regulation (ONR) to ensure safety and security standards are maintained, including strengthening regulatory framework where necessary. → We continue to ensure robust safety and security (physical, personnel and cyber) arrangements are in place at civil nuclear sites. → We maintain a robust capability building programme to increase BEIS preparedness to lead an effective and coordinated cross-government response. → We undertake a programme of collaboration through regular engagement with industry to identify vulnerabilities and mitigate cyber risks not addressed through regulation. → We work with HM Government and industry partners to ensure physical and personnel security standards in the energy sector are proportionate and robust.	L

Risk	Mitigating activities	Risk severity and direction of risk trend
Sensitive 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 staff awareness campaigns to reinforce simple security behaviours – technical and physical defences are not enough on their own. → We continue to maintain strong and tested cyber defences. → 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 maintain a risk-adjusted and systematic approach to monitoring and assuring security in BEIS and its Partner Organisations. → We are working with other government departments to realise the benefits of security centralisation and professionalism across government.	H BEIS is satisfied that all possible avenues are in place to mitigate this risk, however, the rating remains high due to the increasing nature of cyber-attacks and reflecting the importance of staff safety.
Failure to attract, develop and retain sufficiently skilled staff and support their wellbeing	→ 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 carried out extensive workforce planning to develop resourcing plans, ensure the correct mix of grades in each profession, and review strategy and international capability. → We actively monitor the results of our People survey to improve staff retention with new learning and development packages and the appointment of Wellbeing Champions. → We carry out an annual Wellbeing survey and act on the results.	H Over the financial year this risk has increased due to the increasing remit of the Department.
We may lack the strategic and cultural flexibility to manage the impacts of a rapid change to priorities	→ To support strategic decision-making we maintain a robust reporting system to ensure that risks and issues are identified early and considered by senior leaders. → We have a dedicated team developing our Target Operating model, to strengthen the Department's capability. → 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

Risk	Mitigating activities	Risk severity and direction of risk trend
Inadequate availability, quality, or understanding of evidence base underpinning policy development and delivery.	→ We produce Quality Assurance (QA) scores for all business critical models. Our overall score is above target. → We completed a review of analytical governance and strengthened frameworks in place for assurance of analysis used in decision making. → We increased early monitoring requirements at policy development stage and improved mechanisms for reviewing implementation of monitoring through departmental boards. → We continued to develop a central archive of completed appraisal, monitoring and evaluation activity to support better, more efficient analysis and policy development. → We published the latest Areas of Research Interest.	M

Closed or deescalated risks	Mitigating activities	Narrative
Failure to prepare for EU Exit	→ We have continuously assessed delivery requirements and developed a prioritisation strategy to manage EU Exit work. → We have redeployed and mobilised staff to priority EU Exit areas. → We have worked with other government departments to ensure a coherent cross-Whitehall governance structure for negotiations and identify and resolve strategic trade-offs. → We have engaged with HM Treasury to develop a strong evidence base, based on a sectoral analysis of impacts, to refine low-alignment scenario planning and refine BEIS's flexible business support package. → We have led broad engagement with businesses, in coordination with other government departments, to deliver readiness messaging, as well as developing material, including online checklists and a self-certification tool for businesses.	The changing nature of the challenges of Brexit and the impact of external factors resulted in this risk remaining high through most of the financial year with an improved picture towards the point when the risk was closed.

Closed or deescalated risks	Mitigating activities	Narrative
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.	As a result of the Employment Rights Bill being announced, this risk has been de-escalated. The risk is now being monitored and managed by the Director General.
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.	→ 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.	Whilst this area is a high priority the specific risk has been closed as the Department refocused its attention towards the Grand Challenges and unleashing innovation.

COVID-19 response risk management practices

The COVID-19 pandemic response has presented the Department with significant challenges. In order to manage the associated risks, BEIS has put in place a programme of work pulling expertise from across the Department. A central Project Management Office has been established to effectively manage the Departmental response. Additionally, the strategic risk management function has supported the programme to design a risk management process in line with the Departmental Framework and to identify and manage emerging COVID-19 risks.

The BEIS Risk Management Framework and Risk Appetite Statement are reviewed and refreshed on an annual basis. This assessment will be reviewed taking account of COVID-19 to provide effective risk management to deliver Government policies.

Performance analysis

Our performance

BEIS reviewed and updated its Departmental priorities this year. The structure of this report follows those updated priorities, which differ from those in the Single Departmental Plan (SDP) published in June 2019. An additional section is included reflecting on BEIS's response to COVID-19 pandemic.

Leading the world in tackling climate change

This departmental priority is an increase in our ambition and strengthening of our commitment to the Department's fourth objective published in the Department's SDP to Ensure the UK has a reliable, low-cost, and clean energy system.

Domestic work

In June 2019, the UK became the first major economy in the world to legislate to end its contribution to global warming by 2050. The target will require the UK to bring all greenhouse gas emissions to net zero by 2050, compared with the previous target of at least 80% reduction from 1990 levels. This is one of the most ambitious targets in the world and demonstrates the leadership the UK is providing internationally in this area.

To support the achievement of this target:

- we introduced the Smart Export Guarantee, which ensures that small-scale electricity generators installing solar, wind or other forms of renewable generation will be paid for each unit of electricity they provide to the network;
- we awarded nine companies with £26 million of funding to advance the rollout of carbon capture, utilisation and storage in the UK, which is a crucial step towards ending the UK's contribution to global warming. £4.2 million of this will go to Tata Chemicals Europe's plant in Cheshire to contribute to the construction of a facility to capture and utilise 40,000 tonnes of carbon dioxide a year- the equivalent of 22,000 cars;
- we announced £142.9 million investment in green projects, including:
  - Greenhouse Gas Removal Technologies – £31.52 million – this will support the UK in its net zero ambitions, by driving forward approaches to remove greenhouse gases from the sky on a large scale;
  - Clean Air: Addressing the Challenge of Indoor & Outdoor Pollution – £22 million – the next decade will see declining transport pollution but increases in other areas like household products and adhesives. This project will look at tackling emerging air pollutants indoors and outdoors, such as air fresheners and cleaning products, to minimise their effects on public health;
  - cleaner food systems for healthy people and a healthy planet – £47 million — this will transform UK diets to be healthier and more sustainable through changes in production, manufacturing, retail and consumption;
  - reusing and recycling materials in innovative ways – £30 million – this programme will drive forward new research to support opportunities to re-use and recycle materials across sectors such as food, water, textiles, and electronics – as well accelerating new, greener manufacturing technologies; and
  - Sustainable Management of Marine Resources – £12.43 million – This programme will ensure that the UK realises sustainable societal and economic benefits through better management of the UK's marine resources.
- in February 2020, as part of the BEIS £505 million Energy Innovation Programme and additional UKRI funding, we announced a £90 million package to tackle emissions from homes and heavy industry. This included

funding for the development of Europe's first large scale, low carbon hydrogen plants in Merseyside and Aberdeen, which could generate enough clean energy to heat over 200,000 homes;

- we published the Green Finance Strategy, which sets out a comprehensive approach to greening financial systems, mobilising finance for clean and resilient growth, and capturing the resulting opportunities for UK firms; and
- the Prime Minister chaired the first meeting of the new Climate Action Strategy Committee, which will drive further action across government and play an essential role in co-ordinating our strategy to reach net zero emissions.

International work

The UK cannot solve the challenges of climate change alone, so we are working internationally as well as domestically to tackle the issue. Our leadership has driven change on the ground and shifted the debate and mobilised finance internationally:

- In September 2019 at the United Nations, the UK committed to doubling our International Climate Finance (ICF) to £11.6 billion between 2021-22 and 2025-26. This will help developing countries make the transition to low-carbon and climate resilient development. As part of the ICF, we launched the new Ayrton Fund of up to £1 billion to allow British and other scientists from around the world to work in partnership with developing countries to drive the clean energy transition. At the G7 Summit in August 2019, the UK also pledged to contribute £1.44 billion to the Green Climate Fund over the next four years. This doubles the UK's previous contribution of £720 million between 2014 and 2019; and
- We announced an investment package worth over £100 million for clean energy and energy efficiency at the African Investment Summit. Solar farms in Kenya, geothermal power stations in Ethiopia and clean energy storage across sub-Saharan Africa will receive funding and see leading UK scientists and financial experts working with their African counterparts to realise the continent's huge potential for renewable energy. The Prime Minister also announced an end to UK direct bilateral support for thermal coal mining or coal power plants overseas.

Solving the Grand Challenges facing our society

The Industrial Strategy sets out Grand Challenges to put the UK at the forefront of the industries of the future, ensuring that the UK takes advantage of major global changes, improving people's lives and the country's productivity.

The first 4 Grand Challenges are focused on the global trends which will transform our future:

Future of mobility

- We announced up to £1 billion additional funding to develop and embed the next generation of cutting-edge automotive technologies. This funding will be used to develop UK supply chains for the large-scale production of electric vehicles and will also be used for further research and development in our world leading research centres. It will accelerate mass production of key technologies in the UK through major investments in the manufacturing of batteries, electric motors, power electronics, and hydrogen fuel cells, along with their component and materials supply chains; and
- As part of the Faraday Battery Challenge, we announced £23 million government investment to keep the UK at the forefront of developing the latest electric vehicle technology. This forms part of the total £274 million that will be awarded to consortia across the UK through the Faraday Battery Challenge, part of the government's Industrial Strategy Challenge Fund (ISCF).

Ageing society

- We announced a new dedicated investment programme of around £600 million to unlock the potential of the UK's best health and life science innovations. The funding will comprise a £200 million investment through the government-owned British Business Bank alongside private sector investment, which is expected to contribute a further £400 million, allowing companies to grow and ensure the UK remains a world-leader in life sciences innovation; and

- We launched the world's largest genetics project, the £200 million whole genome sequencing project of 500,000 volunteers in the UK Biobank. The new project aims to improve the prevention, diagnosis and treatment of a wide range of serious and life-threatening illnesses including cancer, heart diseases, diabetes, arthritis and dementia, through genetic research that can explain why some people develop these conditions and others do not.

Artificial intelligence and data

- We announced the UK's first ever tourism sector deal, which will revolutionise the way data is used by the sector, through the creation of a new Tourism Data Hub. The deal will also support the creation of an additional 10,000 apprenticeships for people building their careers in the tourism and hospitality sectors;
- We launched a new Cambridgeshire and Peterborough Local Industrial Strategy, which is designed to maximise productivity and innovation in the area's leading life sciences, food production, artificial intelligence, and advanced manufacturing sectors, and features a Skills and Apprentices Hub to support the local economy; and
- We announced funding to support up to 2,200 students through 41 Doctoral Training Partnerships, as well as encourage more young people, particularly girls, to study science, technology, engineering and mathematics (STEM) subjects at school and university, and pursue a STEM-related career. The investment includes:
  - £179 million for PhDs, formally known as Doctoral Training Partnerships, at over 40 UK universities in physical sciences, maths and engineering to develop the skills for ground-breaking research and high-tech industries like cyber security and chemical manufacturing. Part of the investment will go into pilots looking at how best to attract and support those from non-academic backgrounds to undertake this type of training; and
  - £8.9 million to continue funding science education programmes including Science Learning Partnerships and Stimulating Physics Networks, which aim to improve science teaching and increase the take up of science at GCSE level and A level and ultimately encourage young people to pursue a STEM-related career.

Clean Growth

- We announced £300 million investment to develop cleaner, greener forms of transport. The government will provide £125 million, which will be supported by industry co-investment of up to £175 million to support exciting new technologies including flying urban taxis, electric passenger planes and even freight-carrying drones; and
- We announced a £98 million investment, allowing both UK researchers and small businesses to seize the opportunities in science and innovation and industries of the future. Of this, £78 million will be invested in 78 scientists and researchers through the government's Future Leaders Fellowships scheme. The remaining £20 million will be allocated to 20 universities to develop new University Enterprise Zones (UEZs) across the country to provide vital specialist support to small businesses in pioneering industries – like Artificial Intelligence (AI), clean growth, smart energy and agri-food.

Making the UK the best place in the world to work, and to grow a business

This departmental priority combines the Department's second and third objectives published in the Department's SDP to Maximise investment opportunities and bolster UK interest as we leave the EU and Promote competitive markets and responsible businesses practices, now the UK has left the EU.

Our work towards delivering this objective is directed towards providing support for employees and businesses and regulating the market.

Supporting Employees

- In 2020, we legislated to increase the National Living Wage (NLW) by 6.2%, from £8.21 per hour to £8.72 per hour – the biggest cash increase ever. Nearly 3 million workers are now benefitting from the increases to the NLW and minimum wage rates for younger workers, according to estimates from the independent Low Pay Commission;
- 3,200 high-skilled jobs in Scunthorpe, Skinningrove and on Teesside were safeguarded by the completion of a deal to sell British Steel to leading Chinese steelmaker Jingye Group. The sale followed extensive discussions between the government, the Official Receiver, Special Managers, unions, suppliers and employees. It marks a critical step in securing a long-term, sustainable future for steelmaking in Yorkshire and the Humber and the North East. As part of the deal, Jingye Group pledged to invest £1.2 billion over 10 years to modernise British Steel sites and boost energy efficiency;
- We announced we were building on measures designed to support working parents as part of the Good Work Plan by extending legal protections against redundancy for new mothers returning to work by six months. Parents returning from adoption and shared parental leave will also be protected;
- We introduced regulations in Parliament which mean that from the 6th April employed parents who suffer the loss of a child under the age of 18 are now entitled to two weeks statutory Parental Bereavement Leave and Pay; and
- As announced in the Queen's Speech and at Budget, we intend to legislate to give parents of children in neonatal care access to additional weeks of leave and pay to support them during this traumatic time and when they return to work.

Supporting Businesses

- We widened eligibility for Relief for Energy Intensive Industries to enable more businesses to benefit from support schemes, whilst investing in their greener future;
- We made £15 million of funding available to support trade associations and other business representative organisations to work with businesses across the UK to understand the steps they should take to be ready for Brexit;
- In 2019-20, we ran advertising campaigns to support business growth including advertising to support businesses to prepare for Brexit as part of the Cabinet Office 'Get Ready' campaign, workers on national and living wage and to help future proof skills relevant to the engineering industry;
- We published the Business Productivity Review, which was jointly undertaken with HM Treasury. It outlines plans to spend £56 million to support business productivity and highlights ten key actions to drive forward change and improve productivity; and
- We announced £88 million of new government investment to help close the productivity gap between the UK and major world economies:
  - £43 million in government investment will support top researchers and analysts to explore how to turbocharge UK productivity levels through a new ambitious productivity institute; tackling barriers such as productivity imbalances between sectors and regions, poor management practices and skills investment; and
  - a further £45 million will be specifically invested by the government into the development of cutting-edge supercomputer software, set to transform whole sectors from agriculture and advanced aerospace to Formula One and pharmaceuticals with hyper-accurate weather predictions – helping them plan and in turn boost their productivity.

Regulation

- We announced tough new powers for the Competition and Markets Authority to fine businesses directly who have broken consumer law. The move will help tackle the loyalty penalty and practices such as subscription traps and unfair cancellation charges. Firms that overcharge or mislead their customers could be hit with direct fines without the need to go through a court; and
- We consulted on creating a single labour market enforcement body, which will have powers to enforce minimum wage and holiday payments. We will also crackdown on non-disclosure agreements.

COVID-19

The global pandemic emerged at the end of 2019-20 and BEIS moved quickly to put in place the Government's response to the COVID-19 crisis:

- On Monday 23 March, we launched the Coronavirus Business Interruption Loan Scheme (CBILS) through the British Business Bank, to provide government-backed loans of up to £5 million to small and medium businesses.

Since 1 April 2020, the government has continued to support the economy through the following schemes, and as at 16 August 2020:

- the CBILS has approved £13.68 billion of support:
- the Coronavirus Large Business Interruption Loan Scheme (CLBILS) was launched on Monday 20 April to provide government-backed loans of up to £200 million to larger businesses and it has approved £3.50 billion of support:
- the Bounce Back Loan Scheme (BBLS) was launched on Monday 4 May to provide government-backed loans of up to £50,000 to small and medium businesses and it has approved £35.47 billion of support; and
- the Future Fund was launched on Wednesday 20 May to provide convertible loans of up to £5 million where government investment is matched by third-party investors and it has approved £588.3 million of support.
- We announced over £12.3 billion of grant support for eligible small businesses and businesses in the retail, hospitality, and leisure sectors to mitigate the impact of COVID-19;
- We amended the Working Time Regulations 1998 to allow workers who cannot take holiday due to the coronavirus to carry most, or all, of their leave into the next two leave years. This ensures that workers will not lose their leave entitlements and gives flexibility to business at a time when it is needed most;
- We enabled businesses to apply for a three-month extension for filing their accounts and guaranteed that any business citing issues as a result of COVID-19 will be automatically and immediately granted an extension. We also announced that we would legislate to offer further flexibilities covering requirements on companies to file information and to run their general meetings;
- We agreed new emergency measures with the energy industry to protect the domestic energy supply of those most in need. All customers with pre-payment meters can speak to their supplier about options to keep them supplied, such as nominating a third party for credit top ups, having a discretionary fund added to their credit or being sent a pre-loaded top up card. More broadly, any energy customer in financial distress will also be supported by their supplier, which could include debt repayments and bill payments being reassessed, reduced or paused where necessary, while disconnection of credit meters will be completely suspended;
- We temporarily eased administrative requirements to fast-track supplies of Personal protective equipment to NHS staff and protect companies hit by the pandemic;
- We announced changes to support UK companies facing insolvency measures. These included the introduction of corporate restructuring tools to give companies a better chance of survival, such as a moratorium to give companies time to seek rescue.

The measures also included temporarily suspending parts of insolvency law to help directors continue trading through the emergency and ensure ongoing access to much-needed supplies such as energy and raw materials;

- We announced funding for six coronavirus research projects, including two focused on vaccination trials, which will benefit from a share of £20 million in government investment. Two government-backed projects will receive new funding, enabling pre-clinical and clinical vaccine trials, as well as supporting researchers to develop manufacturing processes to produce a vaccine at a million-dose scale. Other projects receiving funding examine how existing treatments could be repurposed to treat coronavirus, developing antibodies to help target the virus, and examining how people at greatest risk of catching it could be identified; and
- Through a £20 million investment, a consortium of the UK's leading clinicians and scientists will look for breakthroughs that help the UK respond to this and future pandemics and save lives. COVID-19 Genomics UK Consortium – comprised of the NHS, Public Health Agencies, Wellcome Sanger Institute, and numerous academic institutions – will deliver large scale, rapid sequencing of the cause of the disease and share intelligence with hospitals, regional NHS centres and the government.

Looking ahead

What we are aiming to achieve

We will lead Britain's recovery, rebuilding a more dynamic, green and productive economy and preparing businesses and workers for opportunities outside of the EU.

Fighting Coronavirus

We will support a safe return to work, restoring livelihoods and rebuilding consumer confidence.

We will help businesses to bounce back, putting in place a future programme of support for business and workers, as well as more targeted support to deliver a job rich recovery that contributes to delivering net zero. In addition, we will protect lives by significantly and rapidly increasing domestic vaccines research capability and capacity for production, through the work of the Vaccine Taskforce.

Backing Business

We will increase opportunity by levelling up economic activity across all parts of the UK, supporting SMEs and helping business create jobs. We will take steps to remove regulatory barriers and promote regulations that supercharge growth and investment. Through reform measures we will regain public trust in the audit, governance and insolvency regimes. As the transition period draws to a close, we will seize the opportunities of global free trade and play an important part in negotiations on the EU and Rest of World Free Trade Agreements.

Unleashing innovation

We will make the UK a science super power by backing ideas, eliminating bureaucracy and supporting talent from home and abroad. We will translate our biggest increase in R&D spend into world-beating innovation, catalysing private sector investment to promote the development of cutting-edge technology. We will put UK research funding on a firm footing after EU Exit, laying the groundwork for the establishment of a 'high risk, high payoff' new UK agency for research, due to open in 2021.

Tackling Climate Change

We will drive the green recovery by setting out measures to decarbonise transport, buildings, energy and industry; deploy carbon capture, usage and storage at scale; and significantly increase offshore wind capacity. We will lay the groundwork for establishing a Gigafactory to manufacture electric car batteries in the UK within the next three years. In preparation to host a successful COP26 in November 2021, we will push for countries to renew their climate change to accelerate urgent climate action to protect our planet.

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. BEIS contributes mainly to goals 7, 9 and 13.

Sustainable development goals	Progress in 2019-20	BEIS delivery area
Goal 7 Ensure access to affordable, reliable, sustainable and modern energy for all	In 2014, the government introduced in legislation a fuel poverty target for England to improve as many fuel poor homes as is reasonably practicable to a minimum energy efficiency rating of Band C, by the end of 2030. This year, we ran a consultation to update the fuel poverty strategy. The Smart Metering Implementation Programme is an important national modernisation programme that will bring benefits to consumers, businesses and the nation as a whole. We published the latest assessment of the costs and benefits of the smart meter roll-out based on the most up-to-date evidence from the programme.	
Goal 9 build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation	The Industrial Strategy looked at global trends, areas of UK strength and where there is scope for productivity enhancement to identify four Grand Challenges. Among measures to respond to these challenges, we have: • published the joint BEIS/HM Treasury Business Productivity Review, which sets out 10 key actions that will support businesses to become more productive, backed by £56 million funding; • awarded £2 million to the winners of a competition for our Centre for Connected and Autonomous Vehicles to support the development of cyber-security testing capability.	
Goal 13 Take urgent action to combat climate change and its impacts	In June 2019 the UK became the first major economy in the world to legislate to end its contribution to global warming by 2050. The target will require the UK to bring all greenhouse gas emissions to net zero by 2050, compared with the previous target of at least 80% reduction from 1990 levels. The UK, in partnership with Italy, will host the UN's 26th Conference of the Parties (COP26) to the UN Framework Convention on Climate Change (UNFCCC) in Glasgow from 1-12 November 2021 – the largest political summit hosted by the UK in decades, with up to 150 world leaders and 30,000 delegates attending.	
Goal 1 End poverty in all its forms	In December, we announced that the National Living Wage (NLW) was increased by 6.2% in 2020 – the biggest cash increase ever. Nearly three million workers now benefit from the increases to the NLW and minimum wage rates for younger workers, according to estimates from the independent Low Pay Commission.	

Sustainable development goals	Progress in 2019-20	BEIS delivery area
Goal 5 Achieve gender equality and empower all women and girls	The Hampton-Alexander Review focuses on improving women's representation in senior roles, and this year's report shows that women are now holding 32.4% of all FTSE 100 board positions – up from 30.2% last year and the strongest year of progress since 2011. Following successful campaigning and pressure from investors, 'One & Done' boards (a term to describe firms that are appointing a token woman to their board) have reduced from 74 to 39 this year. Only two all-male boards remain, down from 152 in 2011.	
Goal 8 promote sustained inclusive and sustainable economic growth, full and productive employment and decent work for all	To ensure that businesses are prepared to seize the economic opportunities arising from the UK's exit from the EU we developed sector specific measures to support businesses through the transition and ensured that the UK's trade negotiations contain provisions for small and medium-sized enterprises. We implemented the secondary legislation reforms of the Matthew Taylor Review which includes protections for agency workers and published the Good Work Plan, which sets out our vision for the future of the UK labour market.	
Goal 11 make cities and human settlements inclusive, safe, resilient and sustainable	As part of the government's commitment to level up regions outside of London and the south east we: • published six Local Industrial Strategies, including those for Greater Manchester, the West of England, Oxford and Cambridge; and • worked with the Marches Local Enterprise Partnership to publish a new 10-year energy plan that will see half of the region's electricity produced by renewable sources by 2030, a national pilot scheme developed for overcoming disruption to the National Grid and fuel poverty cut to below ten per cent.	
Goal 12 Ensure sustainable consumption and production patterns	Ministers have always maintained that the exploration of England's shale gas reserves could only proceed if the science shows that it is safe, sustainable and of minimal disturbance to those living and working nearby. Based on the report by the Oil and Gas Authority, ministers took the decision to suspend fracking for shale gas in England.	

Financial review

Expenditure

How expenditure is presented

The Department's expenditure is reported in the financial Statements, in the Statement of comprehensive net expenditure (SoCNE) (page 116) and the Statement of Parliamentary Supply (SoPS) (page 91), but on different bases. The financial statements are prepared in accordance with accounting standards and guidance which are explained in more detail in the Department's accounting policies in note 1.1 and on a similar basis to the rules generally applied by private sector businesses.

The Departmental Group's net operating expenditure was £33.5 billion and £26.3 billion for the Core Department and Agencies.

The SoPS is specific to the public sector. It reports the Department's expenditure against the control limits that Parliament has voted on. The SoPS presents total expenditure for the Departmental Group of £33.8 billion, compared to the Department's Budget £31.2 billion. These figures are calculated in accordance with HM Treasury's Consolidated Budgeting Guidance, which differs in several respects from the accounting basis above. It is against these limits that the Department is held accountable for its performance and use of taxpayers' funds.

The summaries and explanations of key movements in this section is based on the SoPS, except where otherwise stated.

Overview of expenditure in 2019-20

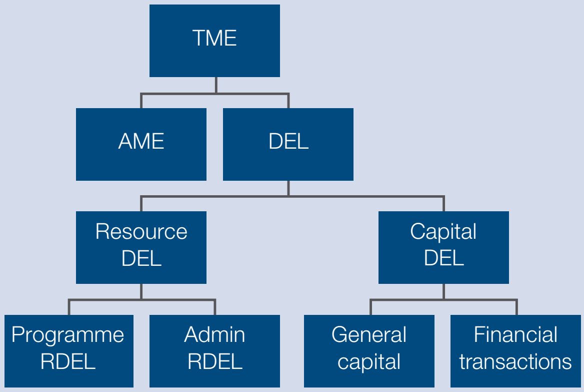
	2019-20 Budget £m	2019-20 Outturn £m	2018-19 Outturn £m
TME[1,2]	**31,168**	**33,844**	**(94,221)**
Resource DEL	3,555	2,838	1,246
Capital DEL	11,835	11,228	10,814
Total DEL[3]	**15,390**	**14,066**	**12,060**
Resource AME	15,055	19,915	(105,865)
Capital AME	723	(137)	(416)
Total AME	**15,778**	**19,778**	**(106,281)**

1 The TME outturn corresponds to 'total voted and non-voted' outturn in the SoPS.

2 The TME outturn is the total of Voted and Non-Voted in the Statement of Parliamentary Supply.

3 This expenditure is analysed in 'Where we spent our money' on pages 10 and 11.

Our budget framework



HM Treasury sets the budgetary framework for government spending.

The total amount a department spends is referred to as the Total Managed Expenditure (TME); which split into:

- Annually Managed Expenditure (AME)
- Departmental Expenditure Limit (DEL)

HMT do not set firm AME budgets. They are volatile or demand-led in a way the Department cannot control. The Department monitors AME forecasts closely and updates them annually.

HMT set firm limits for DEL budgets, as DEL budgets are understood and controllable. The limit is set at spending reviews which occur every three to five years.

DEL budgets are classified into resource and capital.

Resource DEL includes a further split into:

- 'programme' budgets for frontline service provision
- 'admin' budgets such as back-office functions, rent and IT

Capital DEL includes a further split into

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

This expenditure does not represent cash spend. The Departmental Group's performance in any year is impacted by accounting 'fair value' movements. As they are non-cash adjustments, they do not feature in standard descriptions of spend, such as in 'Where we spent our money', shown in the Performance report.

The significant movements in resource AME this year come from, the recognition movements in the fair value of the Contracts for Difference, changes to discount rates and cost estimate adjusting provisions in particular the NDA's nuclear decommissioning provision.

Variations in our expenditure against the budget and the previous years are explained below in further detail.

Comparison of expenditure to previous years recognised in SOPS

The Department's key areas of net expenditure recognised in SOPS for the last three years are shown in the table below.

	2019-20 £m	2018-19 £m	2017-18 £m
Nuclear Decommissioning Authority	6,751	(99,592)	73,218
Science and research	7,785	7,511	6,740
Contracts for Difference	3,543	(2,971)	3,558
UK Research & Innovation (Innovate UK)	1,077	1,052	973
Coal Authority	58	(1,993)	1,545
Green Investment Bank and Green Infrastructure Platform	9	11	24
Renewable Heat Incentive	846	818	687
International Climate Finance	339	321	330
Post Office	92	228	140
Redundancy payment service	431	319	260
COVID-19 business support	10,976	–	–
Green Investment Bank sale receipts	–	–	(1,621)
Other	1,937	75	179
Total	**33,844**	**(94,221)**	**86,033**

In 2019-20, there has been a high variation on expenditure recognised in the financial statement from (£94.4 billion) in 2018-19 to £33.5 billion in 2019-20. This has been primarily driven by a small change in discount rates in 2019-20 compared to the change in discount rates between 2018-19 and 2017-18, which resulted in (£99.6 billion) movement in the NDA's nuclear decommissioning provision being recognised in 2018-19. 2019-20 includes the cost of the COVID-19 business support grants of £11.0 billion. 2019-20 has also seen an increase in the Contracts for Difference (CFDs) fair value movement and net £6.8 billion movement in the NDA's nuclear decommissioning provision. 2019-20 – Other category includes the in year funding to the Official Receiver in respects of British Steel Limited, expenditure incurred by the British Business Bank and expenditure relating to the restarted Capacity Market Payment Scheme. Spending on areas such as UK Research & Innovation (Innovate UK), and International Climate Finance have remained broadly consistent.

CFDs and Capacity Market Payments

The increase in the estimated discounted value of CFD payments (excluding HPC) from (£12.9 billion) in 2018-19 to (£16.5 billion) in 2019-20 resulted in a £5.3 billion expense reported in the SoCNE which is off set by payments of (£1.8 billion). The increase is mainly due to the award of 22 further CFDs in October 2019 as a result of Allocation Round 3 and the updated forecast of the wholesale electricity prices that are expected to be achieved by generators, offset by payments made during the year 2019-20.

During the year, the European Commission (EC) conducted an investigation into the GB Capacity Market, resulting in the scheme being deemed State Aid compliant. This resulted in the Electricity Settlements Company and National Grid to restart their respective Capacity Market activities. This resulted in £1.5 billion of Capacity Market payments being made in 2019-20 compared to £0.2 billion in 2018-19. These payments are off-set by the recognition of levy income.

Discount rates

In 2018-19 the provision expense reported in the Statement of net expenditure, was (£97.7 billion) which was primarily driven by the reduction in discount rates prescribed by HM Treasury from (1.56%) in 2017-18 to (0.11%) in 2018-19. In 2019-20, the equivalent real discount rate for cash outflows expected after ten years prescribed by HM Treasury has reduced further to (0.01%) this resulted in a smaller change recognised in the SoCNE in 2019-20 of (£0.2 billion) compared to (£9.6 billion) in 2018-19 relating to the nuclear decommissioning provision. In 2019-20, in addition to the impact of the discount rate change, the nuclear provision liability has increased by £6.9 billion due to cost estimate changes. Further detail of the movements in provisions can be found in note 18.1 for Nuclear provisions and note 18.2 for Other provisions.

Comparison of Outturn to Budget

			Variances	
	Outturn £m	Budget £m	£m	%
TME	**33,844**	**31,168**	**(2,676)**	**(8.6%)**
Resource DEL	2,838	3,555	717	20.2%
Capital DEL	11,228	11,835	607	5.1%
Total DEL	**14,066**	**15,390**	**1,324**	**8.6%**
Resource AME	19,915	15,055	(4,860)	(32.3%)
Capital AME	(137)	723	860	119.0%
Total AME	**19,778**	**15,778**	**(4,000)**	**(25.4%)**

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.

TME

Our TME budget was £31.2 billion; against this the Department had an Outturn of £33.8 billion. The Department spent an additional £2.6 billion in excess of its Budget. This has resulted in the Department breaching its control total and receiving a regularity audit qualification; this was due to the recognition of COVID-19 business support grants in 2019-20.

Resource DEL

The Estimate was £3.6 billion. Outturn against the Estimate was £2.8 billion; £717m lower than budget. This is primarily due to contingency not required following the successful sale of British Steel Limited which completed in March 2020.

Capital DEL

The Estimate was £11.83 billion. Outturn against the Estimate was £11.2 billion, £607 million lower than budget. A significant proportion of the underspends is attributed to fewer capital calls by financial institutions under the Enterprise Financial Guarantees schemes operated by the British Business Bank on behalf of the Core 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 £15.1 billion, and Outturn was £19.9 billion, exceeding the Estimate by £4.9 billion, due to the recognition of a £10.8 billion provision for the cost of the government's COVID-19 business support grants, which is off-set by underspends, principally due to accounting valuation adjustments, including:

- The NDA's nuclear decommissioning provision primarily increased by changes in cost estimates, which were £1.4 billion less than the Estimate, which reflect uncertainties when budgeted for the provision.
- CfD liabilities, which increased by £3.6 billion, from (£12.9 billion) to (£16.5 billion). This was £3.1 billion lower than the Estimate due to budgetary contingency in the forecast of the wholesale electricity prices.
- A potential provision relating to the Official Receiver of £1.1 billion was not required.

Resource AME – Excess Vote

The sudden and serious adverse impacts on society and the economy of the COVID-19 pandemic necessitated an urgent Government response including announcements in March of two schemes to provide grant support to businesses affected by the crisis. These announcements along with actions taken by the Department to ensure these cash grants were paid to eligible businesses as soon as possible, had the effect of creating a constructive obligation on the Department and a provision for £10.8 billion has been reported in note 18 of the accounts. At the time of the announcements and subsequent actions, there was insufficient time to request increased budgetary cover through a Supplementary Estimate for this non-cash expenditure and, as a result, the Voted Resource AME control total has been exceeded by £4.9 billion resulting in a qualified audit opinion on regularity and an Excess Vote.

Capital AME

The £860 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. ODA spend is reported on a cash basis and for the calendar year.

Our total ODA spend in 2019 was £957.4 million – £622.5 million on R&I, and £334.9 million on climate and energy. To maximise effectiveness, we aim to monitoring, evaluation and learning to identify opportunities for improvement.

R&I ODA activities in 2019-20

On R&I, we:

- launched 12 pioneering research hubs for research into complex development problems;
- supported the first cohort of African Independent Research Fellows to establish independent careers;
- celebrated five years of the Leaders in Innovation Fellowship which has supported over 1000 innovators to commercialise innovations; and
- The Newton Prize awarded funding to research projects in environmental conservation and strengthening energy infrastructure to withstand extreme weather.

Climate and energy ODA activities in 2019-20

On climate and energy, we spent:

- £166.5m to support delivering breakthrough energy storage solutions at scale in developing countries;
- £20m to support small scale renewable energy projects in sub-Saharan Africa;
- £12.5m to boost the uptake of greener construction practices; and
- £9.4m for technical assistance and grants to support new business models that can transform supply chains at risk from deforestation.

BEIS ODA spend by sector

Sector code	Sector	2019 £m
111	Education, Level Unspecified	51.6
112	Basic Education	2.3
114	Post-Secondary Education	9.1
121	Health, General	116.0
122	Basic Health	1.2
123	Non-communicable diseases	0.8
130	Population Policies/Programmes & Reproductive Health	0.5
140	Water and supply sanitation	2.2
151	Government & Civil Society-general	5.2
152	Conflict, Peace & Security	2.0
160	Other Social Infrastructure & Services	4.6
210	Transport & Storage	0.8
220	Communications	0.2
231	Energy Policy	18.0
232	Energy generation, renewable sources	222.6
240	Banking & Financial Services	0.1
250	Business & Other Services	0.1
311	Agriculture	57.9
312	Forestry	15.8
313	Fishing	1.9
321	Industry	20.5
322	Mineral Resources & Mining	2.1
323	Construction	0.2
410	General Environment Protection	122.6
430	Other Multisector	273.9
720	Emergency Response	0.2
740	Disaster Prevention & Preparedness	1.3
910	Administrative Costs of Donors	23.6
998	Unallocated/unspecified	0.1
	Total	**957.4**

Notes

1 The BEIS ODA spend for 2019 provided are provisional. The final official statistics will be published by the Department for International Development in November 2020.

2 Sector codes used by the OECD Development Assistance Committee (DAC): http://www.oecd.org/

Consolidated Statement of Financial Position

The Department remains in a net liability position as at 31 March 2020. The liability has increased from (£139 billion) at 31 March 2019 to (£158 billion) at 31 March 2020. The most significant assumptions and items impacting the Statement of Financial Position are explained below. They include

a. Contracts for Difference (CfDs) and recognition of Hinkley Point C (HPC);

b. Impact of changes in discount rates;

c. Nuclear Decommissioning provision, and

d. COVID-19 business support provision.

(a) Contracts for Difference and recognition of Hinkley Point C

CfDs are designed to incentivise investment in a mix of low carbon electricity generation technologies which will help the UK meet its renewable and decarbonisation targets.

CfD contracts 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 average market price.

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 73 CfD contracts.

Accounting for fair value

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 the FReM. The CfD liability figure is calculated using a model that estimates eligible generation, by CFD holders and combines this with forecast expected demand for electricity and electricity prices over the term of the contract (which are affected by a large number of factors including forecast expected generation mix and demand for electricity). 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. As at 31 March 2020, the cumulative value of the deferred differences of the CfDs (excluding HPC) was (£22.3 billion) and (£73.1 billion) (including HPC) (31 March 2019: (£23.3 billion) (excluding HPC)).
- The Department recognises all subsequent movements of fair value on CfD contracts, whose cumulative value was (£89.6 billion) (including HPC) at 31 March 2020 (31 March 2019: (£35.2 billion)) through the Statement of Comprehensive Net Expenditure.
- The Department recognises a liability, which was (£16.5 billion) as at 31 March 2020 (31 March 2019: (£12.9 billion)) on the Statement of Financial Position.

The tables below show movements in the year. Further details on the CfDs are in the note 9 to the financial statements.

HPC

During the current year, as explained further in note 1.26, BEIS updated its Dynamic Dispatch Model to estimate wholesale electricity prices out to 2060. As a result, it is considered that the criteria for recognition have been met and accordingly HPC CFD has been recognised in the financial statements for the first time in 2019-20. At 31 March 2020 the deferred value of HPC was £50.8 billion. See note 9 for further information.

Effect on the Statement of Financial Position

	2019-20 £bn	2018-19 £bn
01-Apr	**12.9**	**15.9**
Changes in FV on exiting recognised contracts	4.4	(2.7)
Release of CfD liability relating to terminated contracts	–	–
Payments made to generators	(1.7)	(1.0)
Deferred differences recognised	0.9	0.7
31-Mar	**16.5**	**12.9**

Movements in fair value

	2019-20 £bn	2018-19 £bn
01-Apr	**35.2**	**39.2**
Changes in fair value on exiting recognised contracts	4.4	(2.7)
Additions	0.9	–
Recognition of HPC CFD during the year	50.8	–
Release of CfD liability relating to terminated contracts	–	(0.3)
Payments made to generators	(1.7)	(1.0)
31-Mar	**89.6**	**35.2**

Effect on the Statement of Comprehensive Net Expenditure

	2019-20 £bn	2018-19 £bn
Contract for difference derivatives	**5.3**	**(2.0)**
comprising:		
Changes in FV on exiting recognised contracts	4.4	2.7
Release of CfD liability relating to terminated contracts	–	–
Deferred differences recognised	0.9	0.7

(b) Impact of changes in discount rates

Discount rates

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 2019-20, 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. These 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. This means that the present value is lower than the cash the Department expects to receive.
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; 2019-20: RPI was 3.35% (2018-19: RPI was 2.6%) giving an implicit rate of 6.85% (2018-10: 6.10%).

Impact on liabilities

Liabilities continue to be discounted at a negative rate in 2019-20. The present value of the liabilities is therefore higher than the value the Department expects to pay in the future.
The discount rate has been negative since 2015 because return on government bonds has been lower than inflation due to increased demand for government bonds since the financial crisis.

The specific assets and liabilities that have been discounted are shown the in table below. Provisions from the NDA and the Coal Authority relate to the expected future cost of managing the energy legacy. The fair value of the CfD has been adjusted using the 0.7% real term discount rate.

	2019-20	2018-19	Rationale
Nuclear decommissioning provisions			
Short term < 2 years	-1.36%	-1.22%	Set by HM Treasury Public Expenditure System (PES) Secretariat 7 December 2019
Short term 2 – 5 years	-1.46%	-1.31%	
Medium-term 6 -10 years	-1.42%	-0.94%	
Long-term > 10 years	-0.01%	-0.11%	
CfD financial instruments			
Real rate (as cashflows are in real terms)	0.70%	0.70%	as above
Coal pensions			
Real rate + 3% RPI (as contractual figures are in nominal values)	3.7%	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 3.35%	3.50% RPI 2.60%	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 2019-20 and 2018-19 taking into account the nominal and inflation rates for 2019-20 and 2018-19. Further details of the nominal and inflation rates are given in the Departmental Group Accounting Policies note 1.23

The impact of discounting

	2019-20 With discounting £m	2019-20 Without discounting £m	2019-20 Impact of discounting £m	2018-19 With discounting £m	2018-19 Without discounting £m	2018-19 Impact of discounting £m
Assets						
Repayable launch investments	833	1,098	(265)	1,058	1,348	(290)
Coal pensions	808	916	(108)	920	1,058	(138)
Liabilities						
NDA nuclear provision	134,677	131,864	2,813	129,709	123,311	6,398
Coal Authority provision	2,306	2,275	31	2,299	2,174	125
Financial instruments						
CfD liability	85,583	100,903	(15,320)	35,249	37,176	(1,927)

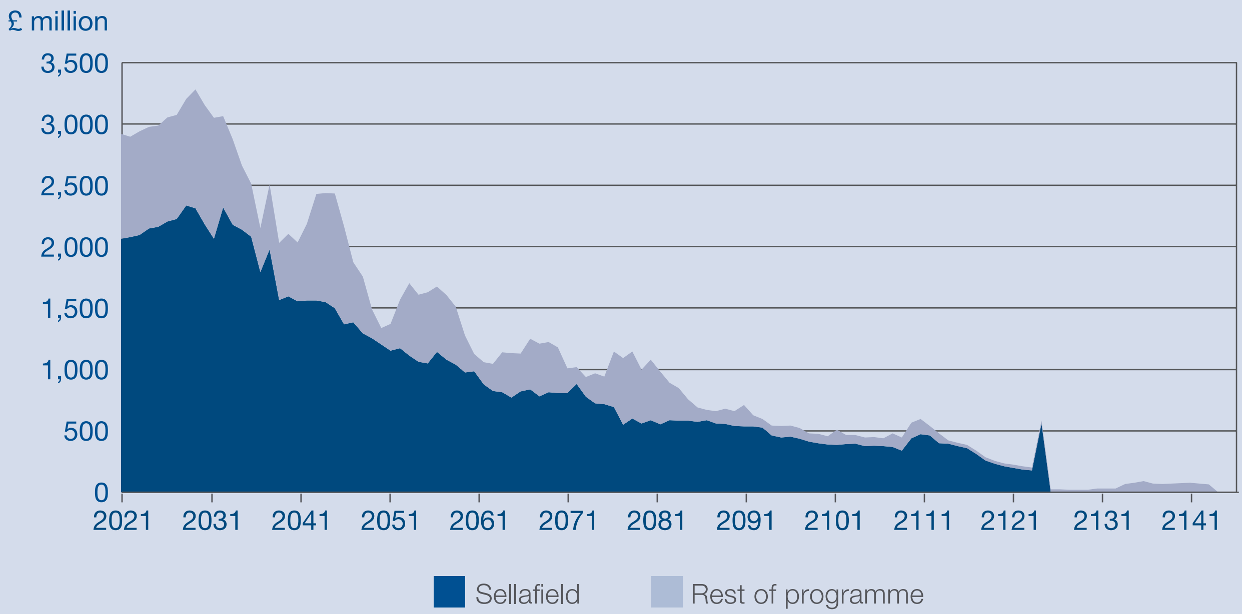
(c) NDA provisions

NDA manage the clean-up and decommissioning of 17 nuclear licensed sites across the UK – such as former nuclear power stations and research centres. 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 £132 billion.

NDA provision: forecast undiscounted expenditure



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 £115 billion to £246 billion.

(d) COVID-19 business support grant provision

As detailed in note 1.26 the government's COVID-19 business support grants have been recognised in 2019-20, resulting in a provision for £10.8 billion being recognised in note 18.2. These grants have been paid out in 2020-21, clearing the liability.

Sustainability report

Introduction

We are committed to sustainability in the way we make policy, procure goods and services and impact the environment.

