Department for Business, Energy & Industrial Strategy

Annual report and accounts

2020-21

HC 808

Department for
Business, Energy
& Industrial Strategy

Annual report and accounts

2020-21

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Foreword of the Secretary of State

The Rt Hon Kwasi Kwarteng
Secretary of State for Business, Energy and Industrial Strategy

The past year brought us extraordinary challenges. The Department for Business, Energy and Industrial Strategy was at the forefront of the UK Government's efforts to fight coronavirus, supporting businesses and communities while laying the groundwork to build back better, stronger, greener, and fairer.

Fighting Coronavirus

The Government put in place one of the world's most comprehensive and generous economic responses, providing £352 billion across two years. My department was responsible for getting vital loans and grants to businesses with remarkable speed and efficiency. The Vaccine Taskforce, established within BEIS, played an enormous role in the success of the UK's vaccine programme. To build our resilience against any future pandemics, we invested over £300 million in domestic vaccine manufacturing and £213 million in world class research facilities across the UK.

Enterprise

At the end of January, we completed our exit from the European Union. My department worked closely with businesses across the country to ensure they were equipped to deal with the changes and seize the opportunities being an independent nation brings, protecting the interests of the British taxpayer.

Net Zero

Despite the challenge of the pandemic, the threats posed by climate change remained front of mind. Our Energy White Paper set out how we will power our net zero future, and the Prime Minister's Ten Point Plan for a Green Industrial Revolution detailed plans to mobilise £12 billion of government investment.

Our Industrial Decarbonisation Strategy will help protect and create skilled jobs and give businesses the certainty to invest. And the landmark North Sea Transition Deal will use the expertise of our oil and gas industry to turn our North Sea Basin green while protecting livelihoods.

Innovation

To strengthen the UK's status as a global science superpower, we committed to £14.9 billion R&D spending in 2021/22. This investment reinforces our commitment to putting research and development at the heart of plans to build back better.

The bill to establish the new Advanced Research & Invention Agency (ARIA) entered Parliament. The high-risk, high-reward research undertaken by the agency could lead to discoveries that transform people's lives.

Out of the EU, and as we recover from the pandemic, the UK is starting a new chapter. We will build on existing strengths across our Union and develop our competitive advantage through significant investment in infrastructure, skills and innovation. We will pursue green growth and support enterprise to level up, enable the transition to net zero, and create a truly Global Britain.

Report of the Permanent Secretary

Sarah Munby
Permanent Secretary and Principal Accounting Officer

The pandemic has had a huge impact on everyone's lives over the past year. At the Department for Business, Energy and Industrial Strategy, we have been steadfast in our focus on supporting businesses and individuals in every way we can. I am immensely proud of how the department has adapted quickly and effectively to what has been an extraordinary and evolving situation, while also looking forward and laying the groundwork for recovery.

We have worked more closely than ever with businesses to understand and respond to their needs. Our comprehensive package of support schemes set up at speed and scale have kept businesses and whole sectors of the economy afloat.

Due to the dedication and quick work of the Vaccine Taskforce, the UK was also one of the first countries in the world to procure, authorise and start a vaccination programme. The UK Government secured early access to 347 million vaccines doses through supply agreements with six separate vaccine developers, and a reservation agreement with a vaccine developer for 60 million doses.

In addition to the urgent work to tackle the pandemic, we have also kept our focus on our longer-term priorities, particularly reducing carbon emissions. Through the Prime Minister's Ten Point Plan, the Energy White Paper, the landmark North Sea Transition Deal and the Industrial Decarbonisation Strategy, we kept up momentum on our world-leading, and world-changing, work tackling climate change.

We also continued to increase investment in research and development, with public spending on R&D now at its highest level in four decades following a boost of more than £1.5 billion in 2020-21.

We introduced the National Security and Investment Bill in November 2020. This will strengthen our national security regime and will give companies and investors certainty so they can do business in the UK with confidence. It was enacted on 29 April 2021.

On 1 April 2020, an estimated 3 million people benefitted from a pay increase when the National Living Wage was increased by more than three times the rate of inflation to £8.72 per hour, and the National Minimum Wage also rose for under-25's. As part of the ambition to build back better, and fairer, the Government also launched the prospectus for the £4.8 billion UK-wide Levelling Up Fund, to ensure all regions of the UK benefit from opportunities.

I am very proud of the role the Department has played over the past year in fighting coronavirus, while also delivering on our goals to tackle climate change, unleash innovation and back business and enterprise. We enter next year with high ambition, with a crucial role to play in driving the country's recovery and the transformation to a net zero economy.

Performance report

Performance overview

Purpose of the performance overview

The performance overview, pages 6 to 13 provides a short summary to understand, the organisation, its purpose, its priorities, its performance and principal risks.

It is followed by the performance analysis section which provides a deeper dive into performance against our priorities, risks, a financial review and other relevant performance.

Our purpose

BEIS is committed to leading Britain's recovery – building a stronger, fairer and greener future across the UK, fostering shared prosperity, growth and levelling up across our Union.

What we set out to achieve

BEIS began the 2020-21 financial year with three key priorities and aims that pre-dated the COVID-19 pandemic. These were:

Tackling climate change, delivering net zero and driving the green industrial revolution.

Unleashing innovation and making the UK a science superpower.

Backing business, backing long-term growth, making the UK, and levelling up economic activity.

Added to these, at the turn of 2020-21, was the critical priority of **Fighting coronavirus** including supporting business through the pandemic and recovery, supporting a safe return to workplaces, managing economic shocks, and ensuring the continued development and manufacture of vaccines.

Principal risks

The key risks faced by the Department in 2020-21 have included:

- failure to prepare for the end of the transition period;
- failure to set up and deliver the work required of BEIS to support business and the country through the COVID-19 pandemic;
- failure to mitigate the effect of an economic downturn; and
- failure to support the global fight to tackle climate change and reach net zero.

The performance analysis section provides further details of our risks profile, under the heading risks affecting delivery of our priorities on page 26.

The governance statement on page 56 includes a risk assessment for the Department. It discusses our risk management and internal controls mechanism and assesses the evidence on their effectiveness.

Our business model

Our work

Following ministerial priorities, we design and implement policy relating to our priorities:

– Fighting coronavirus;

– Backing business;

– Unleashing innovation, and

– Tackling climate change.

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

4,717 people

Our people

Our Core Department is made up of 4,717 people with regional offices across the UK. We are organised in eight groups, each led by a director general. Groups are in turn divided into directorates.

43 partner organisations

Our partner organisations

BEIS is accountable for 43 public bodies, including a number where UK Government Investments (UKGI) has shareholder responsibilities. They are collectively referred to as our Partner Organisations (POs).

Our POs vary in remit, size, degrees of complexity and classifications. Examples include:

- large organisations – such as UK Research and Innovation, Nuclear Decommissioning Authority
- medium-size organisations working on regulation – such as the Competition and Markets Authority
- advisory committees – including the Committee on Climate Change

In 2020-21, we welcomed Companies House, Land Registration Rule Committee and Salix Finance Limited to our family of bodies.