As part of our commitments to environmental sustainability, we take part in the Greening Government Commitments (GGC). In line with GGC, we report on our greenhouse gas emissions, waste arising, and water and paper use in this report.

Sustainability in policy development

Rural proofing

Rural proofing is about recognising the impact of our policies in rural areas, to ensure policy outcomes are fair and reasonable in these areas.

The Cities and Local Growth Unit (CLGU) works to encourage economic growth and productivity in all parts of England, Towns in rural areas, such as Bloxwich and Todmorden are being supported to develop Town Deals. Rural coastal towns have received the Coastal Communities Fund.

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 5 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.

Sustainable procurement

Suppliers

We use Crown Commercial Service frameworks 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 have achieved the government target of 33% direct procurement and through the supply chain two years ahead of schedule. We continue to promote opportunities with SMEs through open competition, early market engagement and use of government frameworks wherever we can.

Prompt payments

It is government policy to pay 90% of undisputed invoices within 5 days, with the remainder paid in 30 days. In 2019-20, the Core Department paid 94.3% of undisputed invoices within 5 days and 99.1% within 30 days.

The most common reasons for invoices to be unpaid within 30 days are due to: amounts on the purchase order not matching the receipt, or a supplier has used a different address or bank details, which does not match the invoice. These issues need to be resolved before payments are made.

Environmental sustainability

Green Guardians

Our Green Guardians network, a group of staff volunteers, supports BEIS in achieving its environmental sustainability targets through being a strong staff engagement channel on initiatives that support our GGC targets.

Greenhouse gas emissions

We continue to make significant progress in reducing our greenhouse gas emissions, in line with the targets set by the GGC, through consolidation of our estate and energy efficiency improvements.

Waste

We have fully segregated our waste streams by installing bins for recycling a variety of materials. We have also eradicated the majority of consumer single use plastics throughout the Department.

Water & paper

We are accredited to ISO 50001 (energy efficiency) and ISO1400 (waste management). We are 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, and have eliminated single use 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 & the natural environment

We have no significant impact on biodiversity. HMLR continues to work with FM providers on a phased plan to improve the biodiversity at all sites appropriate for such activity; in the past year this has been achieved at Hull and Fylde with plans for Durham and Plymouth progressing.

At Hull and Fylde, HMLR have built on the existing landscape and vegetation to increase the sites' biodiversity value. Vegetation and habitats that support native species of plants and invertebrates have been prioritised and nurtured, whilst new plants and bug houses have been added to support the habitats.

Summary of progress on Greening Government Commitments

	Targets by 2019-20 compared to the 2009-10 Baseline	Progress in 2019-20
Total GHG Emissions	reduce by 66%[1]	71% reduction
Number of domestic flights	reduce by 30%	71% reduction
Total non-hazardous waste arising	reduce generally	73.68% increase
Waste to landfill	reduce proportion to 10%	reduced to 4.57% in 2019-20
Waste recycled, reused, composted	increase generally	68.27% increase
Volume of water used	reduce generally	55.63% reduction
Reams of paper procured	reduce by 50%	83.29% reduction

Notes

[1] 66% is the new 2020 target for BEIS. The original target of 40% has been exceeded; in 2016-17, we had achieved 51% reduction. Further information is available at the GGC page on gov.uk.

Reporting on Greening Government Commitments

Greenhouse gas emissions	2019-2020	2018-2019	2017-18	2016-17	Baseline 2009-10
Emissions, tonnes CO_2e					
Scope 1[1]	4,730	6,644	8,007	6,109	17,837
Scope 2[2] and 3[3]	13,905	16,037	22,325	25,480	46,507
Total	**18,634**	**22,681**	**30,332**	**31,589**	**64,344**
Related energy consumption, MWh					
Electricity: non-renewable	14,242	28,661	29,221	30,360	45,324
Electricity: renewable	15,968	15,596	17,429	19,541	38,676
Gas	11,282	20,347	36,186	29,071	62,905
District heating	24	114	149	125	–
Other heat	802	9,210	6,824	2,664	9,865
Total	**42,318**	**73,928**	**89,809**	**81,761**	**156,770**
Related expenditure, £'000					
Energy	7,349	7,460	6,755	6,467	n/a
CRC licence[4]	n/a	298	598	497	n/a
Official business travel[5, 6]	13,035	16,907	7,559	11,660	n/a
Total	**20,384**	**21,015**	**14,912**	**18,624**	**n/a**

Domestic business flights	2019-2020	2018-2019	2017-18	2016-17	Baseline 2009-10
Total number of domestic flights[7]	3,860	4,503	2,689	5,125	8,078

Waste	2019-2020	2018-2019	2017-18	2016-17	Baseline 2009-10
Total waste generated, tonnes	**1,971**	**2,137**	**2,468**	**2,159**	**7,541**
Non-hazardous: to landfill	90	300	289	197	2,986
Non-hazardous: reused/ recycled	1,248	1,293	1,779	1,775	4,107
Non-hazardous: composted/ bio-digestion	63	79	49	60	25
ICT waste: reused	2	–	–	–	7
ICT waste: recycled	36	30	11	51	2
Incinerated: e.g. food waste	532	536	389	181	448
Total disposal cost, £'000	**553**	**404**	**468**	**432**	**n/a**

Water and paper	2019-2020	2018-2019	2017-18	2016-17	Baseline 2009-10
Water consumption, m^3	125,774	115,907	110,457	126,468	283,495
Water supply and sewage costs, £'000	461	489	325	329	n/a
Paper procured, reams	47,509	71,335	61,825	97,893	441,134

Notes

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

1 Scope 1: direct emissions from sources owned or controlled
2 Scope 2: indirect emissions from consumption of purchased electricity or sources of energy generated upstream
3 Scope 3: other indirect emissions occurring as a consequence of BEIS' operations, but not directly owned or controlled by BEIS
4 CRC ended in 2018-19
5 2018/19 expenditure on official business travel data has been updated to include Land Registry and some data for IPO not previously captured.
6 Expenditure on official business travel for NERC does not include international flights
7 Domestic flight figures for 2018-19 and 2019-20 now count each part of a return journey as one flight, in line with the GGC reporting requirement. In previous years, a return journey counted as one flight.
8 Some data for March 2020 has been estimated (in line with reporting guidance methodologies) due to issues posed by COVID-19

Other performance reporting

Anti-bribery and anti-corruption

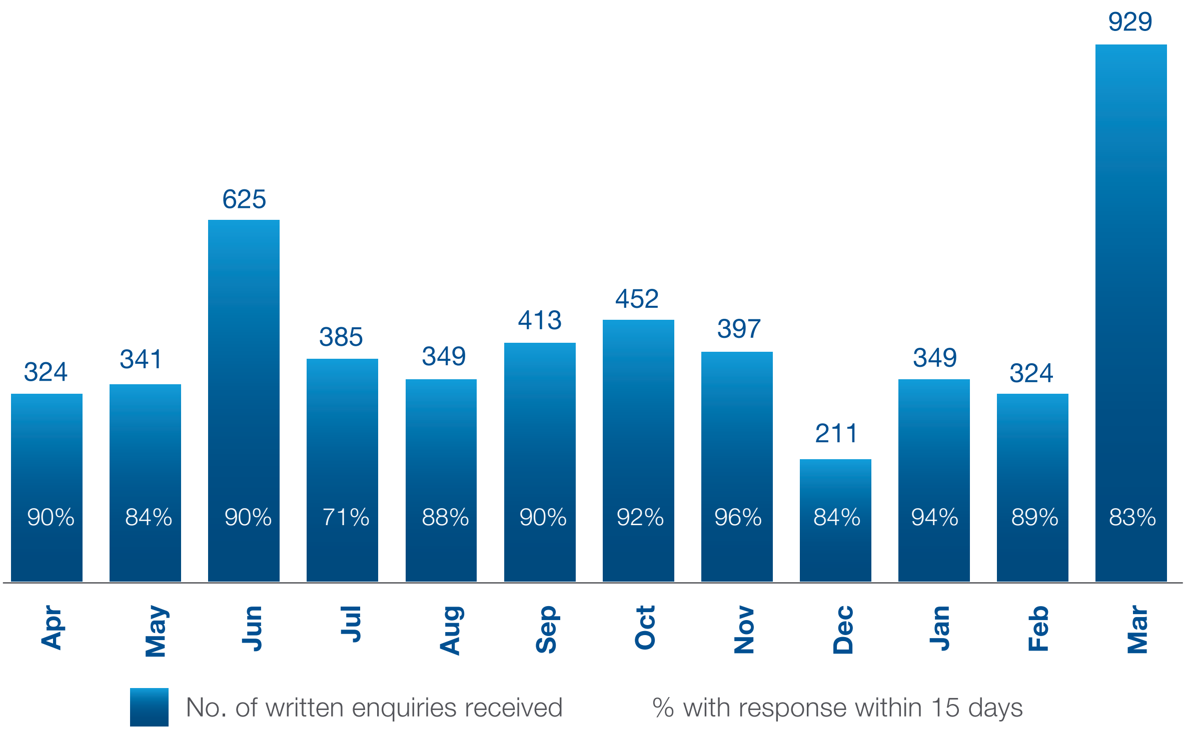
No cases of bribery or corruption were identified within BEIS this year.

We have continued to work with other departments and organisations to maintain standards and implement best practice. Our policy on gifts, hospitality and bribery and corruption has been refreshed and updated. A standard template Gifts and Hospitality register has been produced for each directorate to record gifts and hospitality over a value of £15 and any reciprocal gifts given. These registers are reviewed by the BEIS Counter Fraud team.

We have ongoing collaboration with other government departments on high risk areas such as overseas funding, and we have continued to manage risks with an internal dimension and those involving overseas delivery partners.

Fraud, anti-bribery and corruption awareness continues to be promoted by the BEIS Counter Fraud team, through workshops, network meetings and the availability of training. This includes mandatory training for front-line staff and managers in high risk areas. We have seen an increase of nearly 20% in training uptake. Communications activity is ongoing – the national "Take Five – To Stop Fraud" campaign messaging has been adopted both internally and with BEIS partner organisations.

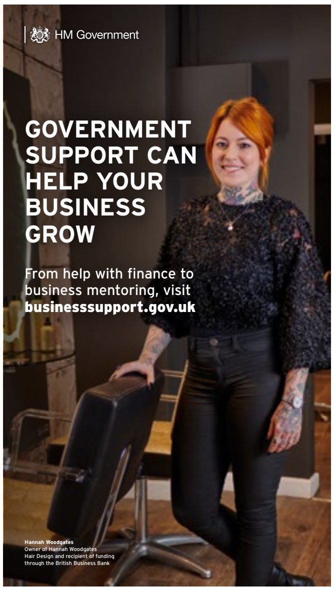
Public correspondence



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

In 2019-20, we received 5,099 written enquiries from members of the public. and responded to 87% of cases within 15 working days. The graph shows our monthly performance.

Advertising campaigns



Our communications directorate contributes to the successful delivery of major policy areas. We communicate through a range of marketing, press and public relations, digital and internal channels and partnership activities that are insight driven and robustly evaluated. We do, where necessary, engage in publicity and advertising to draw attention to important campaigns with the right audiences.

In 2019-20 we ran advertising campaigns to support business growth including advertising to support businesses to prepare for Brexit as part of the Cabinet Office 'Get Ready' campaign, workers on national and living wage and to help future proof skills relevant to the engineering industry.

Complaints to the Parliamentary Ombudsman

No. complaints accepted for investigation	6
(a) Investigations fully upheld	0
(b) Investigations partly upheld	3
(c) Investigations not upheld	4

Note

Figures for (b) and (c) may include complaints accepted in earlier years.

These figures have been obtained directly from the Parliamentary and Health Service Ombudsman for the period 2018-19, and provide the most recent data available. Neither the 2018-19 nor the 2019-20 Parliamentary Complaints Statistics reports have been published.

The Ombudsman only accepts complaints that have been through the BEIS internal 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.

Sarah Munby
Permanent Secretary and
Principal Accounting Officer
11 September 2020

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Accountability report

Corporate governance report

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 Agencies) and its sponsored non-departmental public bodies and other arm's-length public bodies designated by order made under the GRAA by Statutory Instrument 2020 no 17 (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 of the income and expenditure, Statement of Financial Position 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 of the Department for Business, Energy and Industrial Strategy.

The Accounting Officer of the Department has also appointed the Chief Executives (or equivalents) of its sponsored non-departmental and other arm's length public bodies as Accounting Officers of those bodies.

The Accounting Officer of the Department is responsible for ensuring 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

As Accounting Officer, 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.

Sarah Munby
Permanent Secretary and
Principal Accounting Officer

11 September 2020

Directors' report

The directors' report includes individuals who have had responsibility for BEIS during the year, and up to the reporting date. Senior officials comprise members of the Executive Committee.

Ministers

Rt Hon
Alok Sharma MP
from 14 Feb 2020

Secretary of State for Business, Energy, and Industrial Strategy

Rt Hon
Kwasi Kwarteng MP
from 24 Jul 2019

Minister of State (Minister for Business, Energy and Clean Growth)

Nadhim Zahawi MP
from 26 Jul 2019

Parliamentary Under Secretary of State (Minister for Business and Industry)

Amanda Solloway MP
from 14 Feb 2020

Parliamentary Under Secretary of State (Minister for Science, Research, and Innovation)

Paul Scully MP
from 14 Feb 2020

Parliamentary Under Secretary of State (Minister for Small Business, Consumers and Labour Markets)

Lord Callanan
from 14 Feb 2020

Parliamentary Under Secretary of State (Minister for Climate Change and Corporate Responsibility)

Lord Grimstone
from 18 Mar 2020

Minister for Investment (jointly with the Department for International Trade)

Senior officials

Sarah Munby
from 20 Jul 2020
Permanent Secretary[1]

Julian Critchlow
Director General

Joanna Whittington
Director General

Jo Shanmugalingam
from 15 Jul 2019
Director General

Jaee Samant
Director General

Professor John Loughhead
Director General

Tom Taylor
Chief Financial Officer; Director

Craig Woodhouse
from 15 Jul 2019
Director

Ashley Ibbett
from 14 Apr 2020
Director General (interim)

Mike Keoghan
from 14 Apr 2020
Director

Chris Thompson
from 14 Apr 2020
Director

Doug Watkins
from 13 Jul 2020
Acting Director General (interim)
previously a Director

[1] Sarah Munby was a Director General from 15 July 2019 to 20 July 2020, when she was appointed the Permanent Secretary taking over from Sam Beckett who was the Acting Permanent Secretary from 14 April 2020 to 19 July 2020.

Non-executive directors


Archie Norman
DB, Lead non-executive


Nigel Boardman
DB, ARAC Chair


Leena Nair
DB, NOMS Chair


Stephen A. Carter
DB


Carolyn McCall
DB


Kathryn Parsons
DB


Stuart Quickenden
DB
ARAC


Elaine Clements
from 10 Apr 2019
ARAC


Louise Fisher
NOMS


Bryan Ingleby
ARAC


Adrian Kamellard
from 10 Apr 2019
ARAC


Catherine Pridham
PIC

Leavers

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

Ministers

Rt Hon Greg Clark MP
To 24 Jul 2019
Secretary of State for Business, Energy, and Industrial Strategy

Rt Hon Claire Perry MP
To 24 Jul 2019
Minister of State for Energy and Clean Growth

Rt Hon Chris Skidmore MP
To 25 Jul 2019; then from 10 Sep 2019 to 13 Feb 2020
Minister of State for Universities, Research, and Innovation

Andrew Stephenson MP
From 04 Apr to 25 Jul 2019
Parliamentary Under Secretary of State, Minister for Business, and Industry

Rt Hon Jake Berry MP
From 07 Jun to 25 Jul 2019
Parliamentary Under Secretary of State, Minister for Northern, Powerhouse and Local Growth

Rt Hon Lord Henley
To 26 Jul 2019
Parliamentary Under Secretary of State

Rt Hon Jo Johnson MP
From 24 Jul to 05 Sep 2019
Minister of State for Universities, Science, Research and Innovation

Kelly Tolhurst MP
To 13 Feb 2020
Parliamentary Under Secretary of State, Minister for Small Business, Consumers and Corporate Responsibility

Rt Hon Andrea Leadsom MP
From 24 Jul 2019 to 13 Feb 2020
Secretary of State for Business, Energy, and Industrial Strategy

Lord Duncan
From 26 Jul 2019 to 13 Feb 2020
Parliamentary Under Secretary of State
Senior officials

Senior officials

Gareth Davies
To 03 May 2019

Gavin Lambert
Interim from 15 Apr to 12 Jul 2019

Sam Lister
Interim, from 15 Apr to 12 Jul 2019

Nick Chism
To 05 Feb 2020

Alex Chisholm
To 09 Apr 2020
Permanent Secretary

Caleb Deeks
To 09 Apr 2020

Sarah Harrison
To 10 Jul 2020

Sam Beckett
To 24 August 2020

Non-executive directors

Claire Davies
To 1 Jun 2019
ARAC

Myriam Madden
To 30 Jan 2020
ARAC

Report of the lead non-executive director

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

The last 12 months have seen a great deal of change. Most of this reporting period has been largely dominated by preparing for EU Exit, with or without a deal, and on moving into the transition period. The end of the reporting period has, of course, been dominated by the COVID-19 pandemic and the Government's response to that. In both of these events, BEIS has played a central role in preparing and planning for the UK's economic future.

The Board has also seen a period of change, as it has been led by three different Secretaries of State, with largely different Ministerial teams, and there have also been significant changes in the Department's senior team. The membership of the Non-Executive Board Members has not changed since last year and providing continuity and support to the Department. The Department's Non-Executive Board Members continue to be engaged in Departmental business, providing challenge, valuable expertise and an independent voice across a range of areas. The Board has come together in both formal and informal settings to help drive the Departmental agenda and, more recently, provide advice and support as the Department responds to the COVID-19 pandemic. Throughout the reporting period, the Department's Audit and Risk Assurance Committee, led by Nigel Boardman, has been very active and has continued to provide independent challenge and scrutiny. It has helped to improve the way that the Department approaches risk, as well as the assurance and compliance environment, and has actively fostered links with the ARAC committees in the Department's Partner Organisations.

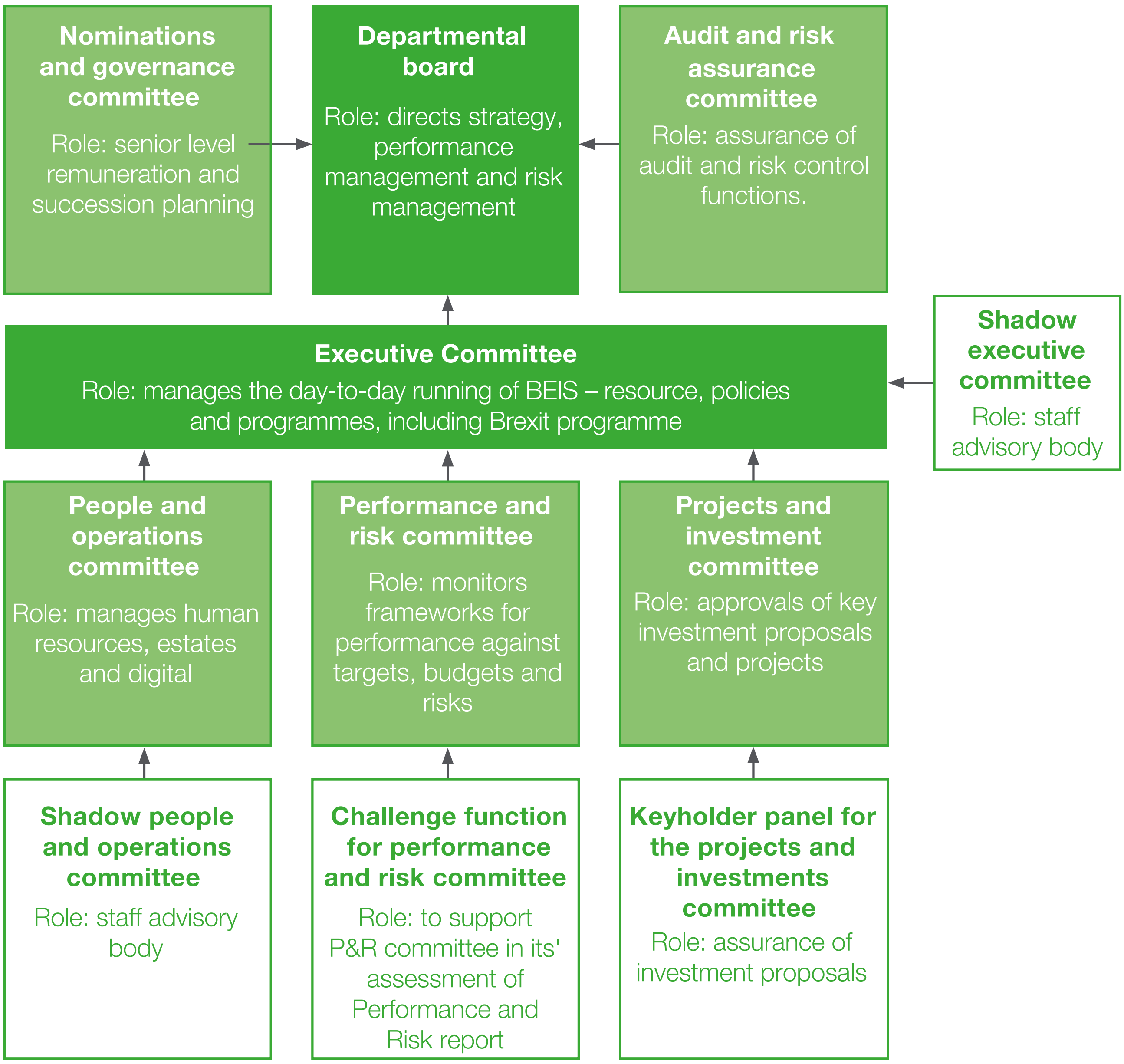
Looking at the year ahead, this year will continue to be challenging for BEIS as the Department's delivery agenda has grown substantially. I, and my non-executive colleagues, will endeavour to continue to support and advise the Department as the country moves towards the recovery phase of the pandemic, to EU Exit and beyond. I wish to thank the dedicated and excellent staff for their vital work and look forward to continuing to support them as they work to deliver the government's objectives, which are vital on both the national and international stage.

Governance statement

Overview

The governance statement sets out how the Department is governed and how decisions are made at the top executive level, and summarises the topics discussed by the Board, the Executive Committee and their delegated committees. It sets out the governance of the Department's partner organisations (POs) and considers the risk management of the Department and its internal controls.

Our board structure



Board and committee attendance

The table below shows board attendance from 1 April 2019 to 31 March 2020, where scheduled meetings were held. Where members were unable to attend meetings in person, they were able to share their views in advance with the chair.

	Departmental Board	Nominations and governance committee	Audit and risk assurance committee	Executive committee
Total number of meetings held	**4**	**1**	**6**	**25**
x /x = number attended /number eligible to attend				
Ministers				
Rt Hon Greg Clark MP (to 24 Jul 2019)	1 /2			
Rt Hon Andrea Leadsom MP (from 24 Jul 2019 to 13 Feb 2020)	2 /2			
Rt Hon Alok Sharma MP (from 13 Feb 2020)	1 /1			
Rt Hon Kwasi Kwarteng MP (from 24 Jul 2019)	1 /2			
Rt Hon Chris Skidmore MP (until 24 Jul 2019; then from 10 Sep 2019 to 13 Feb 2020)	2 /2			
Rt Hon Claire Perry MP (to 24 Jul 2019)	1 /2			
Rt Hon Jo Johnson MP (from 24 Jul to 5 Sep 2019)	1 /1			
Nadim Zahawi MP (from 26 Jul 2019)	2 /2			
Kelly Tolhurst MP (to 13 Feb 2020)	1 /4			
Lord Duncan (from 26 Jul 2019 to 13 Feb 2020)	1 /2			
Lord Callanan (from 14 Feb 2020)	0 /1			
Paul Scully MP (from 13 Feb 2020)	1 /1			
Amanda Solloway MP (from 14 Feb 2020)	1 /1			
Senior officials/executive directors				
Alex Chisholm	4 /4	1 /1	1/6	23/25
Sam Beckett	1 /1			20 /25
Nick Chism (to 5 Feb 2020)				12/21
Julian Critchlow	1 /1			23/25
Sarah Harrison	3 /4		4/6	18/25
John Loughhead				17/25
Sarah Munby (from 15 Jul 2019)	1 /1			15/19
Jaee Samant	4 /4			21 /25
Jo Shanmugalingam (from 15 Jul 2019)	1 /1			13 /19
Joanna Whittington	1 /1			22/25
Gavin Lambert (interim DG from 30 Apr to 18 Jul 2019)				4 /7
Sam Lister (interim DG from 30 Apr to 18 Jul 2019)				5 /7
Tom Taylor	3 /4		6/6	20 /25
Caleb Deeks	1 /1			23 /25
Doug Watkins				20 /25
Craig Woodhouse (from 15 Jul 2019)				17 /19
Non-executive directors				
Archie Norman	4 /4			
Nigel Boardman	4 /4		6/6	
Leena Nair	3 /4	0 /1		
Stephen A. Carter	3 /4			
Carolyn McCall	3 /4			
Kathryn Parsons	4 /4			
Stuart Quickenden	4 /4		6/6	
Elaine Clements			6/6	
Claire Davies (to 1 Jun 2019)			2/2	
Louise Fisher		1 /1		
Bryan Ingleby			6/6	
Adrian Kamellard			6/6	
Myriam Madden (to 30 Jan 2020)			4/6	

Coverage of Departmental Board discussions

	Discussion	Action	Progress
Strategy	**Future economy**	The board discussed support to UK businesses and economy if World Trade Organisation (WTO) rules were in effect.	BEIS revised its policy. developing sector analysis under WTO rules scenario
	Brexit	The Board continued discussions on departmental preparations for Brexit – focused on communications plans, trade and negotiation options facing the UK.	The Board commissioned business-related sector analysis to discuss at future board meetings.
	Project Kingfisher and Sectoral and Regional Competitiveness	Project Kingfisher refers to cross-government preparations to respond to potential economic impacts of Brexit. The Board discussed BEIS' approach to using business intelligence to monitor, anticipate and coordinate responses to economic impacts on business.	The Board's suggestions were incorporated into policy development
	New Work Agenda	Non-executive directors (NEDs) led the discussion on the New work agenda (NWA) from a business perspective, challenged the thinking and assumptions	The Board identified apprenticeships need to be part of NWA; joint working with DfE continued.
	UKRI	The Board discussed UKRI's operating context, related challenges and support required to enable it to develop its leadership capabilities and grow as an organization.	BEIS offered advice and the next phase of UKRI's growth
	Net Zero carbon emissions	The Board discussed the challenges of climate change and meeting net zero targets; provided guidance on next steps for reducing the Department's emissions.	Endorsed plans for cross Whitehall policy cooperation, and CoP 26 Bid
	Competition and Consumers	The Board welcomed need for policy reform, while challenging the early stage policy assumptions, definitions and purpose	The policy was revised to reflect the board suggestions on purpose, clarity and focus.
Governance and risk	**BEIS' objectives and priorities**	The Board provided challenge on BEIS' forward work programme for 2019; continued setting priorities to strengthen governance overall.	The work programme has been amended based on the steer from the Board.
	Single Departmental Plan	The Board's discussion on BEIS objectives and priorities supported the development of the Single Departmental Plan (SDP).	The lead non-executive board member contributed to the development of the SDP.
	Risk appetite and risk management	The Board endorsed the Risk Appetite Statement; encouraged ARAC members to observe board meetings; endorsed the programme for ARAC NEDs to attend POs ARAC meetings.	We embedded the risk appetite statement throughout BEIS. The online reporting tool was enhanced to allow POs to record and report against risks. This provides assurance that risks are correctly managed and recorded.
Operations	**People Survey**	The Board considered results from the 2019 People Survey; discussed plans to raise engagement scores and develop leadership initiatives.	The work-place transformation programme has been reshaped as result of board input.
	The 21st Century Workplace: Progressive, Modern and Innovative	The Board critically evaluated how to set the foundations for transforming the workplace, while building capability to maximise the use of technology.	Shaping our Future objectives were revised to reflect the Board's suggestions on ambition and boldness.

Board's evaluation of its effectiveness

All departments are requested by the Cabinet Office to carry out an annual board effectiveness evaluation. The Board completed a light touch assessment for 2019-2020, as a more in-depth board evaluation assessment is expected in 2020-2021 in line with Cabinet Office guidance.

Overall, the Board's evaluation of its effectiveness indicated that the composition of the Board is sound and effective. However, more work needs to be done to ensure better communication and visibility between the Board and delegated Committees to improve governance.

In addition to formal board meetings, Board members met for introductory meetings with the newly appointed Secretaries of State in September 2019 and March 2020. Non-Executive Board members have also been active in supporting the executive team throughout the year by providing guidance and advice on a range of issues.

Highlights of Nominations and governance committee

The success of any organisation is based on valuing its people. This involves having a good strategy for personal and career development. The Nominations and governance committee (NGC) only met once in 2019-2020, but instead considered issues by correspondence. During 2019-2020, NGC has focused on:

- senior level talent in BEIS; and
- the implementation of the staff performance management systems.

Highlights of Audit and risk assurance committee

Audit and risk assurance committee (ARAC) plays a crucial role in supporting the effective governance in BEIS. During 2019-20 ARAC has worked to:

- improve the risk management procedures through critical challenge and reviewing the risk registers and risk framework;
- build a relationship with POs that is strong and transparent:
- examine financial management and financial reporting;
- oversee the process to ensure the appropriate recognition of Hinkley Point C in the accounts;
- working with NAO & GIAA to test and monitor the delivery of their audit plans;
- improve the internal assurance structure and processes by providing guidance;
- monitor BEIS' application of the Business Appointment Rules – rules to prevent former civil servants and ministers being able to profit from their knowledge within Whitehall;
- introduce an exchange programme for ARAC members and PO ARAC members;
- consider how legal risks should be better identified, reported and managed throughout the group- this work will be ongoing through the next reporting year;
- ensure the Department's implementation of recommendations from NAO, GIAA and Public Accounts Committee (PAC);
- support the launch of the Controls and Assurance Tool (CAT) for teams to log and self-assess the first and second lines of defense;
- oversee the development and rollout of the new departmental risk management framework; and;
- start a rolling programme to seek governance assurance from individual DGs at ARAC meetings.

Highlights of Executive committee

Executive committee (ExCo) is the key body to which the Departmental Board delegates the day-to-day management of BEIS. Over the last year, ExCo has focused on:

- the Industrial Strategy and Grand Challenges;
- monitoring the performance of the Department's major programmes;
- delivering Net Zero;
- business planning and the SDP;

- the delivery capacity and target operating model of the department;
- the diversity and inclusion strategy; and
- the refresh of the departmental risk register, including risk horizon scanning.

Brexit programme

In addition, the committee holds fortnightly meetings on the Brexit programme to manage identified Brexit related issues. Following Brexit, the committee meetings now have an additional focus on free trade agreements and progress on EU engagement.

Highlights of ExCo subcommittees

People and operations committee

People and operations committee (POPCo) considers matters relating to human resources, accommodation, security and IT. In the last 12 months to March 2020, POPCo has worked to:

- establish the BEIS graduate and experienced entrant programme;
- monitor the success of the performance management system;
- promote diversity and inclusion policy;
- review the health and safety policy;
- oversee the works of the estate and security team; and
- oversee the works of the estate and security team.

Performance and risk committee

Performance and risk committee (P&R) reviews matters relating to performance and risks. In 2019, it underwent a thorough review which led to a renewed mandate to:

- provide assurance on the performance and delivery of major programmes including those delivered by our POs;
- provide assurance on the departmental Risk Framework;
- review departmental risk and risks associated with delivery programme – especially where this was operating outside the BEIS Risk Appetite Statement;
- review performance against agreed milestones and outcomes and provided assurance on the use of the BEIS monitoring and evaluation framework; and
- assess performance against the Department's internal control and assurance framework.

Projects and investments committee

The Project and investment committee (PIC) reviews investment proposals over £20 million or those considered risky, novel or contentious. During 2019-20, PIC:

- initiated the fast-track process so no-deal Brexit contingency investments could be reviewed in a timely manner;
- maintained high standards and supported the development of business cases; and
- ensured the approvals processes are well aligned to promote a streamlined approach.

COVID-19 adjustments

At the very end of the reporting period, a specific COVID-19 ExCo was set up to respond to the Coronavirus pandemic. This had a larger composition than the Departmental ExCo, and met frequently during the first stage of the pandemic to steer the Department's response to the pandemic and to consider the effects on our staff. The governance relating to Coronavirus will be reported fully in next year's annual report and accounts.

Additionally, all committee meetings have been held remotely since the 18 March 2020. These meetings have been successful and productive, largely down to the flexibility of committee members. All meetings have been set up and supported by the Governance Secretariat.

Register of interests

Board Members are required to declare any personal or business interests which may influence their judgement, or be perceived to, when performing their duties. BEIS has an established procedure for considering, approving and recording conflicts of interest. In addition to this at the commencement of each Board meeting, members of the Board are required to declare any interests they may have. In 2019-20 there was only one conflict of interests registered during the meeting and it was addressed accordingly.

Biographies of our leadership team

Biographies of our Board members are available at https://www.gov.uk/government/organisations/department-for-business-energy-and-industrial-strategy/about/our-governance

Board appointments

There have been changes in both Ministerial and executive appointments to the board. The board composition has reflected changes to the Ministerial leadership of the Department in 2019-2020 as all members of the Ministerial team have been appointed to the board. There have also been changes to the executive team on the board. Please refer to the table on committee and board attendance for further detail.

Compliance with the corporate governance code

Our approach to governance is in line with 'the code' – Corporate Governance in Central Government Departments: Code of Good Practice without exception.

Since BEIS is responsible for corporate governance and champions women on boards, BEIS seeks to be a leader in this area too. There are two targets for Board membership: Lord Davies' target for 33% female Board membership and Sir John Parker's target of one BAME Board member. By March 2020, BEIS Board's gender diversity was at 35% and included four BAME members.

Quality of data used by the Board

Departmental Board meetings covered a variety of topics. Board papers were of high quality.

The meetings were efficient, and challenge was encouraged. BEIS's governance team provides a comprehensive secretariat service to the Board and committees to ensure the effective and efficient administration of the Board and its activities.

Governance of our POs

In 2019-20, BEIS had 40 POs with a wide span of policy and operational responsibilities. We receive assurance on risks and delivery through; the BEIS corporate reporting system; day to day relationship through sponsors and DG accountability for the organisations; PO governance statements; and our ARAC members engaging with individual PO ARACs.

Significant issues arising within POs are covered in their respective governance statements. BEIS has over-sight of its POs throughout the year and considers any significant issues presented in their governance statements.

Grants to local government

In 2019-20, the Department provided £189.46 million as grants to local authorities under section 31 of the Local Government act 2003. £151 million of this was in relation to the COVID-19 response grants.

Quality assurance of analytical models

BEIS has had a single modelling quality assurance (QA) process since April 2017, which complies with the AQuA book. Our modelling integrity team co-ordinates independent assurance for models and plans. This ensures our models are based on appropriate understanding of evidence and risks.

We have identified 80 analytical models in use across BEIS with 90% of these having the required level of assurance. Those models that are non-compliant have plans to reach compliance targets in 2020-21. We ensure our contacts in POs undertaking modelling are aware of BEIS QA guidelines.

Effectiveness of our risk management and internal controls

The Government Internal Audit Agency (GIAA) provides the internal audit service for BEIS. For 2019-20, the Group Chief Internal Auditor provided a "moderate" opinion.

The GIAA concluded that BEIS has continued with the positive trend in internal control, while committing resources to Brexit preparations and implementing complex policy programmes, such as the Industrial Strategy and the Clean Growth Strategy.

GIAA has acknowledged the implications that BEIS' response to the COVID-19 pandemic will have in 2020, but this has not detracted from their conclusions for 2019-20.

The audit of our risk management framework and practice positioned BEIS as a top performing department and a catalogue of good practice is being drawn from across BEIS.

No audits received an unsatisfactory opinion, and only two a limited opinion, for which actions are in hand to address the recommendations made by internal auditors.

Progress made on risk management

In 2019-2020, BEIS delivered several risk management initiatives that have been recognised across government and have been replicated in other departments. We refreshed our risk management framework and continued to embed it, working with our network of deputy director risk champions.

We developed and introduced a risk appetite statement, working with the Audit and Risk Assurance Committee and seeking views from key colleagues across government. We fed into a review of the Performance and Risk Committee, resulting in a revised term of reference with a sharper focus on risk. We continued to develop our online risk management tool and ensured directorate and group level risks were being reported on regularly to enable better oversight of the risk landscape of the Department and to facilitate a more robust process for risk escalation.

We opened our reporting tool to our POs, who report quarterly to BEIS, to submit their reports. We introduced league tables of compliance to support this work and to assess the quality of the content uploaded. Finally, we refreshed the Departmental risk register through a horizon scanning session with our Executive Committee, to ensure these remained relevant given the changing environment.

While a huge amount of work was done over the year, it is recognised that most of the focus has been on getting the right processes and tools in place. There is more work to do to embed a risk management culture across the Department and to improve open and transparent risk management between BEIS and its POs.

Internal controls environment

BEIS aims to continuously improve the efficiency and effectiveness of the internal control environment within the Department. During the course of 2019-20 actions have been taken to communicate expectations around compliance to staff, improve our processes to make it easier for staff to comply with controls, and provide Management Information (MI) to help senior managers understand how effectively they are operating.

Work completed includes:

- continuing to ensure that audit actions are implemented in a timely fashion with 78% of internal audit actions due in 2019/20 completed;
- launching a line manager hub and surgery to help line managers understand their key responsibilities and improving access to guidance and support;
- launching an improved Oracle interface to help staff do things more easily and accurately across Finance, HR and the Procurement processes;
- providing new sources of MI to help SCS understand the quality of our data and improve compliance with HR processes; and

- successfully piloted an online Controls and Assurance Tool (CAT) during 2019-20, which is providing a means of systematically assessing how effectively the Department's controls are being implemented.

Although BEIS has made progress throughout 2019-20, the Department recognises there is still further work to be done around culture of compliance. Traditionally weak areas such as recording starters and leavers remains an area for continued focus, with the implications this has for overpayments and return of IT equipment and security passes. Process and compliance improvement work within the Department will aim to make further progress in these key areas, which GIAA through their audit work in FY2020-21 will help to assess. While 78% of actions due in 2019/20 have been completed, there were 37 overdue actions. To address this, we are improving our tracking and reporting of actions, to make it easier to assess how the Department is performing in addressing audit recommendations.

Work will also continue to improve the functionality of the new Oracle interface, including by linking processes such as expenses to enable a more accurate and timely reimbursement of claims. The approach to MI is being expanded, including prompt payment, finances and expenses, which will help improve our insight to how effectively controls are operating. Following the initial rollout, the CAT is also being developed further to better align with the Department's risk framework, make better use of new sources of MI, and reflect work to map the Departments controls and assurance processes.'

Data protection

BEIS notified the Information Commission's Office (ICO) of one personal data breach assessed as meeting the ICO's reporting guidelines. The ICO determined regulatory action was not appropriate but made one recommendation which BEIS has administered.

Information security

No significant cyber breaches were reported in 2019-20. Malicious content on the web continues to be a significant risk to the Department. We have seen a growth in the volume of generic Phishing emails as well as increases in whaling (phishing targeted at specific high value targets). We continue to work to ensure all our services meet ISO27001 standards, recently completing a significant cyber security assessment under the GBEST scheme and adding a Security Operations Centre.

Counter-fraud and error

During 2019-20, levels of fraud detected across the BEIS group of organisations were similar to previous years. We continue to be successful in preventing fraud. We are also starting to recover funds following successful prosecutions of frauds committed in previous years. There was a continued increase of attempted frauds against the public imitating BEIS and its POs.

We achieved an overall 'green' rating from the Cabinet Office in taking forward our action plan and worked with them to implement improvements. The level of staff in key roles who have completed counter fraud training has increased following successful awareness campaigns, which were well received.

Towards the end of 2019-20, our focus was on the enhanced risks of fraud and error associated with the COVID-19 business support and loan guarantee schemes. These will inevitably dominate much of what we do in the next reporting period.

Ministerial directions

Ministerial directions are formal, technical instructions from the Secretary of State which allow the Department to proceed with a spending proposal in a situation where the Accounting Officer has raised an objection. The Accounting Officer is accountable to parliament for ensuring that all expenditure meets the standards under Managing Public Money (MPM) and has a duty to seek a direction if they believe one of the four criteria (regularity, propriety, value for money or feasibility) will not be met. If a direction is given, the Accounting Officer will no longer be challenged by the Public Accounts Committee on why they took forward the policy. However, they might still need to explain the course of the action and the minister's reasoning.

During the 2019-20 financial year, and up to the date of this report, ten ministerial directions were issued.

British Steel Limited

A Ministerial Direction was given for the continuation of the Official Receiver's (OR) indemnity to pursue a sale of British Steel Limited (BSL).

When BSL entered compulsory liquidation on 22 May 2019, the OR issued a deadline of 10 November 2019 for bidders to give the OR suitable confidence that a sale could complete shortly. Without this, the OR would commence a shutdown process of the BSL site. By the deadline date, significant progress had been made with a potential buyer, but the Department was yet to see a rigorous business plan.

HMG support to continue the sales process would not satisfy the minimum value for money consideration. However, the justification for site sale were the wider benefits – the closure of the site would result in job losses, impacting the local economy and would also have a significant strategic impact on the UK steel sector with key sectors such as construction and rail being disrupted.

The Ministerial Direction was given on 11 November 2019 authorising the continuation of support to British Steel.

On 9 March 2020, the sale of BSL was completed by the OR.

Coronavirus Business Interruption Loan Scheme

A second Ministerial direction was given, authorising the Coronavirus Business Interruption Loan Scheme (CBILS) to temporarily replace the Enterprise Finance Guarantee (EFG) Scheme, increasing the loan value available to £5 million and to introduce a twelve-month interest free period.

Given the speed at which the scheme was developed, there was little robust data available to conclude that they met the value for money requirements of MPM. At the time of introducing the scheme, there were also that were subject to State Aid approval. Discussions with the Commission had provided comfort that they expected the Schemes to be approved, but formal notification had not been received.

The Ministerial Direction was given on 22 March 2020 proceed with the introduction of the scheme.

Support fund for retail, hospitality and leisure businesses

A third Ministerial Direction was given authorising a grant fund to help protect businesses in the retail, hospitality and leisure sectors from the impact of COVID-19.

Any assessment carried out by the Department in relation to the fund would have been comparing immeasurable and unknown benefits against significant and known costs. It was not possible for the Department to reliably demonstrate the economic impact of the proposal and provide the necessary assurance that is represented value for money in line with the requirements of MPM.

The Ministerial Direction was given on 23 March 2020 to proceed with the implementation of the fund.

Small Businesses Grant Fund

A fourth Ministerial Direction was given authorising a grant fund to help protect small businesses from the impact of COVID-19.

The absence of available evidence meant that the Department was unable to provide a reliable value for money measurement by weighing the possible benefits against costs. There were also concerns around the feasibility of the scheme due to the speed local authorities were expected to make payments and the related operational difficulties to administer the fund efficiently.

The Ministerial Direction was given on 23 March 2020 to proceed with the delivery of the scheme.

Coronavirus Business Interruption Loan – Changes to Scheme

A fifth Ministerial Direction was given authorising changes to the Coronavirus Business Interruption Loan Scheme (CBILS), including removing the requirement for a personal guarantee for loans under £250,000, and removing the requirement for borrowers to show that they would have been unable to secure finance outside of a government backed loan.

The speed at which events unfolded did not allow sufficient time for a full value for money assessment to be undertaken and there remained risks around the ability to deliver at this volume. Uncertainties over likely demand and future costs of the scheme, and provision of budget cover were highlighted.

The Ministerial Direction was given on 2 April 2020 to proceed with the changes to the scheme.

Coronavirus Large Business Interruption Loan Scheme

A sixth Ministerial Direction was given authorising the introduction a new scheme to support firms that have a turnover of more than £45 million per annum, to be known as the Coronavirus Large Business Interruption Loan Scheme (CLBILS).

Due to the speed at which the intervention was developed, it was difficult to assess ex-ante whether value for money was likely to be achieved meaning a wide range of outcomes are possible.

The Ministerial Direction was given on 16 April 2020 to proceed with the introduction of the scheme.