£44.2 billion

Our funding

Our annual funding is agreed with HM Treasury and Parliament. In 2020-21, we were responsible for the efficient stewardship of £44.2 billion of Departmental funds.

Performance summary in 2020-21

Fighting coronavirus: supporting businesses through the pandemic and recovery

The government put in place one of the world's most comprehensive economic responses to the pandemic, providing £352 billion across 2019-20 and 2020-21. **We delivered loans, loan guarantees and grants schemes to businesses** with remarkable speed and efficiency.

Number of businesses and value of loans supported by British Business Bank COVID-19 debt guarantee and loan schemes.

	Data as at	Number of facilities approved	Value of facilities approved £bn
CBILS	21-Mar-21	98,344	23.3
CLBILS	21-Mar-21	716	5.3
BBLS	21-Mar-21	1,531,095	46.5
Future Fund	21-Feb-21	1,140*	1.1*

* Values represent the number of convertible loans approved, and the value of convertible loans approved.

Due to the dedication and quick work of the **Vaccine Taskforce**, established by BEIS in April 2020, the UK was one of the first countries in the world to procure, authorise and start a vaccination programme.

Backing business: backing long-term growth and taking advantages of Brexit

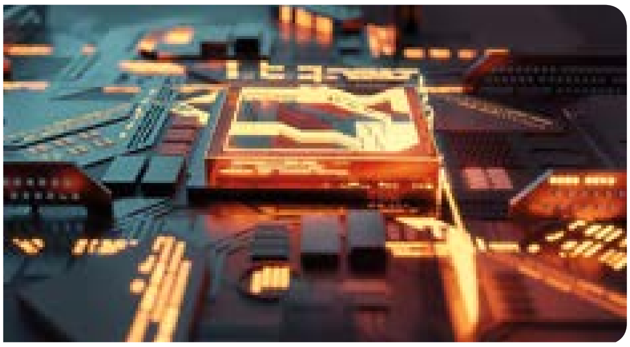
The government **published the Plan for Growth**, setting out plans for significant investment in infrastructure, skills and innovation, to level up every part of the UK. This is the successor to the Industrial Strategy and we will take the lead on the transition to net zero, Innovation Strategy and research & development.

At the end of January 2020, the UK completed its exit from the European Union. In February 2021, we set out **plans for the new UK-wide subsidy control system**, providing more flexible and tailored financial support to businesses, following the end of the transition period.

We introduced the **National Security and Investment Bill** in November 2020. It will allow foreign takeovers of UK firms to be blocked if there are unacceptable national security risks to the UK.

Unleashing innovation

We introduced the **Advanced Research & Invention Agency (ARIA) Bill**, to create a new independent research body to fund high-risk, high-reward scientific research. It will be led by scientists who will have the freedom to identify and fund transformational science and technology at speed.

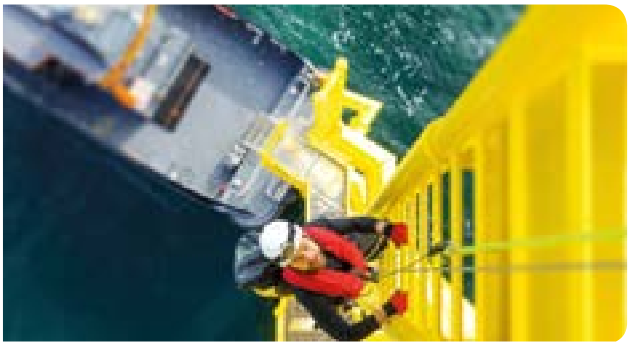


We announced 38 new **quantum technology projects** that will benefit from over £70 million government investment.

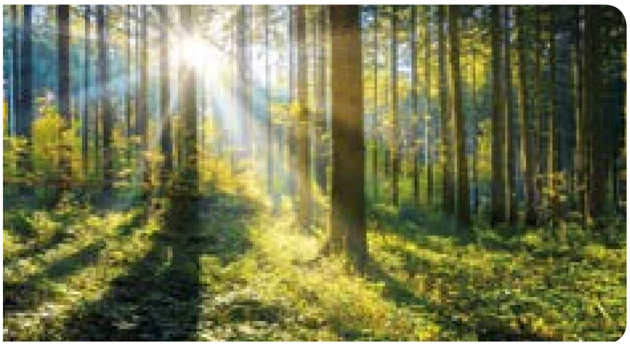
We announced £10 million government investment for the world's first **commercial liquid air battery** project, bringing greater flexibility to the UK's energy grid.

Tackling climate change and delivering net zero

We published the **Energy White Paper** which set out how we will power our net zero future. **The Ten Point Plan** for a green industrial revolution was also unveiled – it will mobilise £12 billion of government investment and support up to 250,000 green jobs.



We published the **Industrial Decarbonisation Strategy** to deliver an industrial sector which will be low-carbon – the world's first. We also published the **North Sea Transition Deal**, to turn our North Sea Basin green.



We co-hosted the **Climate Ambition Summit** in December 2020, which saw countries representing around 65% of global CO_2 emissions committing to reaching net zero emissions.

Where we spent our money in 2020-21

For the year ended 31 March 2021, the Departmental Group incurred Total DEL spend of **£44.2 billion**[1]. Of this **£31.9 billion** related to the Core Department and Agencies, and **£12.3 billion** related to our partner organisations and designated bodies.

The diagram opposite shows the major areas of spend by Estimate line for the Core Department and by entity for the Department's Agencies and Partner Organisations. The majority of the Departmental spend, in 2020-21 has been through the Core Department, whereas in previous years, the majority of the Department's spend, and policy delivery has been through our Partner Organisations.

In 2020-21, the Core Department's spend has more than doubled since 2019-20. This was primarily caused through the Department's spending on fighting coronavirus: supporting business through the pandemic and recovery.

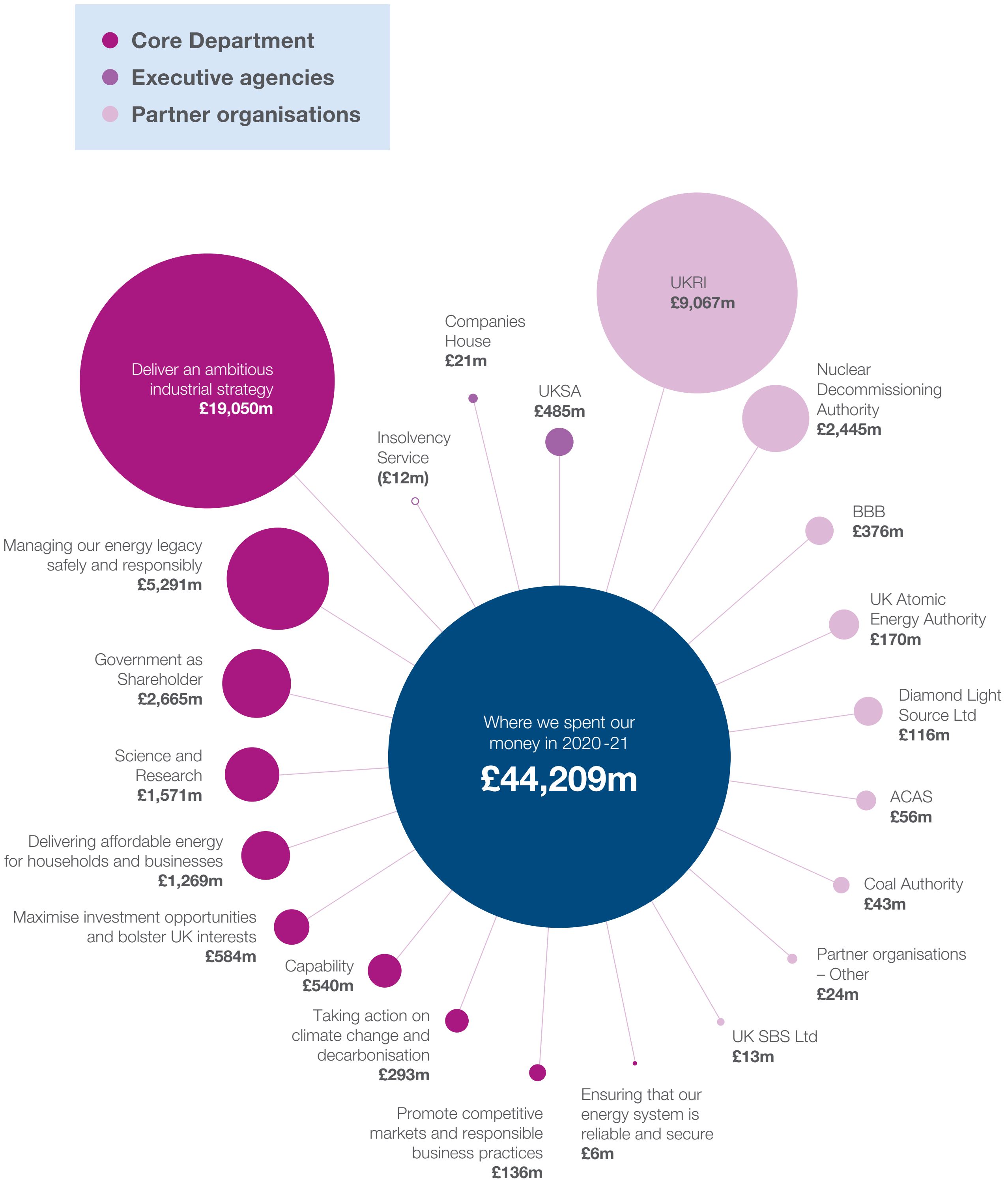
The Core Department has spent:

- **£18.7 billion** on grants to support businesses through the pandemic (included in Delivering an ambitious industrial strategy).
- **£1.5 billion** on support to businesses through the CBILS/CLBILS and BBLS loan guarantee schemes (included in Government as Shareholder).
- **£1.1 billion** on support to businesses through the Future Fund (included in Government as Shareholder).
- **£1.3 billion** on vaccines development and sourcing through the Vaccine Taskforce (included in Science and Research).

Agencies and Departmental Group spend includes:

- **£9.1 billion** by **UK Research and Innovation (UKRI)**, on funding for Science and Research.
- **£2.4 billion** by the **Nuclear Decommissioning Authority (NDA)** on managing our energy legacy safely and responsibly.
- **£376 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.
- **£485 million** by **UK Space Agency (UKSA)** on delivering an excellent space programme with the maximum economic, scientific and policy benefit for the UK.

1 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 32.



Core Department
Executive agencies
Partner organisations
Deliver an ambitious industrial strategy £19,050m
UKRI £9,067m
Companies House £21m
UKSA £485m
Nuclear Decommissioning Authority £2,445m
Insolvency Service (£12m)
BBB £376m
Managing our energy legacy safely and responsibly £5,291m
UK Atomic Energy Authority £170m
Government as Shareholder £2,665m
Diamond Light Source Ltd £116m
Where we spent our money in 2020-21
£44,209m
Science and Research £1,571m
ACAS £56m
Delivering affordable energy for households and businesses £1,269m
Coal Authority £43m
Maximise investment opportunities and bolster UK interests £584m
Partner organisations – Other £24m
Capability £540m
Taking action on climate change and decarbonisation £293m
UK SBS Ltd £13m
Promote competitive markets and responsible business practices £136m
Ensuring that our energy system is reliable and secure £6m

How we are organised: our organisational structure

This section represents the structure of the Core Department and relevant post holders as at the reporting date of this annual report and accounts.

Our ministers

Secretary of State for Business, Energy and Industrial Strategy
Rt Hon Kwasi Kwarteng MP

Minister of State, Minister for Business, Energy and Clean Growth
Rt Hon Anne-Marie Trevelyan MP

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

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

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

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

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

Our management: senior officials

Permanent Secretary and Principal Accounting Officer
Sarah Munby

Corporate Services – Chief Operating Officer – Interim
Doug Watkins

Business Sectors – Director General
Mike Keoghan

Energy and Security – Director General
Joanna Whittington

Energy Transformation & Clean Growth – Director General – Interim
Ben Golding

Energy Transformation & Clean Growth – Director General – Interim
Cath Bremner

Science Innovation and Growth – Director General
Jo Shanmugalingam

BEIS Scientific Adviser
Professor Paul Monks

Market Frameworks – Director General
Jaee Samant

Trade, International, the Union & Analysis – Director General
Ashley Ibbett

Vaccine Taskforce – Director General
Madelaine McTernan

Chief Financial Officer; Finance Director
Tom Taylor

Strategy and Policy – Director
Dan Micklethwaite

Implementation and Delivery – Director
Simon Hulme

Communications – Director
Craig Woodhouse

Human Resources – Director
Alice Hurrell

Our management: non-executives

Lead Non-Executive Director
Ann Cairns[1]

Audit and Risk Assurance Committee – Chair
Nigel Boardman

Non-Executive Board Member
Vikas Shah[2]

Non-Executive Board Member
Stephen Hill[2]

Notes:

1: Lead Non-Executive Director and Nominations and Governance Committee – Chair.

2: Joined as Non-Executive Board Members in May 2021.

How we are organised: our group

- **Our executive agencies** act as an arm of the Core Department, undertaking executive functions, rather than policy advice.
- **The consolidated Departmental Group** includes non-departmental public bodies (NDPBs) and other central government bodies within the accounting boundary. NDPBs are sponsored by the Department with a separate legal personality. NDPBs operate at arm's length from ministers, although a minister will be accountable to Parliament for the NDPB, with the department usually setting their strategic framework. Other central government bodies are classified as part of central government but have not yet been administratively classified as NDPBs.
- **The wider Departmental Group** includes public corporations, non-ministerial departments and central government funds aligned to BEIS which work to achieve our objectives. These entities are not consolidated into the Department's financial statements.