Local Authority Discretionary Grants

A seventh Ministerial Direction was given authorising the introduction of the COVID-19 Local Authority Discretionary Grants Fund. This fund provides local authorities with discretion to administer a grant scheme to help support small businesses in their localities who are not in scope of either of the existing grant schemes.

As with the previous two COVID-19 business grant schemes there were uncertainties around the value for money of the scheme. And on the basis of available information at the time, it was not possible to construct a business case to clearly demonstrate that the funding represented value for money to the standards expected by MPM.

The Ministerial Direction was given on 1 May 2020 to proceed with the introduction of the scheme.

Bounce Back Loan Scheme

An eighth Ministerial Direction was given authorising the introduction of the 'Bounce Back' Loan (BBL) Scheme which enables businesses to access loans of up to £50,000, capped at 25% of turnover, with 100% of the lending risk assumed by government.

The direction was required because of uncertainty around the value for money case and risk to regularity and propriety of the scheme from fraud and error. Whilst steps were planned to tackle fraud, the eventual level could not be reliably estimated in advance.

The Ministerial Direction was given on 1 May 2020 to proceed with the introduction of the scheme.

Future Fund

A ninth Ministerial Direction was given to implement the Future Fund, which aims to provide an incentive for equity funds and angel investors to continue to support the development trajectory of innovative, high-growth businesses. It is designed to encourage investors to continue to back companies that would have received investment in the absence of the pandemic and are now struggling to raise their next funding round.

The view of Accounting Officer was that whilst standards around feasibility, regularity and propriety had been met, based on the limited information and the range of analysis that had been conducted, it was not possible to conclude that the scheme represented value for money at the time.

The Ministerial Direction was given on 19 May 2020 to proceed with the introduction of the Future Fund.

OneWeb

A tenth Ministerial Direction was given authorising the purchase, via a consortium, of OneWeb, a satellite technology company with the ambition to provide global broadband. A UK based company, representing an opportunity for UK interests globally.

Professional financial advice on OneWeb's prospects was sought, which determined that a positive return on the investment might be achieved. However, it was also noted that a broad range of uncertainties and possible outcomes around the case remained, making it hard to be confident in the underlying assumptions or the likely returns.

Due to the time and data available, HM Treasury had not subjected the investment to the scrutiny of a full Green Book compliant business case, including considering whether alternative options for investment might provide a better return.

UK Space Agency were consulted for an independent technical assessment and highlighted a high likelihood of further investment being required, increasing the risk that further HMG investment would be required in order to realise the potential benefits.

The view of the Accounting Officer was that whilst risks around regularity, propriety and feasibility were manageable, value for money required a direction.

The Ministerial Direction was given on 26 June 2020 to proceed with the purchase of OneWeb.

Effectiveness of our whistle blowing arrangements

Internal whistle blowing

Our procedures are accessible to all employees and offer six different routes for employees to raise concerns, including via an external whistleblowing hotline. In 2019-20 we had a low number of whistleblowing concerns raised, which is consistent with previous years. In our 2019 People Survey we had an increased majority of staff reporting that they had confidence that any concerns raised under the Civil Service Code would be properly investigated.

External whistle blowing

A small number of whistle blowers reported concerns during 2019-20. We have discussed internally and with POs, ways in which we can help staff come forward. We are looking to extend our awareness campaign in this area and offer workshops to cover the topic. Some of our Agencies have also chosen to access our external whistleblowing hotline. The volume of calls to this line is low. Cases have predominantly been referred to us through HR and the National Audit Office.

Accounting Officer's conclusion

I have considered the evidence provided regarding the annual governance statement and the independent assurance provided by ARAC. BEIS received a "moderate" opinion on the framework of governance, risk management and control within the Department for 2019-20. Even though the opinion remained the same as last year, the Department has continued to make improvements to our governance, risk management and control environment throughout the past year.

Last year BEIS successfully delivered a significant amount of policy work and progressed its major programmes such as the Industrial Strategy and the move to a Net Zero, whilst planning and preparing for Brexit. At the same time the Department faces challenges in aligning the work and priorities of other government bodies in order to achieve its objectives in 2020-2021.

During 2020-21, our top priority will be on delivering the COVID-19 response and steering the economic recovery. We will also focus on:

- working on Brexit negotiations and delivering Net Zero;
- implementing a proportionate assurance regime over the third parties delivering the grant, loan and guarantee schemes;
- embedding a culture of compliance and improving internal assurance mapping processes;
- enhancing the departmental Knowledge Management capability;
- BEIS's litigation and cyber security risks and reporting on these; and
- further developing the POs governance framework, with strong links between BEIS and UKGI.

Sarah Munby
Permanent Secretary and
Principal Accounting Officer
11 September 2020

Staff report

Overview

The staff report highlights employee matters in the year. It also provides required disclosures on staff activity, staff numbers and expenditure in 2019-20.

Introduction

This year we have continued to make BEIS a great place to work in what has been a challenging and positive year for the Department. We continue to make improvements in staff engagement and launched our new Diversity & Inclusion Strategy. We supported the Department's work on exiting the EU through a largescale mobilisation of people across the Department to meet new priorities. This helped us learn how to be agile and responsive to new challenges, which has proved vital now that we are supporting the Department's response to COVID-19.

Employee matters

Health, safety, and well-being

We consider the wellbeing of our people very important and we have an exceptionally good well-being offer.

We offer events covering all areas of wellbeing, such as training in resilience, stress management, mental health talks, disability awareness, and an annual sports day.

We have over 200 staff trained as Mental Health First Aiders 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 also offer the Employee Assistance Programme – phone-based counselling, on work and life issues, free, confidential, and available to all employees.

In 2019, we published the BEIS Voluntary reporting on disability, mental health, and wellbeing[1]. This framework shows what we have achieved in supporting staff and building resilience for good mental health.

We have a strong record in providing a safe and supportive work environment. In 2019-20, there were three reported injuries within 'reporting of injuries, diseases and dangerous occurrences Regulations 2013'. We encourage staff to ask for reasonable adjustments as part of our workstation assessment programme.

COVID-19 adjustments

The Department has played and continues to play a vital role in the UK's response to the COVID-19 incident, supporting businesses, workers and the economy. As a department we moved from being predominantly office-based, to working almost entirely remotely in a matter of days, in accordance with public health advice. The success of our organisation's response has been as much about people's agility and flexibility as the technology. We have placed a strong emphasis on health, safety and wellbeing, ensuring that people are well supported to work from home. We work closely with Civil Service HR on the short and long-term implications of COVID-19.

Diversity and inclusion

We focus heavily on diversity and inclusion. We are all different in some way. We each experience the world differently and have stories to tell about it. We make the most of these differences to solve important and complex policy issues facing the country, business and the environment. In doing so, we continue to make BEIS a great place to work.

1 https://www.gov.uk/government/publications/disability-mental-health-and-wellbeing-support-in-our-workplace-beis-voluntary-report-2019

During the year we have:

- increased the diversity of our workforce;
- rolled out micro behaviours training to over 700 staff;
- undergone the Stonewall Workplace Equality Index 2020. We were ranked 137 out of 503 employers, up from 270 out of 445 employers last year; and
- in the 2019 people survey, maintained a score of 83% for 'inclusion and fair treatment', up from 80% in 2017.

Employee engagement

In the 2019 BEIS people survey; we achieved a response rate of 92%. Overall, our results have remained stable when compared with 2018. The outcomes for eight of the nine survey themes have either stayed the same or improved.

This is a positive result given this had been a year with additional pressure and change for all. It is also within the context of the significant progress we have made in the Engagement Index and other key areas since 2016.

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

Shared parental leave

During 2019-2020, 35 of our employees took advantage of BEIS' policy on shared parental leave (SPL) and pay (ShPP).

It is a statutory entitlement to parents and adopters. It gives parents the choice to shorten the mother's maternity leave and pay and share the balance as SPL and ShPP. We continue to promote this flexibility to our employees.

Gender pay gap

The trend in reducing the gender pay gap has been positive for BEIS and its Agencies; measures show the gaps are either reducing or remaining relatively static.

Gender pay gap

The mean pay of male employees vs mean pay of female employees had a difference of 10.1%. The median gender pay gap was 10.2%. This continues the trend in narrowing the gap, and are the lowest figures since reporting was introduced in 2017.

Bonus gap

The mean bonus pay to relevant male employees vs mean bonus pay to relevant female employees had a difference of 12.7%. The median bonus gap was 17.9%. Although figures have fluctuated in previous years, these remain in line with previous years.

Bonus proportions

As in 2018, the proportion of men who received a bonus was 83.4%; the proportion of women who received a bonus was 83.7%.

Quartile pay bands

The proportions of male and female employees in the bottom quartile was 60/40 split in favour of women. The proportions of male and female employees in the top quartile was 60/40 split in favour of men. Figures are in line with 2017.

Closing the gender pay gap

To close the gender pay gap, one of our main priorities is to increase representation of women at senior levels. To do this, we aim to retain a workforce that is diverse, talented, and supported to achieve its potential.

On recruitment, we have introduced initiatives to produce job adverts that are more inclusive and to ensure interview panels are more diverse. We also overhauled our approach to performance management in 2018-19. We moved us away from lengthy processes, to conversations with a real focus on development. This will allow us monitor diversity of outcomes on performance more easily.

The full Gender Pay Gap report for 2019 can be found at https://www.gov.uk/government/publications/beis-gender-pay-gap-report-and-data-2019

Executive pay gap

This is disclosed under ‘fair pay’ as part of the remuneration report on page 87.

Staff policies applied for disabled staff

We are committed to ensuring equality for all our people, including those with disabilities.

We make clear in our job application process – candidates with a disability who apply for a post under the guaranteed interview scheme, automatically go forward to the interview stage, provided they meet the minimum criteria.

We also promote external vacancies in a range of diversity media. Where staff are identified as needing reasonable adjustments, these will be provided.

We have an active staff network – Capability Action Network (CAN) – which champion the needs of people with disabilities and long-term health conditions. They work with HR and other areas of the Department to create positive change. As a result of feedback from CAN new line managers will now undertake an e-learning course on ‘disability inclusive management’ as part of their induction.

Sickness absence data

Average working days lost to sickness absence in 2019-20 for the Core Department, UKSA and INSS were 3.5, 9.3 and 6.6, respectively.

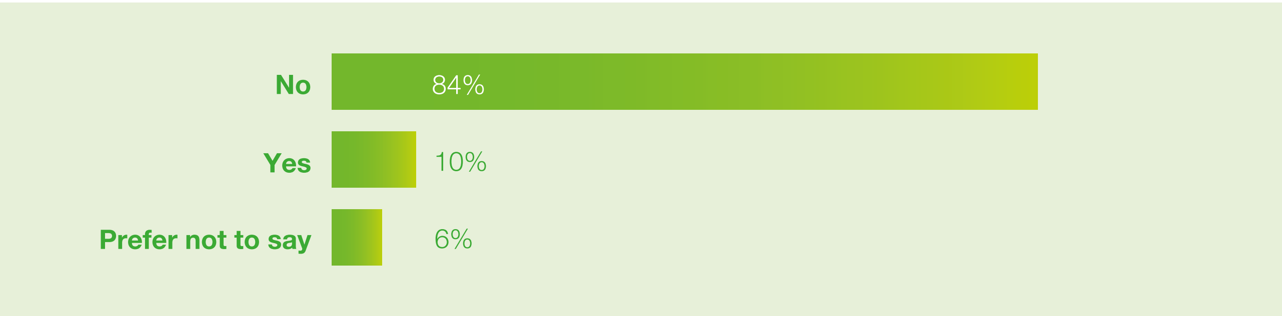
Staff composition

Figures represent full-time equivalent (FTE) persons on payroll as at 31 March 2020.

	Gender		
	Men	**Women**	**Total**
All employees	2,269	2,040	**4,309**
All employees %	53%	47%	**100%**
All senior civil servants	133	109	**242**
Executive committee	10	6	**16**

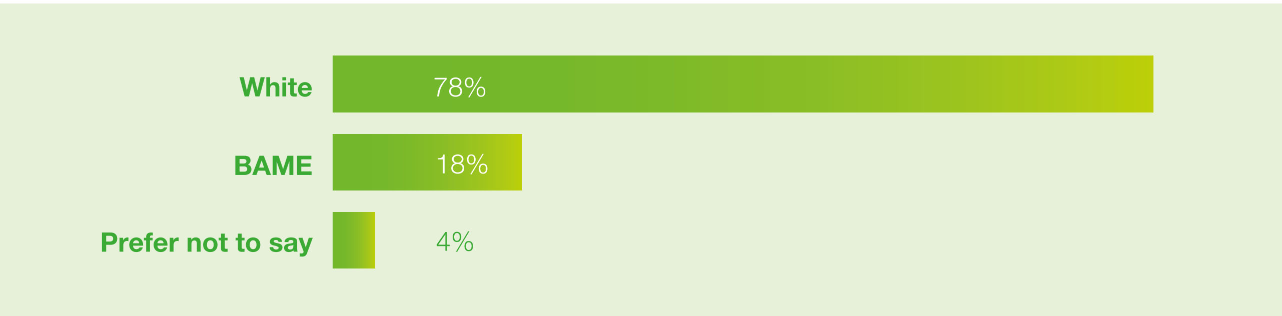
Disability

Declaration rate: 75%. Representation for staff who have declared:



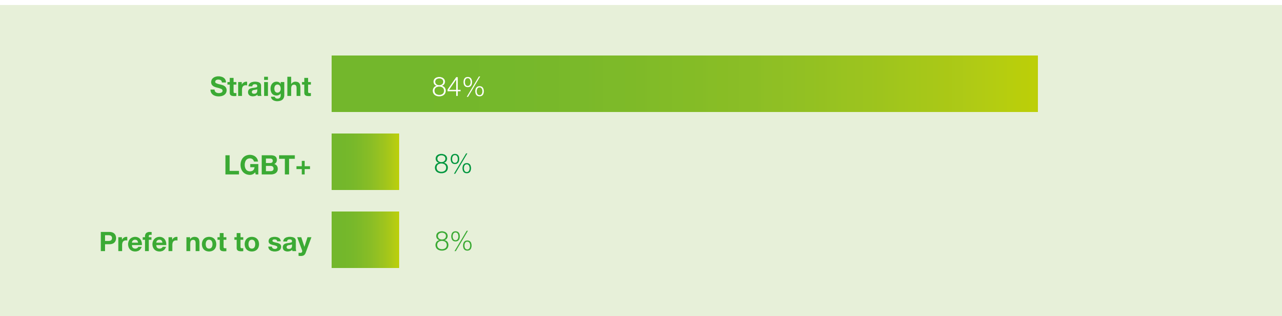
Ethnicity

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



Sexual orientation

Declaration rate: 80%. Representation for staff who have declared:



Trade union facility time

	Core Department and Agencies	Other agencies not consolidated in the accounts[1]	Total
Union officials			
Number of employees who were relevant union officials	42	44	**86**
Full-time equivalent persons	38.80	41.85	**80.65**
Number of employees by working hours spent on facility time			
0% of working hours	4	6	**10**
1 - 50% of working hours	38	38	**76**
Facility time as a % of pay bill			
Total cost of facility time (£)	101,858	108,116	**209,974**
Total pay bill (£)	365,640,202	208,105,626	**573,745,828**
Facility time as a % of pay bill	0.03%	0.05%	**0.08%**
Paid trade union activities			
(Hours spent on paid trade union activities ÷ total paid facility time hours) * 100	0.00%	7.37%	**7.37%**

Notes

1 agencies not consolidated in Departmental Group accounts: CH, IPO, Met Office

Number of senior civil servants by salary band

The table below shows the number of full-time equivalent (FTE) senior civil servants (SCS) by salary bands, in the Core Department. It includes those on open-ended contracts and fixed term contracts. Salary ranges represent actual salary rates; bonuses are not included.

Salary range	Number of SCS staff as at 31 March 2020	Number of SCS staff as at 31 March 2019
£60,000 - £64,999	–	3
£65,000 - £69,999	35	74
£70,000 - £74,999	84	54
£75,000 - £79,999	31	21
£80,000 - £84,999	20	13
£85,000 - £89,999	4	9
£90,000 - £94,999	28	26
£95,000 - £99,999	9	6
£100,000 - £104,999	6	5
£105,000 - £109,999	2	2
£110,000 - £114,999	3	3
£115,000 - £119,999	2	2
£120,000 - £124,999	1	5
£125,000 - £129,999	7	5
£130,000 - £134,999	1	3
£135,000 - £139,999	–	1
£140,000 - £144,999	2	3
£145,000 - £149,999	2	1
£155,000 - £159,999	1	1
£160,000 - £164,999	1	2
£170,000 - £174,999	1	1
£180,000 - £184,999	2	2
Total	**242**	**242**

The remuneration of civil servants is based on performance ratings. The performance ratings are determined by the permanent secretary and directors general in post during the year. Names of those in post are listed in the box below.

Permanent secretary and directors general between 1 April 2019 to 31 March 2020

Alex Chisholm
Permanent Secretary

Sam Beckett
Director General

Nick Chism
Chief Business Adviser (to 5 February 2020)

Julian Critchlow
Director General

Sarah Harrison
Director General

John Loughhead
Chief Scientific Adviser

Sarah Munby
Director General (from 15 July 2019)

Jaee Samant
Director General

Jo Shanmugalingam
Director General

Joanna Whittington
Director General

Gavin Lambert
Director General (interim)
(from 15 April 2019 to 12 July 2019)

Sam Lister
Director General (interim)
(from 15 April 2019 to 12 July 2019)

Gareth Davies
Director General (to 3 May 2019)

Analysis of staff numbers and costs

Audited information

Staff numbers

The average number of full time equivalent persons employed in 2019-20 is shown in the table below.

Number of staff by category	Permanent employed staff	Others	Ministers	Special advisers	2019-20 Total	2018-19 Total
Core	4,345	182	6	3	**4,536**	**4,062**
Agency	1,854	57	–	–	**1,911**	**1,743**
Non departmental public bodies (NDPBs)	13,370	1,031	–	–	**14,401**	**14,562**
Total	**19,569**	**1,270**	**6**	**3**	**20,848**	**20,367**
Of which:						
Core Department and Agencies	6,199	239	6	3	**6,447**	**5,805**
NDPBs and other designated bodies	13,370	1,031	–	–	**14,401**	**14,562**
Total	**19,569**	**1,270**	**6**	**3**	**20,848**	**20,367**

Staff costs

During the year, £19,608,726 of staff costs were capitalised, (2018-19: £18,519,467) and 354 employees (2018-19: 386 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 71.

Included within the total net costs of other staff shown below are ministers' total net costs of £369,658 (2018-19: £329,921) and special advisors' total net costs of £157,963 (2018-19: £272,475). Responsibility for remuneration of special advisers transferred to the Cabinet Office during 2019-20.

	Permanent employed staff £m	Others £m	2019-20 Total £m	2018-19 Total £m
Wages and salaries	855	73	**928**	855
Social security costs	95	–	**95**	86
Other pension costs	217	–	**217**	179
Sub total	**1,167**	**73**	**1,240**	**1,120**
Less recoveries in respect of outward secondments	–	–	**–**	(1)
Total net costs	**1,167**	**73**	**1,240**	**1,119**
Of which:				
Core Department and Agencies	**372**	**18**	**390**	**330**
NDPBs and other designated bodies	**795**	**55**	**850**	**789**
Total net costs	**1,167**	**73**	**1,240**	**1,119**

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 2019-20, employer contributions of £100,753,599 were payable to the PCSPS (2018-19: £65,627,469) at one of four rates in the range 26.6% to 30.3% (2018-19: 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 2019-20 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 £ 1,221,237 (2018-19: £1,192,970) 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 £17,180 (2018-19: £12,811), 0.5% (2018-19: 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 2020 were £11,448 (2018-19: £38,599). Contributions prepaid at that date were £nil (2018-19: £nil).

In 2019-20, 43 persons (2018-19: 18 persons) across the Departmental Group retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £2,319,227 (2018-19: £1,134,823).

Other pension schemes

Employer contributions to other pension schemes in 31 March 2020, amounted to £232,281,655 (2018-19: £261,129,179). 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 27.

Nuclear site licence companies: staff numbers and costs

Staff costs for nuclear site licence companies (SLCs) are disclosed separately, as they are included in the amounts shown for utilisation in the NDA's nuclear decommissioning provision in note 18 rather than being reported as staff costs in the Statement of Comprehensive Net Expenditure.

	Permanently employed staff	Others	2019-20 Total	2018-19 Total
Number of staff (full time equivalent)	**14,324**	**1,104**	**15,428**	**15,869**
Wages and salaries (£m)	797	67	**864**	**826**
Social security costs (£m)	90	–	**90**	**88**
Other pension costs (£m)	144	–	**144**	**148**
Total costs (£m)	**1,031**	**67**	**1,098**	**1,062**

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. The table below shows the total cost of exit packages agreed and accounted for in 2019-20 (2018-19 comparative figures are also given). £19,975,567 exit costs were paid in 2019-20, the year of departure (2018-19: £3,133,979). 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.

	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
Exit package cost band	**2019-20**	**2018-19**	**2019-20**	**2018-19**	**2019-20**	**2018-19**
Less than £10,000	2	7	11	23	13	30
£10,000 - £25,000	2	33	25	25	27	58
£25,000 - £50,000	19	13	32	25	51	38
£50,000 - £100,000	16	–	70	13	86	13
£100,000 - £150,000	1	1	25	4	26	5
£150,000 - £200,000	–	–	17	–	17	–
More than £200,000	1	–	35	–	36	–
Total number of exit packages	**41**	**54**	**215**	**90**	**256**	**144**
Of which:						
Core Department and Agencies	–	–	1	8	1	**8**
NDPBs and other designated bodies	41	54	214	82	255	**136**
Total number of exit packages	**41**	**54**	**215**	**90**	**256**	**144**
Total cost (£)	**2,175,747**	**1,092,442**	**22,377,319**	**2,947,889**	**24,553,066**	**4,040,331**
Of which:						
Core Department and Agencies	–	–	95,000	677,852	95,000	**677,852**
NDPBs and other designated bodies	2,175,747	1,092,442	22,282,319	2,270,037	24,458,066	**3,362,479**
Total	**2,175,747**	**1,092,442**	**22,377,319**	**2,947,889**	**24,553,066**	**4,040,331**

Staff on loan

As at 31 March 2020, 1 member of staff permanently employed by the Core Department was attached on loan to another organisation on a short-term basis (loan duration up to six months) and 114 staff on a long-term basis (loan duration longer than six months). 2 people were attached to the Core Department on loan from other organisations on a short-term basis and 60 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	–	–	–	–
Executive officer	–	6	–	–
Higher executive officer	–	32	–	4
Senior executive officer	–	18	–	6
Grade 7	–	39	1	31
Grade 6	–	11	1	12
Senior civil service	1	8	–	7
Total	**1**	**114**	**2**	**60**

EU Exit

An average of approximately 1,130 full-time equivalent staff were engaged on activities relating to EU Exit during 2019-20 (2018-19: 1,030).

Consultancy and Temporary staff expenditure

The Departmental Group's expenditure on consultancy in 2019-20 was £55.6 million (2018-19: £61.9 million). The consultancy expenditure of executive agencies was £2.5 million (2018-19: nil) and the consultancy expenditure relating to arm's length bodies was £41.7 million (2018-19: £51.9 million) of which £27.7 million (2018-19: £30.8 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. The Departmental Group's expenditure on temporary staff in 2019-20 was £73 million (2018-19: £70 million), as detailed in the Staff costs note above. The increase year-on-year relates mainly to temporary staff recruited to support work associated with EU Exit preparations. We are committed to the consistent application of the Cabinet Office's 2010 controls on consultancy and other spending.

Off-payroll engagements

The tables below present data on our off-payroll engagements. Off-payroll engagements refer to workers who are paid off-payroll, without deducting tax and national insurance at source, typically contractors.

Table 1a: Off-payroll engagements as of 31 March 2020, 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	**26**	12	11	2	1	0
Insolvency Service	**4**	1	3	0	0	0
UK Space Agency	**9**	6	3	0	0	0
Consolidated in the Departmental Group accounts, (excluding nuclear site licence companies)						
Advisory, Conciliation and Arbitration Service	**1**	0	0	1	0	0
Civil Nuclear Police Authority	**8**	4	1	3	0	0
Coal Authority	**1**	1	0	0	0	0
Competition Appeal Tribunal and Competition Service	**2**	0	1	0	0	1
Diamond Light Source Ltd	**6**	3	0	1	0	2
The Financial Reporting Council Ltd	**0**	0	0	0	0	0
Low Carbon Contracts Company Ltd	**1**	1	0	0	0	0
Nuclear Decommissioning Authority	**36**	15	13	4	3	1
Nuclear Decommissioning Authority Archives Ltd	**1**	0	1	0	0	0
Radioactive Waste Management Ltd	**20**	12	4	0	0	4
Oil and Gas Authority	**2**	0	1	1	0	0
South Tees Site Company Ltd	**0**	0	0	0	0	0
UK Atomic Energy Authority	**110**	29	37	15	7	22
UK Research and Innovation	**31**	14	10	3	0	4
Innovate UK Loans Ltd	**0**	0	0	0	0	0
STFC Innovations Ltd	**0**	0	0	0	0	0
UK Shared Business Services Ltd	**13**	0	8	4	1	0
Not consolidated in the Departmental Group accounts						
Groceries Code Adjudicator	**1**	0	1	0	0	0
Pubs Code Adjudicator	**2**	0	0	1	1	0
Small Business Commissioner	**2**	2	0	0	0	0
Total	**276**	**100**	**94**	**35**	**13**	**34**

Table 2a: New off-payroll engagements, or those that reached 6 months in duration, between 1 April 2019 and 31 March 2020, for more than £245 per day and that last longer than 6 months

	Total number	Number assessed as in scope of IR35 assessment	Number assessed as outside scope of IR35 assessment	Number engaged directly (via PSC contracted to the Department) and are on the Departmental payroll	Number reassessed for consistency/ assurance purposes during the year	Number that saw change to IR35 status following the consistency review
Core Department and Agencies						
Core Department	**19**	5	14	0	0	0
Insolvency Service	**20**	16	4	0	20	0
UK Space Agency	**23**	9	14	0	0	0
Consolidated in the Departmental Group accounts, (excluding nuclear site licence companies)						
Advisory, Conciliation and Arbitration Service	**2**	0	2	0	0	0
Central Arbitration Committee	**0**	0	0	0	0	0
Civil Nuclear Police Authority	**8**	0	8	0	8	0
Coal Authority	**1**	0	1	0	0	0
Committee on Climate Change	**0**	0	0	0	0	0
Competition Appeal Tribunal and Competition Service	**0**	0	0	0	0	0
Diamond Light Source Ltd	**6**	0	6	0	6	0
The Financial Reporting Council Ltd	**0**	0	0	0	0	0
Low Carbon Contracts Company Ltd	**3**	2	1	0	1	0
Nuclear Decommissioning Authority	**15**	4	11	0	0	0
Nuclear Decommissioning Authority Archives Ltd	**1**	1	0	0	0	0
Radioactive Waste Management Ltd	**15**	15	0	0	0	0
Oil and Gas Authority	**3**	0	3	0	0	0
South Tees Site Company Ltd	**0**	0	0	0	0	0
UK Atomic Energy Authority	**56**	56	0	0	0	0
AEA Insurance Ltd	**0**	0	0	0	0	0
UK Research and Innovation	**33**	13	20	0	0	0
Innovate UK Loans Ltd	**0**	0	0	0	0	0
STFC Innovations Ltd	**0**	0	0	0	0	0
UK Shared Business Services Ltd	**13**	0	13	0	11	0
Not consolidated in the Departmental Group accounts						
Pubs Code Adjudicator	**0**	0	0	0	0	0
Small Business Commissioner	**2**	2	0	0	0	0
Total	**220**	**123**	**97**	**0**	**46**	**0**

Table 3a: Off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2019 and 31 March 2020

	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 senior officials with significant financial responsibility' during the financial year
Core Department and Agencies		
Core Department	0	31
Insolvency Service	0	11
UK Space Agency	0	9
Consolidated in the Departmental Group accounts, (excluding nuclear site licence companies)		
Advisory, Conciliation and Arbitration Service	0	6
Central Arbitration Committee	0	0
Certification Office for Trade Union and Employers' Associations	0	0
British Business Bank plc	0	10
British Business Aspire Holdco Ltd	0	2
British Business Finance Ltd	0	10
British Business Financial Services Ltd	0	4
British Business Investments Ltd	0	4
British Patient Capital Limited	0	3
BBB Patient Capital Holdings Ltd	0	3
Capital for Enterprise Fund Managers Ltd	0	3
Capital for Enterprise (GP) Ltd	0	2
Capital for Enterprise Limited	0	2
The Start-Up Loans Company	0	2
Civil Nuclear Police Authority	0	7
Coal Authority	0	11
Committee on Climate Change	0	14
Competition Appeal Tribunal and Competition Service	2	6
Diamond Light Source Ltd	0	6
The Financial Reporting Council Ltd	0	2
Low Carbon Contracts Company Ltd	0	8
Nuclear Decommissioning Authority	0	17
Nuclear Decommissioning Authority Archives Ltd	0	0
Radioactive Waste Management Ltd	1	8
Oil and Gas Authority	0	1
South Tees Site Company Ltd	0	2
UK Atomic Energy Authority	2	14
AEA Insurance Ltd	2	2
UK Research and Innovation	1	26
Innovate UK Loans Ltd	0	0
STFC Innovations Ltd	0	0
UK Shared Business Services Ltd	0	2

	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 senior officials with significant financial responsibility' during the financial year
Not consolidated in the Departmental Group accounts		
British Hallmarking Council	0	1
Groceries Code Adjudicator	0	1
Pubs Code Adjudicator	1	3
Small Business Commissioner	2	4
Total	**11**	**237**

Notes to table 3a: details of the exceptional circumstances that led to the engagements and duration of engagements

Competition Appeal Tribunal and Competition Service

One off-payroll member was appointed as a training provider, as the President of the Tribunal has a statutory duty to provide training to members of the Tribunal. They have been a member of the Tribunal since its inception in 2000 and have knowledge of its processes and case histories. They are a fellow of the Higher Education Academy among other qualifications. The President and the Registrar of the Tribunal view it as very important that the training provider continues to develop and deliver training, as well as support other engagements.

Duration: appointed in 2013, and the contract was renewed in 2015 and 2017.

The other off payroll member also had been a member of the Tribunal sitting on cases with new legislation was appointed to the training committee. The second member assists the first member to prepare training materials, and they also provide the training along with the first member. They are gaining understanding of the training activities to provide training in the absence of the first member.

Duration: appointed in January 2019.

Radioactive Waste Management

The off-payroll person is a Swedish national with unique experience in successfully leading the delivery of the GDF programme in Sweden.

Duration: contract ended 31 March 2020, and in process of being renewed on-payroll

UKAEA

The two off-payroll appointments were of non-Exec Board members who reached the end of their appointment during the year, but were retained on a short term basis pending the appointment of new non-Exec Board members.

AEAIL

AEAIL does not employ anyone. AEAIL is a captive insurance company registered in the Isle of Man and subject to their tax and NI legislation. The two AEAIL directors are off-payroll by default and are paid a small fee by AEAIL.

Duration: From 2002 and 2005 respectively.

UKRI

The off-payroll person is the Chief Financial Officer. The appointment was due to the importance of the post and the need to fill swiftly on an interim basis.

Duration: From 14 July 2019, and their appointment ran until 30 June 2020. From 1 July 2020 their appointment was extended as Chief Operating Officer.

Pubs Code Adjudicator

The off-payroll person was extensively involved in developing the Pubs Code and has sound knowledge of a highly complex area of policy. Duration: From April 2017.

The Small Business Commissioner

The two, off-payroll persons are non-executive directors for the Advisory Board and Audit, Risk & Assurance Board. These members have T&C to work with the SBC for 4 years.

Duration: From 7January 2019.

SLCs: off-payroll engagements

SLCs deliver work for NDA, and fall within the Departmental accounting boundary; however, they operate with a high degree of autonomy.

Although SLCs have a higher number of off-payroll workers, they represent a small proportion of the overall workforce. Due to the specialised and project driven nature of their work, there is a need to bring in unique skills and experience which cannot be found in house.

Table 1b: Off-payroll engagements as of 31 March 2020, 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
Dounreay Site Restoration Ltd	**29**	2	7	2	1	17
LLW Repository Ltd	**32**	16	10	2	2	2
Magnox Ltd	**111**	5	18	33	16	39
Sellafield Ltd	**197**	38	38	27	12	82
Total	**369**	**61**	**73**	**64**	**31**	**140**

Table 2b: New off-payroll engagements or those that reached 6 months in duration, between 1 April 2019 and 31 March 2020, for more than £245 per day and that last longer than 6 months

	Total number	Number assessed as in scope of IR35 assessment	Number assessed as outside scope of IR35 assessment	Number engaged directly (via PSC contracted to the Department) and are on the Departmental payroll	Number reassessed for consistency/ assurance purposes during the year	Number that saw change to IR35 status following the consistency review
Dounreay Site Restoration Ltd	**5**	5	0	0	0	0
LLW Repository Ltd	**7**	0	7	0	0	0
Magnox Ltd	**8**	2	6	0	8	0
Sellafield Ltd	**46**	19	27	0	19	12
Total	**66**	**26**	**40**	**0**	**27**	**12**

Table 3b: Off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2019 and 31 March 2020

	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 senior officials with significant financial responsibility' during the financial year
Dounreay Site Restoration Ltd	8	11
LLW Repository Ltd	1	9
Magnox Ltd	0	9
Sellafield Ltd	0	1
Total	**9**	**30**

Notes to table 3b: details of the exceptional circumstances that led to the engagements, and duration of engagements

Dounreay Site Restoration Ltd

All 8 persons have been seconded from the PBO, and Dounreay incur their costs.

Duration of engagements is as follows:
i) from 07 Jan 2020, ii) from 20 Nov 2019, iii) from 25 Nov 2019, iv) from 23 Sep 2019, v) from 16 Nov 2018, vi) from 01 June 2018, vii) from 16 May 2017, viii) from 02 Sep 2015.

LLW Repository Ltd

The 1 off-payroll post holder was supplied by the parent body organisation as required by contractual arrangements with NDA.

Duration: From 1 Dec 2015.

Remuneration report

Remuneration policy

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.

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 Commission can be found at https://civilservicecommission.independent.gov.uk.

Ministers' remuneration

Salary and pension entitlements of ministers of the Department for the year ending 31 March 2020 are set out in the tables below.

Ministers – single total figure of remuneration

Audited information

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.

	2019-20				2018-19			
	Salary[1] £	Full year equivalent salary if different £	Pension benefits[2] to nearest £1,000	Total to nearest £1,000	Salary[1] £	Full year equivalent salary if different £	Pension benefits[2] to nearest £1,000	Total to nearest £1,000
Secretary of State								
Rt Hon Alok Sharma MP (from 13 February 2020)[3]	8,729	67,505	3,000	**12,000**	–	–	–	**–**
Rt Hon Andrea Leadsom MP (from 24 July 2019 to 13 February 2020)[4]	54,421	67,505	8,000	**62,000**	–	–	–	**–**
Rt Hon Greg Clark MP (to 24 July 2019)[5]	38,107	67,505	6,000	**44,000**	67,505	–	17,000	**84,000**
Ministers of State								
Rt Hon Kwasi Kwarteng MP (from 24 July 2019)[6]	21,320	31,680	5,000	**27,000**	–	–	–	**–**
Lord Grimstone (from 18 March 2020)[7]	–	–	–	**–**	–	–	–	**–**
Rt Hon Chris Skidmore MP (from 5 December 2018 to 25 July 2019 and from 10 September 2019 to 13 February 2020)[8]	30,223	31,680	3,000	**33,000**	10,219	31,680	3,000	**13,000**
Rt Hon Jo Johnson MP (from 24 July 2019 to 5 September 2019)[9]	11,511	31,680	1,000	**12,000**	–	–	–	**–**
Rt Hon Claire Perry MP (to 24 July 2019)[10]	17,884	31,680	3,000	**21,000**	31,680	–	7,000	**39,000**
Parliamentary Under-Secretaries of State								
Nadhim Zahawi MP (from 26 July 2019)[11]	–	–	–	**–**	–	–	–	**–**
Lord Callanan (from 13 February 2020)[12]	13,880	107,335	4,000	**18,000**	–	–	–	**–**
Paul Scully MP (from 13 February 2020)	2,893	22,375	1,000	**4,000**	–	–	–	**–**
Amanda Solloway MP (from 13 February 2020)	2,893	22,375	1,000	**4,000**	–	–	–	**–**
Lord Duncan (from 26 July 2019 to 13 February 2020)[13]	75,419	107,335	8,000	**84,000**	–	–	–	**–**
Kelly Tolhurst MP (from 19 July 2018 to 13 February 2020)[14]	20,510	22,375	5,000	**25,000**	15,072	22,375	4,000	**19,000**
Rt Hon Lord Henley (to 26 July 2019)[15]	34,336	107,335	–	**34,000**	105,076	–	17,000	**122,000**
Rt Hon Jake Berry MP (from 7 June 2019 to 24 July 2019)[16]	–	–	–	**–**	–	–	–	**–**
Andrew Stephenson MP (from 4 April 2019 to 25 July 2019)[17]	7,272	22,375	2,000	**9,000**	–	–	–	**–**

Notes

1 Salary information excludes employers' national insurance contributions. None of the ministers of the Department received benefits in kind during the year. Ministers in the House of Commons are remunerated on a different basis to those in the House of Lords as explained in Notes to the Remuneration report.

2 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.

3 Previously Secretary of State for International Development.

4 Salary includes £16,876 statutory payment on cessation of Ministerial office.

5 Salary for 2019-20 includes £16,876 statutory payment on cessation of Ministerial office.

6 Previously Parliamentary Under-Secretary of State at Department for Exiting the European Union.

7 Minister of State jointly at Department for International Trade; does not draw salary or pension benefits.

8 Minister of State jointly at Department for Education but paid by Department for Business, Energy and Industrial Strategy; salary for 2019-20 includes £7,920 statutory payment on cessation of Ministerial office; Minister of State at Department of Health and Social Care between 25 July 2019 and 10 September 2019.

9 Minister of State jointly at Department for Education but paid by Department for Business, Energy and Industrial Strategy; salary includes £7,920 statutory payment on cessation of Ministerial office.

10 Salary for 2019-20 includes £7,920 statutory payment on cessation of Ministerial office.

11 Does not draw salary or pension benefits; previously Parliamentary Under-Secretary of State at Department for Education.

12 Full year equivalent salary includes £36,366 Lords Office Holders Allowance.

13 Jointly Parliamentary Under-Secretary of State at Northern Ireland Office but paid by Department for Business, Energy and Industrial Strategy; salary includes £17,742 statutory payment on cessation of Ministerial office; full year equivalent salary includes £36,366 Lords Office Holders Allowance; previously Parliamentary Under-Secretary of State at Scotland Office.

14 Subsequently Parliamentary Under-Secretary of State at Department for Transport

15 Full year equivalent salary includes £36,366 Lords Office Holders Allowance.

16 Parliamentary Under-Secretary of State jointly at Ministry of Housing, Communities and Local Government and paid by that Department; subsequently Minister of State jointly at Cabinet Office and Ministry of Housing, Communities and Local Government.

17 Previously Government Whip, Lord Commissioner of HM Treasury; subsequently Minister of State jointly at Foreign and Commonwealth Office and Department for International Development.

Ministers – pension benefits

Audited information

	Pension benefits at age 65 as at 31 March 2020	Real increase in pension at age 65	CETV at 31 March 2020[1]	CETV at 31 March 2019[1]	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Secretary of State					
Rt Hon Alok Sharma MP (from 13 February 2020)	0–5	0–2.5	33	31	2
Rt Hon Andrea Leadsom MP (from 24 July 2019 to 13 February 2020)	0–5	0–2.5	64	54	5
Rt Hon Greg Clark MP (to 24 July 2019)	10–15	0–2.5	148	142	3
Ministers of State					
Rt Hon Kwasi Kwarteng MP (from 24 July 2019)	0–5	0–2.5	8	3	2
Lord Grimstone (from 18 March 2020)[2]	–	–	–	–	–
Rt Hon Chris Skidmore MP (from 5 December 2018 to 25 July 2019 and from 10 September 2019 to 13 February 2020)	0–5	0–2.5	12	7	–
Rt Hon Jo Johnson MP (from 24 July 2019 to 5 September 2019)	0–5	0–2.5	51	50	–
Rt Hon Claire Perry MP (to 24 July 2019)	0–5	0–2.5	39	35	2
Parliamentary Under-Secretaries of State					
Nadhim Zahawi MP (from 26 July 2019)[3]	–	–	–	–	–
Lord Callanan (from 13 February 2020)	0–5	0–2.5	62	59	3
Paul Scully MP (from 13 February 2020)	0–5	0–2.5	1	–	1
Amanda Solloway MP (from 13 February 2020)	0–5	0–2.5	1	–	1
Lord Duncan (from 26 July 2019 to 13 February 2020)	0–5	0–2.5	40	31	3
Kelly Tolhurst MP (from 19 July 2018 to 13 February 2020)	0–5	0–2.5	8	5	1
Rt Hon Lord Henley (to 26 July 2019)	0–5	–	46	45	–
Rt Hon Jake Berry MP (from 7 June 2019 to 24 July 2019)	–	–	–	–	–
Andrew Stephenson MP (from 4 April 2019 to 25 July 2019)	0–5	0–2.5	7	6	–

Notes

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

2 Does not draw salary or pension benefits.

3 Does not draw salary or pension benefits.

Senior officials' remuneration

Salary and pension entitlements of officials of the Core Department who were members of the Departmental Board or Executive Committee during the year ending 31 March 2020 are set out in the tables below.

Senior officials – single total figure of remuneration

Audited information

Where officials 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.

	2019-20					2018-19				
	Salary[1]	Full year equivalent salary if different	Bonus	Pension[2]	Total	Salary[1]	Full year equivalent salary if different	Bonus	Pension[2] restated	Total restated
	£'000	£'000	£'000	to nearest £1,000	£'000	£'000	£'000	£'000	to nearest £1,000	£'000
Alex Chisholm	180-185	–	15-20	70	270-275	180-185	–	5-10	70	255-260
Sam Beckett	130-135	–	10-15	68	210-215	125-130	–	10-15	38	175-180
Nick Chism (from 1 June 2018 to 5 February 2020)	115-120	140-145	–	47	165-170	115-120	140-145	–	46	160-165
Julian Critchlow (from 14 May 2018)	140-145	–	–	–	140-145	120-125	140-145	–	–	120-125
Sarah Harrison	140-145	–	10-15	67	220-225	140-145	–	–	71	210-215
John Loughhead[3]	130-135	–	–	67	200-205	130-135	–	–	62	190-195
Sarah Munby (from 15 July 2019)[4]	75-80	110-115	–	31	105-110	–	–	–	–	–
Jaee Samant	125-130	–	–	45	170-175	125-130	–	–	99	220-225
Jo Shanmugalingam (from 15 July 2019)[5]	65-70	95-100	–	82	150-155	–	–	–	–	–
Joanna Whittington (from 8 October 2018)	155-160	–	–	57	215-220	75-80	155-160	–	23	95-100
Gavin Lambert (interim,from 15 April 2019 to 12 July 2019)	25-30	100-105	–	9	30-35	–	–	–	–	–
Sam Lister (interim, from 15 April 2019 to 12 July 2019)[6]	30-35	130-135	–	13	45-50	–	–	–	–	–
Gareth Davies (to 3 May 2019)[7]	10-15	130-135	-	19	30-35	130-135	–	10-15	49	190-195
Tom Taylor[8]	125-130	–	5-10	41	180-185	125-130	–	5-10	76	210-215
Caleb Deeks	100-105	–	5-10	60	170-175	100-105	–	0-5	61	165-170
Doug Watkins (from 1 September 2018)	125-130	–	0-5	69	195-200	70-75	120-125	10-15	57	135-140
Craig Woodhouse (from 15 July 2019)	90-95	125-130	–	36	125-130	-	–	–	–	–

Notes

1 Salary information excludes employers' national insurance contributions. No benefits in kind or compensation for loss of office were received by any senior officials during the year. Where officials 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 Contracted and remunerated as 90% of full time equivalent; full time equivalent of salary is 145-150 (2018-19: 145-150).

4 Contracted and remunerated as 85% of full time equivalent; full time equivalent of full year equivalent salary is 130-135.

5 Contracted and remunerated as 85% of full time equivalent; full time equivalent of full year equivalent salary is 115-120.