Core Department and Executive Agencies

Core Department
Companies House
Insolvency Service
Intellectual Property Office[1]
Met Office[1]
UK Space Agency

Consolidated Departmental Group

Non-Departmental Public Bodies

Advisory, Conciliation and Arbitration Service
British Hallmarking Council[3]
Central Arbitration Committee
Civil Nuclear Police Authority
Coal Authority
Committee on Climate Change[3]
Committee on Fuel Poverty
Committee on Radioactive Waste Management
Competition Appeal Tribunal
Competition Service
Copyright Tribunal
Land Registration Rule Committee[3]
Low Pay Commission
Nuclear Decommissioning Authority
Oil and Gas Authority
Regulatory Policy Committee
Salix Finance Limited
Small Business Commissioner[3]
UK Atomic Energy Authority
UK Research and Innovation

Other Central Government Bodies

British Business Bank
British Technology Investments[3]
Certification Officer
Electricity Settlements Company
Financial Reporting Council
Groceries Code Adjudicator[3]
Low Carbon Contracts Company
Pubs Code Adjudicator[3]
UK Shared Business Services

Wider Departmental Group

Celsa Steel (UK) Limited[2]
Competition & Markets Authority[4]
Land Registry[4]
National Nuclear Laboratory[2]
National Physical Laboratory[2]
Nuclear Liabilities Fund[5]
Office of Gas and Electricity Markets[4]
Ordnance Survey[2]
Post Office Limited[2]

There are several other bodies which are consolidated into the Departmental Group accounts which are not included in the list above, as while they are separate legal entities, their accountability flows from the list of entities above. For the full list of bodies consolidated in the Departmental Group accounts please see note 27.

1 Trading Funds are not consolidated into the Departmental Group accounts.
2 Public Corporations are not consolidated into the Departmental Group accounts.
3 Minor body not consolidated into the Departmental Group accounts on materiality grounds.
4 Non-ministerial Departments are not consolidated into the Departmental Group accounts.
5 Central government funds are not consolidated into the Departmental Group accounts.

Performance analysis

Purpose of the performance analysis

The performance analysis provides a detailed view of our performance in 2020-21. It includes – performance on our strategic priorities, risks affecting delivery of our priorities, a financial review, sustainability report, other relevant information in the public interest.

Our Performance

'Our performance' details the Department's performance against our strategic priorities in 2020-21.

Fighting coronavirus: supporting businesses through the pandemic and recovery

Support a safe return to the workplace restoring jobs and livelihoods and rebuilding consumer confidence

We worked closely with businesses, unions, industry bodies, Public Health England (PHE) and the Health and Safety Executive (HSE) to develop the guidance for making workplaces COVID-19 secure. The guidance was first published in May 2020 and gives practical considerations on how to adapt a workplace to make it COVID-19 secure. It supported the safe re-opening of businesses throughout the pandemic. The guidance has been kept under constant review.

We supported the Department of Health and Social Care (DHSC) to implement a scheme offering businesses access to free lateral flow testing, for employees unable to work from home. The aim was to identify asymptomatic COVID-19 cases and prevent outbreaks. DHSC provided tests and BEIS supported engagement with businesses. As at 31 March 2021, over 100,000 businesses had registered for workplace testing.

Support business through the pandemic and recovery, engaging closely to understand needs and delivering vital support schemes

The government put in place one of the world's most comprehensive economic responses to the pandemic, providing £352 billion across 2019-20 and 2020-21.

In partnership with the British Business Bank, the Department delivered loans, loan guarantees and grants schemes to businesses with remarkable speed and efficiency.

We supported businesses via the following schemes.

- The Coronavirus Business Interruptions Loan Scheme (CBILS) – provided government backed loans of up to £5 million to small and medium sized businesses. It launched on 23 March 2020 and closed on 31 March 2021.
- The Coronavirus Large Business Interruption Loan Scheme (CLBILS) – provided government backed loans of up to £200 million to larger businesses. It launched on 20 April 2020 and closed on 31 March 2021.
- The Bounce Back Loan Scheme (BBLS) – provided government backed loans of up to £50,000 to small and medium businesses. It launched on 4 May 2020 and closed on 31 March 2021.
- The Future Fund – provided convertible loans of up to £5 million where government investment was matched by third party investors. It launched on 20 May 2020 and closed on 31 January 2021.

- The Trade Credit Reinsurance Scheme (TCRS) – a temporary measure to keep trade flowing despite the uncertainty from the pandemic. It launched in summer 2020. As at 31 March 2021, the scheme had provided over £210 billion of insurance cover for over 500,000 businesses, protecting over £575 billion of turnover.

We provided local authorities with over £18.7 billion in grants to allocate to eligible businesses. As at 31 March 2021, the Department had funded;

- £10.9 billion paid under the Small Business Grants Fund (SBGF) and the Retail, Hospitality and Leisure Grant Fund (RHLGF) – closed August 2020,
- £5.6 billion paid under the Local Restriction Support Grants (LRSG), comprising:
  - £5.4 billion to businesses required by law to close,
  - £22.9 million to wet-led pubs, and
  - £201.1 million to businesses impacted by COVID-19 but not required to close.
- £1.6 billion paid under the Additional Restrictions Grant (ARG) scheme, and
- £573.0 million paid under the Local Authority Discretionary Grant Funds (LADGF) – closed August 2020.

We announced the Sustaining University Research Expertise Fund (SURE). It provided a package of low-interest loans and grants to universities. For the 2020-21 academic year, the government will cover up to 80% of income losses from international students, up to the value of non-publicly funded research activity in that university. The scheme launched in June 2020 and closed 31 March 2021.

The combined value of the five SURE Fund packages was £21.7 million – £21.4 million as loans, and £0.3 million in grants. This funding is being used to protect university research and researcher roles. It is part of an evaluation of BEIS research and knowledge exchange stabilisation support.

Ensure the continued development and manufacture of vaccines for deployment in the UK and overseas to protect lives

BEIS set up the Vaccine Taskforce (VTF) dedicated to ensuring early access to a safe and effective vaccine against COVID-19 for the UK population.

The VTF built up a balanced portfolio of different vaccine types. This allowed the VTF to engage with specialists in industry and academia. The collaboration maximised the chance of success and created new opportunities.

The VTF portfolio included established vaccine providers such as GlaxoSmithKline/Sanofi, Novavax and Valneva. It also included newer, but clinically advanced platforms such as Oxford/AstraZeneca, Pfizer/BioNTech, Janssen and Moderna. As at 31 March 2021, the VTF had completed agreements to supply 407 million doses[1].

The VTF expanded the supply chain for vaccine manufacture. We engaged with specialist UK suppliers and contract development organisations to support supplies for – manufacture, product analysis, testing and contract manufacturing services. This allowed the sector to respond to emerging and future demands.

The UK has committed up to £548 million for vaccine access to low-, middle- and high-income countries – initially two billion doses for one billion people worldwide. The VTF led on the COVID-19 Vaccines Global Access facility (COVAX), working with partners. The VTF successfully shared its expertise and people with COVAX.

The VTF also supported the international distribution of vaccines. It worked closely with AstraZeneca to agree international distribution of its vaccines – this resulted in supply contracts for three billion doses worldwide in 2021.

1 The UK government terminated the vaccine development agreement with Valneva after 31 March 2021 – refer to 'Note 28. Events after the reporting period'.

To build our resilience against any future pandemics, the VTF led on investment to innovate and upskill workers to manufacture vaccine and other advanced therapies. This is ultimately to reduce the UK's current reliance on cross border supply chains, and to attract business to the UK. We supported a grant of £4.7 million to the Cell & Gene Therapy Catapult. This grant starts a training network to support workers relocating from declining industries into advanced medical manufacturing, a high growth industry.

Manage Economic Shocks, helping protect businesses and jobs where possible

We introduced temporary insolvency measures to support UK companies to continue to trade. Measures included:

- restricting statutory demands and winding up petitions – to protect against creditor enforcement due to COVID-19 related debts,
- exemption for small suppliers to supply a business in insolvency, and
- temporary relaxation to the moratorium procedure,

We gave all companies temporary flexibility to override constraints in their constitutions and hold virtual general meetings, through the Corporate Insolvency and Government Act 2020. This scheme closed on 31 March 2021.

Through the Business and Planning Act 2020, we introduced measures to give businesses more flexibility to operate under certain planning proceedings. This included business use of outdoor spaces, and authorisation for licensed premises to serve alcohol off-site.

To fast-track supplies of Personal Protective Equipment (PPE) to the NHS, we temporarily eased administrative requirements. The easing also applied to PPE being placed in the market for COVID-19 use. We also provided advice and guidance to manufacturers.

Fighting coronavirus: supporting businesses through the pandemic and recovery – performance metrics

Number of business and value of loans supported by British Business Bank COVID-19 debt schemes

	21 March 2021	
	Number of facilities approved	Value of facilities approved £bn
CBILS	98,344	23.3
CLBILS	716	5.3
BBLS	1,531,095	46.5
Future Fund (21 Feb 2021)	1,140*	1.1*

* Values represent the number of convertible loans approved, and the value of convertible loans approved.

Source: HM Treasury coronavirus (COVID-19) business loan statistics.
https://www.gov.uk/government/collections/hm-treasury-coronavirus-covid-19-business-loan-scheme-statistics

Number of Advanced Purchase Agreements for vaccine supply signed	
As at 31 March 2021	7

Number of different vaccine modalities in the Vaccine Taskforce portfolio*	
As at 31 March 2021	4

* Vaccine modalities or types are the different methodologies used to create a vaccine. These include (Adenovirus, mRNA, Protein Adjuvant and inactivated whole virus.)

Backing business: backing long-term growth and taking advantages of Brexit

Make the UK the best place to start and grow a business, taking advantage of Brexit to build the UK's competitive advantage, create jobs and encourage investment

We supported UK businesses to prepare for the end of the transition period. We had a comprehensive programme of engagement with the 19 sectors BEIS sponsors. We did this through sector panels, engagement with trade associations, business representative organisations and other intermediaries for further reach to SMEs.

We engaged local businesses through the 38 regional Growth Hubs in England. We provided a transition-related service on the Business Support Helpline. We sent transition-related materials to over 13,000 of our newsletter subscribers and the 500,000 on the Companies House mailing list. We also distributed a mailshot to over 4 million businesses.

Following the announcement of the Trade & Co-operation Agreement, the Department used multiple channels to ensure businesses knew where to go for further guidance. Overall, from 4 January 2021 to 4 April 2021, BEIS and Growth Hubs had over 190,000 unique engagements with businesses and intermediaries.

We played a vital role in successfully concluding negotiations with the EU on the Trade & Co-operation Agreement. We delivered UK negotiation objectives in line with HMG's domestic priorities.

On goods, we successfully negotiated zero tariffs, zero quotas trade and modern and appropriate rules of origin for key BEIS sectors. This includes transitional rules for hybrid and electric vehicles. We have also negotiated a level of market access for cross-border services and investment. It builds on the EU's best precedent agreements to date, across professional, legal and business services

We established a new legislative framework to protect continuous trade and back long-term growth throughout the UK – via the UK Internal Market Act.

As a replacement for the EU's CE Mark, we introduced the UK Conformity Assessed (UKCA) Mark. This was done alongside measures to make this transition as smooth as possible. We listened to businesses and gave them additional time to adapt in recognition of the challenges they faced, especially from COVID-19. This includes permitting the use of CE marking until 1 January 2022 for most goods.

In leaving the European Union, the Government has the freedom and opportunity to develop a new, bespoke regime for subsidy control within the UK that delivers on our national priorities. In February, we set out plans for a new UK-wide subsidy control system. It aims to provide more flexible and tailored financial support from government to businesses. The new regime will ensure a consistent approach throughout the UK.

To help small businesses experiencing late payments, we published a consultation to seek views on strengthening the powers of the Small Business Commissioner (SBC). We sought views on a range of powers, including the power to:

- compel information from businesses in connection with an SBC investigation,
- issue binding payment plans where money is owed, and
- investigate payment practices following information supplied by a third party.

Increase opportunity by levelling up economic activity

The government published the Plan for Growth, setting out plans for significant investment in infrastructure, skills and innovation, to level up every part of the UK. This is the successor to the Industrial Strategy and BEIS will take the lead on the transition to net zero, innovation strategy and research & development, among others.

We increased the National Living Wage in April 2020 to £8.72 per hour – more than three times the rate of inflation. The National Minimum Wage for under-25s also rose.

We introduced a new right to paid parental bereavement leave in April 2020. This allows working parents who lose a child under the age of 18 to get two weeks' statutory leave.

We launched a review into employment rights for survivors of domestic abuse. The review looked at what more could be done to help survivors in the workplace. We sought views on the availability of flexible working and unplanned leave.

The Hampton-Alexander Review set the target for more than a third of FTSE350 board members to be women. This target was met for the first time in September 2020.

In October, the Energy Price Cap was extended until end of 2021. It protects around 11 million UK households from being overcharged.

Strengthen our national security regime, protecting against hostile actors and retaining UK investment in strategic sectors

We introduced the National Security and Investment Bill in November 2020. It will allow foreign takeovers of UK firms to be blocked if there are unacceptable national security risks to the UK. It was enacted on 29 April 2021.

Drive up productivity and create high value, better paid jobs, by boosting our world class sectors

The Department, alongside HMT, commissioned the City of London to establish a taskforce to increase socio-economic diversity in UK financial and professional services.

We announced reforms to the Prompt Payment Code to encourage companies to stand by smaller suppliers to ensure we build back better.

Challenges

The inquiry into the Post Office Limited's Horizon IT system follows on from the Prime Minister's commitment on 26 February 2020 to hold an Inquiry, and the conclusion of the group litigation involving postmasters and Post Office Limited in December 2019.

The inquiry will ensure there is a public summary of the failings that occurred in relation to the IT system.