6 Subsequently Director General at Department for Digital, Culture, Media and Sport.

7 Subsequently Director General at Department for Transport.

8 Pension figure for 2018-19 increased from 47 to 76 as result of retrospective update to salary data and consequently total from 180-185 to 210-215.

Senior officials – pension benefits

Audited information

	Accrued pension at pension age as at 31 March 2020 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31 March 2020 [1] £'000	CETV at 31 March 2019[1] restated £'000	Real increase in CETV £'000	Employer contribution to partnership pension account Nearest £100
Alex Chisholm	30-35	2.5-5	402	332	39	–
Sam Beckett	55-60 plus lump sum of 120-125	2.5-5 plus lump sum of 0-2.5	1,040	947	44	–
Nick Chism (from 1 June 2018 to 5 February 2020)	5-10	2.5-5	68	32	25	–
Julian Critchlow (from 14 May 2018) [2]	–	–	–	–	–	–
Sarah Harrison	55-60	2.5-5	1,007	914	45	–
John Loughhead	15-20	2.5-5	277	224	46	–
Sarah Munby (from 15 July 2019)	0-5	0-2.5	16	-	10	–
Jaee Samant	50-55 plus lump sum of 110-115	2.5-5 plus lump sum of (2.5)-0	956	886	24	–
Jo Shanmugalingam (from 15 July 2019)	20-25 plus lump sum of 50-55	2.5-5 plus lump sum of 5-7.5	340	284	48	–
Joanna Whittington (from 8 October 2018)	40-45 plus lump sum of 75-80	2.5-5 plus lump sum of (2.5)-0	745	674	31	–
Gavin Lambert (interim, from 15 April 2019 to 12 July 2019)	25-30 plus lump sum of 50-55	0-2.5 plus lump sum of (2.5)-0	380	374	3	–
Sam Lister (interim, from 15 April 2019 to 12 July 2019)	20-25	0-2.5	240	233	5	–
Gareth Davies (to 3 May 2019)	45-50	0-2.5	629	614	13	–
Tom Taylor [3]	45-50 plus lump sum of 100-105	2.5-5 plus lump sum of (2.5)-0	801	743	18	–
Caleb Deeks	30-35	2.5-5	366	319	27	–
Doug Watkins (from 1 September 2018)	60-65 plus lump sum of 155-160	2.5-5 plus lump sum of 2.5-5	1,244	1,139	49	–
Craig Woodhouse (from 15 July 2019)	0-5	0-2.5	18	–	11	–

Notes

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

2 Not a member of Civil Service pension arrangements during the year.

3 CETV as at 31 March 2019 increased from 720 to 743 as result of retrospective update to salary data.

Fee entitlements for non-executive board members

Audited information

The table below shows fee entitlements for non-executive directors who were members of the Departmental Board during the year ending 31 March 2020.

	2019-20		2018-19	
	Fee entitlement £'000	Full year equivalent if different £'000	Fee entitlement £'000	Full year equivalent if different £'000
Archie Norman	20-25		20-25	
Nigel Boardman (from 25 June 2018)	20-25		15-20	20-25
Leena Nair (from 25 June 2018)	20-25		15-20	20-25
Stephen Carter[1]	15-20		15-20	
Dame Carolyn McCall	15-20		15-20	
Kathryn Parsons	15-20		15-20	
Stuart Quickenden[1]	15-20		15-20	

Notes

1 Fee entitlement waived.

Fair pay disclosure

Audited information

The table below shows the relationship during the year ending 31 March 2020 between the remuneration of the highest-paid director and the median remuneration of the workforce across the Core Department and two agencies, Insolvency Service and UK Space Agency. Remuneration figures include salary, non-consolidated performance-related pay and benefits-in-kind. They do not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

	2019-20	2018-19
Remuneration band of highest paid director	£200,000-£205,000	£185,000-£190,000
Median remuneration of workforce	£40,464	£38,971
Ratio of highest paid director to median	5.00	4.81
Remuneration range of workforce including directors	£17,031 to £218,484	£18,200 to £194,747
Number of people remunerated in excess of highest paid director	1	1

Notes to the Remuneration report

The information in the Remuneration report relates solely to the Core Department with the exception of the Fair pay disclosure which relates to the Core Department and two of its Agencies. Similar information relating to chief executives and most senior managers of the 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 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 (£79,468 from 1 April 2019) and various allowances to which they are entitled are borne centrally. However, the arrangement for ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration which cannot be quantified separately from their ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the Department and is therefore shown in full in the figures above.

Bonuses

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 2019-20 relate to performance in 2018-19 and the comparative bonuses reported for 2018-19 relate to performance in 2017-18.

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

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

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.

Statement of Parliamentary Supply

Audited information

Overview

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FReM) requires the Department for Business, Energy and Industrial Strategy to prepare a Statement of Parliamentary Supply (SoPS) and supporting notes.

The SoPS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

The SoPS is a key accountability statement that shows, in detail, how an entity has spent against their Supply Estimate. Supply is the monetary provision (for resource and capital purposes) and cash (drawn primarily from the Consolidated Fund), that Parliament gives statutory authority for entities to utilise. The Estimate details supply and is voted on by Parliament at the start of the financial year.

Should an entity exceed the limits set by their Supply Estimate, called control limits, their accounts will receive a qualified opinion.

The format of the SoPS mirrors the Supply Estimates, published on gov.uk, to enable comparability between what Parliament approves and the final outturn.

The SoPS contain a summary table, detailing performance against the control limits that Parliament have voted on, cash spent (budgets are compiled on an accruals basis and so outturn will not tie directly to cash spent) and administration.

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 Parliamentary authority, but is included within budgets set by HMT for completeness.

Estimates and Outturn spend are disclosed gross (gross expenditure and income) for activities of the Core Department and net for the activities of the Departmental Group's arm's length bodies.

The supporting notes on pages 94 to 101 detail the following: Outturn by Estimate line, providing a more detailed breakdown (note 1); a reconciliation of Outturn to Net operating expenditure in the SoCNE, to tie the SoPS to the financial statements (note 2); a reconciliation of Outturn to Net cash requirement (note 3); and, an analysis of income payable to the Consolidated Fund (note 4).

Summary table 2019-20

	SoPS note	Outturn Voted £'000	Outturn Non-voted £'000	Outturn Total £'000	Estimate Voted £'000	Estimate Non-voted £'000	Estimate Total £'000	2019-20 Outturn vs Estimate: saving/ (excess) Voted £'000	2019-20 Outturn vs Estimate: saving/ (excess) Total £'000	2018-19 Outturn total £'000
Departmental Expenditure Limit										
Resource	1.1	3,586,479	(748,104)	**2,838,375**	4,402,890	(848,000)	**3,554,890**	816,411	716,515	**1,246,489**
Capital	1.2	11,227,917	-	**11,227,917**	11,842,219	(7,000)	**11,835,219**	614,302	607,302	**10,813,932**
Total DEL		**14,814,396**	**(748,104)**	**14,066,292**	**16,245,109**	**(855,000)**	**15,390,109**	**1,430,713**	**1,323,817**	**12,060,421**
Annually Managed Expenditure										
Resource	1.1	19,483,001	431,123	**19,914,124**	14,588,019	467,000	**15,055,019**	(4,894,982)	(4,859,105)	**(105,864,889)**
Capital	1.2	5,500	(142,400)	**(136,900)**	865,249	(142,400)	**722,849**	859,749	859,749	**(416,665)**
Total AME		**19,488,501**	**288,723**	**19,777,224**	**15,453,268**	**324,600**	**15,777,868**	**(4,035,233)**	**(3,999,356)**	**(106,281,554)**
Total Budget		**34,302,897**	**(459,381)**	**33,843,516**	**31,698,377**	**(530,400)**	**31,167,977**	**(2,604,520)**	**(2,675,539)**	**(94,221,133)**
Resource	1.1	23,069,480	(316,981)	**22,752,499**	18,990,909	(381,000)	**18,609,909**	(4,078,571)	(4,142,590)	**(104,618,400)**
Capital	1.2	11,233,417	(142,400)	**11,091,017**	12,707,468	(149,400)	**12,558,068**	1,474,051	1,467,051	**10,397,267**
Total Budget		**34,302,897**	**(459,381)**	**33,843,516**	**31,698,377**	**(530,400)**	**31,167,977**	**(2,604,520)**	**(2,675,539)**	**(94,221,133)**
Non-budget expenditure		299,766	–	**299,766**	340,682	–	**340,682**	40,916	40,916	**–**
Total Budget and non-budget		**34,602,663**	**(459,381)**	**34,143,282**	**32,039,059**	**(530,400)**	**31,508,659**	**(2,563,604)**	**(2,634,623)**	**(94,221,133)**

Figures in the areas outlined in a thick line cover the voted control limits voted by Parliament. Refer to the Supply Estimates guidance manual, available on gov.uk, for detail on the control limit voted by Parliament.

Significant variances between Outturn and the Estimate are explained in the financial review on pages 29 to 38.

The Department has incurred an Excess of £9.7 billion in relation to voted Resource Annually Managed Expenditure for the Estimate Line: Deliver an ambitious industrial strategy in SoPS 1.1 due to COVID-19 emergency interventions by the Government, namely the Small Business Grant Fund and the Retail, Hospitality and Leisure Grant Fund. Due to the timing of the COVID-19 response in March 2020, this expenditure was incurred without the necessary parliamentary approval by way of a Supplementary Estimate. Further information in relation to these schemes can be seen on note 18 and note 28 of the accounts. This has led to a total Excess of Resource AME of £4.9 billion. The Department will seek parliamentary approval by way of an Excess Vote in the next Supply and Appropriation Act.

Net cash requirement 2019-20

		2019-20			2018-19
	SoPS note	Outturn	Estimate	Outturn vs Estimate: saving/ (excess)	Outturn total
		£'000	£'000	£'000	£'000
Net cash requirements	3	15,708,936	18,171,944	2,463,008	13,787,150

Administration costs 2019-20

		2019-20			2018-19
	SoPS note	Outturn	Estimate	Outturn vs Estimate: saving/ (excess)	Outturn total
		£'000	£'000	£'000	£'000
Administration costs	1.1	502,428	538,798	36,370	460,580

Although not a separate voted limit, any breach of the administration budget, will also result in an excess vote.

Notes to the SoPS, 2019-20

Audited information

SOPS note 1. Outturn detail, by Estimate Line

SoPS 1.1 Analysis of Resource Outturn by Estimate Line

											2019-20	2018-19
	Resource Outturn							Estimate			Outturn vs Estimate: saving/ (excess)	Resource Outturn
	Administration			Programme								
	Gross	Income	Net	Gross	Income	Net	Total	Total	Virements	Total inc. virements		Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Resource spending in DEL: voted expenditure												
A Deliver an ambitious industrial strategy	–	–	**–**	924,328	(15,803)	**908,525**	**908,525**	1,464,590	–	**1,464,590**	556,065	182,286
B Maximise investment opportunities and bolster UK interests	–	–	**–**	73,644	(419)	**73,225**	**73,225**	65,206	8,019	**73,225**	–	70,705
C Promote competitive markets and responsible business practices	784	–	**784**	121,242	(18,038)	**103,204**	**103,988**	103,801	187	**103,988**	–	94,443
D Delivering affordable energy for households and businesses	–	–	**–**	38,976	(2)	**38,974**	**38,974**	39,532	–	**39,532**	558	44,155
E Ensuring that our energy system is reliable and secure	–	–	**–**	12,554	(7,831)	**4,723**	**4,723**	11,586	–	**11,586**	6,863	4,756
F Taking action on climate change and decarbonisation	–	–	**–**	32,664	(146)	**32,518**	**32,518**	29,693	2,825	**32,518**	–	24,829
G Managing our energy legacy safely and responsibly	–	–	**–**	234,205	(19)	**234,186**	**234,186**	236,758	(2,572)	**234,186**	–	251,870
H Science and Research	(2)	–	**(2)**	6,177	(16)	**6,161**	**6,159**	34	6,125	**6,159**	–	4,608
I Capability	404,986	(20,752)	**384,234**	31,542	(185)	**31,357**	**415,591**	496,254	(60,120)	**436,134**	20,543	393,848
J Government as Shareholder	4,326	(17)	**4,309**	133,303	(123,994)	**9,309**	**13,618**	101,237	–	**101,237**	87,619	62,819
K Deliver an ambitious industrial strategy (ALB) net	–	–	**–**	21,077	–	**21,077**	**21,077**	22,000	–	**22,000**	923	15,147
L Promote competitive markets and responsible business practices (ALB) net	7,779	–	**7,779**	46,964	–	**46,964**	**54,743**	54,978	–	**54,978**	235	54,635
M Ensuring that our energy system is reliable and secure (ALB) net	–	–	**–**	(2,756)	–	**(2,756)**	**(2,756)**	1	–	**1**	2,757	(2,667)
N Taking action on climate change and decarbonisation (ALB) net	5,354	–	**5,354**	2,906	–	**2,906**	**8,260**	5,055	3,205	**8,260**	–	6,069

		Resource Outturn							Estimate			2019-20 Outturn vs Estimate: saving/ (excess)	2018-19 Resource Outturn
		Administration			Programme								
		Gross	Income	Net	Gross	Income	Net	Total	Total	Virements	Total inc. virements		Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
O	Managing our energy legacy safely and responsibly (ALB) net	4,833	–	**4,833**	23,886	–	**23,886**	**28,719**	23,857	4,862	**28,719**	–	32,075
P	Science and Research (ALB) net	7,410	–	**7,410**	223,755	–	**223,755**	**231,165**	274,998	(6,125)	**268,873**	37,708	276,226
Q	Capability (ALB) net	34,693	–	**34,693**	–	–	**–**	**34,693**	1,500	33,193	**34,693**	–	30,475
R	Government as Shareholder (ALB) net	105	–	**105**	48,748	–	**48,748**	**48,853**	38,452	10,401	**48,853**	–	(19,479)
S	NDA and SLC expenditure (ALB) net	52,929	–	**52,929**	1,277,289	–	**1,277,289**	**1,330,218**	1,433,358	–	**1,433,358**	103,140	1,175,337
Total voted DEL		**523,197**	**(20,769)**	**502,428**	**3,250,504**	**(166,453)**	**3,084,051**	**3,586,479**	**4,402,890**	**–**	**4,402,890**	**816,411**	**2,702,137**
Resource spending in DEL: non-voted expenditure													
T	Nuclear Decommissioning Authority Income (CFER)	–	–	**–**	–	(748,104)	**(748,104)**	**(748,104)**	(848,000)	–	**(848,000)**	(99,896)	(978,373)
	Nuclear Safeguards Development	–	–	**–**	–	–	**–**	**–**	–	–	**–**	–	(2,275)
	Managing our energy legacy safely and responsibly (CFER)	–	–	**–**	–	–	**–**	**–**	–	–	**–**	–	(475,000)
Total non-voted DEL		**–**	**–**	**–**	**–**	**(748,104)**	**(748,104)**	**(748,104)**	**(848,000)**	**–**	**(848,000)**	**(99,896)**	**(1,455,648)**
Total resource spending in DEL		**523,197**	**(20,769)**	**502,428**	**3,250,504**	**(914,557)**	**2,335,947**	**2,838,375**	**3,554,890**	**–**	**3,554,890**	**716,515**	**1,246,489**
Resource spending in AME: voted expenditure													
U	Deliver an ambitious industrial strategy	–	–	**–**	10,758,343	(25,154)	**10,733,189**	**10,733,189**	1,048,811	(17,702)	**1,031,109**	9,702,080	(312,599)
V	Maximise investment opportunities and bolster UK interests	–	–	**–**	701	–	**701**	**701**	5,000	–	**5,000**	4,299	6,044
W	Promote competitive markets and responsible business practices	–	–	**–**	72,052	–	**72,052**	**72,052**	72,000	52	**72,052**	–	79,000
X	Ensuring that our energy system is reliable and secure	–	–	**–**	–	478	**478**	**478**	1	477	**478**	–	(295)
Y	Managing our energy legacy safely and responsibly	–	–	**–**	(173,978)	(29,419)	**(203,397)**	**(203,397)**	(67,956)	(78,370)	**(146,326)**	57,071	(297,497)
Z	Science and Research	–	–	**–**	54,912	–	**54,912**	**54,912**	91,252	–	**91,252**	36,340	205,985
AA	Capability	–	–	**–**	(55,895)	–	**(55,895)**	**(55,895)**	(50,581)	–	**(50,581)**	5,314	(12,990)
AB	Government as Shareholder	–	–	**–**	17,149	(6,913)	**10,236**	**10,236**	(5,874)	16,110	**10,236**	–	1,035
AC	Renewable Heat Incentive	–	–	**–**	846,092	–	**846,092**	**846,092**	1,010,000	–	**1,010,000**	163,908	817,898
AD	Deliver an ambitious industrial strategy (ALB) net	–	–	**–**	36,202	–	**36,202**	**36,202**	18,500	17,702	**36,202**	–	(21,100)

	2019-20											2018-19
	Resource Outturn							Estimate			Outturn vs Estimate: saving/ (excess)	Resource Outturn
	Administration			Programme								
	Gross	Income	Net	Gross	Income	Net	Total	Total	Virements	Total inc. virements		Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
AE Promote competitive markets and responsible business practices (ALB) net	–	–	**–**	973	–	**973**	**973**	811	162	**973**	–	57
AF Taking action on climate change and decarbonisation (ALB) net	–	–	**–**	3,543,428	–	**3,543,428**	**3,543,428**	6,599,928	(1,230)	**6,598,698**	3,055,270	(2,971,284)
AG Managing our energy legacy safely and responsibly (ALB) net	–	–	**–**	22,826	–	**22,826**	**22,826**	17,616	5,210	**22,826**	–	(2,022,249)
AH Science and Research (ALB) net	–	–	**–**	149,372	–	**149,372**	**149,372**	76,212	73,160	**149,372**	–	41,299
AI Capability (ALB) net	–	–	**–**	4	–	**4**	**4**	(535)	539	**4**	–	1
AJ Government as Shareholder (ALB) net	–	–	**–**	(99,851)	–	**(99,851)**	**(99,851)**	23,834	(16,110)	**7,724**	107,575	93,768
AK Nuclear Decommissioning Authority (ALB) net	–	–	**–**	4,371,679	–	**4,371,679**	**4,371,679**	5,749,000	–	**5,749,000**	1,377,321	(101,791,292)
Total voted AME	**–**	**–**	**–**	**19,544,009**	**(61,008)**	**19,483,001**	**19,483,001**	**14,588,019**	**–**	**14,588,019**	**(4,894,982)**	**(106,184,219)**
Resource spending in AME: non-voted expenditure												
AM Government as Shareholder	–	–	–	438,858	(7,735)	**431,123**	**431,123**	467,000	–	**467,000**	35,877	319,330
Total non-voted AME	**–**	**–**	–	**438,858**	**(7,735)**	**431,123**	**431,123**	**467,000**	**–**	**467,000**	**35,877**	**319,330**
Total resource spending in AME	**–**	**–**	–	**19,982,867**	**(68,743)**	**19,914,124**	**19,914,124**	**15,055,019**	**–**	**15,055,019**	**(4,859,105)**	**(105,864,889)**
Total resource spending	**523,197**	**(20,769)**	**502,428**	**23,233,371**	**(983,300)**	**22,250,071**	**22,752,499**	**18,609,909**	**–**	**18,609,909**	**(4,142,590)**	**(104,618,400)**
Non-budget: voted												
Prior Period Adjustments	–	–	**–**	299,766	–	**299,766**	**299,766**	340,682	–	**340,682**	40,916	–
Total resource and non-budget spending	**523,197**	**(20,769)**	**502,428**	**23,533,137**	**(983,300)**	**22,549,837**	**23,052,265**	**18,950,591**	**–**	**18,950,591**	**(4,101,674)**	**(104,618,400)**

The total Estimate columns include virements. Virements are the allocation of provision in the Estimates that do not require parliamentary authority (because Parliament does not vote to that level of detail and delegates to HM Treasury). Further information on virements are provided in the Supply Estimates manual, available on gov.uk.

Significant variances between Outturn and Estimate are explained in the financial review on pages 29 to 38.

The Outturn vs Estimate column is based on the total including virements. The estimate total before virements have been made is included so that users can tie the estimate back to the Estimates laid before Parliament.

2019-20 Outturn figures differ slightly from those shown in the Statement of Parliamentary Supply as this table includes a prior period adjustment for Fleetbank Funding and BIS (Postal Services Act 2011) Company Limited as a non-budget item due to an update in the classification of transactions. Further details are given in note 26.

The Department has Prior Period Adjustments (PPAs) as a result of recognising the capital spend in an arm's length body following its consolidation into the Departmental boundary. It is proper for the department to seek parliamentary authority for the provision that should have been sought previously. In 2019-20, the following such PPAs have been made, which have been included within voted Supply in the Estimate.

SoPS 1.2. Analysis of capital Outturn by Estimate line

								2019-20	2018-19
		Capital Outturn			Estimate			outturn vs Estimate, savings/ (excess)	Capital Outturn
		Gross	Income	Net total	Total	Virements	Total inc. virements		Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital spending in DEL: voted expenditure									
A	Deliver an ambitious industrial strategy	340,134	(354,574)	**(14,440)**	24,046	–	**24,046**	38,486	(54,606)
B	Maximise investment opportunities and bolster UK interests	276,255	(10,383)	**265,872**	271,640	–	**271,640**	5,768	243,957
C	Promote competitive markets and responsible business practices	3,861	–	**3,861**	4,666	–	**4,666**	805	2,682
D	Delivering affordable energy for households and businesses	44,702	(200)	**44,502**	39,988	4,514	**44,502**	–	32,718
E	Ensuring that our energy system is reliable and secure	291	–	**291**	430	–	**430**	139	(626)
F	Taking action on climate change and decarbonisation	156,962	(2,735)	**154,227**	251,585	–	**251,585**	97,358	73,121
G	Managing our energy legacy safely and responsibly	3,600	(139)	**3,461**	4,102	–	**4,102**	641	4,278
H	Science and Research	754,310	(62,516)	**691,794**	727,786	–	**727,786**	35,992	563,177
I	Capability	19,703	–	**19,703**	121,340	(4,577)	**116,763**	97,060	30,305
J	Government as Shareholder	111,431	(47,204)	**64,227**	13,797	50,430	**64,227**	–	175,871
L	Promote competitive markets and responsible business practices (ALB) net	1,193	–	**1,193**	1,160	33	**1,193**	–	1,059
N	Taking action on climate change and decarbonisation (ALB) net	27	–	**27**	399	–	**399**	372	255
O	Managing our energy legacy safely and responsibly (ALB) net	12,919	–	**12,919**	14,650	–	**14,650**	1,731	9,503
P	Science and Research (ALB) net	7,786,590	–	**7,786,590**	7,859,518	–	**7,859,518**	72,928	7,530,042
Q	Capability (ALB) net	30	–	**30**	–	30	**30**	–	2,482
R	Government as Shareholder (ALB) net	396,476	–	**396,476**	697,112	(50,430)	**646,682**	250,206	197,015
S	NDA and SLC expenditure (ALB) net	1,797,184	–	**1,797,184**	1,810,000	–	**1,810,000**	12,816	2,002,699
	Total voted DEL	**11,705,668**	**(477,751)**	**11,227,917**	**11,842,219**	**–**	**11,842,219**	**614,302**	**10,813,932**
Capital spending in DEL: non-voted expenditure									
T	Nuclear Decommissioning Authority Income (CFER)	–	–	–	(7,000)	–	**(7,000)**	(7,000)	–

	2019-20							2018-19
	Capital Outturn			Estimate			outturn vs Estimate, savings/ (excess)	Capital Outturn
	Gross	Income	Net total	Total	Virements	Total inc. virements		Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Total non-voted DEL	**–**	**–**	**–**	**(7,000)**	**–**	**(7,000)**	**(7,000)**	**–**
Total capital spending in DEL	**11,705,668**	**(477,751)**	**11,227,917**	**11,835,219**	**–**	**11,835,219**	**607,302**	**10,813,932**
Capital spending in AME: voted expenditure								
Y Managing our energy legacy safely and responsibly	29,419	–	**29,419**	29,419	–	**29,419**	–	35,412
Z Science and Research	1,263	–	**1,263**	–	1,263	**1,263**	–	1,212
AB Government as Shareholder	5,379,000	(5,342,000)	**37,000**	800,000	–	**800,000**	763,000	(120,000)
AD Deliver an ambitious industrial strategy (ALB) net	365	–	**365**	32,900	–	**32,900**	32,535	(16,387)
AH Science and Research (ALB) net	(59,496)	–	**(59,496)**	4,000	(1,263)	**2,737**	62,233	(59,692)
AJ Government as Shareholder (ALB) net	(3,051)	–	**(3,051)**	(1,070)	–	**(1,070)**	1,981	(115,399)
Total voted AME	**5,347,500**	**(5,342,000)**	**5,500**	**865,249**	**–**	**865,249**	**859,749**	**(274,854)**
Capital spending in AME: non-voted expenditure								
AL Managing our energy legacy safely and responsibly (CFER)	–	(142,400)	**(142,400)**	(142,400)	–	**(142,400)**	–	(141,811)
Total non-voted AME	**–**	**(142,400)**	**(142,400)**	**(142,400)**	**–**	**(142,400)**	**–**	**(141,811)**
Total capital spending in AME	**5,347,500**	**(5,484,400)**	**(136,900)**	**722,849**	**–**	**722,849**	**859,749**	**(416,665)**
Non-budget								
Prior period adjustments	–	–	**–**	**–**	**–**	–	**–**	**–**
Total capital and non-budget spending	**17,053,168**	**(5,962,151)**	**11,091,017**	**12,558,068**	**–**	**12,558,068**	**1,467,051**	**10,397,267**

The total Estimate columns include virements. Virements are the allocation of provision in the Estimates that do not require parliamentary authority (because Parliament does not vote to that level of detail and delegates to HM Treasury).

Further information on virements are provided in the Supply Estimates manual, available on gov.uk.

Significant variances between Outturn and Estimate are explained in the financial review on pages 29 to 38.

SoPS note 2. Reconciliation of outturn to net operating expenditure

As noted in the overview to the SoPS, Outturn and the Estimates are compiled against the budgeting framework – which is similar to, but different from IFRS. Therefore, this reconciliation bridges the resource Outturn to Net operating expenditure, linking the SoPS to the financial statements.

The prior year comparatives present the Net operating expenditure as reported at 31 March 2019.

	SoPS note	2019-20 Outturn total £'000	2018-19 Outturn total £'000
Total resource Outturn in Statement of Parliamentary Supply	**SoPS 1.1**	**23,052,265**	**(104,618,400)**
Add:			
NDA remedial decommissioning costs which are capital in budgets but taken through the SoCNE		1,797,204	2,002,699
Capital Grants		1,411,680	1,507,472
Share of profit/loss of joint ventures and associates		5,763	(187,156)
Other non-budget		176,418	(43,793)
Research and Development costs		7,800,260	7,405,902
Total		**34,243,590**	**(93,933,276)**
Less:			
Non-budgetary income		(4,032)	–
Non-budget, non voted items in respect of BIS (Postal Services Act 2011) Company Limited and B Company Limited		(23)	(42,930)
Expected return on pension scheme assets		(39,265)	(40,825)
NDA income scored in SoPS only		30,243	126,783
Capital Income in SoCNE		(32,758)	(54,521)
Research and Development income		(467,966)	(488,889)
CFER: other income		–	–
Prior period adjustments		(299,766)	–
Other:			
Impact of intra group transactions		23,060	60,583
Other differences		39,284	12,814
Total		**(751,223)**	**(426,985)**
Net Expenditure for the period in Consolidated Statement of Comprehensive Net Expenditure	**SoCNE**	**33,492,367**	**(94,360,261)**

SoPS note 3. Reconciliation of Net resource Outturn to Net cash requirement

As noted in the overview to the SoPS, Outturn and the Estimates are compiled against the budgeting framework – not on a cash basis. Therefore, this reconciliation bridges the resource and capital Outturn to the Net cash requirement.

	SoPS note	Outturn £'000	Estimate £'000	2019-20 Outturn vs Estimate: saving/ (excess) £'000
Total resource Outturn	**SoPS 1.1**	**23,052,265**	**18,950,591**	**(4,101,674)**
Total capital Outturn	**SoPS 1.2**	**11,091,017**	**12,558,068**	**1,467,051**
Adjustments for ALBs				
Remove voted resource and capital		(19,711,841)	(24,758,234)	(5,046,393)
Removal of intra-group transactions		57,322		(57,322)
Add cash in grant-in-aid		11,307,613	12,000,006	692,393
Add share purchase and loans		67,506	–	(67,506)
Less share capital repayment		(8,534)	–	8,534
Adjustments to remove non-cash items				
Depreciation		39,540	(32,146)	(71,686)
New provisions and adjustments to previous provisions		(10,767,459)	(1,274,604)	9,492,855
Prior Period Adjustments		(299,766)	(340,682)	(40,916)
Other non-cash items		(69,322)	74,932	144,254
Adjustments to reflect movements in working balances				
Increase/(decrease) in receivables		(82,758)	50,000	132,758
(Increase)/decrease in payables		311,841	147,770	(164,071)
Use of provisions		248,501	265,843	17,342
Financial guarantees called in		13,630	–-	(13,630)
Total		**(18,893,727)**	**(13,867,115)**	**5,026,612**
Removal of non-voted budget items				
Other non-voted budget items		459,381	530,400	71,019
Total		**459,381**	**530,400**	**71,019**
Net cash requirement		**15,708,936**	**18,171,944**	**2,463,008**

SoPS note 4. Amounts of income to the Consolidated Fund

SopS 4.1 Analysis of income payable to the Consolidated Fund

In addition to the cash retained by the Department, the following income is payable to the consolidated fund (cash receipts being shown in italics).

The type of income allowed to be retained by the Department is set out in the ambit of the Supply Estimate. Income of a type not included in the Estimate, or in excess of amounts agreed with HM Treasury, is required to be surrendered to the Consolidated Fund. This includes the commercial income of the Nuclear Decommissioning Authority, Coal Pension surpluses and income generated by the BIS (Postal Services Act 2011) Company, which forms the bulk of the amounts shown above, together with other miscellaneous receipts.

	2019-20 Outturn total		2018-19 Outturn total	
	accruals £'000	cash basis £'000	accruals £'000	cash basis £'000
Operating income of the NDA within the Ambit	623,962	*556,000*	654,497	*654,497*
Income outside the ambit of the Estimate	142,945	*142,945*	193,362	193,362
[Excess] cash surrenderable to the Consolidated Fund	142,400	*142,400*	617,400	*617,400*
Total amount payable to the Consolidated Fund	**909,307**	**841,345**	**1,465,259**	**1,465,259**

SoPS 4.2: Consolidated Fund income

BEIS also collects income as an agent for the consolidated fund. This income is disclosed separately in the Trust Statement, pages 231 to 241, and is not included in SoPS 4.1 – income payable to the consolidated fund.

Details are also provided in the individual accounts of the Insolvency Service for items which are not included in note 4.1.

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

	2019-20		2018-19	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
Total number of losses	**11,986**	**12,300**	**8,955**	**9,719**
RPS receivable impairment (£m)	446	446	358	358
Other losses (£m)	30	35	27	28
Total value of losses (£m)	**476**	**481**	**385**	**386**

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 £54 million has been provided as at 31 March 2020 (31 March 2019: £113 million); payments in 2019-20 totalled £16.8 million (2018-19: £26.6 million).

Details of cases over £300,000: claims written-off due to insolvency: Core Department

In April 2019 HMG entered into a commercial agreement with British Steel to allow it to meet its EU ETS obligations. Under a Deed of Forfeiture HMG bought £119 million of EU ETS allowances to meet British Steel's 2018 EU ETS liability. The Deed of Forfeiture stipulated transaction and arrangement fees of £12 million to be paid by British Steel Limited to the Department. As British Steel filed for compulsory liquidation on 22 May 2019, the £12 million in fees are unlikely to be recoverable and have therefore been written-off.

Details of cases over £300,000: claims abandoned: Agencies

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 (11%) 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 2019-20 is £446 million (2018-19: £358 million).

Special payments

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

	2019-20		2018-19	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
Total number of special payments	410	417	6	13
Total value of special payments (£m)	1	1	–	2

Details of cases over £300,000

In connection with the withdrawal of a court action, the Core Department agreed to meet £600,000 of the claimant's legal costs.

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 2019-20, the Core 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.

Fees and charges

Audited information

The Core Department provides 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 four areas:

- case administration: the average costs of administering bankruptcy cases, compulsory company liquidation cases and completing debt relief orders;
- insolvency practitioner regulations: the cost of authorising and monitoring insolvency practitioners and registering individual voluntary arrangements;
- estate accounting: the cost of financial transactions on insolvency cases using the Insolvency Service account; and
- debt relief orders: the cost of considering an application for a debt relief order by the Official Receiver.

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

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 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 2019	Increase / (Decrease) in year	Liabilities crystallised in year	Obligations expired in year	31 March 2020	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	**21**	**–**	**–**	**–**	**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 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.
- 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 various 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, if the amount held in the Council's 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 exhausted i.e. company and directors' insurance 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 exhausted i.e. company and directors' insurance 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.
- An indemnity has been provided to the Official Receiver as liquidator of British Steel Limited for actions undertaken as Receiver in respect of any claims and proceedings that are made against the Receiver personally.
- 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 under the Nuclear Installations Act 1965 for third-party claims in excess of the operator's liability in the event of a nuclear accident in the UK.
- 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 under the Environmental Permitting (England and Wales) Regulations 2016 in the event that a company keeping such sources becomes insolvent.
- 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.
- 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.

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 Core 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 in Departmental Group

- UKSA 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 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 for the majority of missions) for the duration of the licensed activity, with the UK Government a named beneficiary. The UK government is therefore exposed to a potential liability for third party costs which are not recoverable from the licensee. The liability is unidentifiable at the time of reporting.
- UKRI collaborates with a number of other international partners in the funding, management and operation of technical facilities which are not owned by UKRI. In the event of a decision to withdraw from any of these arrangements, it is likely that UKRI 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 UKRI would be obliged to contribute to decommissioning costs arising from a decision taken to discontinue operations. The decisions to decommission are not wholly within UKRI'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 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.[2] Although the WTCs provide a default price based on today's best estimate, they allow the waste transfer price to be set after a specified later date. The final price agreed is subject to a cap, but the likelihood of the future costs exceeding the agreed cap is considered remote.

Capacity agreements

These are statutory arrangements between National Grid, as system operator, and capacity providers. They require the capacity provider to be able to provide a given level of capacity in relevant delivery years when called upon to do so by National Grid.

The European Court of Justice (ECJ) ruling on 15 November 2018 resulted in a 'Standstill Period' for the Capacity Market during which no State Aid (in the form of capacity payments) was paid to capacity providers in relation to the annulled Main Scheme Approval. The European Commission (EC) appealed the ECJ's decision and on 24 October 2019, the Department was informed by the EC that it had completed its State Aid investigation into the Capacity Market and that the Capacity Market scheme complies with EU State Aid rules. On 25 October 2019, the Department notified ESC and National Grid to restart their respective Capacity Market activities.

At a capacity auction, applicants who offer the lowest bid can win a capacity agreement. A capacity auction relates to delivery of capacity approximately 4 years ahead (T-4). Most recently, the capacity agreements resulting from the 2019 T-3 and T-4 capacity auction held in February and March 2020, are for the Delivery Year commencing in 2022/23 and 2023/24. Also, the capacity agreements resulting from the 2019 T-1 capacity auction, held in January 2020, are for the delivery year commencing in 2020/21. In addition to T-1, T-3 and T-4, the interim periods are covered by Transitional arrangements. There are currently 8 live capacity auctions out of a total of 13, which have been awarded from the start of the scheme in 2014 for the delivery year commencing 2016/17.

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

The Department has responsibility for administering the settlement process. This role is undertaken by the Electricity Settlements Company (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:

			As at 31 March 2020		As at 31 March 2019
	Due within 1 year	Due within 2-5 years	Due over 5 years	Total	Total
	£m	£m	£m	£m	£m
Capacity Market – ESC	1,236	2,699	1,761	**5,696**	–
Income from levy – ESC	(1,236)	(2,699)	(1,761)	**(5,696)**	–
Total Departmental Group	–	–	–	–	–

Regularity of Expenditure

Audited information

The Department ensures that the concept of regularity is understood and complied with in all its operational activities. It ensures compliance with HM Treasury's Managing Public Money. The Comptroller & Auditor General has qualified his regularity opinion on these accounts (see page 110). This is due to an Excess Vote in the Department's Resource Annually Managed Expenditure (AME) budget as a result of the COVID-19 emergency interventions by the Government, namely the Small Business Grant Fund and the Retail, Hospitality and Leisure Grant Fund. Due to the timing of the COVID-19 response in March 2020, this expenditure was incurred without the necessary parliamentary approval by way of a Supplementary Estimate. Further information in relation to these schemes can be seen on note 18 and note 28 of the accounts. This has led to a total Excess of Resource AME of £4.9 billion. The Department will seek parliamentary approval by way of an Excess Vote in the next Supply and Appropriation Act.

Sarah Munby
Permanent Secretary and
Principal Accounting Officer

11 September 2020

The Certificate 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 2020 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 2019. 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 2020 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 and Contracts for Difference (CfDs) derivative.

Without qualifying my opinion, I draw attention to the disclosures made in notes 1.26 and 18.1 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.

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 set out in these notes, there is a high degree of estimation uncertainty inherent in forecasting electricity generation volumes and wholesale electricity prices into the late 2030s (and 2060s for the purposes of the Hinkley Point C CFD) and there is a great deal of subjectivity involved in selecting a wholesale electricity price forecast input that conforms to the principles of fair value. Significant changes to the liability could occur as a result of subsequent information and events which are different from the current assumptions adopted.

Qualified Opinion on regularity

In my opinion, except for the excess described in the basis for qualified opinion paragraph, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2020 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 for Qualified opinion on regularity

Parliament authorised a Resource Annually Managed Expenditure limit for the Departmental Group of £14,588 million. Against this limit, the Departmental Group incurred actual outturn of £19,483 million, breaching the authorised limit by £4,895 million, due to the recognition of a provision, as shown in the Statement of Parliamentary Supply.

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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Department's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Department have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Department's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.
- Conclude on the appropriateness of the Department'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 group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my 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 report. However, future events or conditions may cause the group to cease to continue as a going concern.

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, but does not include 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

My report on the qualification in respect of the excess vote is at page 114.

Gareth Davies
Comptroller and Auditor General

15 September 2020

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

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

Introduction

The Department for Business, Energy and Industrial Strategy ("the Department") is the government department responsible for building an economy which is fairer, cleaner, more innovative, and attracts investment from all over the world. Its priorities include promoting competitive markets and ensuring that the UK has a reliable, low cost and clean energy system.

The net expenditure of government departments is authorised by the annual Supply and Appropriation Acts of Parliament and their associated Supply Estimates. These Acts set a series of expenditure limits on each department's spending, and net cash requirement. Expenditure beyond any of these limits is considered a breach of a control total and results in an 'Excess Vote'. Such expenditure potentially undermines parliamentary control over public spending. Where these limits are breached, I qualify my regularity opinion on the financial statements.

Parliament authorised a Resource Annually Managed Expenditure (RAME) limit of £14,588 million for the Department in 2019-20. This limit means that the Department was required to incur RAME expenditure of less than £14,588 million. However, the outturn against the RAME limit was £19,483 million, and the authorised limit was therefore breached by £4,895 million. I have therefore qualified my regularity opinion on the Department's financial statements in this respect.

Grants to businesses (in relation to COVID-19)

The government announced in March 2020 that qualifying businesses could expect to receive support in the form of grants to help counteract the adverse financial effects bought about by the coronavirus pandemic. Businesses eligible for either Small Business Rate Relief or Rural Rate Relief received a grant of £10,000. Businesses in the retail, hospitality and leisure sectors sectors with a rateable value below £15,000, who are not eligible for Small Business Rates Relief, received a grant of £10,000 each, and those with a rateable value between £15,000 and £51,000 received a grant of £25,000 each. The Department has the responsibility of managing the schemes and payments are being administered to businesses by local authorities.

The announcements and actions taken prior to 31 March 2020 to ensure that cash was paid out to businesses as soon as possible created a constructive obligation under IAS 37. As a result, the Department has recognised a provision of £10,824 million representing the Department's estimate of total payments to be made under the schemes.

Government departments prepare and agree two Supply Estimates during the year, the Main Estimate in or around May each year and the Supplementary Estimate before the year-end in or around February each year. At the time of submitting the Supplementary Estimate, the Department could not anticipate the impact of the COVID-19 pandemic or the urgent action that it would require to support the economy. However, as the Department could not allow for these grant schemes in its Supplementary Estimate, the recognition of the £10,824 million provision meant that the Department exceeded their control total, as detailed on page 109 of the Annual Report. This breach requires an Excess Vote from HM Treasury and leads to a regularity qualification in the audit opinion.

Gareth Davies
Comptroller and Auditor General

15 September 2020

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

Financial Statements

Consolidated Statement of Comprehensive Net Expenditure

for the period ended 31 March 2020

		31 March 2020		31 March 2019 restated	
	Note	Core Department and Agencies £m	Departmental Group £m	Core Department and Agencies £m	Departmental Group £m
Income from sale of goods and services	6.1	(257)	(4,798)	(749)	(3,260)
Total operating income		**(257)**	**(4,798)**	**(749)**	**(3,260)**
Staff costs	3	390	1,240	330	1,119
Purchase of goods and services	4.1	1,597	4,301	1,424	2,942
Depreciation and impairment charges	4.2	18	440	48	600
Provision expense	4.3	10,869	17,873	59	(97,721)
Grants	4.4	14,006	9,410	12,907	8,280
Other operating expenditure		33	27	3	(5)
Total operating expenditure		**26,913**	**33,291**	**14,771**	**(84,785)**
Net operating expenditure		**26,656**	**28,493**	**14,022**	**(88,045)**
Finance income	6.2	(212)	(334)	(214)	(370)
Finance expense	5	(125)	(18)	(249)	(3,775)
Contracts for difference derivatives	9	–	5,346	–	(1,991)
Share of post-tax loss/(profits) of associates and joint ventures	13	–	5	–	(186)
Net expenditure for the year from operations		**26,319**	**33,492**	**13,559**	**(94,367)**
Net expenditure for the year		**26,319**	**33,492**	**13,559**	**(94,367)**
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		–	(57)	–	(145)
– revaluation of intangible assets		–	(13)	–	(19)
Items that may be reclassified subsequently to net operating costs:					
– revaluation of investments		166	116	(35)	(63)
– other revaluation movements		12	(2)	56	2
– actuarial (gains)/losses		–	(88)	–	69
– joint venture and associate other movements		–	–	–	(35)
Total other comprehensive net income and expenditure		**178**	**(44)**	**21**	**(191)**
Comprehensive net expenditure for the year		**26,497**	**33,448**	**13,580**	**(94,558)**

All operations are continuing.

Further analysis of staff costs can be found in the Staff note in the Accountability Report on page 69.

The notes on pages 123 to 223 form part of these Accounts.

Consolidated Statement of Financial Position

as at 31 March 2020

	Note	31 March 2020 Core Department and Agencies £m	31 March 2020 Departmental Group £m	31 March 2019 restated Core Department and Agencies £m	31 March 2019 restated Departmental Group £m	1 April 2018 Core Department and Agencies £m	1 April 2018 Departmental Group £m
Non-current assets:							
Property, plant and equipment	7	306	3,605	294	3,533	276	3,414
Investment properties		2	121	–	117	23	145
Intangible assets	8	101	230	14	167	9	145
Investment and loans in public bodies	10	3,392	1,706	3,348	1,758	2,996	1,630
Other financial assets	11	967	4,120	1,196	4,118	1,028	4,194
Recoverable contract costs	12	–	1,425	–	1,620	–	3,346
Derivative financial instruments	22	–	–	7	7	47	78
Investment in joint ventures and associates	13	–	967	–	1,039	–	367
Trade and other receivables	14	740	848	813	938	932	1,090
Total non-current assets		**5,508**	**13,022**	**5,672**	**13,297**	**5,311**	**14,409**
Current assets:							
Inventories		–	51	–	37	–	31
Non-current assets held for sale		–	6	–	20	–	15
Trade and other receivables	14	538	2,258	447	1,565	544	1,343
Investments and loans in public bodies	15	687	672	666	620	732	732
Other financial assets	11	–	–	–	–	142	142
Derivative financial instruments	22	9	9	17	17	31	31
Cash and cash equivalents	16	1,039	2,158	1,283	2,078	1,246	2,034
Total current assets		**2,273**	**5,154**	**2,413**	**4,337**	**2,695**	**4,328**
Total assets		**7,781**	**18,176**	**8,085**	**17,634**	**8,006**	**18,737**
Current liabilities:							
Trade payables and other liabilities	17	(2,782)	(6,484)	(2,908)	(5,652)	(2,283)	(4,954)
Provisions for liabilities and charges	18	(11,047)	(14,065)	(260)	(3,050)	(278)	(3,332)
Financial guarantees and loan commitment liabilities	19	(17)	(17)	(11)	(11)	(16)	(16)
Derivative financial instruments	22	–	–	(1)	(13)	–	(11)

	Note	31 March 2020 Core Department and Agencies £m	31 March 2020 Departmental Group £m	31 March 2019 restated Core Department and Agencies £m	31 March 2019 restated Departmental Group £m	1 April 2018 Core Department and Agencies £m	1 April 2018 Departmental Group £m
Total current liabilities		**(13,846)**	**(20,566)**	**(3,180)**	**(8,726)**	**(2,577)**	**(8,313)**
Non-current assets plus/less net current assets/ liabilities		**(6,065)**	**(2,390)**	**4,905**	**8,908**	**5,429**	**10,424**
Non-current liabilities:							
Trade payables and other liabilities	17	(883)	(2,467)	(1,141)	(2,901)	(1,203)	(2,901)
Provisions for liabilities and charges	18	(1,702)	(136,034)	(1,920)	(131,416)	(2,176)	(237,603)
Financial guarantees and loan commitment liabilities	19	(74)	(221)	(43)	(219)	(45)	(45)
Derivative financial instruments	9, 22	–	(16,464)	(2)	(12,923)	–	(15,904)
Retirement benefit obligations	20	–	(87)	–	(921)	–	(686)
Total non-current liabilities		**(2,659)**	**(155,273)**	**(3,106)**	**(148,380)**	**(3,424)**	**(257,139)**
Total assets less liabilities		**(8,724)**	**(157,663)**	**1,799**	**(139,472)**	**2,005**	**(246,715)**
Taxpayers' equity and other reserves:							
General fund		(9,266)	(160,292)	1,077	(142,297)	995	(250,098)
Revaluation reserve		542	1,998	722	2,155	1,010	2,915
Charitable funds		–	402	–	438	–	314
Non-controlling interests		–	229	–	232	–	154
Total equity		**(8,724)**	**(157,663)**	**1,799**	**(139,472)**	**2,005**	**(246,715)**

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

The notes on pages 123 to 223 form part of these Accounts.

Sarah Munby
Permanent Secretary and Principal Accounting Officer

11 September 2020

Consolidated Statement of Cash Flows

for the period ended 31 March 2020

		2019-20		2018-19 restated	
	Note	Core Department and Agencies £m	Departmental Group £m	Core Department and Agencies £m	Departmental Group £m
Cash flows from operating activities					
Net operating cost		(26,319)	(33,492)	(13,559)	94,367
Adjustment for non-cash expenditure		10,735	23,584	(151)	(103,003)
(Increase)/decrease in inventories		–	(14)	–	(6)
(Increase)/decrease in trade and other receivables	14	(18)	(603)	216	(70)
Less movements in receivables relating to items not passing through the Consolidated Statement of Comprehensive Net Expenditure		101	227	(71)	(71)
Increase/(decrease) in trade payables and other liabilities	17	(384)	398	563	692
Less movements in payables relating to items not passing through the Consolidated Statement of Comprehensive Net Expenditure		73	(470)	(730)	(1,531)
Use of provisions	18	(249)	(3,039)	(284)	(3,078)
Financial guarantees called in	19	(13)	(13)	(11)	(11)
Expenditure funded by the National Insurance Fund (RPS)	4.1	430	430	320	320
Payments to retirement benefit obligations			(106)	–	(144)
Net cash outflow from operating activities		***(15,644)***	***(13,098)***	***(13,707)***	***(12,535)***
Cash flows from investing activities					
Purchase of property, plant and equipment		(38)	(295)	(46)	(312)
Purchase of intangible assets		(123)	(150)	(8)	(36)
Proceeds of disposal of property, plant and equipment		–	31	–	3
Proceeds of disposal of investment property		–	–	20	20
Proceeds of disposal of intangible assets		–	2	–	–
Proceeds of disposal of assets held for sale		–	5	–	–
Loan redeemed from Post Office Limited	15	5,342	5,342	6,360	6,360
Loans made to Post Office Limited	15	(5,379)	(5,379)	(6,240)	(6,240)
Repayments of loans and investments		32	745	33	754
Payments to the Contracts for Difference generators	9	–	(1,803)	–	(980)
Other investments and loans made		(242)	(1,091)	(330)	(1,004)
Repayments of Public Dividend Capital		16	–	–	–
Launch investment receipts		340	340	230	230
Venture capital fund redemptions		7	106	7	121
Venture capital fund investments		–	(255)	–	(235)
Dividends from Joint ventures and associates	13	–	94	–	87
Disposal of Joint venture and associates		–	2	–	–
Investment in Joint ventures and associates	13	–	(30)	–	(37)
Investment in shares		(19)	(19)	(125)	–
Net cash outflow from investing activities		***(64)***	***(2,355)***	***(99)***	***(1,269)***

	Note	2019-20 Core Department and Agencies £m	2019-20 Departmental Group £m	2018-19 restated Core Department and Agencies £m	2018-19 restated Departmental Group £m
Cash flows from financing activities					
From Consolidated Fund (supply) – current year		15,465	15,465	14,139	14,139
Advances from the Contingencies Fund		–	–	5	5
Repayments to the Contingencies Fund		–	–	(7)	(7)
From the National Insurance Fund		430	436	320	320
Payments in respect of the National Insurance Fund	4.1	(430)	(436)	(320)	(320)
Other adjustments relating to financing activities		–	3	–	–
Disposal of shares		–	–	–	3
Net financing		***15,465***	***15,468***	***14,137***	***14,140***
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**(243)**	**15**	**331**	**336**
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		841	907	1,463	1,465
Payments of amounts due to the Consolidated Fund		(842)	(842)	(1,757)	(1,757)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**(244)**	**80**	**37**	**44**
Cash and cash equivalents opening balance		**1,283**	**2,078**	**1,246**	**2,034**
Cash and cash equivalents at the end of the period	16	**1,039**	**2,158**	**1,283**	**2,078**

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

for the period ended 31 March 2020

	Note	General Fund £m	Revaluation Reserve £m	Taxpayers' equity £m	Total Reserves £m
Balance at 1 April 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	17	(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 expenditure 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**
Balance at 1 April 2019		**1,077**	**722**	**1,799**	**1,799**
Net parliamentary funding – drawn down		15,465	–	**15,465**	**15,465**
Net parliamentary funding – deemed		1,280	–	**1,280**	**1,280**
National Insurance Fund – RPS		436	–	**436**	**436**
Supply (payable)/receivable adjustment	17	(1,036)	–	**(1,036)**	**(1,036)**
Income payable to the Consolidated Fund		(169)	–	**(169)**	**(169)**
Net expenditure for the year		(26,319)	–	**(26,319)**	**(26,319)**
Non-Cash Adjustments:					
Auditors' remuneration	4.1	1	–	**1**	**1**
Movements in Reserves:					
Other comprehensive net income for the year		–	(178)	**(178)**	**(178)**
Transfers between reserves		2	(2)	**–**	**–**
Other movements		(3)	–	**(3)**	**(3)**
Balance at 31 March 2020		**(9,266)**	**542**	**(8,724)**	**(8,724)**

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

for the period ended 31 March 2020

	Note	General Fund restated	Revaluation Reserve	Taxpayers' Equity restated	Charitable Funds – Unrestricted/ Restricted	Non controlling interest	Total Reserves restated
		£m	£m	£m	£m	£m	£m
Balance at 31 March 2018		**(250,098)**	**2,915**	**(247,183)**	**314**	**154**	**(246,715)**
IFRS 9 opening balance adjustment		941	(926)	**15**	–	–	**15**
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	14, 17	(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		94,367	–	**94,367**	–	–	**94,367**
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		**(142,297)**	**2,155**	**(140,142)**	**438**	**232**	**(139,472)**
Balance at 1 April 2019		**(142,297)**	**2,155**	**(140,142)**	**438**	**232**	**(139,472)**
Net parliamentary funding – drawn down		15,465	–	**15,465**	–	–	**15,465**
Net parliamentary funding – deemed		1,280	–	**1,280**	–	–	**1,280**
National Insurance Fund – RPS		436	–	**436**	–	–	**436**
Supply (payable)/receivable adjustment	17	(1,036)	–	**(1,036)**	–	–	**(1,036)**
Income payable to the Consolidated Fund		(791)	–	**(791)**	–	–	**(791)**
Net expenditure for the year		(33,492)	–	**(33,492)**	–	–	**(33,492)**
Amounts paid from distributable reserves		(108)	–	**(108)**	–	–	**(108)**
Non-Cash Adjustments:							
Auditors' remuneration	4.1	1	–	**1**	–	–	**1**
Movements in Reserves:							
Other comprehensive net (expenditure)/ income for the year		88	(44)	**44**	–	–	**44**
Transfers between reserves		166	(112)	**54**	(36)	(18)	**–**
Minority interest		–	–	–	–	15	**15**
Other movements		(4)	(1)	**(5)**	–	–	**(5)**
Balance at 31 March 2020		**(160,292)**	**1,998**	**(158,294)**	**402**	**229**	**(157,663)**

The notes on pages123 to 223 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 2019-20 *Government 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 (GRAA) 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 Departmental Group) for the purpose of giving a true and fair view. The policies adopted by the Departmental Group are described below; they have been applied consistently to items considered material to the accounts.

The Consolidated Statement of Financial Position (SoFP) 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 Departmental 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 accounting 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 consolidated 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 Departmental 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 Departmental Group accounts consolidate the balances of the Core Department and designated bodies listed in note 27, 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 are unchanged compared to those in the 2018-19 Departmental Group financial statements.

1.6 New accounting standards adopted in the year and FReM changes

No new accounting standards have been adopted in these financial statements. The FReM 2019-20 has been updated to include details concerning the adaptations and interpretations related to IFRS 16 'Leases'. Further details are provided in note 1.7 below.

1.7 Applicable accounting standards issued but not yet adopted

The revised Conceptual Framework for Financial Reporting

The International Accounting Standards Board (IASB) issued the revised Conceptual Framework for Financial Reporting in March 2018. It replaces the Conceptual Framework issued in September 2010. The revised Conceptual Framework is effective for annual reporting period beginning on or after 1 January 2020. It will be adopted by the *FReM* from 1 April 2020. The Conceptual Framework sets out the fundamental concepts for financial reporting. It helps ensure that the Standards are conceptually consistent and that similar transactions are treated in the same way.

One of the main updates in the revised Conceptual Framework was new guidance in recognising liabilities and assets when there is significant uncertainty. This would have affected the Departmental Group's key judgement that the Contract for Difference (CfD) for Hinkley Point C (HPC) was unable to be recognised in the Departmental Group's Statement of Financial Position (SoFP) due to the significant uncertainty of the HPC's CfD valuation. Under the revised Conceptual Framework, HPC's CfD would be recognised. However, the expected impact of adopting the revised Conceptual Framework will be negligible due to the CfD for HPC being recognised in these financial statements (see note 1.26).

IFRS 16 'Leases'

IFRS 16 'Leases' replaces IAS 17 'Leases' and will now be adopted by the public sector in 2021-22. The Financial Reporting Advisory Board (FRAB) agreed in March 2020 to a further year's deferral from 2020-21 to 2021-22. The Departmental Group will adopt IFRS 16 from 1 April 2021. Entities in the Departmental Group who report under IFRS and the Companies Act, have adopted IFRS 16 from 1 April 2019, in line with their Companies Act reporting requirements. These adjustments have been reversed in the preparation of the Departmental Group accounts and the Departmental Group has continued to apply IAS 17 for the 2019-20 financial year.

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 on-statement of financial position financing with exemption given to low value leases and short-term leases, i.e. leases with a lease term of less than 12 months as mandated by the FReM. 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 SoFP. Upon transition, the FReM has mandated the use of practical expedient in IFRS 16, which means the Department, only applies the standard to contracts which were previously identified as leases under IAS 17 and IFRIC 4. In addition, the FReM has also mandated that upon transition, the prior year comparatives will not be restated and a cumulative catch up will be recognised in the Statement of Change in Taxpayers Equity along with opening balance transition adjustments in the SoFP to recognise the right of use assets and right of use liabilities.

The overall impact of the new accounting standard on the Statement of Comprehensive Net Expenditure (SoCNE) is expected to be immaterial, whilst there is expected to be material right-to-use assets of circa £355 million and a corresponding right of use lease liabilities recognised in the SoFP, if the standard was adopted on 1 April 2021. The expected impact is based on the value of operating lease and finance lease commitments the Departmental Group has in place at 31 March 2020 that are expected to be in place at 1 April 2021 per note 21 and 21.2.1. The overall impact on net assets of the Departmental Group is expected to be immaterial.

IFRS 17 'Insurance Contracts'

IFRS 17 'Insurance Contracts' replaces IFRS 4 'Insurance Contracts', which requires reporters to identify insurance contracts, and for those contracts recognise an insurance contract liability. The insurance contract liability is calculated as the present value of future insurance cashflows (the fulfilment cash flows) plus a subsequent risk adjustment. The IASB announced the deferral of IFRS 17 by two years until 1 January 2023 and therefore, the implementation timetable in the public sector is being extended to at least 1 April 2023. The Departmental Group is currently assessing the impact of the IFRS 17 adoption.

1.8 Operating income

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

The Departmental 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 (SoPS) 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 Departmental Group receives consideration prior to the transfer of goods and services, the amount is recorded as contract liabilities. Where the Departmental 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, and any discounts or rebates.

Levies

Levy income is recognised in the Departmental 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 assisted economic benefits from the taxable event will flow to the Departmental Group. Levies are typically set on an annual basis, invoiced monthly, 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 (ESC) are permitted to retain levies collected under statute and classified as taxes in the National accounts. This income is recognised by LCCC and ESC in the same period as the related expenditure. 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 Departmental Group's remaining levy income under FReM guidance.

The Departmental Group 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 Departmental Group accounting policy. There are no changes in the recognition and measurement of levy income under IFRS 15.

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.

In 2018-19 the Departmental Group adopted IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 'Revenue from Contracts with Customers' replaced IAS 18 'Revenue' and IAS 11 'Construction Contracts' and was adopted by the public sector from 1 April 2018. IFRS 15 requires the Departmental 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 removed the option to adopt IFRS 15 retrospectively, and therefore any difference between the previous carrying amount and the carrying amount under IFRS 15 was recognised as adjustments to opening balances on 1 April 2018.

The impacts on significant income streams of adopting IFRS 15 in 2018-19 are set out below:

<u>Sales of goods and services</u>

Within the scope of IFRS 15, the stream of income that has been significantly affected was £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 obtained a derogation from HM Treasury to apply IFRS 15 on first-time adoption in 2018-19 on a prospective basis, and therefore, was not required to report any retrospective adjustments for prior years. A derogation was granted to the Departmental Group to this effect.

In order to produce a consistent measurement of fulfilment 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 would be recognised over the remainder of the period in which waste treatment services for all wastes produced by the Thorp reprocessing plant would be completed (currently expected to conclude in 2025). This meant that the completion of the programme will be treated as a single performance obligation under a single contract and as a result there was a non-recurring adjustment to the contract loss provision in NDA's and the Departmental Group's SoFP.

<u>Levy income</u>

IFRS 15 is applicable to the Departmental Group's levy income under the FReM guidance. There were no changes in the recognition and measurement of levy income under the adoption of IFRS 15.

Fees, charges and recharges

The Departmental Group's income from fees, charges and recharges was reassessed under the adoption of IFRS 15. However, there were no changes in the recognition or measurement of fees, charges and recharges on the adoption of IFRS 15.

Grant income

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 FReM. The grant income is and continues to be out of the scope of IFRS 15.

Income from Mineworkers' Pension Scheme

Income of £474 million was recognised during 2018-19 (£nil in 2019-20) 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.

1.9 Staff costs

Staff costs are recognised as expenses when the Departmental 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 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 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 Departmental Group. Exceptions are: a) assets held by the NDA 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 (see 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 book 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 Departmental 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 Departmental Group. There are no active markets for the majority of the Departmental 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. Where there is an active market, the valuation is derived from the active market. 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 Departmental 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

The Departmental Group continues to apply IAS 17 'Leases' for 2019-20, recognising leases assets as either operating or finance 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

<u>Departmental Group as lessor</u>

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Departmental 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 Departmental Group's net investment outstanding in respect of the leases.

Departmental Group as lessee

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

Operating leases

Departmental 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.

Departmental Group as lessee

Rentals payable under operating leases, including benefits received and receivable as incentives to enter into 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 27); those outside the Departmental Group 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 Departmental 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.
  - *(ii)* 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 Departmental 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 Departmental Group has two classes of derivative financial instrument, foreign exchange contracts to which hedge accounting is applied and CfDs 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. 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).

In 2018-19 the Departmental Group adopted IFRS 9 'Financial Instruments'

IFRS 9 'Financial Instruments' replaced IAS 39 'Financial Instruments: Recognition and Measurement' and was adopted by the public sector from 1 April 2018. The FReM removed the option to adopt IFRS 9 retrospectively, and therefore the Departmental Group 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 previous period. Consequently, amendments to IFRS 7 'Financial Instruments: Disclosures' were also applied to the previous period only. The adoption of IFRS 9 resulted in changes to the accounting policies for classification, measurement and impairment of financial assets in the 2018-19 financial statements. These accounting policies are unchanged in the 2019-20 financial statements.

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 replaced the 'incurred loss model' in IAS 39 with a forward looking 'expected credit loss' (ECL) model. The ECL 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 impairment methodology is detailed in the financial instruments note 22.

(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: The Investment fund and Receivables reconciliation in table below has been restated to include the restatement relating to BIS Postal Service Company (see note 26) for more information.

Restated					Reconciliation		Carrying amount under IFRS 9 at 1 April 2018		
	Carrying amount under IAS 39 at 31 March 2018	Transfer between cate-gories	Transfer to associ-ates	Transfer of embedded derivatives	Remeasure-ment under IFRS 9	Carrying amount under IFRS 9 at 1 April 2018	Amortised cost	FVOCI design-ated	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	–	–	–	(8)	1,993	1,993	–	–
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	6	1,902	–	–	1,902
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**	**5,703**	**1,436**	**3,159**

The application of IFRS 9 in 2018-19 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' were measured at 'amortised cost'. There were 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 were 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 were measured at 'amortised cost' under IFRS 9 in 2018-19. The Departmental 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 was 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 Departmental Group intends to hold these, for long-term strategic purposes, and as permitted by IFRS 9, 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 Departmental Group intends to hold these for long term strategic purposes, and as permitted by IFRS 9, designated these investments at the date of initial application as measured at 'FVOCI'.
- 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 was transferred to the Taxpayer's Equity.
  - The category transfer of £31 million from investment funds to ordinary shares in non-public sector entities was 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 were 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 which lead 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 liabilities under IAS 39 to the carrying amounts under IFRS 9 on 1 April 2018:

Restated	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 liabilities	**(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 Departmental 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. The Receivables and Other financial assets reconciliation in the table below has been restated to include the restatement relating to BIS Postal Service Company (see note 26 for more information).

Restated	Closing balance under IAS 39 at 31 March 2018	Transfers	Gross carrying amount remeasure-ment under IFRS 9	Expected credit loss remeasure-ment under IFRS 9	Remeasure-ment under IFRS 9	Opening balance under IFRS 9 at 1 April 2018
	£m	£m	£m	£m	£m	£m
Receivables	2,001	–	–	(2)	(6)	1,993
Total impact on current assets	**n/a**	**–**	**–**	**(2)**	**(6)**	**n/a**
Other financial assets	4,336	(430)	27	(25)	5	3,913
Investments in joint ventures and associates	367	461	–	–	–	828
Total impacts on non-current assets	**n/a**	**31**	**27**	**(25)**	**5**	**n/a**
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	**n/a**	**(31)**	**16**	**–**	**–**	**n/a**
General fund	250,098	(926)	(43)	27	1	249,157
Revaluation reserve	(2,915)	926	–	–	–	(1,989)
Total impacts on reserves	**n/a**	**–**	**(43)**	**27**	**1**	**n/a**

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 remeasured 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 Departmental 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 Departmental Group expects to make a positive return from these investments, this return is less than that required by the private sector. The Departmental 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 Departmental Group has nine funded defined-benefit pension schemes, the 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 SoFP 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 Departmental Group contributes towards a number of unfunded defined benefit pension schemes of which employees are members: these include the Principal Civil Service Pension Scheme (PCSPS), the Civil Servant and Other Pension Scheme (CSOPS) and the Combined Pension Scheme of the UKAEA. 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 CSOPS is presented in the Staff Report.

Defined contribution pension schemes

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

More information about the Departmental 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. HM Treasury issues 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 2020			31 March 2019
	Nominal discount rate	Inflation rate	Equivalent real discount rate	Nominal discount rate	Inflation rate	Equivalent real discount rate
Cash outflows expected within two years	0.51%	1.9%	(1.36%)	0.76%	2.0%	(1.22%)
Cash outflows expected between two and five years	0.51%	2.0%	(1.46%)	0.76%	2.1%	(1.31%)
Cash outflows expected between five and ten years	0.55%	2.0%	(1.42%)	1.14%	2.1%	(0.94%)
Cash outflows expected after ten years	1.99%	2.0%	(0.01%)	1.99%	2.1%	(0.11%)

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). 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 Departmental Group 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 Departmental 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 Departmental 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 Departmental 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

Recognition of Hinkley Point C CfD (note 9)

The Department (through LCCC) entered into HPC CfD on 29 September 2016. This project has a maximum lifetime generation cap of 910,000,000MWh. The 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.

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

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

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

The HPC CfD duration is more than double (35 years) the length of other CfDs (15 years) entered into by the Department (through LCCC). This has made it considerably more challenging for management to provide a reliable single point fair value estimate for HPC CfD. In order to perform a reliable estimate of the valuation one of the required key inputs is wholesale electricity prices in each year out to 2060. Historically the Department (through LCCC) had not been able to obtain wholesale electricity price forecasts which cover the unusually long period of the contract, thereby preventing a reliable estimate being made. As a result of this the Department has previously been unable to recognise HPC CfD in the financial statements

Update on the recognition of Hinkley Point C CfD during 2019-20

During the year the Department using the Dynamic Dispatch Model (DDM), has been able to estimate reliably wholesale electricity prices out to 2060. The Department's DDM model forecasts wholesale electricity prices out to 2050. However, in the current year, the Department has deemed it possible to 'freeze' the 2050 model forecasts for all subsequent years out to 2060. The main driver facilitating the Department's ability to do this has been the government's commitment in 2019-20 to bring all greenhouse gas emissions to Net Zero by 2050, therefore giving more certainty over potential generation mixes into the future. Legislation now commits the UK to an economy wide target of Net Zero carbon emissions. The Department's modelling strategy is designed to optimise the costs of decarbonisation across the economy, which determines the power sector demand, and the maximum level of emissions. The Department have picked generation mixes which optimise the cost of the power sector. In the absence of any exogenous change, the Department anticipate that the UK would maintain an optimised system ad-infinitum. As a result of this, the Department has been effectively able to 'freeze' the 2050 model for all subsequent years. Therefore, the generation mix and associated system costs and wholesale price of electricity that the Department project for 2050, remains constant for the remaining period of the forecast.

In addition to the availability of the DDM forecast, the Department (through LCCC) was able to commission an independent third party to provide a forecast for the power market in Great Britain to 2065. The forecast received from the third party has been used as reference to support the reasonableness of the internally generated price series.

As a result, the reasonableness of the underlying assumptions of the forecast to 2060, management deem the valuation of the HPC CfD as a reliable estimate that is complete, neutral and free from error. Therefore, in line with the recognition criteria for the other CfDs, the recognition criteria for HPC CfD is considered to have been met. As HPC CfD's fair value calculation is based on the data from the same model, the same valuation technique is used across the whole portfolio.

Accounting treatment of Hinkley Point C CfD

The date of initial recognition of the Hinkley Point C CfD is the date it becomes capable of reliable measurement in accordance with the requirements of IFRS 13 and the Conceptual Framework. The Department (through LCCC) has determined that the estimated fair value of the instrument at the reporting date is a reasonable proxy for its fair value at the date of initial recognition. This judgement is not sensitive to the specific date of initial recognition during the financial year, which is a matter of professional judgement.

On recognition the HPC CfD has followed the same accounting treatment as that adopted for the other CfDs recognised in the financial statements. The accounting of the fair value of the HPC CfD, the impact of its recognition within the portfolio, and relevant sensitivity analysis are shown in note 9.

As there were no wholesale price forecasts available prior to the authorisation of the prior year financial statements to reliably estimate the value of Hinkley Point C CfD and considering the reliable estimate of the wholesale price forecast to 2060 has only become available in the current financial year therefore, management believes no prior period adjustment is required.

Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund recognition point (note 4.4 and note 28)

The Small Business Grant Fund was announced by the Chancellor during his Budget speech on 11 March 2020 and subsequently extended during the Chancellor's speech on 17 March 2020 setting out the government's economic response to COVID-19. The Retail, Hospitality and Leisure Grant Fund was also announced during the Chancellors speech on 17 March 2020. The Guidance to Local Authorities (LAs) setting out how LAs would manage the grants on behalf of the Department was issued on 24 March 2020. The Guidance to Businesses the ultimate grant recipients was issued on 1 April 2020, the same day as funding was provided from the Departments to LAs to make grant payments. Due to the impact of COVID-19, LAs were encouraged to make early payments to eligible grant recipients from their own funds. The Department under the Guidance to LAs and Section 31 grant notification are legally obligated to reimburse the LAs. Therefore the Core

Department has recognised a grant accrual of £151 million in note 4.4, for grants paid out by the LAs before the 1 April 2020.

The Core Department has recognised a provision of £10.8 billion, in addition to the £151 million recognised as a grant accrual. This is because the announcements and payments made prior to 31 March 2020 created a constructive obligation under IAS 37. This amount is based on eligibility and payments information received from LAs after 31 March 2020 and has been limited by the closure of the scheme which is disclosed as an Adjusting Event in note 28. As a result of recognising this constructive obligation, the Department's expenditure has increased by £10.8 billion. This has resulted in a breach of the control limited voted by Parliament and a regularity qualification.

Capacity Market restart (note 4.1 and note 6.1)

On 15 November 2018, the European Court of Justice (ECJ) annulled the European Commission (EC) decision of July 2014 to grant State Aid clearance to the Capacity Market. The ruling resulted in a 'Standstill Period' for the Capacity Market in which no State Aid could be paid out pending the EC's redetermination. As a result of this the ESC was not able to make any Capacity Market payments during the 'Standstill Period' and, additionally, no supplier charge was collected.

The EC appealed the ECJ's decision and, separately, also undertook a formal investigation into the UK's notification of the Capacity Market scheme in order to inform its 're-decision' on whether to grant State Aid clearance. On 24 October 2019, the Department was informed by the EC that it had completed its State Aid investigation into the Capacity Market and that the Capacity Market scheme complies with EU State Aid rules. On 25 October 2019, the Department notified ESC and National Grid to restart their respective Capacity Market activities.

Following the successful restart of the Capacity Market, circa £1.17 billion of invoices were raised to suppliers in November 2019 relating to the Standstill Period. This in turn enabled payment of the required £1.15 billion to Capacity Providers (that had been deferred as a result of the Standstill Period).

No Capacity Market supplier charge income or respective capacity payment expense was recognised in 2018-19 for the 2018/19 Delivery Year (1 October to 30 September) due to the suspension of the Capacity Market. Out of the £1.15 billion capacity payment made for the Standstill Period, £0.99 billion related to the 2018/19 Delivery Year of which £0.54 billion would have been recognised in the financial year ending 31 March 2019 had there been no standstill. The collection of retrospective supplier charge and capacity payment made for the 2018/19 Delivery Year is recognised as income and expense, respectively, in the current financial year.

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 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, 15, and 22)

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 19)

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

Provisions (note 18)

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 18, in particular in relation to future decommissioning costs to be incurred by the NDA, UKAEA 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, there was no restatement of 31 March 2018 comparatives made for the adoption of the new accounting standards in 2018-19.

There is a restatement in 2019-20 in relation to adjustments to the adoption of IFRS 9 and adjustments to the Departmental Group's prior period Outturn. The prior period adjustments and their impact on the comparative amounts for the prior periods represented in which the error occurred are detailed in note 26.

2. Reporting by operating segment

In accordance with the relevant reporting requirements, including IFRS 8 – Operating Segments, the Statement of Parliamentary Supply (SoPS) 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:

			2019-20	2018-19
	Permanently employed staff	Others	Total	Total
	£m	£m	£m	£m
Wages and salaries	855	73	**928**	855
Social security costs	95	–	**95**	86
Other pension costs	217	–	**217**	179
Sub total	**1,167**	**73**	**1,240**	**1,120**
Less recoveries in respect of outward secondments	–	–	**–**	(1)
Total net costs	**1,167**	**73**	**1,240**	**1,119**
Of which:				
Core Department and Agencies	**372**	**18**	**390**	**330**
NDPBs and other designated bodies	**795**	**55**	**850**	**789**
Total net costs	**1,167**	**73**	**1,240**	**1,119**

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 (SLC's) which are not included in the table above. SLC's staff costs are not included in the table above as they are included in the amount shown for utilisation in the NDA's nuclear decommissioning provision in note 18.

4. Operating expenditure

4.1 Purchase of goods and services

	2019-20		2018-19 restated	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Rentals under operating leases	44	57	30	47
Accommodation and office equipment costs	16	212	42	218
Legal, professional and consultancy costs	159	342	142	288
Finance, HR, IT and support costs	151	170	110	127
Training and other staff costs	8	23	10	28
Travel and subsistence costs	11	52	11	55
Advertising and publicity	6	16	3	18
Programme management and administration of grants and awards	39	179	40	175
Capacity Market payments	–	1,483	–	176
Professional and international subscriptions	365	612	283	516
Enforcement costs of employment related policies	30	30	30	30
Donations	–	21	–	16
Funding Paternity, Adoption and Shared Parental Leave policy	72	72	79	79
Purchase of geographical and scientific equipment	–	40	–	46
Purchase of weather information and weather related services	101	101	108	108
Redundancy payments service	430	430	320	320
Sponsorship costs	–	–	2	3
Payment of taxes and levies	–	2	–	168
Subsidy to Post Office Limited	50	50	62	62
Energy intensive industries subsidies	105	105	141	141
Other purchase of goods and services cost	10	304	11	321
Total	**1,597**	**4,301**	**1,424**	**2,942**

Purchase of goods and services

Purchase of goods and services – Legal, professional and consultancy services has been restated, see note 26 for further details.

Audit fees

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

Core Department

During the year the Core Department did not purchase any non-audit services from its auditor, the National Audit Office. The non-cash auditors’ remuneration of £700,000 (2018-19: £625,570) comprises £640,000 (2018-19: £570,000) for the cost of the audit of the Departmental Group, £20,000 (2018-19: £20,000) for the Trust Statement, and £40,000 (2018-19: £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 £167,000 (2018-19: £152,000) can be found in the accounts of the individual Agencies.

NDPBs and other designated bodies

The cash remuneration of £2,787,121 (2018-19: £2,287,880) relates to the statutory audit of NDPBs and other designated bodies and includes fees of £191,000 relating to the 2018-19 audits. Of this amount, £2,299,250 (2018-19: £1,955,291) was payable to the NAO and £487,871 (2018-19: £332,589) was payable to auditors other than the NAO.

In 2019-20, £nil was payable to the NAO (2018-19: £nil) and £240,267 was payable to auditors other than the NAO (2018-19: £127,546) for non-audit services. Further details can be obtained from the accounts of the NDPBs and other designated bodies.

Redundancy Payments Service

INSS, an 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 2019-20 totalled £496 million (2018-19: £320 million) against income of £66 million (2018-19: £nil million). The net amount totalled £430 million (2018-19: £320 million).

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 £143 million. This was a one-off transaction in 2018-19.

Capacity market payments

Capacity payment expenses for the 2018/19 Delivery Year have been recognised in 2019-20 due to the suspension of the Capacity Market in 2018-19 (see note 1.26).

4.2 Depreciation and impairment charges

		2019-20		2018-19
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Amortisation of recoverable contract costs	–	101	–	166
Depreciation	21	231	18	256
Amortisation	3	65	2	45
Impairment of property, plant and equipment	4	26	2	59
Impairment of investments and remeasurement of expected credit losses	(10)	17	26	74
Total	**18**	**440**	**48**	**600**

4.3 Provision expense

	2019-20		2018-19	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Increase/(decrease) in nuclear provisions due to changes in discount rate	20	247	(37)	(95,984)
Increase/(decrease) in other provisions due to changes in discount rate	7	(20)	(127)	(2,799)
Other provision movements relating to Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund	10,824	10,824	–	–
Other provision movements excluding bad debt provisions and financial guarantee liabilities	(21)	6,812	210	1,057
Total increase/(decrease) in provisions excluding bad debt provisions and financial guarantee liabilities	**10,830**	**17,863**	**46**	**(97,726)**
Total increase/(decrease) in bad debt provisions	–	–	1	1
Total increase/(decrease) in financial guarantee liabilities and loan commitment liabilities	39	10	12	4
Total	**10,869**	**17,873**	**59**	**(97,721)**

Included in the table above is a provision relating to COVID-19 Grant Funding. The Core Department has recognised a provision relating to the Small Business Grant Fund and the Retail, Hospitality and Leisure Grant Fund which was announced by the Chancellor on 11 March 2020 due to the COVID-19 pandemic. The provision has been recognised for claims that were not paid by local authorities to eligible businesses at 31 March 2020, but which are reasonably expected to be claimed during 2020-21

The provision expense in 2019-20 was primarily driven by cost estimate changes of the NDA's nuclear decommissioning provision which increased the nuclear decommission liability estimate by £6.9 billion. The significant provision expense in 2018-19 was primarily driven by the reduction in discount rates for cash outflows expected after ten year from an equivalent real discount rate of prescribed by HM Treasury applied in 2017-18 of (1.56%) to an equivalent real discount rate prescribed by HM Treasury applied in 2018-19 of (0.11%). In 2019-20, the equivalent real discount rate for cash outflows expected after ten prescribed by HM Treasury has reduced to (0.01%), which had a less significant impact on the 2019-20 provision expense. Further detail of the movements in provisions can be found in note 18.1 for Nuclear provisions and note 18.2 for Other provisions.

4.4 Grants

	2019-20		2018-19 represented	
	Core Department and Agencies £m	Departmental Group £m	Core Department and Agencies £m	Departmental Group £m
Grant in aid	11,308	–	10,978	–
Post Office network reform	42	42	168	168
Market frameworks	67	67	66	66
Science and research	521	6,730	486	6,342
International Climate Fund	291	297	244	247
Renewable Heat Incentive	846	846	818	818
Innovation programmes	125	610	113	596
Heat Infrastructure Team	29	29	2	2
Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund	151	151	–	–
Resource grants to central government bodies	588	588	–	–
Other grants	38	50	32	41
Total	**14,006**	**9,410**	**12,907**	**8,280**

The allocation of grants between categories in the table above has been represented for 2018-19 based on the revised disclosure for 2019-20. This is solely a disclosure adjustment as the total grants were correctly reported in the BEIS 2018-19 Annual Report and Accounts.

Core Department

On 22 May 2019, British Steel Limited filed for compulsory liquidation. The court appointed Official Receiver took control of the company and, with the assistance of the EY Special Managers, was responsible for running an independent sales process. Owing to the difficulty and expense of the liquidation of a steel manufacturer, and the risk of personal liability arising from the operation of an insolvency involving a steel installation, the Official Receiver requested and was granted an indemnity from the Government.

The indemnity was given in respect of claims, proceedings, costs and expenses arising in the ordinary course of the Official Receiver's statutory functions as liquidator of the company. In providing the Official Receiver with an indemnity the Government enabled the Official Receiver to discharge his statutory duties through continuing to trade the business while undertaking an independent sales process during which a buyer was ultimately secured.

The total funding paid to the Official Receiver in the year to 31 March 2020 was £588 million and is shown in the above note. The funding was voted through the Supplementary Estimates laid before Parliament on 12 February 2020. On 9 March 2020, the sale of British Steel Limited to the Chinese Steelmaker Jingye Group was completed by the Official Receiver. During the financial year 2020-21 there will continue to be funding provided to the Official Receiver to complete the wind up of British Steel Ltd including assets not purchased by Jingye. The total cost of the liquidation will fluctuate until the liquidation accounts are finalised.

In April 2019 HMG entered into a commercial agreement with British Steel to allow it to meet its EU ETS obligations. Under a Deed of Forfeiture HMG bought £119 million of EU ETS allowances to meet British Steel's 2018 EU ETS liability. In return, the Core Department received all 5.6 million of British Steel's 2019 free allocation of ETS allowances when allocated in February 2020, which are included within intangible assets in note 8.

5. Finance expense

	2019-20 Core Department and Agencies £m	2019-20 Departmental Group £m	2018-19 restated Core Department and Agencies £m	2018-19 restated Departmental Group £m
Change in fair value – financial assets	(113)	50	(214)	(150)
Net loss/(gain) on foreign exchange	–	(1)	–	2
Unrealised foreign exchange rate losses	1	1	2	2
Bank charges	–	–	–	1
Interest payable	–	36	–	33
Expected return on funded pension scheme assets	–	(39)	–	(41)
Interest on pension liabilities	–	38	–	38
Borrowing costs on provisions	(13)	(103)	(37)	(3,660)
Total	**(125)**	**(18)**	**(249)**	**(3,775)**

Finance expense – Changes in fair value – financial assets and Unrealised foreign exchange rate losses have been restated, see note 26 for further details.

In 2018-19 and 2019-20, the HM Treasury prescribed nominal and inflation rates were positive. However, the resulting real discount rates remained negative in 2018-19 and 2019-20, leading to a negative expense for borrowing costs on provisions. The borrowing costs on provision negative expense is primarily driven by the unwind of the discount on the NDA's nuclear decommissioning provision. The 2019-20 equivalent real discount rate for cash outflows expected after ten prescribed by HM Treasury has reduced to (0.01%) from (0.11%) in 2018-19, this has resulted in a reduction in the borrowing cost negative expense on the nuclear decommissioning provision. Further detail of the movements in provisions can be found in note 18.1 for Nuclear provisions and note 18.2 for Other provisions.

6. Income

6.1 Operating income

	2019-20 Core Department and Agencies £m	2019-20 Departmental Group £m	2018-19 Core Department and Agencies £m	2018-19 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	148	317	139	250
Levy income	11	3,347	10	1,212
Sales of goods and services	10	804	11	936
Miscellaneous income	6	82	8	99
Other income				
European Union funding	1	20	4	26
Current grants and capital grants	81	228	102	262
Coal pension receipts	–	–	475	475
Total	**257**	**4,798**	**749**	**3,260**

In 2018-19, income of £475 million in relation to the final sum receivable from the September 2017 valuation of the Mineworkers' Pension Scheme was recognised. Further cash was received in 2019-20 which is reducing the Coal Pension receivables disclosed in note 14.

Capacity Market supplier charge income relating to the 2018/19 Delivery Year has been recognised in Levy Income in 2019-20 due to the suspension of the Capacity Market in 2018-19. £1,483 million of Capacity Market supplier charge income has been recognised in 2019-20 (2018-19: £176 million) (see note 1.26).

Included in the sales of goods and services line above is £703 million of income from the NDA (2018-19: £828 million) relating to contract income under IFRS 15. The most significant contracts of the Departmental Group are held by the 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] £m	[B] £m	Of which £m: 2020-2025	2026-2038	2039-2087
Spent fuel reprocessing and associated waste management	Spent fuel storage	12	710	53	138	519
	Interim storage wastes	85	419	419	0	0
	Treatment of wastes	64	314	314	0	0
	Storage of treated wastes	4	172	20	52	100
	Storage of products	19	840	84	219	537
Spent fuel receipts	Receipt of spent fuel	215	4,076	1,644	2,432	0
Other storage contracts	Storage of materials	67	1,087	299	579	209
Storage and destorage of residues	Storage	4	10	10	0	0
	Destorage	1	24	21	3	0
Waste substitution	Destorage	0	72	47	25	0
Legacy waste management	Waste management	6	171	171	0	0
Transfer of ownership of materials and flasks		166	0	0	0	0
Total		**643**	**7,895**	**3,082**	**3,448**	**1,365**

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

	2019-20 Core Department and Agencies £m	2019-20 Departmental Group £m	2018-19 restated Core Department and Agencies £m	2018-19 restated Departmental Group £m
Effective Interest for FVTPL assets	25	25	30	30
Effective Interest for amortised cost assets	29	29	36	36
Interest income for amortised cost assets	10	84	10	74
Interest income for FVTPL assets	10	54	7	63
Dividend income for FVTPL assets held at the period end	–	97	–	122
Dividend income from investments in joint ventures, associates and public dividend capital	138	45	131	45
Total	**212**	**334**	**214**	**370**

Core Department

In 2019-20 the Core Department recognised dividend income of £138 million (2018-19: £131 million). This includes a dividend of £94 million from Enrichment Holdings Limited (EHL) (2018-19: £87 million), which is eliminated on consolidation. In the Departmental Group accounts, EHL is consolidated and its investment in URENCO is recognised as an associate. The Department recognises its share of URENCO's profit for the year in Other operating expenditure and a fair value movement in Other Comprehensive Income.

Departmental Group

In 2019-20 the Departmental Group received dividend income of £142 million (2018-19: £168 million restated), comprising distributions from investment funds and dividend income of £90 million (2018-19: £119 million restated) recognised from BIS (Postal Services Act 2011) Company. See note 26 for further details.

7. Property, plant and equipment

Departmental Group 2019-20	Land £m	Buildings £m	Dwellings £m	Leasehold Improvements £m	Information Technology £m	Plant and Machinery £m	Furniture, Fixtures and Fittings £m	Transport Equipment £m	Assets under Construction £m	Total £m
Cost or valuation										
Balance at 1 April 2019	**243**	**2,471**	**41**	**56**	**257**	**6,204**	**22**	**328**	**582**	**10,204**
Additions	–	7	–	1	11	43	3	4	226	295
Disposals	–	(3)	–	(1)	(53)	(127)	(1)	(65)	(7)	(257)
Impairments	–	–	–	–	–	(14)	–	–	(9)	(23)
Transfers in/(out) of boundary	10	–	–	–	–	–	–	–	(2)	8
Reclassifications	4	87	–	15	19	36	2	10	(173)	–
Revaluations	14	18	1	–	–	19	–	9	19	80
At 31 March 2020	**271**	**2,580**	**42**	**71**	**234**	**6,161**	**26**	**286**	**636**	**10,307**
Depreciation										
Balance at 1 April 2019	**(7)**	**(1,000)**	**–**	**(32)**	**(191)**	**(5,207)**	**(13)**	**(221)**	**–**	**(6,671)**
Charged in year	(1)	(49)	(1)	(5)	(29)	(132)	(2)	(12)	–	(231)
Disposals	–	2	–	1	51	107	1	64	–	226
Impairments	–	–	–	–	(3)	–	–	–	–	(3)
Reclassifications	(22)	22	–	–	–	3	–	(3)	–	–
Revaluations	2	(10)	1	–	–	(11)	–	(5)	–	(23)
At 31 March 2020	**(28)**	**(1,035)**	**–**	**(36)**	**(172)**	**(5,240)**	**(14)**	**(177)**	**–**	**(6,702)**
Carrying amount at 31 March 2020	**243**	**1,545**	**42**	**35**	**62**	**921**	**12**	**109**	**636**	**3,605**
Carrying amount at 1 April 2019	**236**	**1,471**	**41**	**24**	**66**	**997**	**9**	**107**	**582**	**3,533**
Asset financing:										
Owned	190	1,527	42	35	61	921	12	109	636	3,533
Finance leased	53	18	–	–	–	–	–	–	–	71
On balance sheet (SoFP) PFI and other service concession arrangements	–	–	–	–	1	–	–	–	–	1
Carrying amount at 31 March 2020	**243**	**1,545**	**42**	**35**	**62**	**921**	**12**	**109**	**636**	**3,605**
Of the total:										
Core Department and Agencies	18	110	–	30	9	78	5	–	56	306
NDPBs and other designated bodies	225	1,435	42	5	53	843	7	109	580	3,299
Carrying amount at 31 March 2020	**243**	**1,545**	**42**	**35**	**62**	**921**	**12**	**109**	**636**	**3,605**

Departmental Group 2018-19	Land £m	Buildings £m	Dwellings £m	Leasehold Improvements £m	Information Technology £m	Plant and Machinery £m	Furniture, Fixtures and Fittings £m	Transport Equipment £m	Assets under Construction £m	Total £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 the 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
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**

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 2020 were held by Nuclear Decommissioning Authority (NDA) and UK Research and Innovation (UKRI).