Backing business: backing long-term growth and taking advantages of Brexit – performance metrics

Output per hour growth	
2021 Q1	0.7%
2020	0.9%
2019	0.4%

Source: https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/labourproductivity/timeseries/lzvb/prdy?referrer=search&searchTerm=lzvb
Release schedule: Quarterly

Output per worker growth	
2021 Q1	2.8%
2020	-9.1%
2019	0.7%

Source: https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/labourproductivity/timeseries/a4ym/prdy?referrer=search&searchTerm=a4ym
Release schedule: Quarterly

Business investment as a percentage of GDP	
2021 Q1	8.7%
2020	9.5%
2019	10.0%

Source: Business investment:
https://www.ons.gov.uk/economy/grossdomesticproductgdp/timeseries/npek/cxnv?referrer=search&searchTerm=npek
GDP:
https://www.ons.gov.uk/economy/grossdomesticproductgdp/timeseries/ybha/ukea
Release schedule: Quarterly

Unleashing innovation

Make the UK a science superpower – backing ideas, eliminating bureaucracy, and supporting talent from home and abroad

We published the R&D Roadmap in July 2020. It aims to pursue ground-breaking research, attract global talent, and cut unnecessary red tape to make the UK the best place in the world for researchers and entrepreneurs to work and innovate.

Double investment in R&D to drive discovery and boost future-facing sectors like AI and life sciences

In March 2021, we introduced legislation to establish a new Advanced Research and Invention Agency (ARIA). ARIA will support high-risk, high-reward research. ARIA will receive £800 million in funding and will be independent of government so researchers will be able to operate flexibly and at pace avoiding unnecessary bureaucracy along the way.

In June 2020, we announced that 38 new quantum technology projects will benefit from over £70 million government investment, marking the start of Quantum Tech Digital Week.

Also in June 2020, we announced £10 million government investment for the world's first large scale commercial liquid air battery project, bringing greater flexibility to the UK's energy grid.

We committed £1.2 billion to the Met Office for what is expected to be the world's most advanced supercomputer dedicated to weather and climate. This computer will generate more accurate climate modelling and warnings of severe weather, to build resilience and protect people, businesses and infrastructure from the impacts of increasingly extreme weather.

As part of the Trade and Cooperation Agreement with the EU, we agreed to participate as an associate country in both Horizon Europe and Euratom Research and Training programmes. This will help UK researchers and businesses to collaborate with partners in the EU. It will provide a platform to tackle significant and shared challenges in society – ranging from climate change to global health. Beyond funding of UK research projects from the programmes, our participation will continue to give the UK access to cross-border networks, unique research infrastructure, supply chains for new products and access to global talent.

In January 2021, the UK ratified the Square Kilometre Array (SKA) International Governmental Organisation (IGO) convention. SKA is the world's largest radio telescope and most sensitive radio telescope. It will redefine our understanding of space. Its headquarters is in Jodrell Bank, near Manchester, and it is the first science IGO set up in the UK in almost 50 years.

In October 2020, we convened with the R&D Place Advisory Group, to advise on the development of the new UK R&D place strategy.

The UK Atomic Energy Authority (UKAEA) asked communities to nominate sites for the UK's prototype fusion power plant called STEP. The prospect of hosting this generated high levels of engagement across the UK, and the UKAEA received an exciting variety of nominated sites. Using a process developed by BEIS and UKAEA, sites will be shortlisted for final selection in 2022 by the Secretary of State.

Foster open and competitive markets that support innovators and new entrants

We launched an independent review to reduce unnecessary bureaucracy for UK researchers. We also set up an Innovation Expert Group to advise us on how best to support innovators.

Tackling climate change and delivering net zero

Deliver net zero, ending our contribution to global warming by 2050

On 1 January 2021, the UK Emissions Trading Scheme (UK ETS) replaced the EU ETS. It aims continue to encourage take up of emerging decarbonisation technologies.

We established the Hydrogen Advisory Council. Through this, government and industry will work together to enable large-scale supply of low carbon hydrogen for the energy system. This would address near-term challenges and maximise opportunities for UK business in this rapidly growing area.

We published the government response to the 2020 progress report by Climate Change Committee. It outlined our progress towards meeting our legislated carbon budgets.

We announced the latest round of the Energy Entrepreneurs Fund (EEF). It seeks to promote new clean technologies across all sectors of UK industry. Previous projects include – tech to anchor floating offshore wind turbines, using ash waste in glassmaking and new solar heating systems, – benefiting from grants of £72 million in total since 2012.

We announced tighter rules for how much energy white goods like washing machines and fridges use. Our new eco-design requirements are due this summer. It is expected to save 21.5 TWh of domestic electricity use by 2050. This is the equivalent of about 1.7 $MtCO_2e$ or the average annual carbon emissions from electricity use for 2.5 million homes.

Altogether, existing eco-design measures for a range of energy-related products are estimated to save consumers £75 on their energy bills and 8 $MtCO_2e$ in 2021. This is the equivalent of the average annual carbon emissions from electricity use for 12 million homes.

Drive the green industrial revolution through the PM's Ten Point Plan, boosting growth and creating jobs in clean technologies, infrastructure, and energy in all parts of the UK

The Prime Minister outlined his Ten Point Plan for a green industrial revolution – to create and support 250,000 jobs, while allowing the UK to eradicate its contribution to climate change by 2050.

We published the Energy White Paper which sets out how we see the energy system changing over the next 30 years to reach net zero carbon emissions by 2050.

It also addresses the huge shift we are making to fully decarbonise electricity generation. To achieve this, the government will be investing in offshore wind, clean hydrogen, carbon capture and storage, and advanced nuclear. This is a key moment in the delivery of the Prime Minister's Ten Point Plan.

We also published the Industrial Decarbonisation Strategy. It sets out our plans to deliver a low-carbon industrial sector. The new strategy will support existing industry to decarbonise and encourage the growth of new, low carbon industries in the UK. It gives businesses long-term certainty to invest in home-grown decarbonisation technology – such as that which can capture and store carbon emissions from industrial plants – rather than outsourcing industrial activity to high-emission countries around the world.

We published the North Sea Transition deal. It set out an ambition plan for how the UK's offshore oil and gas sector will work together to reduce greenhouse gas emissions. It also creates the right business environment to attract new industrial sectors to base themselves in the UK.

We approved the building of Britain's largest ever solar farm. Hive Energy's proposed 350MW Cleve Hill solar project in Kent will begin operating in 2022 and is subsidy free.

We set out plans for the fourth round of the Contract for Difference (CfD) scheme. The CfD scheme is the government's main mechanism for supporting low-carbon electricity generation. Compared to the last round, it will double the capacity of renewable energy among other improvements.

We launched a new Green Jobs Taskforce. It will set the direction for the job market as we transition to a high-skill, low carbon economy, aiming to create 2 million green jobs by 2030.

In March 2021 we published a joint government response on the Green Gas Support Scheme (GGSS) and the Green Gas Levy (GGL). The GGSS will support the increase in biomethane production to decarbonise the gas grid and reduce emissions. Committed to building back greener, these new measures could prevent 21.6 million tonnes of CO_2 from entering the atmosphere. This is the equivalent of planting 71 million trees. The GGSS will be funded by the GGL, which will apply to licensed gas suppliers in England, Scotland and Wales. The GGSS is expected to launch in autumn 2021, with the first levy collection taking place in quarter 1 2022-23.