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.

The most significant valuations in the Departmental Group relate to land and buildings held by UKRI. Due to the COVID-19 pandemic and resulting lockdown, with consequential impacts on the economy, it is anticipated that there will be an effect on the indices used by UKRI to revalue their land and buildings in between professional valuations.

UKRI have estimated the potential financial impact of changes to those indices that are available as close to the year end as possible. The results all indicate some reduction in asset value ranging from 1.5% to the extreme case removing all upward revaluations recognised by UKRI in the year. This results in a potential movement of between £19.5 million and £52.4 million. Due to the unclear reliability of indices over the period and the coming months, and UKRI management's view that any fall in values for their land and buildings is likely to be temporary, current valuations have been maintained and not adjusted for any uncertain potential reduction.

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

8. Intangible assets

Departmental Group 2019-20	Information Technology £m	Software Licences £m	Websites £m	Patents £m	Licences & Others £m	Assets under Construction £m	Total £m
Cost or Valuation							
Balance at 1 April 2019	**157**	**97**	**1**	**318**	**–**	**24**	**597**
Additions	5	19	–	–	119	7	150
Disposals	(10)	(7)	–	–	–	(2)	(19)
Impairments	–	(1)	–	–	–	–	(1)
Reclassifications	(51)	61	–	–	–	(10)	–
Transfers in/(out)	4	–	–	–	–	(4)	–
Revaluations	–	–	–	13	(32)	–	(19)
At 31 March 2020	**105**	**169**	**1**	**331**	**87**	**15**	**708**
Amortisation							
Balance at 1 April 2019	**(127)**	**(54)**	**(1)**	**(248)**	**–**	**–**	**(430)**
Charged in year	(16)	(35)	–	(14)	–	–	(65)
Disposals	10	7	–	–	–	–	17
Reclassifications	59	(59)	–	–	–	–	–
At 31 March 2020	**(74)**	**(141)**	**(1)**	**(262)**	**–**	**–**	**(478)**
Carrying amount at 31 March 2020	**31**	**28**	**–**	**69**	**87**	**15**	**230**
Carrying amount at 1 April 2019	**30**	**43**	**–**	**70**	**–**	**24**	**167**
Asset financing:							
Owned	31	28	–	69	87	15	230
Carrying amount at 31 March 2020	**31**	**28**	**–**	**69**	**87**	**15**	**230**
Of the total:							
Core Department and Agencies	3	2	–	–	87	9	101
NDPBs and other designated bodies	28	26	–	69	–	6	129
Carrying amount at 31 March 2020	**31**	**28**	**–**	**69**	**87**	**15**	**230**

Departmental Group 2018-19	Information Technology £m	Software Licences £m	Websites £m	Patents £m	Licences & Others £m	Assets under Construction £m	Total £m
Cost or Valuation							
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							
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**

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.

Core Department

In April 2019 HMG entered into a commercial agreement with British Steel to allow it to meet its EU ETS obligations. Under a Deed of Forfeiture HMG bought £119 million of EU ETS allowances to meet British Steel's 2018 EU ETS liability. In return, the Core Department received all 5.6 million of British Steel's 2019 free allocation of ETS allowances when allocated in February 2020, which are included within intangible assets.

Departmental Group

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 2020 is £69 million (2018-19: £70 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).

CfDs

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 have been classified as derivatives in accordance with IFRS 9 ‘Financial Instruments’ 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 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 6 December 2019.

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 Hinkley Point C (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 2020 LCCC was counterparty to 73 contracts recognised in the accounts, including HPC and 22 CfD contracts signed in the year after the Allocation Round 3 (AR3) (at 31 March 2019: 53 contracts). During the year LCCC recognised the HPC CfD in the financial statements, as historically it was not recognised in the Statement of Financial Position.

Measurement differences relating to day one recognition

All CfDs (including Hinkley Point C) are issued for £nil consideration through the CfD auction process, this being deemed the transaction price. 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.

A single point valuation has been used for the recognition of HPC and AR3 CfDs, as the valuation as at 31 March 2020 is considered a reasonable proxy for the day one recognition. Therefore, in line with other CfDs, the measurement difference, being the difference between the transaction price and fair value of HPC and AR3 CfDs as at 31 March 2020, has been 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 (exc. HPC) £m	LCCC HPC £m	Departmental Group Total £m
CfD liability as at 31 March 2018 recognised on the Consolidated Statement of Financial Position	**–**	**15,892**	**–**	**15,892**
Re-measurement 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	–	–	2
Carrying value of non-current derivative liabilities as at 31 March 2019	**2**	**12,921**	**–**	**12,923**
Remeasurement of the CfD liability	–	4,406	–	4,406
Payments to the CfD generators	–	(1,803)	–	(1,803)
Deferred difference recognised during the year	–	940	–	940
CfD liability as at 31 March 2020 recognised on the Consolidated Statement of Financial Position	**–**	**16,464**	**–**	**16,464**
Other non-CfD liabilities as at 31 March 2020	–	–	–	–
Carrying value of non-current derivative liabilities as at 31 March 2020	**–**	**16,464**	**–**	**16,464**

During the year, the net movement of £5,346 million (2018-19: (£1,991 million)) 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	LCCC HPC £m	Departmental Group Total £m
Deferred measurement differences as 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**
Measurement differences deferred during the year	–	905	50,826	51,731
Deferred measurement differences recognised during the year	–	(940)	–	(940)
Deferred measurement differences as at 31 March 2020	**–**	**22,293**	**50,826**	**73,119**

Fair value measurement of CfDs

The fair value of CfDs 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 provides an analysis of financial instruments which are measured subsequent to initial recognition at fair value and grouped into input 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 2019	–	–	35,249	35,249
Balance at 31 March 2020	–	–	89,583	89,583

Comparative values in the table above exclude the liability for Hinkley Point C CfD as this CfD was recognised in the current year. In the current year the fair value attributable to Hinkley Point C CfD is £50.8 billion.

Reconciliation of CfDs

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	LCCC HPC £m	Departmental Group Total £m
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**
Recognition of Hinkley Point C CfD during the year	–	50,826	50,826
Additions during the year	905	–	905
Change in fair value during the year	4,406	–	4,406
Payments to the CfD generators	(1,803)	–	(1,803)
Balance at 31 March 2020	**38,757**	**50,826**	**89,583**

Key inputs and underlying assumptions for CfDs

For the key inputs into the model, the underlying assumptions are set out below.

Estimated future forecast wholesale electricity prices

Forecast wholesale electricity prices used to estimate the fair value of CfDs 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:

- calculating the short run marginal cost (SRMC) of each plant (including a representation of plants in interconnected markets), taking account of start-up and shut-down costs
- calculating the available output of intermittent renewables
- calculating the half hourly demand for electricity by taking into account demand side response
- determining the marginal plant required to meet demand

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, LCCC's management has used the DDM reference case to calculate the fair value and the impact of low and high cases have been disclosed within sensitivities. Low and high cases have also been published by the Department and are based on the Department's fossil fuel price assumptions for 2019, which presents low and high assumptions for the wholesale prices of oil, gas and coal.

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 £2.3 billion to the valuation.

Estimated future wholesale electricity generation

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. The valuation uses the latest estimate from generators on the start date.

The Target Commissioning Dates for reactor one and reactor two of the Hinkley Point C 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.

c. 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. 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.

The Hinkley Point C CfD does not have an installed capacity cap and is only entitled to CfD payment support up to a generation cap of 910,000,000 MWh.

d. 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.

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 2020-21 strike price and reflects the CPI rate for January 2020 in-line with the requirements of the CfD contract.

The relevant strike price for the Hinkley Point C CfD is specified at £92.50/MWh 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 and balance charges, the event of certain qualifying changes in law, or the additional factors discussed below. 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. The LCCC's management's assumption with regards to Sizewell C has not changed since last year hence the use of £92.50/MWh in calculating the fair value of Hinkley Point C CfD.

Equity gain share for Hinkley Point C

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

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

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

No adjustment to the valuation has been made for equity gain share on the grounds that none of the conditions outlined have been met.

Construction gain share for Hinkley Point C

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

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

No adjustment to the valuation has been made for construction gain share on the grounds that there has not been any construction gain during the year.

OPEX reopener for Hinkley Point C

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

No adjustment to the valuation has been made for OPEX reopener on the grounds that the OPEX reopener dates have not yet been reached.

Sensitivity Analysis

Long term system forecasts are not generally seen as a single most likely outcome with degrees of uncertainty either side. Rather there are multiple sets of inputs that are internally consistent and credible. A set of these inputs is usually used as a ‘scenario’ and multiple deliberately different scenarios are used to illustrate different possible futures when undertaking long term forecasting. Therefore, individual forecasts may use a very different set of assumptions such as generation mix, carbon and fuel costs, electricity demand and interconnector capacity, but still be within what we would describe as the ‘universe of reasonableness’.

In order to value the CfD liabilities LCCC’s management have used future wholesale electricity prices derived from the selected DDM reference case scenario. The Department has been able to estimate wholesale electricity prices out to 2060 by effectively ‘freezing’ the 2050 model for all subsequent years. The main driver facilitating the Department’s ability to do this has been the government’s commitment in the year to bring all greenhouse gas emissions to Net Zero by 2050 (this giving more certainty over potential generation mixes into the future).

The two reference case scenarios provided (with alternative levels of demand) represents the Department’s view of the optimal generation mix (from the perspective of whole system costs) to achieve net zero by 2050. The reference case scenario that was deemed the most reasonable estimate of the two by management and used for the valuation produces a forecast price of £39.81 per MWh in 2040 and £37.55 per MWh in 2050 (and 2060). These represent the Department’s view of the optimal generation mix from the perspective of whole system cost to achieve net zero by 2050 based on low and high assumptions for future wholesale prices of oil, gas and coal. Under these high/low fossil fuel prices scenarios the forecast price is £42.41/£33.53 per MWh in 2040 and

£42.04/£33.35 per MWh in 2050 (and 2060). The impact on the CfD valuation of using these alternative scenarios is shown in the table below.

It should be noted that independent third-party forecasters may use a very different set of assumptions for their net zero by 2050 scenarios (e.g. different generation mix, commodity prices, carbon prices, electricity demand and/or interconnector capacity) and that these different assumptions may produce a future electricity price outside of the bounds of the range implied by the DDM high and low demand cases. Independent third-party forecasters with a more pessimistic view on decarbonisation may also use scenarios under which net zero is achieved at a later date. These scenarios will also use different generation mix, commodity price and electricity demand assumptions and may produce electricity prices further outside the bounds of the range implied by the DDM high and low cases.

Having undertaken appropriate due diligence management is satisfied that, whilst significant, the estimation uncertainty associated with future wholesale electricity prices is not fundamental as to prevent recognition. Available independent third-party price forecasts that management have reviewed indicate a forecasting range of £16.20-£64.87 per MWh at 2040 and £14.72-£64.82 per MWh at 2050. It should be noted however that this range may not represent the full range of market views.

An additional element in the calculation of the CfD liability is the discount rate that is applied. 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 years of a present value calculation. As in the previous year the LCCC has used the HM Treasury discount rate of 0.7% for valuing financial instruments such as CfDs. In the table below we have illustrated the impact of using a different rate (the social discount rate of 3.5%, as published in the HM Treasury Green Book).

The following table shows the impact on the fair value of CfDs, classified under level 3, by applying reasonably possible alternative assumptions to the valuation obtained using DDM. Due to the significance and uniqueness of Hinkley Point C CfD the impact (and certain assumptions) have been shown separately.

	Favourable/ (Unfavourable) changes HPC CfD	Favourable/ (Unfavourable) changes Other CfDs	Favourable/ (Unfavourable) changes Total Impact
	£m	£m	£m
Change in fair value of CfDs if:			
DDM High Case	4,083	8,815	12,898
DDM Low Case	(4,552)	(5,866)	(10,418)
Discount rate of 3.5%	23,109	7,081	30,190
Specific to CfDs exc. HPC:			
10% more load factor	–	(3,876)	(3,876)
10% less load factor	–	3,876	3,876
Estimated Commissioning Date moves backward by one year	–	(414)	(414)
Generation starts at the earliest possible date	–	90	90
Specific to HPC CfD:			
At generation cap	(28)	–	(28)
10% less load factor	5,083	–	5,083
Generation starts at the earliest possible date	55	–	55
Generation start date delayed by 15 months	(65)	–	(65)
Sizewell C strike price adjustment	2,709	–	2,709

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 the CfDs due to the change in the level of cash flows. As the sensitivity analysis illustrates, the overall fair value movements are subject to material uncertainty.

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. Comparative values in the table below exclude the liability for HPC as the HPC CfD was recognised in the current year.

	Fair value of CfDs £m	Valuation technique	Significant unobservable input	Range Min – Max	Units
2019	35,249	DCF	Electricity prices	44.55 – 67.73	£/MWh
2020	89,583	DCF	Electricity prices	32.69 – 60.46	£/MWh

10. Investments and loans in other public sector bodies

	Ordinary shares £m	Public Dividend Capital £m	Other investments and loans £m	Core Department and Agencies Total £m	Elimination of shares and other investments and loans held in NDPBs £m	NDPBs Ordinary Shares £m	Departmental Group Total £m
Balance at 1 April 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**
Additions	19	–	238	**257**	(148)	–	**109**
Redemptions	–	(16)	(1)	**(17)**	–	–	**(17)**
(Impairments)/ Impairment reversal	(39)	–	–	**(39)**	39	–	**–**
Revaluations	(162)	–	20	**(142)**	(20)	44	**(118)**
Loans repayable within 12 months transferred to current assets	–	–	(15)	**(15)**	(11)	–	**(26)**
Balance at 31 March 2020	**2,297**	**65**	**1,030**	**3,392**	**(2,219)**	**533**	**1,706**

10.1 Ordinary Shares in other public sector bodies

	31 March 2020		31 March 2019	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Balance at 1 April	**2,479**	**1,404**	**2,346**	**1,337**
Additions	19	19	125	–
(Impairments)/Impairment reversal	(39)	–	(30)	–
Revaluations	(162)	(118)	38	67
Balance at 31 March	**2,297**	**1,305**	**2,479**	**1,404**
Comprising				
Ordinary Shares held within the Departmental boundary – held at cost	1,524	–	1,564	–
Ordinary Shares held outside the Departmental boundary – held at fair value	773	1,305	915	1,404
Balance at 31 March	**2,297**	**1,305**	**2,479**	**1,404**

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 through the Secretary of State (SoS) holds 1,496,407,933 ordinary shares (31 March 2019: 1,496,407,933), each with a nominal value of £1. The Core Department made £nil (31 March 2019: £125 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 2020 (31 March 2019: £1,496 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 (UKGIP)

The Core Department through the SoS holds 90% of the share capital of UK Green Infrastructure Platform Limited in the form of 900 ordinary shares (31 March 2019: 900), each with a nominal value of £1.

UKGIP's share capital 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 £25 million at 31 March 2020 (31 March 2019: £65 million). The total loan outstanding at 31 March 2020 was £nil (31 March 2019: £8 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 though the SoS 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 2020 (31 March 2019: £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 through the SoS 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 through the SoS 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 through the SoS 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 through the SoS 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 through the SoS 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 Core Department through the SoS holds 50,005 ordinary shares in PSH which is 100% of the issued share capital at a historic cost of £430 million at 31 March 2020 (31 March 2019: £430 million). The Core Department through the SoS 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 2020 (31 March 2019: £nil). 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 Post Office Limited (POL), which prior to cessation were transferred to the Core Department.

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 through the SoS 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 2020 was £145 million (31 March 2019: £256 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 2020 was £325 million (31 March 2019: £324 million).

Ordnance Survey Limited (OSL)

The Core Department through the SoS 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 2020 was £151 million (31 March 2019: £179 million).

The principal objective of OSL is to produce mapping products and mapping data information.

NPL Management Limited (NPLML)

The Core Department through the SoS holds 76 ordinary shares in NPLML which is 100% of the issued share capital.

NPLML has been set up to manage and operate the National physical laboratory.

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 2020 was £70 million (31 March 2019: £78 million).

NNL Holdings Limited (NNLH)

The Core Department through the SoS 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 2020 was £81 million (31 March 2019: £79 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 £533 million as at 31 March 2020 (31 March 2019: £489 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 £m	UK Intellectual Property Office £m	Met Office £m	Total £m
Balance at 1 April 2018	**16**	**6**	**59**	**81**
Additions	–	–	–	–
Redemptions	–	–	–	–
Impairments	–	–	–	–
Balance at 31 March 2019	**16**	**6**	**59**	**81**
Additions	–	–	–	–
Redemptions	(16)	–	–	(16)
Impairments	–	–	–	–
Balance at 31 March 2020	**–**	**6**	**59**	**65**

PDC is held by the Core Department. In accordance with the FReM, PDC is carried at historical cost less any impairment.

The Office of National Statistics (ONS) determines whether an entity is classified to the public sector and if classified to the public sector, whether an entity is included in the consolidation boundary for a department, in 2018-19 the ONS reclassified Companies House from a public corporation (a non-consolidated public body) to a central government body (a consolidated body). This will result in Companies House being consolidated into the Departmental Group accounts, this will occur, once Companies House's legal trading fund status has been revoked. The Revocation Order Statutory Instrument (SI) 2019: No.1337, was laid on 15 October 2019 and comes into force on 1 April 2020. Therefore, Companies House will be consolidated in the 2020-21 Departmental Group accounts. See note 27 for further details.

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 2019	79	93	259
Turnover	72	100	239
Surplus/profit (deficit/loss) for the year before financing	4	5	3
Net Assets/(Liabilities) at 31 March 2020	57	93	273
Turnover	72	111	249
Surplus/profit (deficit/loss) for the year before financing	(2)	5	15

For all bodies, information for 2019-20 was derived from their draft unaudited accounts. The information for 2018-19 was derived from their audited accounts. The accounts were prepared on an IFRS basis, in accordance with the requirements of the FReM.

10.3 Loans in public sector bodies

	31 March 2020		31 March 2019	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Balance at 1 April	**788**	**273**	**569**	**211**
Additions	238	90	305	79
Repayments	(1)	(1)	(24)	–
Unwind of discount	–	–	1	–
Revaluations	20	–	–	–
Loans repayable within 12 months transferred to current assets	(15)	(26)	(63)	(17)
Balance at 31 March	**1,030**	**336**	**788**	**273**

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 £255 million at 31 March 2020 (31 March 2019: £212 million). The non-current element of the loans is £202 million at 31 March 2020 (31 March 2019: £169 million) included in the table above; the current element of these loans is £53 million at 31 March 2020 (31 March 2019: £43 million), which is included in note 15. The loans are accounted for at amortised cost under IFRS 9.

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 total carrying amount of the Fleetbank Funding Limited loan is £410 million at 31 March 2020 (31 March 2019: £339 million). The non-current element of the loans is £410 million at 31 March 2020 (31 March 2019: £303 million) included in the table above; the current element of these loans is £nil at

31 March 2020 (31 March 2019: £36 million), which is included in note 15. The loans are accounted for at amortised cost under IFRS 9.

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 £140 million at 31 March 2020 (31 March 2019: £109 million). The loans are accounted for at cost under IAS 27.

These loans are to consolidated bodies and are eliminated on consolidation.

Met Office Loans

The Core Department's loan with the Met Office funds UK membership of EUMETSAT. EUMETSAT is a non-EU international organisation set up to develop, launch and monitor meteorological satellites which provide global data for weather forecasting.

The total carrying amount of the Met Office loan is £118 million at 31 March 2020 (31 March 2019: £91 million). The non-current element of the loans is £104 million at 31 March 2020 (31 March 2019: £81 million) included in the table above; the current element of these loans is £14 million at 31 March 2020 (31 March 2019: £10 million), which is included in note 15. The loans are accounted for at amortised cost under IFRS 9.

These loans are to non-consolidated bodies and are not 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.
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.

Body in which Share is held and type and value of Share	Significant terms of Shareholding
British Energy Bond Finance Limited (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.
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 2020 was £nil (31 March 2019: £nil).

11. Other financial assets

		31 March 2020		31 March 2019 restated	
		Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	Note	£m	£m	£m	£m
Balance at 1 April		**1,196**	**4,118**	**1,170**	**4,336**
IFRS 9 adjustments		–	–	–	(423)
Revised balance at 1 April		**1,196**	**4,118**	**1,170**	**3,913**
Additions		3	1,246	25	1,171
Repayments		(346)	(1,172)	(236)	(1,051)
Effective interest		25	25	29	29
Unwinding of discount		–	–	–	2
Revaluations		89	(37)	212	100
Impairments		–	(60)	(4)	(69)
Impairment reversals		–	–	–	23
Balance at 31 March		**967**	**4,120**	**1,196**	**4,118**
Comprising:					
Repayable launch investments	11.1	833	833	1,058	1,058
Other loans and investments	11.2	134	3,287	138	3,060
Balance at 31 March		**967**	**4,120**	**1,196**	**4,118**

Other financial assets – Other loans and investments have been restated, see note 26 for further details.

Other financial assets analysed between current and non-current assets:

	31 March 2020		31 March 2019 restated	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Due within twelve months	–	–	–	–
Due after twelve months	967	4,120	1,196	4,118
Total	**967**	**4,120**	**1,196**	**4,118**

11.1 Repayable launch investments

	31 March 2020		31 March 2019	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Balance at 1 April	**1,058**	**1,058**	**1,047**	**1,047**
Repayments	(340)	(340)	(230)	(230)
Effective interest	25	25	29	29
Revaluations	90	90	212	212
Balance at 31 March	**833**	**833**	**1,058**	**1,058**

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.

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 2.35% 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 2020 was £833 million (31 March 2019: £1,058 million). The historic cost, including repayments to date and excluding accrued income, of the portfolio at 31 March 2020 was £279 million (31 March 2019: £389 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 £772 million and £866 million respectively, at 31 March 2020 (2018-19: £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 valuation has sought to take account of the economic downturn as a result of COVID-19 and this has been reflected in updated forecasts. 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 ongoing 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). Some contacts have fixed payment terms rather than payments on delivery of aircrafts, mitigating the market risk further.

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 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**	**–**	**–**	**–**	**–**	**37**	**(461)**	**(423)**
Balance at 1 April 2018 restated	**58**	**14**	**661**	**–**	**99**	**–**	**–**	**1,902**	**132**	**2,866**
Additions	8	–	391	–	108	–	–	655	7	**1,169**
Redemptions	(25)	(1)	(228)	–	(24)	–	–	(515)	(28)	**(821)**
Revaluations	–	–	–	–	(16)	–	–	(54)	(43)	**(113)**
Unwinding of discount	2	–	–	–	–	–	–	–	–	**2**
Impairments	–	–	(63)	–	(3)	–	–	–	–	**(66)**
Impairment reversal	–	–	23	–	–	–	–	–	–	**23**
Balance at 31 March 2019 restated	**43**	**13**	**784**	**–**	**164**	**–**	**–**	**1,988**	**68**	**3,060**
Additions	6	–	604	–	22	–	–	608	6	**1,246**
Repayments	(8)	(7)	(450)	–	(17)	–	–	(320)	(30)	**(832)**
Revaluations	–	–	–	–	(8)	–	–	(75)	(44)	**(127)**
Impairments	–	–	(61)	–	–	–	–	1	**–**	**(60)**
Balance at 31 March 2020	**41**	**6**	**877**	**–**	**161**	**–**	**–**	**2,202**	**–**	**3,287**
Of the total:										
Core Department and Agencies	–	–	2	–	44	–	–	88	–	**134**
NDPBs and other designated bodies	41	6	875	–	117	–	–	2,114	–	**3,153**
Balance at 31 March 2020	**41**	**6**	**877**	**–**	**161**	**–**	**–**	**2,202**	**–**	**3,287**

Other financial assets – Other loans and investments – Investment Funds have been restated, see note 26 for further details.

NDPBs and other designated bodies

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 at 31 March 2020, £877 million of loans were held by NDPBs and other designated bodies (31 March 2019: £784 million).

The value of loans held by BBB as at 31 March 2020 was £500 million (31 March 2019: £432 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 £50 million (31 March 2019: £26 million) to private companies through the BFP Small Business scheme. BBB provides invoice discount finance and peer to peer lending through the Investment Programme funds which were valued at £257 million at 31 March 2020 (31 March 2019: £233 million). BBB provides loans to start ups and small businesses via The Start Up Loans Company which were valued at £110 million at 31 March 2020 (31 March 2019: £137 million). The amortised cost valuations include Expected credit loss (ECL) provisions taking account of the impacts of Covid-19 based on the available information at the reporting date. Further information on the ECL provisions are given in note 22.

During 2019-20, FFL made loans of £288 million (31 March 2019: £141 million) to private companies through the Enable Loan Programme scheme. The value of loans held by FFL as at 31 March 2020 was £366 million (31 March 2019: £330 million).

As part of the review undertaken on financial instruments on transition to IFRS 9 on 1 April 2018, it was identified that £61 million of financial instruments held by BBB that were disclosed as Investment funds, and would be more appropriately disclosed as a private sector loan. The balance at 31 March 2018 was transferred to the Private sector loan category. Remeasurement of the loan value including related expected credit losses led to an adjustment on adoption of IFRS 9 of £2 million to BBB's private sector loans.

Private sector shares, Equities (listed securities) and Private equities

At 31 March 2020 the Departmental Group held £161 million of private sector shares (31 March 2019: £164 million). These were held by BIS (Postal Services Act 2011) Company Ltd, Nesta Trust, and UKRI. These are measured at 'fair value through profit or loss', with fair value movements going directly to the SoCNE.

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 Valuation (IPEV) 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.

Nesta Trust holds the majority of private sector shares – they include holdings in a range of large companies and smaller early stage investments with a total value at 31 March 2020 of £98 million (31 March 2019: £104 million).

Private sector shares were split between listed securities and private equities as at 31 March 2018. Following the IFRS 9 review, reclassification between categories was made to ensure a consistent disclosure in 2018-19. 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.

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 2020 was £2,202 million (31 March 2019: £1,988 million restated). 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.

BBB held investment funds valued at £1,495 million at 31 March 2020 (31 March 2019: £1,281 million). The most significant investment is in the Business Finance Partnership (BFP) for medium sized businesses at 31 March 2020, this was valued at £408 million (31 March 2019: £435 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 £252 million at 31 March 2020 (31 March 2019: £222 million), and a long-term venture and growth capital investment fund in British Patient Capital valued £316 million at 31 March 2020 (31 March 2019: £198 million). The fair values of the Investment Funds held by BBB are based on valuations at 31 December 2019 updated for cash movements. They do not include any valuation adjustment calculated by the fund managers to take account of the impact of Covid-19 on the valuations at 31 March 2020. The expected fair value adjustment based on draft fund mangers reports of between -2% to -6% of the fair value of the Investment funds held by BBB has not been included in the BBB valuations at 31 March 2020 as it would be an immaterial adjustment.

The fair value of the investments in BPSA as at 31 March 2020 was £215 million (31 March 2019 restated: £274 million). These investments primarily comprised investments in European and North American unquoted shares. The fair value of the Investment Funds held by BPSA include a valuation adjustment of circa -8% calculated by the fund managers to take account of the impact of Covid-19 on the valuations at 31 March 2020.

In 2017-18, prior to the adoption of IFRS 9, under IAS 39 Investment Funds 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.

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.

In addition, the IFRS 9 adjustment – other has been restated by £6 million due to the BPSA restatement along with the prior year in-year movements as explained in note 26.

12. Recoverable contract costs

The Departmental 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 2020 were £1,425 million (31 March 2019: £1,620 million).

Recoverable contract costs relating to nuclear provisions	Departmental Group 31 March 2020 £m	Departmental Group 31 March 2019 £m
Gross recoverable contract costs	**5,087**	5,046
Less applicable payments received on account	(3,304)	(3,092)
Less associated contract loss provisions	(358)	(334)
Balance at 31 March	**1,425**	**1,620**

The above balances relate to the Nuclear Decommissioning Authority. The movements in gross recoverable contract costs during the year were:

Movements in gross recoverable contract costs	Departmental Group 31 March 2020 £m	Departmental Group 31 March 2019 £m
Gross recoverable contract costs at 1 April	**5,046**	**7,081**
Increase/(decrease) in year	334	(1,510)
Unwinding of discount	(7)	(83)
Release in year – continuing operations	(185)	(276)
Amortisation of recoverable contract costs	(101)	(166)
Balance at 31 March	**5,087**	**5,046**

The gross balance of recoverable contract costs of £5,087 million (31 March 2019: £5,046 million) comprises £1,516 million (31 March 2019: £1,617 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 £3,571 million (31 March 2019: £3,429 million) of probable future costs which form part of the nuclear decommissioning provision (note 18.1) 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 2019-20			Departmental Group 2018-19		
	Historic costs £m	Future costs £m	Total costs £m	Historic costs £m	Future costs £m	Total costs £m
Balance at 1 April	**1,617**	**3,429**	**5,046**	**1,783**	**5,298**	**7,081**
Increase/(decrease) in the year	–	334	334	–	(1,510)	(1,510)
Unwinding of discount	–	(7)	(7)	–	(83)	(83)
Amortisation	(101)	–	(101)	(166)	–	(166)
Release in year	–	(185)	(185)	–	(276)	(276)
Balance at 31 March	**1,516**	**3,571**	**5,087**	**1,617**	**3,429**	**5,046**

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 2019-20			Departmental Group 2018-19		
	Spent fuel reprocessing and associated waste management	Spent fuel receipt and management	Total	Spent fuel reprocessing and associated waste management	Spent fuel receipt and management	Total
	£m	£m	£m	£m	£m	£m
Balance at 1 April	**1,026**	**591**	**1,617**	**1,162**	**621**	**1,783**
Amortisation	(71)	(30)	(101)	(136)	(30)	(166)
Balance at 31 March	**955**	**561**	**1,516**	**1,026**	**591**	**1,617**

Contract assets under IFRS 15 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 2020		31 March 2019	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Balance at 1 April	**–**	**1,039**	**–**	**367**
Opening balance transfer of investments	–	–	–	461
Revised balance at 1 April	**–**	**1,039**	**–**	**828**
Additions	–	30	–	37
Dividends	–	(94)	–	(87)
Disposals	–	(2)	–	–
Profit/(Loss)	–	(5)	–	186
Impairments	–	–	–	(1)
Revaluations	–	(1)	–	76
Balance at 31 March	**–**	**967**	**–**	**1,039**

NDPBs and other designated bodies

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 2019: 42%) of the ordinary shares in the Crick. 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 Crick became fully operational in 2016-17 following the completion of the Crick building. The value of the Departmental Group’s investment at 31 March 2020 is £299 million (31 March 2019: £304 million), reflecting Departmental Group’s share of net assets. This includes a £8 million upwards revaluation adjustment in 2019-20 (2018-19: £48 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	2019-20 £m	2018-19 £m
Current assets	56	85
Non-current assets	561	559
Current liabilities	(35)	(34)
Revenue	162	153
Profit/(loss) from continuing activities	(29)	4

Other financial information	2019-20 £m	2018-19 £m
Cash and cash equivalents	30	34
Depreciation and amortisation	(39)	(39)
Capital commitments	3	4

URENCO

URENCO is an international supplier of enrichment services. The Department holds 33% (31 March 2019: 33%) of the ordinary share capital through Enrichment Holdings Limited. From the adoption of IFRS 9, the Department has accounted for its investment in URENCO as an associate rather than a financial investment. At 31 March 2020, the Department's holding is valued at £444 million (2018-19: £551 million)

The principal place of business is Bells Hill, Stokes Poges, Buckinghamshire.

Summarised financial information	2019-20 £m	2018-19 £m
Current assets	1,340	804
Non-current assets	4,227	4,846
Current liabilities	(339)	(351)
Non-current liabilities	(3,614)	(3,646)
Revenue	1,582	1,732
Profit/(loss) from continuing activities	7	452

Other financial information	2019-20 £m	2018-19 £m
Cash and cash equivalents	275	216
Current financial liabilities (excl trade and other payables and provisions)	(31)	(30)
Non-current financial liabilities (excl trade and other payables and provisions)	(1,561)	(1,848)
Depreciation and amortisation	(312)	(284)
Amortisation of intangible assets	–	(7)
Interest income	65	61
Interest expense	(159)	(155)

14. Trade and other receivables

	31 March 2020		31 March 2019 restated	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Amounts falling due within one year:				
Trade receivables	171	1,251	109	740
Other receivables:				
VAT and other taxation	21	176	22	144
Staff receivables	1	2	2	3
RPS receivables	30	30	57	57
Other	177	250	143	184
Contract Assets	12	109	6	38
Prepayments and accrued income	126	440	108	399
	538	**2,258**	**447**	**1,565**
Amounts falling due after more than one year:				
Trade receivables	9	61	9	59
RPS receivables	42	42	–	–
Other receivables	689	699	804	833
Contract Assets	–	6	–	5
Prepayments and accrued income	–	40	–	41
	740	**848**	**813**	**938**
Total receivables at 31 March	**1,278**	**3,106**	**1,260**	**2,503**

Trade and other receivables has been restated, see note 26 for further details.

Core Department

Other receivables held by the Core Department include a discounted receivable of £808 million (31 March 2019: £920 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 amount receivable by the Core Department within 1 year is £142 million (31 March 2019: £142 million), with the amount receivable not within 1 year £666 million (31 March 2019: £778 million).

The undiscounted amount is £916 million (31 March 2019: £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%. No additional income was recognised in 2019-20 (2018-19: £475 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 24. More information about the pension schemes can be found at http://www.mps-pension.org.uk and https://www.bcsss-pension.org.uk.

Agencies

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 £72 million as at 31 March 2020 (31 March 2019: £57 million). 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 6% for non-preferential and 37.8% for preferential (31 March 2019: 5.5% for non-preferential and 40.7% for preferential).

15. Investments and loans in public sector bodies: current

	31 March 2020		31 March 2019	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Balance at 1 April	**666**	**620**	**732**	**732**
Additions	5,379	5,379	6,240	6,240
Repayments	(5,373)	(5,353)	(6,369)	(6,369)
Loans repayable within 12 months transferred from non-current assets	15	26	63	17
Balance at 31 March	**687**	**672**	**666**	**620**

Core Department

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, which was increased by a further £50m in December 2019 to £1,000 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 2020 was £602 million (31 March 2019: £565 million) which is included in the £687 million (31 March 2019: £666 million) above.

16. Cash and cash equivalents

	31 March 2020		31 March 2019 restated	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Balance at 1 April	**1,283**	**2,078**	**1,246**	**2,034**
Net change in cash and cash equivalent balances	(244)	80	37	44
Balance at 31 March	**1,039**	**2,158**	**1,283**	**2,078**
The following balances at 31 March were held at:				
The Government Banking Service (GBS)	1,038	1,881	1,282	1,828
Commercial banks and cash in hand	1	277	1	250
Balance at 31 March	**1,039**	**2,158**	**1,283**	**2,078**

Cash and cash equivalents has been restated, see note 26 for further details.

17. Trade payables and other liabilities

	31 March 2020		31 March 2019	
	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	132	10	108
Trade payables	38	580	79	195
Other payables	348	1,013	552	1,020
Contract liabilities (see note 17.1)	6	514	5	474
Other accruals and deferred income	1,342	3,139	979	2,569
Amounts issued from the Consolidated Fund for supply but not spent at year end	1,036	1,036	1,280	1,280
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund:				
Received	2	70	3	6
	2,782	**6,484**	**2,908**	**5,652**
Amounts falling due after more than one year:				
Trade Payables	–	4	–	7
Contract liabilities (see note 17.1)	–	1,479	–	1,691
Other payables, accruals and deferred income	883	984	1,141	1,203
	883	**2,467**	**1,141**	**2,901**
Total payables at 31 March	**3,665**	**8,951**	**4,049**	**8,553**

17.1 Contract liabilities

	31 March 2020		31 March 2019	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Balance at 1 April	5	2,165	–	–
IFRS 15 Adjustment to opening balances	–	–	–	2,290
Revised balance at 1 April	**5**	**2,165**	**–**	**2,290**
Additions	1	297	5	703
Release to SOCNE	–	(469)	–	(828)
Balance at 31 March	**6**	**1,993**	**5**	**2,165**
Of the total				
Due within 1 year	6	514	5	474
Due in over 1 year	–	1,479	–	1,691
Balance at 31 March	**6**	**1,993**	**5**	**2,165**

Included under accruals and deferred income are:

Core Department

Promissory note liabilities with maturities of less than one year of £380 million (31 March 2019: £284 million) and with maturities greater than one year of £926 million (31 March 2019: £1,140 million) which represent amounts owed for various ODA (Official Development Assistance) programmes to which the Core Department has contributed.

Other payables falling due within one year include £240 million (2018-19; £525 million) payable to the British Business Bank (BBB) relating to the un-invested portion of its loan from the Nuclear Liabilities Fund (NLF). Repayments of £285 million (2018-19; £75 million) were made in 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 £502 million (31 March 2019: £461 million) and after one year of £1,478 million (31 March 2019: £1,691 million); more details are available in the Nuclear Decommissioning Authority's accounts.

Included in Other payables due within one year in the table above is a loan to BBB from the NLF. In August 2018 BBB received a loan from the NLF, a non-consolidated central government fund of the Departmental Group. The purpose of this investment by NLF into BBB, is for the NLF to achieve a higher rate of return than the NLF has on its investments in the National Loans Fund (NaLF) in previous years. The carrying amount of the borrowing from NLF as at 31 March 2020 was £532 million (31 March 2019: £604 million).

18. Provisions for liabilities and charges

		31 March 2020		31 March 2019	
	Note	Core Department and Agencies £m	Departmental Group £m	Core Department and Agencies £m	Departmental Group £m
Current liabilities:					
Not later than one year		11,047	14,065	260	3,050
Total current liabilities		**11,047**	**14,065**	**260**	**3,050**
Non-current liabilities:					
Later than one year and not later than five years		645	13,200	883	12,235
Later than five years		1,057	122,834	1,037	119,181
Total non-current liabilities		**1,702**	**136,034**	**1,920**	**131,416**
Total at 31 March		**12,749**	**150,099**	**2,180**	**134,466**
Total provisions					
Nuclear	18.1	1,208	135,925	1,346	131,094
Other	18.2	11,541	14,174	834	3,372
Total at 31 March		**12,749**	**150,099**	**2,180**	**134,466**

The provision liabilities in tables 18.1 and 18.2 below have been discounted to present value using discount rates as provided by HM Treasury. Discounting as at 31 March 2019 and 31 March 2020 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. HM Treasury required this change in 2018-19, and the same basis applies for 2019-20. The impact of the change in the discounting approach is included in the "Change in discount rate" movement of provisions.

			31 March 2020			31 March 2019
	Nominal discount rate	Inflation rate	Equivalent real discount rate	Nominal discount rate	Inflation rate	Equivalent real discount rate
Cash outflows expected within two years	0.51%	1.9%	(1.36%)	0.76%	2.0%	(1.22%)
Cash outflows expected between two and five years	0.51%	2.0%	(1.46%)	0.76%	2.1%	(1.31%)
Cash outflows expected between five and ten years	0.55%	2.0%	(1.42%)	1.14%	2.1%	(0.94%)
Cash outflows expected after ten years	1.99%	2.0%	(0.01%)	1.99%	2.1%	(0.11%)

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.

18.1 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 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**
Net amount deducted from recoverable contract costs	–	–	**–**	–	(25)	**(25)**
Unwinding of discount	(14)	(1)	**(15)**	(135)	(3)	**(153)**
Change in discount rate	13	7	**20**	216	11	**247**
Provided in the year	22	–	**22**	7,667	143	**7,832**
Provisions not required written back	–	(3)	**(3)**	–	–	**(3)**
Recoverable contract costs – release in year	–	–	**–**	(185)	–	**(185)**
Provisions utilised in the year	(162)	–	**(162)**	(2,595)	(125)	**(2,882)**
Balance at 31 March 2020	**783**	**425**	**1,208**	**134,677**	**40**	**135,925**
Estimated forward discounted cash flows as at 31 March 2020						
Not later than one year	144	–	144	2,941	–	**3,085**
Later than one year and not later than five years	387	9	396	12,349	8	**12,753**
Later than five years	252	416	668	119,387	32	**120,087**
Total forward cash flows as at 31 March 2020	**783**	**425**	**1,208**	**134,677**	**40**	**135,925**

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 Core Department. The discounted liability at 31 March 2020 is £783 million (31 March 2019: £924 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 2020, at prices as at the reporting date so excluding the impact of future inflation, is £726 million (31 March 2019: £956 million).

UK Atomic Energy Authority (UKAEA) Decommissioning

The provision represents the estimated costs of decommissioning the Joint European Torus facility at UKAEA's Culham site, including the storage, processing and eventual disposal of radioactive wastes. The Core Department retains the liability for these costs. Cost estimates in the detailed Life Time Plan for decommissioning are reviewed annually and include an element of uncertainty given that much of the work will not be undertaken until well into the future; timing of expenditure is dependent on the closure date of the facility. The discounted liability at 31 March 2020 is £425 million (31 March 2019: £422 million); the undiscounted liability at 31 March 2020, at prices as at the reporting date so excluding the impact of future inflation, is £401 million (31 March 2019: £402 million).

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 £58 billion out of the total £135 billion provision (31 March 2019: £50 billion out of £130 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 £135 billion at 31 March 2020 (31 March 2019: £130 billion). The undiscounted equivalent of this reported liability is £132 billion at 31 March 2020 (31 March 2019: £123 billion). The Departmental 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 £116 billion, whilst a decrease in discount rate of 0.5% would increase the provision to £159 billion.

The change in discount rates (see page 184) in the current financial year produced a decrease of £3,818 million (2019: £107,764 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 £169 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	2019-20 Total £m	2018-19 Total £m
Up to 1 year	90	183	2,080	475	113	**2,941**	2,735
2 to 5 years	497	758	8,877	1,834	383	**12,349**	11,149
6 to 20 years	2,802	1,592	31,869	5,681	695	**42,639**	36,405
21 to 50 years	3,667	117	32,596	8,712	645	**45,737**	38,752
50 years +	4,233	55	23,110	3,440	364	**31,202**	41,617
	11,289	**2,705**	**98,532**	**20,142**	**2,200**	**134,868**	**130,658**
Deduction in respect of Site Licence Companies pension receivable from NDA						(191)	(949)
Total NDA Decommissioning Provisions						**134,677**	**129,709**

Sensitivity	Waste £m	Research £m	Sellafield £m	Fuel M&G £m	Others £m	2019-20 Total £m	2018-19 Total £m
Increase	25,912	173	83,558	2,014	110	111,767	117,341
Reduction	(3,860)	(346)	(13,926)	(2,014)	(220)	(20,366)	(24,333)

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 £3,860 million to an increase of £25,912 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 £22,780 million higher (or £3,797 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 £346 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 £173 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 £13,926 million reduction against the current estimate, to a £83,558 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 £2,014 million. Conversely a reduction in the costs associated with this phase may reduce costs by £2,014 million.

Further details are reported in the Financial Review on page 29 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 2020 is £40 million (31 March 2019: £39 million). Further detail, including movement on the gross provision, can be found in the accounts of the NDA.

18.2 Other provisions

	Business support grant £m	Concessionary fuel £m	British Shipbuilders £m	Legacy ailments £m	Other £m	Core and Agencies total £m	Coal Authority £m	Early departure costs and restructuring £m	Other £m	Departmental Group total £m
Balance at 1 April 2018	**–**	**463**	**201**	**124**	**254**	**1,042**	**4,328**	**85**	**195**	**5,650**
Change in discount rate	–	(42)	(56)	(11)	(18)	**(127)**	(2,634)	–	(38)	**(2,799)**
Provided in the year	–	–	–	8	47	**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)	(41)	**(106)**	(28)	(16)	(4)	**(154)**
Unwinding of discount	–	(7)	(3)	(2)	(3)	**(15)**	(69)	(1)	(1)	**(86)**
Balance at 31 March 2019	**–**	**363**	**134**	**101**	**236**	**834**	**2,299**	**79**	**160**	**3,372**
Reclassifications	–	–	6	62	(68)	**–**	–	–	–	**–**
Change in discount rate	–	3	1	1	2	**7**	(96)	–	69	**(20)**
Provided in the year	10,824	11	23	5	29	**10,892**	93	34	36	**11,055**
Provisions not required written back	–	–	(27)	(12)	(68)	**(107)**	(1)	(1)	(16)	**(125)**
Provisions utilised in the year	–	(37)	(7)	(20)	(23)	**(87)**	(31)	(22)	(17)	**(157)**
Unwinding of discount	–	(1)	3	(1)	1	**2**	42	–	5	**49**
Balance at 31 March 2020	**10,824**	**339**	**133**	**136**	**109**	**11,541**	**2,306**	**90**	**237**	**14,174**
Estimated forward discounted cash flows as at 31 March 2020										
Not later than one year	10,824	36	7	17	19	**10,903**	33	20	24	**10,980**
Later than one year and not later than five years	–	119	30	46	54	**249**	148	36	14	**447**
Later than five years	–	184	96	73	36	**389**	2,125	34	199	**2,747**
Total forward cash flows as at 31 March 2020	**10,824**	**339**	**133**	**136**	**109**	**11,541**	**2,306**	**90**	**237**	**14,174**

Core Department

Business support grant

A constructive obligation was created for the Core Department by Government announcements and other associated actions in March 2020 relating to support grants to be paid to eligible businesses in England to ameliorate the adverse economic consequences of the COVID-19 pandemic. The grant is to be paid to recipients under two schemes, the Small Business Grant Fund and the Retail, Hospitality and Leisure Grant Fund, subject to the recipients meeting eligibility criteria assessed as at 11 March 2020. Subject to meeting these criteria, businesses are entitled to the grant on application while the schemes remain open. The grant is to be paid to businesses by local authorities acting as agents on behalf of the Department and applying the guidance at https://www.gov.uk/government/publications/coronavirus-covid-19-guidance-on-business-support-grant-funding. Local authorities reported total grant paid to recipients of £10,873 million as at 9 August 2020, £151 million of which had been paid over in 2019-20 (note 4.4). The Department estimates a further £102 million will be paid by the schemes' closure date of 28 August 2020. The provision liability of £10,824 million as at 31 March 2020 (31 March 2019: £nil) is undiscounted and represents the Department's estimate of total payments to be made under the schemes in 2020-21; there is some uncertainty associated with this estimate but the final outturn is not expected to be significantly different.

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 40,000 current beneficiaries at 31 March 2020, 34,800 have opted for the cash alternative at an average cost per beneficiary of £779 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 2020 is £339 million (31 March 2019: £363 million); the undiscounted liability at 31 March 2020, at prices as at the reporting date so excluding the impact of future inflation, is £326 million (31 March 2019: £352 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 2020 is £133 million (31 March 2019: £134 million (£140 million including £6 million reclassified from Other)) and includes £23 million for administration costs which had not been included in prior years. The estimate for compensation claims is based on an actuarial review as at 31 March 2019 and includes allowance for future inflation judged appropriate by the actuary. Administration costs have been estimated by the Department.

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 between 1947 and 1994, responsibility for which transferred to the Core Department on 1 January 1998 by a restructuring scheme under the Coal Industry Act 1994; it includes legal and administrative costs, including the storage and management of former British Coal records. The discounted liability at 31 March 2020 is £136 million (31 March 2019: £101 million (£163 million including £62 million reclassified from Other)). The undiscounted liability, at prices as at the reporting date so excluding the impact of future inflation, is £131 million (31 March 2019: £98 million (£159 million including £61 million reclassified from Other)) and 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. The part of the undiscounted liability which relates to compensation claims is £74 million and comprises estimates at prices as at the reporting date of £9 million (31 March 2019: £11 million) for induced hearing loss, £52 million (31 March 2019: £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, £4 million (31 March 2019: £19 million) for litigation by former British Coal Coke Oven Workers and £9 million for litigation by former employees of British Coal's Coventry Homefire plant (31 March 2019: £nil). The current estimate is that liabilities will extend up to 2050.

Onerous leases

The liability of £109 million for 'Other' Core and agency provisions at 31 March 2020 includes £54 million of provisions for onerous leases for the Core Department 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, has determined that, at the reporting date, neither current nor future potential subleases will recover the full costs incurred. The estimate of future income from subleasing as at 31 March 2020 is higher than at 31 March 2019, leading to a significant write-down of this liability. The discounted liability at 31 March 2020 is £54 million (31 March 2019: £113 million). The liabilities extend to 2026.

NDPBs and other designated bodies

Coal Authority

The Coal Authority provision relates predominantly to the Coal Authority's responsibilities for mine water treatment, public safety and subsidence, and subsidence pumping stations. Significant uncertainties are associated with estimation of likely costs in respect of these liabilities. The discounted liability at 31 March 2020 is £2,306 million (31 March 2019: £2,299 million). The undiscounted liability at 31 March 2020 is £2,275 million (31 March 2019: £2,174 million). Further details are reported in the Coal Authority Annual Report and Accounts.

Early departure costs and restructuring

£78 million (31 March 2019: £67 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 2020 and will continue at least until the date at which the individual would have reached normal retirement age. The undiscounted equivalent is 31 March 2020 is £75 million (31 March 2019: £68 million).

19. Financial guarantee and loan commitment liabilities

	31 March 2020		31 March 2019	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Balance at 1 April	**54**	**230**	**61**	**61**
IFRS 9 Adjustments to Opening Balances	–	–	(16)	168
Revised balance at 1 April	**54**	**230**	**45**	**229**
Additions	–	10	20	58
Net remeasurement	50	11	–	(46)
Called	(13)	(13)	(11)	(11)
Balance at 31 March	**91**	**238**	**54**	**230**
Comprising:				
Financial guarantee liabilities	91	91	54	54
Loan commitment liabilities	–	147	–	176
Balance at 31 March	**91**	**238**	**54**	**230**
Of which:				
Current liability	17	17	11	11
Non-current liability	74	221	43	219
Balance at 31 March	**91**	**238**	**54**	**230**

Following the introduction of IFRS 9 *'Financial Instruments'* in 2018-19 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.

20. Retirement benefit obligations

The Departmental Group consolidates nine 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)[1]

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 2020.

1 MRC pension scheme values have been provided in an IAS 19 GAD report, this current surplus figure includes some pension asset figures from 31 December 2019, the latest available information. Any subsequent movements in the valuations to 31 March 2020 are immaterial.

The key assumptions are discount rate of 2.30% (2018-19: 2.40%) and rate of increase in pension payments of 2.00% (2018-19: 2.45%). A decrease of 0.5% in the discount rate would lead to an increase of approximately 10.0% in the total liability, while a decrease of 0.5% in the rate of increase in pensions would lead to an approximate 7.0% reduction.

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 2020. 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 six defined benefit final salary pension schemes relating to the four 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 2020.

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 2020 Funded pension schemes £m	31 March 2019 Funded pension schemes £m
Present value of defined benefit obligation at 1 April	**8,240**	**7,632**
Interest cost	199	197
Current service cost	253	248
Past service cost	7	15
Benefits paid	(239)	(231)
Actuarial (gains)/losses in financial assumption	(1,017)	422
Actuarial (gains)/losses on defined benefit obligation due to demographic assumptions	(152)	(68)
Actuarial (gains)/losses arising from experience adjustments	(13)	13
Employee contributions	24	25
Transfer in	(28)	(13)
Present value of defined benefit obligation at 31 March	**7,274**	**8,240**
Fair value of assets at 1 April	**7,319**	**6,946**
Expected return on plan assets	176	179
Employer contributions	145	149
Benefits paid	(239)	(231)
Actuarial gains/(losses)	(210)	264
Employee contributions	24	25
Transfer in	(28)	(13)
Fair value of assets at 31 March	**7,187**	**7,319**
Net liability at 31 March	**87**	**921**

The decrease in the net liability at 31 March 2020 compared to 31 March 2019 is primarily due to a decrease in the inflation rate applied to all defined benefit obligations between 31 March 2019 and 31 March 2020.

Net (asset)/liability by scheme

			31 March 2020			31 March 2019
	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	1,465	1,563	(98)	1,605	1,649	(44)
LLW Repository Ltd – LLWR section of CNPP	32	23	9	33	22	11
Magnox Ltd – SLC section of Magnox Electric Group of ESPS	2,856	3,251	(395)	3,298	3,214	84
Magnox Ltd – Magnox section of CNPP	133	118	15	161	120	41
Sellafield Ltd – Group Pension Scheme SLC section of CNPP	584	624	(40)	707	682	25
Sellafield Ltd – Sellafield section of CNPP	1,929	1,369	560	2,119	1,386	733
Dounreay Site Restoration Ltd – Dounreay section of CNPP	145	105	40	159	106	53
Nuclear Decommissioning Authority	130	134	(4)	158	140	18
Total net liability at 31 March	**7,274**	**7,187**	**87**	**8,240**	**7,319**	**921**

Asset allocation

	31 March 2020 £m	31 March 2019 £m
Equities	1,797	2,211
Property	854	765
Government bonds	1,910	1,933
Corporate bonds	534	541
Other growth assets	1,883	1,734
Other	209	135
Balance at reporting date	**7,187**	**7,319**

The Magnox schemes had a total asset balance of £3,365 million, of which £1,434 million were government bond assets and £1,339 million were other growth assets which were not quoted in an active market. The Sellafield schemes had £1,992 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 £1,563 million included £904 million of quoted equities and £385 million of property assets.

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 2020 £m	31 March 2019 £m
UK Research and Innovation – Medical Research Council	24	25
LLW Repository Ltd – LLWR section of CNPP	1	1
Magnox Ltd – SLC section of Magnox Electric Group of ESPS	32	27
Magnox Ltd – Magnox section of CNPP	5	5
Sellafield Ltd – Group Pension Scheme SLC section of CNPP	6	7
Sellafield Ltd – Sellafield section of CNPP	75	78
Dounreay Site Restoration Ltd – DSRL section of CNPP	6	6
Nuclear Decommissioning Authority	1	1
Total	**150**	**150**

Weighted average duration of the defined benefit obligation plans

	31 March 2020 Years	31 March 2019 Years
UK Research and Innovation – Medical Research Council	20	21
LLW Repository Ltd – LLWR section of CNPP	27	20
Magnox Ltd – SLC section of Magnox Electric Group of ESPS	16	16
Magnox Ltd – Magnox section of CNPP	21	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	20
Nuclear Decommissioning Authority	19	23

Major actuarial assumptions for SLC schemes

	Dounreay Site Restoration Limited		LLW Repository Limited		Magnox Limited (ESPS)		Magnox Limited (CNPP)		Sellafield Limited	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
Discount rate	2.3%	2.5%	2.4%	2.4%	2.3%	2.4%	2.3%	2.4%	2.3%	2.5%
Inflation (Retail Price Index)	2.4%	3.5%	2.6%	3.2%	2.4%	3.5%	2.4%	3.5%	2.4%	3.5%
Life expectancy in years at 65, currently aged 65 (male)	21.3	21.8	21.9	21.8					21.3	21.8
Life expectancy in years at 65, currently aged 45 (male)	22.4	22.9	23.0	22.9					22.4	22.9
Life expectancy in years at 65, currently aged 65 (female)	23.2	23.7	23.8	23.7					23.2	23.7
Life expectancy in years at 65, currently aged 45 (female)	24.5	25.0	25.0	25.0					24.5	25.0
Life expectancy in years at 60, currently aged 60 (male)					27.8	28.0	25.9	28.0		
Life expectancy in years at 60, currently aged 40 (male)					28.5	29.0	27.1	29.0		
Life expectancy in years at 60, currently aged 60 (female)					29.8	30.0	27.9	30.0		
Life expectancy in years at 60, currently aged 40 (female)					30.6	31.1	29.2	31.1		

Major actuarial assumptions for NDA and UKRI

	Nuclear Decommissioning Authority		UK Research and Innovation	
	2019-20	2018-19	2019-20	2018-19
Discount rate	2.3%	2.5%	2.3%	2.4%
Inflation (Retail Price Index)	2.4%	3.5%	n/a	3.6%
Life expectancy in years at 65, currently aged 65 (male)	21.3	21.8	22.1	23.0
Life expectancy in years at 65, currently aged 45 (male)	22.4	22.9	23.8	24.9
Life expectancy in years at 65, currently aged 65 (female)	23.2	23.7	23.8	24.6
Life expectancy in years at 65, currently aged 45 (female)	24.5	25.0	25.4	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
0.5 percentage point decrease in annual discount rate	18	5	247	310	13	146
0.5 percentage point increase in inflation assumption	18	5	231	310	13	103
1 year increase in life expectancy	5	1	142	91	5	44

The table shows the increase in liability that would result from changes in these actuarial assumptions.

21. Capital and other commitments

Total minimum payments in respect of capital, lease and other commitments

		31 March 2020		31 March 2019	
		Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	Note	£m	£m	£m	£m
Contracted capital commitments	21.1	9	2,635	22	1,929
Minimum future payments under:					
Operating leases	21.2	260	433	326	462
Finance leases		–	5	–	28
Other financial commitments	21.3	2,816	3,535	3,012	3,427
Total		**3,085**	**6,608**	**3,360**	**5,846**

21.1 Capital commitments

	31 March 2020		31 March 2019	
	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	9	521	17	271
Intangible assets	–	1	5	20
Loans and Investments	–	2,113	–	1,638
Total	**9**	**2,635**	**22**	**1,929**

Core Department

The Core Department has not entered into any significant capital commitments.

NDPBs and other designated bodies

Capital commitments as at 31 March 2020 include the following significant items:

- Property, plant and equipment commitments for United Kingdom Research and Innovation (UKRI) of £488 million (31 March 2019: £231 million).
- Investment commitments of £1,601 million (31 March 2019: £1,203 million) for the British Business Bank plc (BBB) relating to undrawn investment commitments, £227 million (31 March 2019: £176 million) for Northern Powerhouse Investment Limited relating to capital calls to be utilised over the next seven years, £173 million (31 March 2019: £176 million) for Midlands Engine Investments Limited relating to capital calls to be utilised over the next eight years and £86 million (31 March 2019: £83 million) for the BIS (Postal Services Act 2011) Company Limited, which has capital calls relating to investments in respect of its private equity and property funds financial instruments.

21.2 Commitments under leases

21.2.1 Operating leases: 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 2020		31 March 2019	
	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	–	14	–	20
	–	**17**	**–**	**23**
Buildings:				
Not later than one year	56	72	57	73
Later than one year and not later than five years	102	146	139	176
Later than five years	95	183	122	172
	253	**401**	**318**	**421**
Other:				
Not later than one year	6	10	5	9
Later than one year and not later than five years	1	5	3	9
	7	**15**	**8**	**18**
Total	**260**	**433**	**326**	**462**

The commitment for Buildings for the Core Department is £227 million at 31 March 2020 (31 March 2019: £295 million) which includes the lease on the property at 1 Victoria Street, London; this commitment is £145 million at 31 March 2020 (31 March 2019: £187 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.

21.2.2 Operating leases: Department as a lessor

Total future minimum lease receivables under operating leases are given in the table below:

	31 March 2020		31 March 2019	
	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	1	9	–	10
Later than one year and not later than five years	1	25	1	25
Later than five years	–	41	3	40
Total	**2**	**75**	**4**	**75**

21.3 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 2020		31 March 2019	
	Core Department and Agencies £m	Departmental Group £m	Core Department and Agencies £m	Departmental Group £m
Not later than one year	485	769	484	698
Later than one year and not later than five years	757	1,136	982	1,182
Later than five years	1,574	1,630	1,546	1,547
Total	**2,816**	**3,535**	**3,012**	**3,427**

21.3.1 International subscriptions

The financial commitments payable include subscriptions payable to international bodies, analysed by the period in which the payments are due:

Organisation	Note	Within 1 Year £m	Later than 1 year and not later than 5 years £m	Later than 5 Years £m	Total 31 March 2020 £m	Total 31 March 2019 £m
International Atomic Energy Agency	a	15	60	75	**150**	170
European Space Agency	b	264	150	–	**414**	682
Other subscriptions		9	33	42	**84**	73
Core Department and Agencies total		**288**	**243**	**117**	**648**	**925**
European Organisation for Nuclear Research (CERN)	c	159	96	–	**255**	232
Institut Laue Langevin (ILL)	d	20	60	–	**80**	97
Other subscriptions		46	80	21	**147**	84
Departmental Group total		**513**	**479**	**138**	**1,130**	**1,338**

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 2021.

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 give 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.

21.3.2 Other commitments

The financial commitments payable in future years include payments due under non-cancellable contracts to the following organisations:

Organisation	Note	Within one year £m	Later than one year and not later than five years £m	Later than five years £m	Total 31 March 2020 £m	Total 31 March 2019 £m
Met Office	a	93	442	1,423	1,958	1,893
Other commitments		104	72	34	210	194
Core Department and Agencies total		**197**	**514**	**1,457**	**2,168**	**2,087**
Other commitments		59	143	35	237	2
Departmental Group total		**256**	**657**	**1,492**	**2,405**	**2,089**

Core Department

The Core Department has entered into non-cancellable contracts which include 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.

22. Financial instruments

The carrying amounts of financial instruments in each of the IFRS 9 categories are as follows:

		31 March 2020		31 March 2019 restated	
	Note	Core Department and Agencies £m	Departmental Group £m	Core Department and Agencies £m	Departmental Group £m
Financial assets					
Financial assets at amortised cost:					
Cash and cash equivalents	16	1,039	2,158	1,283	2,078
Receivables (i)	14	1,140	2,511	1,146	2,021
Loans to public sector bodies (ii) & (iii)	10.3, 15	1,431	1,008	1,285	893
Other financial assets and private sector loans		2	924	2	840
Total financial assets at amortised cost		**3,612**	**6,601**	**3,716**	**5,832**
Financial assets elected at fair value through other comprehensive income (OCI):					
Ordinary shares in public sector companies (iv)	10.1	773	1,305	915	1,404
Other financial assets	11.2	44	61	46	58
Total financial assets elected at FVOCI		**817**	**1,366**	**961**	**1,462**
Financial assets mandatory at fair value through profit or loss (FVTPL)					
Repayable launch investments	11.1	833	833	1,058	1,058
Derivatives – Forward contracts		9	9	24	24
Loans to public sector bodies (ii) & (iii)		49	–	–	–
Other financial assets	11.2	88	2,302	90	2,160
Total financial assets mandatory at FVTPL		**979**	**3,144**	**1,172**	**3,242**
Public dividend capital:					
Public dividend capital	10.2	65	65	81	81
Total public dividend capital		**65**	**65**	**81**	**81**
Financial liabilities					
Financial liabilities as amortised cost:					
Payables (ii)	17	(1,434)	(2,835)	(1,924)	(2,623)
Total financial liabilities as amortised cost		**(1,434)**	**(2,835)**	**(1,924)**	**(2,623)**
Financial liabilities mandatory at fair value through profit or loss (FVTPL):					
Derivatives – Forward contracts		–	–	(3)	(15)
Derivatives – Contracts for difference (CfD)	9	–	(16,464)	–	(12,921)
Total financial liabilities mandatory at FVTPL		**–**	**(16,464)**	**(3)**	**(12,936)**
Financial liabilities designated at fair value through profit or loss (FVTPL):					
Loan commitment liabilities	19	–	(147)	–	(176)
Total financial liabilities designated at FVTPL		**–**	**(147)**	**–**	**(176)**
Financial guarantee liabilities:					
Financial guarantee liabilities	19	(91)	(91)	(54)	(54)
Total financial guarantee liabilities		**(91)**	**(91)**	**(54)**	**(54)**

Notes

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 15 and Other loans and investments in Other public sector bodies detailed in note 10.3.

iii Loans to public sector bodies in the Core Department for 2019-20 excludes £236 million (2018-19: £169 million) related to the loan investments in the Northern Powerhouse Investments Limited, Midlands Engine Investments Limited, Cornwall and Isles of Scilly Investments Limited and UK Climate Investments LLP, as these are accounted for at cost under IAS 27 – Separate Financial Statements.

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 Departmental Group 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 Core 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, primarily in relation to the Enterprise Financial Guarantee (EFG) scheme. Lending institutions are responsible under the scheme for determining that prospective borrowers are commercially viable; they are required to apply normal commercial practice and losses are shared between the Core Department and lending institution. As at 31 March 2020 the Core Department has £539 million of EFG guarantees outstanding (31 March 2019: £588 million) which will expire over the next ten years as the underlying debt matures. Due to a cap on payouts which limits the Core Department's exposure, the maximum amount that could be paid out if all loans defaulted is £179 million (31 March 2019: £260 million). However, not all loans are expected to default and an estimated liability of £91 million (31 March 2019: £54 million) has been recognised on the Statement of Financial Position.

NDPBs and other designated bodies

British Business Bank

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 2020 determined as follows for trade receivables in the Core Department:

31 March 2020 Core Department	**Current**	**1-30 days**	**31-60 days**	**61-90 days**	**91+ days**	**Total**
Expected Loss rate	1%	4%	9%	45%	71%	
Gross carrying amount- trade receivables (excluding other government debt) (£m)	2	0	1	0	5	8
Loss allowance (£m)	0	0	0	0	4	4

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 is disclosed below reflecting the allowance per the expected credit loss model under IFRS 9.

		31 March 2020		**31 March 2019**
	Core Department and Agencies	**Departmental Group**	**Core Department and Agencies**	**Departmental Group**
	£m	**£m**	**£m**	**£m**
Balance at 1 April	15	22	–	–
IFRS 9 Adjustment to opening balances	–	–	14	15
Net remeasurement	(2)	1	1	7
Write-off	–	–	–	–
Balance at 31 March	**13**	**23**	**15**	**22**

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.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 obligator 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 2020 Amortised cost				31 March 2019 Amortised cost
	12 month ECL	Lifetime ECL- not impaired	Lifetime ECL- impaired	Total	12 month ECL	Lifetime ECL- not impaired	Lifetime ECL- impaired	Total
Credit rating	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Low risk financial assets	1,410	–	–	1,410	1,267	–	–	1,267
Medium risk financial assets	284	62	–	346	310	25	2	337
High risk financial assets	180	38	–	218	115	19	–	134
Default financial assets	–	–	59	59	–	–	78	78
Total gross carrying amounts	**1,874**	**100**	**59**	**2,033**	**1,692**	**44**	**80**	**1,816**
Loss allowance	(29)	(15)	(57)	(101)	(11)	(15)	(57)	(83)
Carrying amount	**1,845**	**85**	**2**	**1,932**	**1,681**	**29**	**23**	**1,733**

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 2020				31 March 2019
	12m ECL	Lifetime ECL not impaired	Lifetime ECL credit impaired	Total	12m ECL	Lifetime ECL not impaired	Lifetime ECL credit impaired	Total
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Balance at 1 April	11	15	57	**83**	–	–	–	**–**
IFRS 9 Adjustment to opening balances	–	–	–	**–**	11	11	45	**67**
Revised balance at 1 April	**11**	**15**	**57**	**83**	**11**	**11**	**45**	**67**
Additions	11	4	–	**15**	5	8	3	**16**
Net remeasurement	5	12	15	**32**	(3)	(2)	(1)	**(6)**
Repayment	–	(7)	–	**(7)**	(1)	(2)	(2)	**(5)**
Transfer to credit loss 12 month	–	(2)	4	**2**	–	–	–	**–**
Transfer to credit loss not impaired	2	–	9	**11**	–	–	12	**12**
Transfer to credit loss impaired	(3)	(10)	–	**(13)**	(1)	–	–	**(1)**
Write-off	(1)	7	(27)	**(21)**	–	–	–	**–**
Balance at 31 March	**25**	**19**	**58**	**102**	**11**	**15**	**57**	**83**

The primary reason for the increase in the loss allowance during 2019-20, is to take account of the Covid-19 pandemic economic impact on borrower's ability to repay their loans.

Cash and cash equivalents

The Departmental Group held cash and cash equivalents of £2,158 million as at 31 March 2020 (31 March 2019 (restated): £2,078 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.

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 loan assets held which are secured by collateral is £1,084 million (31 March 2019 restated: £1,006 million). The value of the collateral held is lower than the value of the assets secured by the collateral. The collateral was considered in estimating the 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

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 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

BBB holds both fixed and variable rate investments. Interest rate risk is regularly monitored 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 Departmental 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. For further information on the assessment of market risk in relation to Repayable Launch Investments, see note 11.1.

NDPBs and other designated bodies

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.

The valuations of fair value through profit or loss financial assets are based on the valuations provided by the fund managers in line with International Private Equity and Venture Capital (IPEV) 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. The valuations in the Core Department, BPSA and NESTA Trust have been updated to reflect the impact of COVID-19 as at 31 March 2020, based on the available information at 31 March 2020. These have seen a decrease in the valuations at 31 March 2020 of circa (8%). BBB have seen valuations movements between (2%) and (6%). As the economic impacts of COVID-19 become more certain the Departmental Group may see further fair value adjustments upwards or downwards.

Inflation risk

The amounts payable under the CfD contracts will be affected by the indexation of strike prices to reflect inflation and changes to wholesale electricity prices resulting from inflation. 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.

Core Department and 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 Departmental Group 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 2020 and 31 March 2019:

					31 March 2020				**31 March 2019 restated**
		Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
	Note	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Financial assets									
FVOCI elected									
Ordinary shares in public sector bodies	10.1	–	1,305	–	**1,305**	–	1,404	–	**1,404**
Private sector shares	11.2	8	47	25	**80**	8	47	21	**76**
Total financial assets at FVOCI		**8**	**1,352**	**25**	**1,385**	**8**	**1,451**	**21**	**1,480**
FVTPL mandatory									
Debt and venture capital investments									
Repayable launch investments	11.1	–	–	833	**833**	–	–	1,058	**1,058**
Investment funds	11.2	145	–	2,057	**2,202**	187	–	1,801	**1,988**
Bonds	11.2	–	–	–	**–**	1	–	–	**1**
Private sector shares	11.2	81	–	–	**81**	88	–	–	**88**
Other investments	11.2	–	–	–	**–**	–	–	68	**68**
Derivatives – Forward contracts		–	9	–	**9**	–	24	–	**24**
Total financial assets at FVTPL mandatory		**226**	**9**	**2,890**	**3,125**	**276**	**24**	**2,927**	**3,227**
Total financial assets measured at fair value		**234**	**1,361**	**2,915**	**4,510**	**284**	**1,475**	**2,948**	**4,707**
Financial Liabilities									
FVTPL mandatory									
Loan commitment liabilities	19	–	–	(147)	**(147)**	–	–	(176)	**(176)**
Total liabilities at FVTPL mandatory		**–**	**–**	**(147)**	**(147)**	**–**	**–**	**(176)**	**(176)**
FVTPL designated									
Derivatives – Forward contracts		–	–	–	**–**	–	(15)	–	**(15)**
Derivatives – CfD	9	–	–	(16,464)	**(16,464)**	–	–	(12,921)	**(12,921)**
Total financial liabilities at FVTPL designated		**–**	**–**	**(16,464)**	**(16,464)**	**–**	**(15)**	**(12,921)**	**(12,936)**
Total financial liabilities measured at fair value		**–**	**–**	**(16,611)**	**(16,611)**	**–**	**(15)**	**(13,097)**	**(13,112)**

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 period ended 31 March 2020, excluding the CfDs which are disclosed in note 9.

	Ordinary shares in unlisted private equities	Repayable launch investments	Property related holdings, Investment funds and Other financial assets	Loan Commitment Liabilities	Total
	£m	£m	£m	£m	£m
Balance at 1 April	**21**	**1,058**	**1,869**	**(176)**	**2,772**
Additions	2	–	614	(10)	**606**
Repayments/disposals	–	(340)	(318)	39	**(619)**
Revaluations	1	–	–	–	**1**
Gains and losses recognised in SoCNE	1	115	(108)	–	**8**
Balance at 31 March	**25**	**833**	**2,057**	**(147)**	**2,768**

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	Repayable launch investments	Property related holdings, Investment funds and Other financial assets	Loan Commitment Liabilities	Total
	£m	£m	£m	£m	£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	–	–	(60)	(184)	**(244)**
Revised balance at 1 April restated	**20**	**1,047**	**1,806**	**(184)**	**2,689**
Additions	18	–	504	(38)	**484**
Repayments/disposals	–	(230)	(335)	46	**(519)**
Gains and losses recognised in SoCNE	(17)	241	(106)	–	**118**
Balance at 31 March restated	**21**	**1,058**	**1,869**	**(176)**	**2,772**

Maturity profiles – discounted cashflows

The maturity profile of the discounted cashflows for the CfDs excluding Hinkley Point C is shown below:

	< 1 year £m	2-5 years £m	>5 years £m	Total £m
As at 31 March 2019	871	4,441	7,609	12,921
As at 31 March 2020	1,520	4,337	10,607	16,464

23. Contingent liabilities

Core Department

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 – 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 potential 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.
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 – Nuclear Liabilities Fund	The Nuclear Liabilities Fund was established in 1996 to meet certain costs of decommissioning eight nuclear power plants in the UK that have been owned and operated by EDF Energy Nuclear Generation Limited since 2009. A constructive obligation was created in 2002 when the government undertook to underwrite the Fund in respect of these liabilities to the extent that the assets of the Fund might fall short; any surplus generated by the Fund would be paid over to the government once the liabilities have been met. The total undiscounted estimated liability as at 31 March 2020 of £23.3 billion (31 March 2019: £20.9 billion) has a present value of £24.1 billion (31 March 2019: £22.3 billion). The value of the Fund as at 31 March 2020 is £9.4 billion (31 March 2019: £9.4 billion). It is not possible to quantify the extent to which the Fund might be in deficit or surplus with respect to the liabilities as at 31 March 2020 given the high level of uncertainty relating to estimation of decommissioning costs and investment returns on Fund assets over a future period exceeding 100 years.

Basis of Recognition	Description
Core Department – Horizon 2020 Funding	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 UK left the EU on 31st January 2020 Under the terms of the Withdrawal Agreement, the European Union can exclude UK participation in Horizon 2020 EU-funded grants which involve security-related sensitive information. This means that for security related projects under the Horizon, there is a doubt over continued EU funding. The guarantee in relation to Horizon 2020 is unquantifiable due to the European Commission administering and holding the information in relation to the scheme. There are uncertainties around the total amount that may be payable if the settlement were to occur.
Quantifiable	
Core Department – Loan guarantees (ENABLE) (£356 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 £1.4 billion (31 March 2019: £1 billion), of which £783 million is effective as at 31 March 2020 (31 March 2019: £283 million) with a potential loss to the Department of £356 million (31 March 2019: £45 million).
Core Department – Loan guarantees (EFG and HTG) (£180 million)	The Department guarantees lenders under the Enterprise Financial Guarantee (EFG) and Help to Grow (HTG) financial guarantee schemes administered by the British Business Bank. The Enterprise Financial Guarantee Scheme facilitates lending to viable businesses with the maximum obligation for the Department capped at £179 million at 31 March 2020 (31 March 2019: £205 million). The amount lent under the Help to Grow scheme was £3 million at 31 March 2020 (31 March 2019: £2.9 million) with a maximum potential liability for the department at 31 March 2020 of £1 million (31 March 2019: £1 million).
Core Department – Ofgem administration costs from the buy-out fund (£4 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 £4 million) if there is insufficient money in both the buy-out fund and late payment fund to cover these costs. The size of the 2019-20 buy-out fund will not be known until October 2020. 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 2020) but will not know the size of the buy-out fund until October 2020.
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.

Departmental Group

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.

Basis of Recognition	Description
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. 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.
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.
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 and the Magnox section of the ESPS. 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 (£3 million)	Under the Bank's Help to Grow financial guarantee programme, the Bank has entered into financial guarantee agreements of £10.5 million (31 March 2019: £30 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 2020 the amount lent under these financial guarantee agreements was £3 million (31 March 2019: £3.2 million). During the year ending 31 March 2020 the remaining guarantee agreement originally totaling £30 million was reduced to £10.5 million, with no further amounts being lent under it.
LCCC – Legal Dispute	There is an ongoing dispute between the company and another entity. The company has confidence in a favourable outcome. If the outcome is not as anticipated, the company will be required to make an annual payment from the interim levy of less than £10 million for the next several years.
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.

Basis of Recognition	Description
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 £31 million, with the amount declining on an annual basis up to March 2022.
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 – (STFC) Decommissioning costs (£1.8 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 £1.8 million.
UKRI – (STFC) Reprocessing and staff commitments (£11.8 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 £11.8 million (31 March 2019: £13.6 million).
UKRI – Tax Status change (£45 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 confirmed that, due to changes in legislation, the Research Councils should not have been applying charitable tax reliefs after 1 April 2012 without registering as charities. To this end, UKRI has included £19.6 million of VAT and £4.1 million of Corporation Tax within their financial statements in respect of changes from HMRC for prior periods. In due course, UKRI will need to consider whether it should contact local authorities regarding charitable reliefs on business rates claimed by the Research Councils from 1 April 2012 to 31 March 2018. The maximum value of the contingent liability in respect of business rates is estimated to be £45 million.

24. Contingent assets

Core Department

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 (£1.8 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 estimate of a £1.8 billion surplus as at 31 March 2018, the Department considers a receipt from the scheme to be probable.

Departmental Group

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.

25. Related-party transactions

The Core Department is the parent of the bodies listed in note 27 '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, United Kingdom Research and Innovation, Nuclear Decommissioning Authority, HM Treasury's consolidated fund and UK Space Agency.

No minister, board member, key manager of the Departmental Group or other related party have undertaken any material transactions with the Core Department during the year. Details of the Department's ministers and senior managers are shown in the Remuneration Report.

A former Director General of the Core Department, Sarah Harrison, is an unpaid Non-Executive Director of the Government Property Agency which is an executive agency of the Cabinet Office and from which the Department leases the majority of its office accommodation.

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.

26. Restatement of Statement of Financial Position and Statement of Comprehensive Net Expenditure as a result of changes to the Departmental boundary and other restatements

Prior period adjustments

BIS (Postal Services Act 2001) Company Limited (BPSA)

With the adoption of IFRS 9 'Financial Instruments', all investment classifications and accounting judgments were re-assessed by BPSA. As a result of this, the unit of account of the investments held by BPSA was reassessed which led to changes in the recognition of investment movements and investment returns in the BPSA audited 2018-19 financial statements.

These changes were identified after the 2018-19 Departmental Group accounts had been signed and laid in Parliament. The overall impact is an increase in the Departmental Group's net assets of £7 million.

The disclosure impact in the SoFP was an increase in Other financial assets by £20 million (note 11). This was driven by:

- a reduction in Investment fund additions of £5 million,
- a reduction in Investment fund repayments of £101 million,
- a reduction in Investment fund revaluations of £82 million, and;
- an adjustment resulting from the adoption of IFRS 9 of £6 million.

The increase in Other financial assets of £20 million was partially offset by a reduction in Cash and cash equivalents of £10 million (note 16) and Trade and other receivables of £3 million (note 14).

The disclosure impact in the SoCNE was to recognise an increase of £80 million in the change in fair value of financial assets (note 5) and a decrease in Other operating expenditure of £32 million relating to profit on disposal of investments, off-set against an increase of £119 million of dividend and distribution from investment fund income (note 6.2).

As the disclosure impacts are material to the Departmental Group accounts, the Departmental Group's comparatives have been restated in the 2019-20 Departmental Annual Report and Accounts. Had these adjustments been recognised in the Departmental Group Outturn in 2018-19, this would not have resulted in a control total breach. The Departmental Group Outturn adjustments are disclosed as a non-budget adjustment in 2019-20 SoPS and are broken down as follows: Note: HM Treasury's Supply Estimate guidance manual requires that only increases in Outturn require non-budget cover in the 2019-20 Supplementary Estimate. The non-budget Outturn includes the decreases.

Change in budgets and non-budget	Increases/(decrease) in Outturn £'000
2018-19 – Capital AME – Government as Shareholder (ALB) net	104,256
2018-19 – Resource AME – Government as Shareholder (ALB) net	(39,661)
2018-19 – Resource DEL – Government as Shareholder (ALB) net £10k increase in Admin (£1,255k) decrease in Programme	(1,245)
Overall movement	**63,350**

Fleetbank Funding Limited (Fleetbank)

Fleetbank holds the Enable loan investments, and from 1 April 2016 was consolidated into the Departmental Group accounts. It was identified that the investment additions (Capital DEL) of £141 million were incorrectly coded to non-budget spend in the Departmental Group Outturn in 2018-19. This adjustment has no impact on the presentation of the Departmental Group SoFP or SoCNE but does impact the SoPS as it is an increase in the Departmental Group's Capital DEL Outturn. Had this adjustment been recognised in the Departmental Group's Outturn in 2018-19, this would not have resulted in a control total breach. The Departmental Group Outturn cumulative adjustments are disclosed as a non-budget adjustment in 2019-20 SoPS and are broken down as follows:

Change in budgets and non-budget	Increases/(decrease) in Outturn £'000
2016-17 – Capital DEL – Government as Shareholder (ALB) net	29,754
2017-18 – Capital DEL – Government as Shareholder (ALB) net	65,858
2018-19 – Capital DEL – Government as Shareholder (ALB) net	140,804
Overall movement	**236,416**

Impact of restatements on opening balances for the Departmental Group at 1 April 2019

	Balance at 31 March 2019 per 2018-19 published accounts £m	Prior period adjustments £m	Restated balance at 1 April 2019 £m
Consolidated Statement of Comprehensive Net Expenditure			
Operating Income	(3,260)	-	**(3,260)**
Operating Expenditure	(84,817)	32	**(84,785)**
Net expenditure for the year from continuing operations	(6,283)	(39)	**(6,322)**
Other comprehensive net income and expenditure	(191)	–	**(191)**
Total comprehensive expenditure	**(94,551)**	**(7)**	**(94,558)**
Consolidated Statement of Financial Position			
Non-current assets			
Property, plant and equipment	3,533	–	**3,533**
Investment properties	117	–	**117**
Intangible assets	167	–	**167**
Investments and loans in public bodies	1,758	–	**1,758**
Other financial assets	4,098	20	**4,118**
Recoverable contract costs	1,620	–	**1,620**
Derivative financial instruments	7	–	**7**
Investment in joint ventures and associates	1,039	–	**1,039**
Trade and other receivables	938	–	**938**
Current assets			
Inventories	37	–	**37**
Non-current assets held for sale	20	–	**20**
Trade and other receivables	1,568	(3)	**1,565**
Investments and loans in public bodies	620	–	**620**
Derivative financial instruments	17	–	**17**
Cash and cash equivalents	2,088	(10)	**2,078**
Current liabilities	(8,726)	–	**(8,726)**
Non-current liabilities	(148,380)	–	**(148,380)**
Taxpayer's equity and other reserves			
General fund	142,304	(7)	**142,297**
Revaluation reserve	(2,155)	–	**(2,155)**
Charitable funds	(438)	–	**(438)**
Non-controlling interests	(232)	–	**(232)**

27. 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 2019, known as the Designation Order, plus amendments from the Government Resources and Accounts Act 2000 (Estimate and Accounts) (Amendment) Order 2020, known as the Amendment 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 2019-20 Designation Order and Amendment 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 26.

Designated Body *(linked bodies are indicated in italics below their parent body)*	**Status**	**Notes and website** (further information about linked bodies or those closed during the year is also included)
(a) Bodies consolidated in Departmental Group accounts for 2019-20		
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	*NDPB (linked to ACAS)*	*Consolidated by ACAS*
Certification Office for Trade Union and Employers' Associations	*Other Public Body - Office Holder (linked to ACAS)*	*Consolidated by ACAS*
BIS (Postal Services Act 2011) Company Limited	Other Public Body – Limited Company	beta.companieshouse.gov.uk/company/07941521
British Business Bank plc	Other Public Body – Public Limited Company	british-business-bank.co.uk
BBB Patient Capital Holdings Limited	*Limited Company (Subsidary of BBB)*	*Consolidated by British Business Bank plc*
British Business Investments Ltd	*Limited Company (Subsidary of BBB)*	*Consolidated by British Business Bank plc*
British Business Finance Ltd	*Limited Company (Subsidary of BBB)*	*Consolidated by British Business Bank plc*
British Business Financial Services Ltd	*Limited Company (Subsidary of BBB)*	*Consolidated by British Business Bank plc*
British Business Aspire Holdco Ltd	*Limited Company (Subsidary of BBB)*	*Consolidated by British Business Bank plc*
British Patient Capital Limited	*Limited Company (Subsidary of BBB)*	*Consolidated by British Business Bank plc*
Capital for Enterprise Fund Managers Limited	*Limited Company (Subsidary of BBB)*	*Consolidated by British Business Bank plc*
Capital for Enterprise (GP) Limited	*Limited Company (Subsidary of BBB)*	*Consolidated by British Business Bank plc*
Capital for Enterprise Limited	*Limited Company (Subsidary of BBB)*	*Consolidated by British Business Bank plc*

Designated Body *(linked bodies are indicated in italics below their parent body)*	**Status**	**Notes and website** (further information about linked bodies or those closed during the year is also included)
The Start-Up Loans Company	*Limited Company (Subsidary of BBB)*	*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/about/competition-service
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 the Core Department and operated by UK Intellectual Property Office.
Cornwall and Isles of Scilly Investments Limited	Other Public Body – Limited Company	ciosif.co.uk
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	Other Public Body – Limited Company	diamond.ac.uk
Dounreay Site Restoration Limited	Limited Company – NDA Site Licence Company	dounreay.com Site Licence Company – private company, which operates sites on behalf of, and under contract from the NDA.
Enrichment Holdings Ltd	Other Public Body – Limited Company	This is a special purpose vehicle for the Government's investment in Urenco Limited.
Enrichment Investments Limited	*Limited Company (Subsidary of Enrichment Holdings Limited)*	*Consolidated by Enrichment Holdings Limited*
Electricity Settlements Company Ltd	Other Public Body – Limited Company	emrsettlement.co.uk
Fleetbank Funding Limited	Other Public Body – Limited Company	This is a vehicle for the government to facilitate the Enable Loan Guarantee Scheme
The Financial Reporting Council Limited	Other Public Body – Limited Company	frc.org.uk
Harwell Science and Innovation Campus Public Sector Limited Partnership	Other Public Body – Limited Partnership	Joint venture owned by UKRI and UK Atomic Energy Authority

Designated Body *(linked bodies are indicated in italics below their parent body)*	**Status**	**Notes and website** (further information about linked bodies or those closed during the year is also included)
Industrial Development Advisory Board	Expert Committee	gov.uk/government/organisations/industrial-development-advisory-board No accounts produced. Funded by the Core Department and operated by the Insolvency Service. Costs are included as part of the Core Department.
LLW Repository Limited	Limited Company – NDA Site Licence 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	Other Public Body – Limited Company	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
Midlands Engine Investments Limited	Other Public Body – Limited Company	british-business-bank.co.uk/ourpartners/midlands-engine-investment-fund
The NESTA Trust	Other Public Body – Charitable Trust	nesta.org.uk/faqs/what_is_the_nesta_trust
Northern Powerhouse Investments Limited	Other Public Body – Limited Company	british-business-bank.co.uk/ourpartners/northern-powerhouse-investment-fund
Nuclear Decommissioning Authority[1]	NDPB	gov.uk/government/organisations/nuclear-decommissioning-authority
Magnox Limited[3]	*Limited Company (Subsidary of NDA)*	*From 1 September 2019, consolidated by the Nuclear Decommissioning Authority. Prior to 1 September 2019, a company operating sites on behalf of, and under contract from the NDA.*
Radioactive Waste Management Limited	*Limited Company (Subsidary of NDA)*	*Consolidated by Nuclear Decommissioning Authority*
Sellafield Limited	*Limited Company (Subsidary of NDA)*	sellafieldsites.com *Site Licence Company – 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]	Office of 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	Other Public Body – Limited Company	ogauthority.co.uk
Postal Services Holding Company Limited	Other Public Body – Limited Company	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.