Accelerate international climate action through strong global leadership

We co-hosted the Climate Ambition Summit in December. This saw countries which represent around 65% of global CO_2 emissions commit to reaching net zero emissions. The government is already working towards its commitment to reduce emissions in 2030 by at least 68% compared to 1990 levels – the highest reduction target made by a major economy to date.

In August 2020, International Climate Finance results showed that since 2011, UK aid investment has:

- provided 33 million people with improved access to clean energy, including connections to off-grid renewable energy sources, access to solar lanterns and clean cook stoves,
- installed 2000 MW of clean energy capacity, equivalent to the capacity of 454 average sized UK offshore wind turbines,
- helped 66 million people to cope with the effects of climate change, for example by providing training on how to grow climate-resilient crops, and
- leveraged £2.2 billion of private finance to fight climate change.

Alongside DEFRA and FCDO, we set out world-leading new measures to protect rainforests. Legislation will make it illegal for larger businesses to use products unless they comply with local laws to protect natural areas.

Challenges

The Green Homes Grant voucher scheme was closed to new applications on 31 March 2021, following challenging timescales, policy ambition and supplier performance. The scheme was designed to provide a short-term economic boost while tackling our contribution to climate change – by offering homeowners the opportunity to apply for up to £5,000 funding (£10,000 for low-income households) to install energy efficiency improvement measures in their homes.

In parallel to closing the scheme, new funding of £300 million was announced for green home upgrades in 2021-22, to be delivered in partnership with Local Authorities. This brings total investment in green building retrofit in 2021-22 to £1.3 billion.

Tackling climate change and delivering net zero – performance metrics

Total UK greenhouse emissions, tonnes of CO_2 equivalent – (for tracking progress against carbon budgets)	
	Total UK greenhouse emissions, million tonnes CO_2 equivalent
2020 (difference vs 2019) – provisional	414.1 (-8.9%)
2019 (difference vs 2018)	454.8 (-2.8%)
2019 (difference vs 1990)	454.8 (-43.8%)

Source: BEIS 2020 UK provisional greenhouse gas emissions & BEIS 2019 UK greenhouse gas emissions, final figures.
https://www.gov.uk/government/statistics/provisional-uk-greenhouse-gas-emissions-national-statistics-2020
Release schedule: both Annual

Total projected greenhouse gas savings from BEIS policies included in the Energy and Emissions Projections (EEP)		
	Total, projected greenhouse emissions savings* from BEIS policies (2030 projections vs 1990 emissions, $MtCO_2e$)**	
Energy Supply	222	(1990 levels: 278; 2030 projection: 56)
Business	59	(1990 levels: 114; 2030 projection: 55)
Industrial Processes	51	(1990 levels: 60; 2030 projection: 9)
Residential (joint responsibility with DLUHC)	10	(1990 levels: 80; 2030 projection: 70)

* Savings calculated as 1990 emissions minus 2030 projections.
** Projections only include policies as of August 2019.

Source: BEIS updated energy and emissions projections: 2019.
https://www.gov.uk/government/publications/updated-energy-and-emissions-projections-2019
Release schedule: Annual

A summary of the impact of COVID-19 on strategic objectives, and priority outcomes for 2020-21

The pandemic placed significant demands on the Department, and we reprioritised accordingly. We moved resource to ensure businesses had the support they needed, and to set up the Vaccine Taskforce to secure the supply of vaccine doses. We also significantly changed our ways of working, to allow for homeworking and flexibility around illness and caring. We paused or slowed some work where we judged the impact of doing so was manageable.

Backing business

We slowed work on certain labour market reforms, in part because the need for urgent interventions and partly while we assess the impact of COVID-19 on the labour market itself.

Similarly, the pace of reforms to consumer and competition law and the audit market was reduced, with a consultation on audit reform launched in March 2021.

Unleashing Innovation

The National Space Strategy was published in September 2021.

Net zero

Our commitment to net zero carbon emissions by 2050 remained front of mind. The Industrial Decarbonisation Strategy and North Sea Transition Deal were unveiled in March 2021. We also published the Energy White Paper in November 2020, although this was a few months later than planned. The decision was taken to postpone the COP26 Climate Summit in Glasgow until November 2021.

A summary of the impact of EU Exit on strategic objectives, and priority outcomes for 2020-21

We successfully delivered all BEIS-led EU Exit programmes and projects required for the end of the transition period.

COVID-19

The EU Commission put in place a temporary requirement to authorise EU exports of vaccines and vaccine products. The UK portfolio of vaccines has dependencies on EU supply chains. However, we worked with the vaccine suppliers to ensure optimal logistics and a swift roll out of vaccines. As at 31 March 2021, we were on track to meet our target to offer a first vaccine dose to every person within priority groups 1-9, which we reached 3 days before our 15 April target.

Backing business

BEIS played a vital role in successfully concluding negotiations with the EU on the Trade & Co-operation Agreement (TCA), in line with HMG's domestic priorities. We supported businesses for the end of the transition period.

Unleashing innovation

We negotiated association to Horizon Europe – the world's largest collaborative R&D programme, and the Euratom Research & Training programme, subject to adoption of the EU Programmes Protocol I. We separately negotiated scientific and commercial participation in Fusion 4 Energy – this will give the UK access to the ITER international fusion experiment upon adoption of the EU Programmes Protocol I and supports our own fusion ambitions. We also successfully negotiated a Nuclear Cooperation Agreement with Euratom – it provides a framework for trade in nuclear materials and technology.

Net zero

Within the TCA, we committed to sustainable development provisions and the Paris Agreement to tackle climate change. It was an "essential element" of the agreement for the first time in the history of Free Trade Agreements. Following the end of the transition period, we have established our independent UK Emissions Trading Scheme.

A summary of how our performance contributes to United Nations Sustainable Development Goals

The Sustainable Development Goals (SDGs) are a package of 17 global goals for 2016-2030, developed by UN member states.

The UK government is delivering SDGs via HMG's existing performance frameworks. Departments are required to identify where their performance contributes to the delivery of relevant SDGs. BEIS contributes mainly to SDGs 7, 9 and 13.

Further details on the bullet points in the table, may be found in the performance narrative above.