Designated Body *(linked bodies are indicated in italics below their parent body)*	**Status**	**Notes and website** (further information about linked bodies or those closed during the year is also included)
South Tees Site Company Limited	Other Public Body – Limited Company	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	Other Public Body – Limited Liability Partnership	greeninvestmentgroup.com/ukci Limited Liability Partnership between BEIS and UK Green Investment Bank
UK Climate Investments Apollo Limited	*Limited Company (Subsidary of UKCI)*	*Consolidated by the UK Climate Investments LLP*
UK Climate Investments H1 Limited	*Limited Company (Subsidary of UKCI)*	*Consolidated by the UK Climate Investments LLP*
UK Climate Investments Indigo Limited	*Limited Company (Subsidary of UKCI)*	*Consolidated by the UK Climate Investments LLP*
UK Climate Investments Lakeside Limited	*Limited Company (Subsidary of UKCI)*	*Consolidated by the UK Climate Investments LLP*
UK Climate Investments VC Limited	*Limited Company (Subsidary of UKCI)*	*Consolidated by the UK Climate Investments LLP*
UK Green Infrastructure Platform Limited	Other Public Body – Limited Company	Investment vehicle managed by UK Green Investment Bank Limited on behalf of BEIS.
United Kingdom Research and Innovation	NDPB	ukri.org
Medical Research Council[1]	*Part of UKRI*	*Former Research Council now part of UKRI*
The Science and Technology Facilities Council (STFC)[1,4]	*Part of UKRI*	*Former Research Council now part of UKRI*
Innovate UK Loans Limited	*Limited Company (Subsidary of UKRI)*	*Consolidated by UKRI*
STFC Innovations Limited	*Limited Company (Subsidary of UKRI)*	*Consolidated by UKRI*
UK Shared Business Services Limited	Other Public Body – Limited Company	uksbs.co.uk
United Kingdom Atomic Energy Authority[1]	NDPB	gov.uk/government/organisations/uk-atomic-energy-authority (corporate) ccfe.ukaea.uk (fusion research)
AEA Insurance Limited	*Part of UKAEA*	*Consolidated by United Kingdom Atomic Energy Authority*
(b) Bodies not consolidated in Departmental Group accounts for 2019-20		
British Hallmarking Council	NDPB	gov.uk/government/organisations/british-hallmarking-council Turnover and net assets are not material to Departmental Group accounts.
British Technology Investments Limited	Other Public Body – Limited Company	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.

Designated Body *(linked bodies are indicated in italics below their parent body)*	**Status**	**Notes and website** (further information about linked bodies or those closed during the year is also included)
Daresbury SIC (PubSec) LLP	Other Public Body – Limited Liability Partnership	https://beta.companieshouse.gov.uk/company/OC360004 A joint venture between the Science and Technology Facilities Council (UKRI) and Halton Borough Council. Turnover and net assets are not material to Departmental Group accounts.
Daresbury Science & Innovation Campus Limited[5]	Other Public Body – Limited Company	www.sci-techdaresbury.com A joint venture between the Science and Technology Facilities Council (UKRI) and Langtree. Turnover and net assets are not material to Departmental Group accounts.
East Midlands Early Growth Fund Limited	Other Public Body – Limited Company	Recorded as investment in Core Department accounts. Turnover and net assets are not material to Departmental Group accounts.
Groceries Code Adjudicator	Other Public Body – Office Holder	gov.uk/government/organisations/groceries-code-adjudicator Turnover and net assets are not material to Departmental Group accounts.
NDA Archives Limited	Other Public Body – Subsidary of NDA – Limited Company	Part of the NDA – gov.uk/government/organisations/nuclear-decommissioning-authority Turnover and net assets are not material to Departmental Group accounts.
NW VCLF HF LLP	Other Public Body – Limited Liability Partnership	Recorded as investment in Core Department accounts. Turnover and net assets are not material to Departmental Group accounts.
Pubs Code Adjudicator	Other Public Body – Office Holder	gov.uk/government/organisations/pubs-code-adjudicator Turnover and net assets are not material to Departmental Group accounts.
Research Sites Restoration Limited	Other Public Body – Subsidary of NDA – Limited Company	Part of the NDA – Dormant – Site Licence Company No costs or activities incurred in 2019-20 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 will result in Companies House being consolidated into the Departmental Group accounts from 1 April 2020. HM Land Registry will not be consolidated into the Departmental Group accounts as it has been classified by Cabinet Office as a Non-Ministerial Department having a separate Estimate to the Department and preparing its own separate accounts. The Department has received a derogation from HM Treasury to not consolidate Companies House until its Trading Fund status is revoked in Parliament. Companies House's Trading Fund Revocation Order has been laid in Parliament and has an effective date of 1 April 2020. Companies House will be consolidated into the 2020-21 Departmental Accounts.
3. Magnox Ltd became a wholly owned subsidiary of the Nuclear Decommissioning Authority (NDA) on 1 September 2019.
4. The Science and Technology Facilities Council ceased to exist as of 30 March 2020.
5. Daresbury Science & Innovation Campus Limited was dissolved via voluntary strike off on 31 March 2020.

28. Events after the Reporting Period

Adjusting events

The Small Business Grant Fund and the Retail, Hospitality and Leisure Grant Fund schemes closed to new applicants from the end of August 2020, limiting the Department's liability. Local Authorities provide weekly updates of payments made under the schemes, which has materially changed the total liability for the Department. Note 18.2 includes a provision of £10.8 billion relating to the expected outflow of cash to eligible businesses, in addition to the £151 million recognised as a grant accrual.

The total cash paid by Local Authorities to businesses as at 16 August 2020 was £10.9 billion. Further unaudited information on the spend can be found on the gov.uk website https://www.gov.uk/government/publications/coronavirus-grant-funding-local-authority-payments-to-small-and-medium-businesses

Non-adjusting events

The Nuclear Liabilities Fund was established in 1996 to meet certain costs of decommissioning eight nuclear power plants in the UK that have been owned and operated by EDF Energy Nuclear Generation Limited since 2009. Following discussion between HM Treasury and the Fund, on 23 June 2020 the Fund agreed to retain an existing deposit of £6.5 billion in the UK Exchequer in return for a contribution of £5.07 billion from the Core Department which will also be held by the Fund as a deposit in the Exchequer. The contribution by the Department was not related to any change in the Department's assessment, as described in note 23, of the sufficiency of the Fund to meet the decommissioning liabilities prior to the Fund's agreement to retain its deposit in the Exchequer.

On 3 July 2020, the Government announced that it led a successful bid to acquire OneWeb, which develops cutting-edge satellite technology in the UK and in the US. The Core Department for the Business, Energy and Industrial Strategy will invest $500 million and take a significant equity share in OneWeb.

Due to the COVID-19 pandemic, the government announced a number of support schemes for businesses. These schemes do not have a financial impact on the 2019-20 financial statements, unless otherwise stated.

The Coronavirus Business Interruption Loans (CBILS) were announced by the Chancellor on 11 March 2020. This scheme provides term loans, overdrafts, invoice finance and asset finance up to £5 million with an 80% guarantee to lenders. The Government will make a Business Interruption Payment to cover the first 12 months of interest payments and any lender-levied charges. The scheme is available for businesses with a turnover up to £45 million. The term loans and asset facilities are for up to six years, whilst the overdrafts and invoice finance facilities are up to three years. Post year end, the terms associated with businesses meeting the criteria of whether they qualify for the loans have been relaxed meaning even more smaller businesses across the UK can access finance. Access has been opened up to those smaller businesses that would have previously met the requirements for a commercial facility, with insufficient security no longer a condition to access the scheme. As at 18 August 2020, £10.5 billion of loans have been provided under the scheme. The maximum amount that could be paid out if all loans defaulted is £8.4 billion. Not all loans are expected to default, with losses estimated as at September 2020 to be in a range of 10-25%. The initial indicative loss ranges are based on historic losses observed in prior programmes which most closely resemble the current COVID-19 interventions. However, no two programmes (or two economic downturns) are completely alike and the estimate will be revised as more data becomes available. This data will be used as an input into the loss forecasting models, which are currently being developed. Actual losses could be significantly different to forecast losses.

The Coronavirus Large Business Interruption Loan Scheme (CLBILS) supports large businesses to access loans, overdrafts and other finance, through an 80% guarantee to lenders. Businesses with an annual turnover over £45 million can apply for up to £200 million of finance, capped at the higher of 25% of turnover, twice the annual wage bill, or need for 12 months liquidity. The maximum term length is three years. As at 18 August 2020, £1.4 billion of loans have been provided under the scheme. The maximum amount that could be paid out if all loans defaulted is £1.1 billion. Not all loans are expected to default, with losses estimated as at September 2020 to be in a range of 5-20%. The initial indicative loss ranges are based on historic losses observed in prior programmes which most closely resemble the current COVID-19 interventions. However, no two programmes (or two economic downturns) are completely alike and the estimate will be revised as more data becomes available. This data will be used as an input into the loss forecasting models, which are currently being developed. Actual losses could be significantly different to forecast losses.

The Bounce Back Loan Scheme (BBLS) provides loans to businesses of up to £50,000 (interest and repayment free for the first 12 months paid for by a Business Interruption Payment grant), with a 100% government-backed guarantee for lenders. These loans have a term length of six years. As at 18 August 2020, £34.2 billion of loans have been provided under the scheme. The maximum amount that could be paid out if all loans defaulted is £34.2 billion. Not all loans are expected to default, with losses estimated as at September 2020 to be in a range of 35-60%. The initial indicative loss ranges are based on historic losses observed in prior programmes which most closely resemble the current COVID-19 interventions. However, no two programmes (or two economic downturns) are completely alike and the estimate will be revised as more data becomes available. This data will be used as an input into the loss forecasting models, which are currently being developed. Actual losses could be significantly different to forecast losses.

The Future Fund scheme issues convertible loans of between £125,000 and £5 million to innovative companies which are facing financing difficulties due to COVID-19. Each loan requires at least equal match funding from private investors and can be converted into equity in the company once the loan matures. As at 16 August 2020, £588.3 million of loans have been approved to 590 companies.

The Local Authority Discretionary Grants Fund was announced on 2 May 2020 and provides Local Authorities with grant funding for small businesses up to £617 million.

The Vaccines Taskforce was launched on 17 April 2020 to drive forward, expedite and co-ordinate efforts to research and then produce a coronavirus vaccine. The Department’s role is to identify and procure a portfolio of vaccine candidates including supporting vaccine manufacture, so that a vaccine can be secured and made available to the public as soon as possible. As a result, the Department has entered into a number of commercially sensitive contracts.

28.1 Date Accounts authorised for issue

BEIS’s Accounting Officer has authorised these Accounts to be issued on the same day as they were certified.

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Trust Statement

Foreword by the Accounting Officer

Overview

The Trust Statement accounts for the income BEIS collects as an agent of the HMT Consolidated Fund. The amounts collected are passed to the Consolidated Fund. In 2019-20, BEIS collected income under the following schemes.

- EU emissions trading scheme (EU ETS)
- Carbon reduction commitment (CRC)
- Climate change agreements (CCA)
- Energy saving opportunity scheme (ESOS)

EU ETS

About EU ETS

EU ETS is the largest emissions trading system to reduce GHG emissions; around 1,000 industrial plants in the UK participate in the system. It is a cap and trade system. It caps the amount of GHG emissions participants can emit; it allows trading of allowances so that total emissions stay within the cap. There are separate emission allowances for stationary installations and aircraft operators. EU allowances (EUA), while EU aviation allowances (EUAA) are allowances for aircraft operators.

Throughout 2019, UK's access to the EU ETS registry was suspended as part of Brexit preparations. During this period the UK was unable to issue free allowances or hold national auctions. The suspension was lifted on 31 January 2020 when the UK and EU ratified the withdrawal agreement. Free allowances relating to 2019 and 2020 were issued to UK operators in February 2020, and UK auctions resumed in March 2020.

EU ETS financial summary

- In March 2020, the UK held two EUA auctions.
- 261 civil penalties were issued by the Environment Agency, regulator for stationary installations in England. Most of the penalties relate to non-compliance within the UK small emitter opt-out scheme. A penalty is charged for each tonne of CO_2 beyond the target. Some of these penalties relate to previous compliance years.
- 4 penalties were issued by OPRED, regulator for the offshore industry. The sanctions relate to failures to surrender allowances and to comply with a permit condition.

CRC

About CRC

CRC is an energy efficiency scheme, mandatory for large, non-energy intensive organisations, using over 6GWh of qualifying electricity. There are over 5,000 participants across the scheme. Participants buy allowances for each tonne of equivalent carbon dioxide emissions.

CRC closed at the end of the 2018-19 compliance year to simplify the landscape for energy efficiency tax on businesses. July 2019 was the last time participants had to report under CRC, and in October 2019, surrender allowances for 2018-19 emissions. In April 2019, the reporting element of CRC was replaced by the Streamlined Energy and Carbon Reporting (SECR) framework.

2019-20 saw the fifth buy-to-comply sale (for compliance year 2018-19). 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

CRC financial summary

- CRC allowance sales in 2019-20 generated £280 million (2018-19: £440 million). There were 40 civil penalties levied against CRC participants.
- Civil penalties amounted to £249,078 (2018-19: £69,090). The costs incurred in administering the CRC scheme were borne by the Department as shown in note 3 and included within the Department's Accounts.

CCA

About CCA

CCA is an energy efficiency scheme which is voluntary for businesses in energy intensive sectors. CCA is an agreement to meet stretching targets in exchange for a reduced Climate Change Levy (CCL) of up to 93%. The scheme was launched in April 2013 and runs until 31 March 2023.

CCA generates income from:

- Charging income: annual payment made by participants to the Administrator; this is retained by the Environment Agency and will not feature in the Trust Statement.
- Civil penalties for minor infractions received by the Administrator
- Buy-out payments if targets are not met at the end of the 2-year target period.

CCA financial summary

- In 2019-20, the income from buy-out payments generated £31.974 million (£107,760 in 2018-19) – shown in note 2.3 of the Trust Statement. The higher income in the current year is because 2019-20 was a period of primary reporting for Target Reporting Period III. By comparison, 2018-19 was 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 overpaid.
- 1 civil penalty was issued under the CCA scheme totalling £1,602 (2018-19: 2 civil penalties totalling £565).

ESOS

About ESOS

ESOS is an energy assessment scheme, mandatory for all large organisations in the UK, established in response to the EU Energy Efficiency Directive Article 8 (4-6). Qualifying organisations must carry out audits every four years on energy use of their buildings, industrial processes and transport to identify cost-effective energy saving measures. The Scheme runs until 5 December 2027. Phase II ran until 5 December 2019, and Phase III runs until 5 December 2023. In Phase 1 there were 6,075 ultimate parent organisations in the scheme.

ESOS generates income from non-compliance penalties.

ESOS financial summary

- In 2019-20, 12 penalties were issued which totalled £105,725 (2018-19: 28 penalties which totalled £272,202).

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.

Remote contingent liabilities

Audited information

No remote contingent liabilities exist at the end of the reporting period.

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.

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 pages 231 to 233. The auditor's notional remuneration is included within the Department's Accounts. There were no fees in respect of non-audit work.

Statement of Accounting Officer's responsibilities 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

As the Accounting Officer, 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. So far as I am aware, there is no relevant audit information of which the auditors are unaware. The annual report and accounts as a whole is fair, balanced and understandable. I take personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

Sarah Munby
Permanent Secretary and
Principal Accounting Officer

11 September 2020

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 2020 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 2020 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Department's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Department have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Department's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Accounting Officer for the audit of the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities 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.
- Conclude on the appropriateness of the Department'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. If I conclude that a material uncertainty exists, I am required to draw attention in my 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 report. However, future events or conditions may cause the Department to cease to continue as a going concern.

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.

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

15 September 2020

Statement of Revenue, Other income and Expenditure

for the year ended 31 March 2020

	Note	2019-20 £'000	2018-19 £'000
Revenue			
License fees and taxes			
EU ETS auction income	2.1	201,388	1,270,535
CRC allowance sales	2.2	280,462	440,280
CCA buy-out payments income	2.3	31,974	108
Total licence fees and taxes		**513,824**	**1,710,923**
Fines and penalties			
Civil penalties – EU ETS		8,485	2,745
Civil penalties – CRC		250	69
Civil penalties – CCA		2	1
Civil penalties – ESOS		106	272
Total fines and penalties	2.4	**8,843**	**3,087**
Total revenue and other income		**522,667**	**1,714,010**
Expenditure			
Foreign exchange and interest – EU ETS	3.1	195	(1,269)
Credit losses – debts written off	3.2	(9)	–
Total expenditure		**186**	**(1,269)**
Net revenue for the Consolidated Fund		**522,853**	**1,712,741**

There were no recognised gains or losses accounted for outside of the above Statement of Revenue, Other Income and Expenditure.

The notes on pages 237 to 241 form part of this statement.

Statement of Financial Position

as at 31 March 2020

	Note	31 March 2020 £'000	31 March 2019 £'000
Current assets			
Receivables and accrued fees	4	**9,400**	**2,797**
Cash and cash equivalents	5	33,181	27,898
Total current assets		**42,581**	**30,695**
Current liabilities			
Payables	6	(639)	(324)
Total current liabilities		**(639)**	**(324)**
Net current assets		**41,942**	**30,371**
Total net assets			
Represented by:		41,942	30,371
Balance on Consolidated Fund Accounts		**41,942**	**30,371**

The notes on pages 237 to 241 form part of this statement.

Sarah Munby
Permanent Secretary and
Principal Accounting Officer

11 September 2020

Statement of Cash Flows

for the year ended 31 March 2020

		2019-20	2018-19
	Note	£'000	£'000
Net cash flows from operating activities	A	**516,565**	**1,711,335**
Cash paid to the Consolidated Fund	7	(511,282)	(1,707,358)
Increase/(decrease) in cash in this period	B	**5,283**	**3,977**

Notes to the Statement of Cash Flows

		2019-20	2018-19
	Note	£'000	£'000
A: Reconciliation of Net Cash Flow to Movement in Net Funds			
Net Revenue for the Consolidated Fund	7	522,853	1,712,741
(Increase)/decrease in receivables and accrued fees	4	(6,603)	(1,326)
Increase/(decrease) in payables	6	315	(80)
Net cash flows from operating activities		**516,565**	**1,711,335**
B: Analysis in changes in Net Funds			
Increase/(decrease) in cash in this period		5,283	3,977
Net Funds as at 1 April (net cash at bank)	5	27,898	23,921
Net Funds as at 31 March (closing balance)	5	**33,181**	**27,898**

Notes to the Trust Statement

1. 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.

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 Revenue from EU ETS

	2019-20 £'000	2018-19 £'000
EU ETS – phase III auctions income	201,388	1,258,836
EU ETS – aviation auctions income	–	11,699
Total	**201,388**	**1,270,535**

During 2019, the UK's access to the EU ETS registry was suspended as part of Brexit preparations, therefore the UK was unable to issue free allowances or hold national auctions. The suspension was lifted on 31 January 2020 when the UK and EU ratified the withdrawal agreement. Free allowances relating to 2019 and 2020 were issued to UK operators in February 2020, and UK auctions resumed in March 2020.

Auction dates and units auctioned for EUA Phase III and EUAA, are available on the Intercontinental Exchange website on the auction calendar link at www.theice.com/emissions/auctions

2.2 Revenue from CRC

	2019-20 £'000	2018-19 £'000
CRC allowance sales	280,462	440,280
Total	**280,462**	**440,280**

2.3 Revenue from CCA

	2019-20 £'000	2018-19 £'000
CCA buy-out payment income receivable	31,974	108
Total	**31,974**	**108**

In 2019-20, the income from buy-out payments generated £31.974 million (£107,760 in 2018-19). This increase is due to 2019-20 being the primary reporting period income for Target Reporting Period III. The income for the prior year comparative is lower 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.

2.4 Revenue from civil penalties

	2019-20 £'000	2018-19 £'000
Levied under EU ETS	8,485	2,745
Levied under CRC	250	69
Levied under CCA	2	1
Levied under ESOS	106	272
Total	**8,843**	**3,087**

There were 261 penalties totalling £9,277,406 (2018-19: 209 penalties totalling £2,745,088) levied under the EU ETS scheme. An adjustment of EU ETS income in relation to prior years has been included within this figure, resulting in the net value for EU ETS income being £8,485,007. There were 40 penalties totalling £249,708 (2018-19: 6 penalties totalling £69,090) levied under the CRC scheme. 12 penalties totalling £105,725 (2018-19: 28 penalties totalling £272,202) were levied under the ESOS scheme. 1 penalty totalling £1,602 (2018-19: 2 penalties totalling £565) was (were) levied under the CCA scheme.

3. Expenditure and disbursements

3.1 Costs incurred in the collection of receipts

	2019-20 £'000	2018-19 £'000
Foreign currency translation (gains)/losses – EU ETS	(195)	1,248
Interest charges on Euro auction bank account – EU ETS	–	21
Total	**(195)**	**1,269**

3.2 Credit losses

	2019-20 £'000	2018-19 £'000
De-recognition of ESOS penalty	9	–
Total	**9**	**–**

Expenditure incurred to administer EU ETS, CRC, CCA and ESOS are provided below. These costs are included in the BEIS accounts because there is no express statutory provision to deduct them from the revenue collected and paid to the Consolidated Fund.

EU ETS: £1,532,423 (2018-19: £668,113)

CRC: £321,800 (2018-19: £368,211)

CCA: £361,599 (2018-19: £357,643)

ESOS: £1,028,290 (2018-19: £915,405)

4. Receivables and accrued fees

	2019-20 £'000	2018-19 £'000
Civil Penalties receivable	9,400	2,797
Total	**9,400**	**2,797**

5. Cash and cash equivalents

	2019-20 £'000	2018-19 £'000
Balance as at 1 April	27,898	23,921
Net change in cash and cash equivalent balances	5,283	3,977
Balance at 31 March	**33,181**	**27,898**
The following balances at 31 March were held at:		
Government Banking Service	33,181	27,898
Total	**33,181**	**27,898**

6. Payables

	2019-20 £'000	2018-19 £'000
Other	639	324
Total	**639**	**324**

7. Balance on the Consolidated Funds accounts

	2019-20 £'000	2018-19 £'000
Balance on the consolidated Fund as at 1 April	30,371	24,988
Net revenue for the Consolidated Fund	522,853	1,712,741
Less amounts paid to the Consolidated Fund	(511,282)	(1,707,358)
Balance on the Consolidated Fund as at 31 March	**41,942**	**30,371**

8. Financial Instruments

8.1 Classification and categorisation of financial instruments

	2019-20 £'000	2018-19 £'000
Financial assets		
Cash	33,181	27,898
Civil penalties receivable	9,400	2,797
Total financial assets	**42,581**	**30,695**
Financial liabilities		
Other Payables	(639)	(324)
Total financial liabilities	**(639)**	**(324)**

8.2 Risk exposure to financial instruments

EU ETS

EU ETS is exposed to foreign currency risk due to the timing difference in recognising proceeds at the auction, and converting proceeds into Sterling 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 gain of £194,813 incurred in 2019-20 (2018-19: loss of £1,247,957).

EU ETS is not exposed to interest rate or liquidity risk. It's exposure to market risk is limited due to there being a current demand for carbon allowances. Civil penalties are subject to credit risk, but this risk is assessed by management as minimal due to the nature of the participants in the scheme.

CRC

CRC allowance sales 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 CRC 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

CCA buy-out payment revenue 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 to help 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 can be found in note 22 to the Department's Accounts.

9. Contingent liability

CRC

A contingent liability exists for refunds the Department may have to pay to CRC participants who have over-surrendered allowances. This is as a result of legislation included in the CRC Order 2013. The refunds are contingent upon participants being able to prove 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.

CCA

A contingent liability 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 cover these refunds.

10. Events after the reporting period

On the 1st June 2020, the UK Emission Trading scheme was announced, as a result of the UK leaving the EU ETS scheme at the end of the year.

There were no other 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

This direction applies to those government departments listed in appendix 2.

The Department shall prepare a Trust Statement ("the Statement") for the financial year ended 31 March 2020 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 2019-20.

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.

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.

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.

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.

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.

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
Director, Public Spending
Her Majesty's Treasury

19 December 2019

Appendix 1: Trust Statement for the year ended 31 March 2020

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: 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

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Annexes

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.

	2015-16 Outturn £'000	2016-17 Outturn £'000	2017-18 Outturn £'000	2018-19 Outturn £'000	2019-20 Outturn £'000	2020-21 Plans £'000
Resource DEL						
Deliver an ambitious industrial strategy	433,415	419,912	377,129	182,286	908,525	12,694,436
Maximise investment opportunities and bolster UK interests	19,368	25,651	40,218	70,705	73,225	65,060
Promote competitive markets and responsible business practices	96,204	77,895	106,951	116,245	81,333	194,383
Delivering affordable energy for households and businesses	342,329	36,365	32,381	44,155	38,974	34,268
Ensuring that our energy system is reliable and secure	11,560	5,823	4,201	4,756	4,723	14,240
Taking action on climate change and decarbonisation	95,211	27,236	91,076	24,829	32,518	15,805
Managing our energy legacy safely and responsibly	306,343	291,203	265,752	251,870	234,186	215,461
Science and Research	13,540	(1,985)	5,088	4,608	6,159	3,692
Capability	361,322	307,082	320,301	393,848	415,591	706,293
Government as Shareholder	175,114	152,037	92,179	41,017	36,273	72,738
Deliver an ambitious industrial strategy (ALB) net	–	5,433	15,172	15,147	21,077	43,010
Promote competitive markets and responsible business practices (ALB) net	49,295	48,127	51,648	54,635	54,743	58,340
Ensuring that our energy system is reliable and secure (ALB) net	674	1,707	(1,628)	(2,667)	(2,756)	1
Taking action on climate change and decarbonisation (ALB) net	4,894	2,399	4,834	6,069	8,260	5,136
Managing our energy legacy safely and responsibly (ALB) net	46,977	39,234	34,711	32,075	28,719	25,537
Science and Research (ALB) net	88,406	257,413	234,283	276,226	231,165	279,600
Capability (ALB) net	39,218	39,818	33,635	30,475	34,693	1,500
Government as Shareholder (ALB) net	(30,023)	(34,034)	(73,072)	(20,724)	48,853	991,308
NDA and SLC expenditure (ALB) net	1,414,542	1,287,445	1,254,752	1,175,337	1,330,218	1,382,000
Nuclear Decommissioning Authority Income (CFER)	(974,558)	(1,026,768)	(1,176,795)	(978,373)	(748,104)	(862,000)
Nuclear Safeguards Development	–	–	1,189	(2,275)	–	–
Managing our energy legacy safely and responsibly (CFER)	–	–	–	(475,000)	–	–
Total Resource DEL	**2,493,831**	**1,961,993**	**1,714,005**	**1,245,244**	**2,838,375**	**15,940,808**

	2015-16 Outturn £'000	2016-17 Outturn £'000	2017-18 Outturn £'000	2018-19 Outturn £'000	2019-20 Outturn £'000	2020-21 Plans £'000
Of which:						
Staff costs	548,832	519,570	533,290	605,821	682,747	*
Purchase of goods and services	2,111,285	1,977,969	1,938,532	1,936,315	3,394,359	*
Income from sales of goods and services	(1,144,381)	(1,172,788)	(1,079,179)	(996,751)	(764,171)	(864,518)
Current grants to local government (net)	25,513	12,055	9,587	22,388	183,159	12,421,000
Current grants to persons and non-profit bodies (net)	548,517	178,351	135,838	133,554	177,281	230,472
Current grants abroad (net)	41,307	58,511	59,465	72,274	51,593	92,734
Subsidies to private sector companies	246,476	274,038	526,638	141,423	100,481	1,124,000
Subsidies to public corporations	183,035	145,239	95,170	61,530	50,081	50,000
Net public service pensions	–	–	(9)	(12)	(13)	–
Rentals	(47,642)	40,608	49,177	37,077	46,630	34,456
Depreciation	268,978	355,397	266,467	310,652	331,470	336,685
Take up of provisions	(30)	780	(165)	–	(32,162)	–
Change in pension scheme liabilities	35	128	1,372	547	579	–
Other resource	(288,094)	(427,865)	(822,178)	(1,079,574)	(1,383,659)	(210,778)
Resource AME						
Deliver an ambitious industrial strategy	(7,428)	215,413	17,448	(312,599)	10,733,189	(73,373)
Maximise investment opportunities and bolster UK interests	(457)	1,844	1,586	6,044	701	–
Promote competitive markets and responsible business practices	101,525	134,029	6,171	79,228	72,282	87,133
Ensuring that our energy system is reliable and secure	(309,667)	(3,204)	(415)	(295)	478	–
Taking action on climate change and decarbonisation	841,397	(1,337,205)	–	–	–	–
Managing our energy legacy safely and responsibly	(308,924)	(258,615)	(885,264)	(297,497)	(203,397)	(147,336)
Science and Research	49,871	41,888	45,578	205,985	54,912	70,489
Capability	(21,783)	(6,012)	13,557	(12,990)	(55,895)	(70,681)
Government as Shareholder	(60,043)	(13,342)	(72,885)	807	10,006	28,585
Renewable Heat Incentive	372,420	545,426	687,275	817,898	846,092	1,150,000
Deliver an ambitious industrial strategy (ALB) net	7,741	(10,850)	4,967	(14,444)	36,202	18,000
Promote competitive markets and responsible business practices (ALB) net	(161)	(59)	87	57	973	73
Taking action on climate change and decarbonisation (ALB) net	9,281,975	1,065,496	3,558,227	(2,971,284)	3,543,428	–
Managing our energy legacy safely and responsibly (ALB) net	1,906,630	2,025	1,507,140	(2,022,249)	22,826	117,909
Science and Research (ALB) net	107,287	91,411	94,536	41,299	149,372	10,903
Capability (ALB) net	2	(400)	–	1	4	(535)

	2015-16 Outturn £'000	2016-17 Outturn £'000	2017-18 Outturn £'000	2018-19 Outturn £'000	2019-20 Outturn £'000	2020-21 Plans £'000
Government as Shareholder (ALB) net	(56,337)	(26,656)	(25,633)	47,451	(99,851)	11,582,331
Nuclear Decommissioning Authority (ALB) net	89,797,932	2,850,516	69,911,856	(101,791,292)	4,371,679	1,576,000
Promote competitive markets and responsible business practices	254,256	231,511	259,815	319,330	431,123	398,000
Total Resource AME	**101,956,236**	**3,523,216**	**75,124,046**	**(105,904,550)**	**19,914,124**	**14,747,498**
Of which:						
Staff costs	–	–	–	4,404	5,165	*
Purchase of goods and services	23,450	36,665	101,425	145,292	164,120	*
Income from sales of goods and services	–	–	–	(3)	(5)	–
Current grants to persons and non-profit bodies (net)	429,826	429,011	353,221	416,439	513,128	587,146
Subsidies to private sector companies	372,420	545,426	687,275	817,898	846,092	1,150,000
Rentals	(81)	(718)	(2,456)	(2,198)	(2,069)	–
Depreciation	10,126,954	59,847	4,397,424	(1,882,868)	5,575,119	46,589
Take up of provisions	91,967,474	2,984,041	71,236,030	(101,359,925)	17,774,375	13,365,248
Release of provision	(692,733)	(352,371)	(316,703)	(3,078,344)	(3,035,901)	(266,243)
Change in pension scheme liabilities	19,199	20,375	34,554	29,717	32,501	–
Unwinding of the discount rate on pension scheme liabilities	37,423	38,095	36,924	37,782	38,348	80
Other resource	(327,696)	(237,155)	(1,403,648)	(1,032,744)	(1,996,749)	(136,622)
Total Resource Budget	**104,450,067**	**5,485,209**	**76,838,051**	**(104,659,306)**	**22,752,499**	**30,688,306**
Of which:						
Depreciation	10,395,932	415,244	4,663,891	(1,572,216)	5,906,589	383,274
Capital DEL						
Deliver an ambitious industrial strategy	289,783	298,132	142,364	(54,606)	(14,440)	(307,300)
Maximise investment opportunities and bolster UK interests	319,887	303,527	289,791	243,957	265,872	492,100
Promote competitive markets and responsible business practices	(10,906)	1,040	4,751	5,940	6,643	22,623
Delivering affordable energy for households and businesses	131,102	42,201	43,633	32,718	44,502	89,700
Ensuring that our energy system is reliable and secure	5,071	(548)	60	(626)	291	300
Taking action on climate change and decarbonisation	54,871	39,569	51,578	73,121	154,227	440,570
Managing our energy legacy safely and responsibly	5,017	7,747	7,944	4,278	3,461	–
Science and Research	442,991	2,596,657	2,634,812	563,177	691,794	1,789,689
Capability	11,929	10,181	18,777	30,305	19,703	153,679
Government as Shareholder	225,668	7,871	(98,418)	172,613	61,445	25,545
Deliver an ambitious industrial strategy (ALB) net	–	5	32	–	–	–

	2015-16 Outturn £'000	2016-17 Outturn £'000	2017-18 Outturn £'000	2018-19 Outturn £'000	2019-20 Outturn £'000	2020-21 Plans £'000
Promote competitive markets and responsible business practices (ALB) net	940	1,027	1,377	1,059	1,193	1,160
Ensuring that our energy system is reliable and secure (ALB) net	975	1,005	–	–	–	–
Taking action on climate change and decarbonisation (ALB) net	959	601	39	255	27	275
Managing our energy legacy safely and responsibly (ALB) net	12,243	8,778	13,559	9,503	12,919	11,600
Science and Research (ALB) net	6,260,785	4,257,684	4,761,522	7,530,042	7,786,590	8,131,694
Capability (ALB) net	641	480	43	2,482	30	–
Government as Shareholder (ALB) net	595,189	1,202,419	534,901	337,819	396,476	585,213
NDA and SLC expenditure (ALB) net	1,827,695	1,970,695	2,051,013	2,002,699	1,797,184	2,086,000
Nuclear Decommissioning Authority Income (CFER)	(51,639)	–	–	–	–	–
Total Capital DEL	**10,123,201**	**10,749,071**	**10,457,778**	**10,954,736**	**11,227,917**	**13,522,848**
Of which:						
Staff costs	480,039	477,555	480,982	502,376	535,339	*
Purchase of goods and services	572,620	400,772	498,431	833,595	819,845	*
Income from sales of goods and services	(131,102)	(258,776)	(276,222)	(260,137)	(273,845)	–
Current grants to persons and non-profit bodies (net)	4,666,325	3,098,274	3,582,865	5,744,797	6,274,041	7,515,329
Current grants abroad (net)	302,460	317,400	330,130	340,794	346,659	342,350
Subsidies to public corporations	(2,655)	151,078	98,737	–	4,808	–
Capital support for local government (net)	54,528	42,270	41,473	5,826	1,588	85,000
Capital grants to persons & non-profit bodies (net)	999,113	424,678	482,446	888,564	725,074	754,790
Capital grants to private sector companies (net)	155,115	239,455	21,138	32,893	96,127	666,460
Capital grants abroad (net)	425,981	525,993	483,289	308,624	449,475	647,825
Capital support for public corporations	229,301	184,126	81,835	204,229	94,985	59,710
Purchase of assets	2,059,177	2,242,318	2,412,651	2,345,321	2,176,780	2,365,162
Income from sales of assets	(92,106)	(65,827)	(142,274)	(23,144)	(36,518)	–
Net lending to the private sector and abroad	571,866	1,062,304	319,670	163,080	88,455	132,170
Other capital	(167,461)	1,907,451	2,042,627	(132,082)	(74,896)	33,838
Capital AME						
Maximise investment opportunities and bolster UK interests	2,310	–	–	–	–	–
Managing our energy legacy safely and responsibly	61,891	(38,273)	611,792	35,412	29,419	29,382
Science and Research	–	834	864	1,212	1,263	–
Government as Shareholder	210,202	129,181	(1,909)	(120,000)	37,000	800,000
Renewable Heat Incentive	(22)	–	–	–	–	–
Deliver an ambitious industrial strategy (ALB) net	17,299	84,842	(3,474)	(16,387)	365	10,000

	2015-16 Outturn £'000	2016-17 Outturn £'000	2017-18 Outturn £'000	2018-19 Outturn £'000	2019-20 Outturn £'000	2020-21 Plans £'000
Science and Research (ALB) net	(55,972)	(61,156)	(63,845)	(59,692)	(59,496)	–
Government as Shareholder (ALB) net	(430,678)	(129,935)	(119,122)	(11,143)	(3,051)	(47,270)
Managing our energy legacy safely and responsibly (CFER)	–	–	–	(141,811)	(142,400)	(142,400)
Government as Shareholder	–	–	(1,621,078)	–	–	–
Government as Shareholder (ALB) net	(1,434,995)	–	–	–	–	–
Total Capital AME	**(1,629,965)**	**(14,507)**	**(1,196,772)**	**(312,409)**	**(136,900)**	**649,712**
Of which:						
Staff costs	(16,992)	(18,461)	(18,719)	(15,325)	(14,078)	–
Purchase of goods and services	–	834	(7,325)	(2,330)	(4,890)	–
Capital grants to persons & non-profit bodies (net)	(22)	–	–	–	–	–
Capital grants to private sector companies (net)	(12,798)	(4,819)	(184,787)	–	–	–
Capital grants abroad (net)	2,310	–	–	–	–	–
Capital support for public corporations	223,000	134,000	129,250	(120,000)	37,000	800,000
Purchase of assets	350	54,158	318	–	–	–
Income from sales of assets	(32,150)	15	–	–	–	–
Net lending to the private sector and abroad	(1,922,761)	(141,781)	(1,732,112)	(169,341)	(145,086)	(179,670)
Other capital	129,098	(38,453)	616,603	(5,413)	(9,846)	29,382
Total Capital Budget	**8,493,236**	**10,734,564**	**9,261,006**	**10,642,327**	**11,091,017**	**14,172,560**
Total Departmental spending[3]	**102,547,371**	**15,804,529**	**81,435,166**	**(92,444,763)**	**27,936,927**	**44,477,592**
Of which:						
Total DEL	12,348,054	12,355,667	11,905,316	11,889,328	13,734,822	29,126,971
Total AME	90,199,317	3,448,862	69,529,850	(104,334,091)	14,202,105	15,350,621

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:

2019-20 Outturn figures differ slightly from those shown in the Statement of Parliamentary Supply as this table includes a Prior Period Adjustment for Fleetbank Funding and BIS (Postal Services Act 2011) Company Limited due to an update in the classification of transactions.

2019-20 Outturn figures differ slightly between lines from those shown in the Statement of Parliamentary Supply as expenditure for Insolvency Service is shown here against Promote competitive markets and responsible business practices to reflect current Estimate structures, but was recorded against Government as Shareholder in the 2019-20 Estimate.

The large increase in spend in 2020-21 on Deliver an ambitious industrial strategy Resource DEL is due to the COVID-19 Business Support Grants.

The large increase in spend in 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/accrued payments to scheme participants totalling £846,091,674.27 in the financial year 2019-20. 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 2019-20 is between the upper and lower limits of £12,886,310 and £21,780,552. Based on the same assumptions, the most likely estimated value of error for the same period is £17,333,431. This is less than 3 per cent of scheme spend in 2019-20.

Table 2 – Administration Budget

	2015-16 Outturn £'000	2016-17 Outturn £'000	2017-18 Outturn £'000	2018-19 Outturn £'000	2019-20 Outturn £'000	2020-21 Plans £'000
Resource DEL						
Deliver an ambitious industrial strategy	583	–	–	–	–	–
Promote competitive markets and responsible business practices	4,703	5,126	4,690	4,680	5,093	1,540
Managing our energy legacy safely and responsibly	–	(3,801)	–	–	–	–
Science and Research	59	–	2	–	(2)	398
Capability	327,944	288,546	280,222	350,166	384,234	476,969
Promote competitive markets and responsible business practices (ALB) net	8,630	7,362	8,735	8,783	7,779	8,669
Taking action on climate change and decarbonisation (ALB) net	3,752	3,535	3,447	3,353	5,354	5,135
Managing our energy legacy safely and responsibly (ALB) net	10,191	12,104	7,044	6,912	4,833	7,941
Science and Research (ALB) net	4,685	986	3,371	5,547	7,410	4,300
Capability (ALB) net	39,218	39,818	33,635	30,475	34,693	1,500
Government as Shareholder (ALB) net	251	162	27	62	105	1,937
NDA and SLC expenditure (ALB) net	34,992	38,195	42,121	50,612	52,929	65,000
Total Administration Budget	**435,008**	**392,033**	**383,294**	**460,590**	**502,428**	**573,389**
Of which:						
Staff costs	365,590	329,069	326,207	385,642	434,897	*
Purchase of goods and services	145,800	159,274	154,657	177,288	162,338	*
Income from sales of goods and services	(135,538)	(37,585)	(31,151)	(10,220)	(3,726)	(2,038)
Current grants to persons and non-profit bodies (net)	29	38	493	425	325	154
Current grants abroad (net)	108	106	170	184	538	–
Subsidies to private sector companies	–	–	9	–	–	–
Subsidies to public corporations	–	–	–	28	–	–
Net public service pensions	–	–	(9)	(12)	(13)	–
Rentals	31,852	30,117	34,299	22,485	33,391	27,650
Depreciation[1]	29,956	27,034	22,901	18,850	26,902	27,764
Take up of provisions	2	–	(50)	–	3	–
Change in pension scheme liabilities	25	106	184	141	205	–
Other resource	(2,816)	(116,126)	(124,416)	(134,221)	(152,432)	(38,611)

1 Includes impairments.

* 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: Annually Managed Expenditure

ARAC: Audit and Risk Assurance Committee

BAES: BAE Systems

BBB: British Business Bank Plc

BBIL: British Business Investments Ltd

BBLS: Bounce Bank Loan Scheme

BBSRC: Biotechnology and Biological Sciences Research Council

BEIS: Department for Business, Energy and Industrial Strategy

BFP: Business Finance Partnership

BNFL: British Nuclear Fuels Ltd

BVCA: British Venture Capital Association

CAT: Competition Appeal Tribunal

CBILS: Coronavirus Business Interruption Loan Scheme

CCA: Climate Change Agreements

CCL: Climate Change Level

CERN: European Organisation for Nuclear Research

CfD: Contracts for Difference

CFP: Committee on Fuel Poverty

CLBILS: Coronavirus Large Business Interruption Loan Scheme

CNPA: Civil Nuclear Police Authority

CNPP: Civil Nuclear Pension Plan

COVID-19: Coronavirus pandemic

CRC: Carbon Reduction Commitment

CSOPS: Civil Servant and Other Pension Scheme

DDM: Dynamic Dispatch Model

Defra: Department for Food, Environment and Rural Affairs

DEL: Departmental Expenditure Limit

DfE: Department for Education

ECF: Enterprise Capital Fund

EDFE: EDF Energy Nuclear Generation Limited

ECL: Expected Credit Loss

EFG: Enterprise Financial Guarantee

EHL: Enrichment Holdings Limited

EII: Energy Intensive Industries

EMR: Electricity Market Reform

EPSRC: Engineering and Physical Sciences Research Council

ERDF: European Regional Development Fund

ESA: European Space Agency

ESC: Electricity Settlements Company

ESRC: Economic and Social Research Council

EUA: European Union Allowance

EUAA: European Union Aviation Allowance

EUETS: EU Emissions Trading Scheme

EUV: existing-use value

FDP: Funded Decommissioning Programme

FF: Future Fund scheme

FIDeR: Financial Investment Decision Enabling for Renewables

FLS: Future Leaders Scheme

FRC: Financial Reporting Council

FReM: Government Financial Reporting Manual

FVTOCI: fair value through other comprehensive income

FVTPL: fair value through profit or loss

GCRF: Global Challenges Research Fund

GDF: Geological Disposal Facility

GDPR: General Data Protection Regulation

GGC: Greening Government Commitments

GPA: Government Property Agency

GRAA: Government Resources and Accounts Act

HMT: HM Treasury

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
IPEV: International Private Equity and Venture Capital
IRR: internal rate of return
ISCF: Industrial Strategy Challenge Fund
IUK: Innovate UK (Technology Strategy Board)

JET: Joint European Torus
JPA: Joint Procurement Agency

LCC: Local land charges
LCCC: Low Carbon Contracts Company Ltd
LEP: Local Enterprise Partnerships

MEIL: Midlands Engine Investment Ltd
MRC: Medical Research Council
MRCPS: Medical Research Council Pension Scheme

NAO: National Audit Office
NDA: Nuclear Decommissioning Authority
NDPB: non-departmental public bodies
NERC: Natural Environment Research Council
NESTA: National Endowment for Science, Technology and the Arts
NIF: National Insurance Fund
NLF: Nuclear Liabilities Fund
NaLF: National Loans Fund
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

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
PFRC: 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
RHLGF: Retail, Hospitality and Leisure Grant Fund
RMPP: Royal Mail Pension Plan
RPS: Redundancy Payment Services
RSRL: Research Sites Restoration Limited
RWM: Committee on Radioactive Waste Management

SBGF: Small Business Grant Fund
SCS: Senior Civil Servant
SDG: Sustainable Development Goals
SDP: single departmental plan
SFLG: Small Firms Loan Guarantee Scheme
SI: Statutory Instrument
SLC: Site Licence Company
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
STFC: Science and Technology Facilities 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

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