SDGs	Progress in 2020-21	BEIS priorities
Goal 7 – Ensure access to affordable, reliable, sustainable and modern energy for all	• We established the Hydrogen Advisory Council to enable large-scale supply of low carbon hydrogen for the energy system. • UK aid investment – International Climate Finance (ICF) results showed that since 2011, ICF has provided 33 million people with improved access to clean energy, among other benefits.	
Goal 9 – Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation	• We awarded six projects £8 million in total to create a net zero emissions industrial zone by 2040 – the world's first. • We awarded 39 projects with a total of £31 million to support industry studies and energy efficiency deployment projects.	
Goal 13 – Take urgent action to combat climate change and its impacts	• We approved the building of Britain's largest ever solar farm – the Cleve Hill solar project, to begin operating in 2022. • We set out plans for the fourth round of the Contracts for Difference (CfD) scheme.	
Goal 1 – End poverty in all its forms	• We increased the National Living Wage in April to £8.72 per hour – more than three times the rate of inflation.	
Goal 5 – Achieve gender equality and empower all women and girls	• The Hampton-Alexander Review set the target for more than a third of FTSE 350 board members to be women. This target was met for the first time in September 2020.	
Goal 8 – Promote sustained inclusive and sustainable economic growth, full and productive employment and decent work for all	• We introduced a new right to paid parental bereavement leave. • We launched a review into employment rights to help survivors of domestic abuse.	
Goal 11 – Make cities and human settlements inclusive, safe, resilient and sustainable	• We announced the UK's first homes with household appliances fuelled entirely by hydrogen will be built in Gateshead. • We launched up to £3 billion of investment to decarbonise homes and public sector buildings.	
Goal 12 – Ensure sustainable consumption and production patterns	• We worked to introduce new eco-design requirements for white goods and electronic displays, due summer 2021.	

Looking ahead

What we are aiming to achieve

We will build on existing strengths across our Union to create green growth, support enterprise to level up, enable the transition to net zero, and create a truly Global Britain.

Fighting Coronavirus

We will continue to support business through the pandemic and recovery and ensure the continued development and supply of vaccines. We will provide targeted support to businesses and workers and build on the success of the Vaccine Taskforce to transform the UK into a life sciences superpower.

Enterprise – backing long term growth

We want to make the UK the best place in the World to start and grow a business. We will take advantage of our departure from the EU to boost enterprise and create jobs, supporting our industries to create a dynamic and competitive economy that is fit for the future. This includes levelling-up economic activity and opportunity across the country, supporting more flexible workplaces and strengthening the UK's national security regime. We are working with the Department for International Trade to increase access to new markets.

Net zero – tackling climate change

We will drive the green recovery and make sure the UK ends its contribution to global warming by 2050. Our ambitious domestic action plan, with affordability and fairness at its heart, will create growth and jobs in clean technologies in the four nations of the UK. Through our upcoming Presidency of COP26 and our International Climate Finance we will provide strong global leadership to accelerate climate action.

Innovation – unleashing a science super-power

We will make the UK a science superpower by backing ideas, eliminating bureaucracy and supporting talent from home and abroad. We will continue to put UK research funding on a firm footing after EU Exit, by establishing the Advanced Research & Invention Agency (ARIA) and negotiating access for the UK's brilliant scientists to the world's largest collaborative research programme, Horizon Europe.

Risks affecting delivery of our priorities

This section provides further details on risks faced by the Department in 2020-21.

Key:

BEIS priorities

Fighting coronavirus: supporting businesses through the pandemic and recovery

Backing business: backing long-term growth and taking advantages of Brexit

Unleashing innovation

Tackling climate change and delivering net zero

Relative severity

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

Continuing risks from 2019-20

Risk	Mitigating activities	Relative risk severity and direction of risk trend to March 2021
Failure to meet carbon budgets due to measures to mitigate climate change not reducing emissions sufficiently	→ We developed and implemented further policies to reduce emissions toward meeting our Net Zero, carbon budget and Nationally Determined Contributions (NDC). → We refined and strengthened our analysis of future emissions. → We strengthened governance through a new Climate Action Strategy Committee, chaired by the Prime Minister, to encourage further action on climate change.	H This risk remains high due to the scale of our commitments.
Catastrophic or severe incident affecting energy or nuclear critical national infrastructure	→ We worked with the Office for Nuclear Regulation to maintain safety and security standards, including strengthening the regulatory framework. → We ensured robust safety and security arrangements (physical, personnel and cyber) were in place at civil nuclear sites. → We maintained a robust capability building programme to increase BEIS preparedness to lead a cross-government response.	L
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 ran staff awareness campaigns to reinforce security behaviours and develop a security conscious culture – technical and physical defences are not enough on their own. → We maintained strong and tested cyber defences. → We developed proportionate defences for BEIS and our partner organisations. → We worked with other government departments to adopt best practices	H The Department is satisfied all possible avenues are in place to mitigate this risk. The rating remains high due to the increasing nature of cyber-attacks, and importance of staff safety.

Risk	Mitigating activities	Relative risk severity and direction of risk trend to March 2021
We may lack the strategic and cultural flexibility to manage the impacts of a rapid change to priorities	→ To support strategic decision-making, we maintained an effective reporting system to ensure risks are identified early and considered by senior leaders. → A dedicated team worked to develop our Target Operating model, to strengthen capability. → We identified future trends through annual horizon scanning of our external environment and recruited people with the necessary commercial, technical, and operational skills.	M
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 increased monitoring early on at policy development stage and improved mechanisms to review the policies. → We continued to develop a central archive of completed appraisals, monitoring and evaluations to support better, analysis and policy development.	M
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 conducted workforce planning to develop resourcing plans, review strategy and international capability. → We monitored the results of our People Survey 2019-20 to improve staff retention with – new learning and development packages and the appointment of Wellbeing Champions.	L The Department has refocused its attention to develop separate risks for workforce planning and managing staff wellbeing in 2021-22.

New risks in the year

The following are new risks that have been identified or escalated based on threats the department has faced during the year. These risks were added at various points of the financial year.

Risk	Mitigating activities	Relative risk severity and direction of risk trend from identification to Mar 2021
As a result of insufficient funding, there is a risk that financial constraints could limit our ability to deliver our objectives and ambitions	→ We monitored our in-year position and managed the Supplementary Estimate process, fundamental to delivering a balanced in year position. → We engaged with HMT to discuss financial position, policy funding and emerging issues. → We conducted quarterly deep dives into specific budgets to identify risks and levers to manage over/under spends and consider commitments, volatility or other data as needed.	M
Vaccine nationalism and foreign government intervention: there is a risk that one or more shipments of the drug substance or drug product to the UK could be restricted by interventions from foreign countries or Blocs	→ We engaged across government to understand political intervention to stabilise vaccine supply. → We proactively engaged with international partners. → We supported and developed COVAX (COVID-19 Vaccines Global Access) as a supply mechanism and a forum to collaborate. → We developed strategy for domestic production where possible and supported the development of UK capacity and capability.	H This risk is high due to the importance of the continued supply of vaccines to the UK.

Risk	Mitigating activities	Relative risk severity and direction of risk trend from identification to Mar 2021
Failure to support the global fight to tackle climate change	→ We engage with other government departments working to ensure that the COP Unit strategy and delivery plan aligns. → We ensured the team is sufficiently resourced to deliver international climate change objectives – through business planning. → We continued to contribute to delivery of COP 26 and engaged with key stakeholders from other government departments.	H This risk remains high due to the scale of our commitments.
Failure to manage legal budget and resources effectively	→ We monitored total spend and planned future costs. Where necessary, we will use findings to develop a spending profile for the year and adjust to external factors. → We engaged with other government departments to find out best practices and how they manage GLD costs.	M
There is a risk that the UK experiences economic downturn	→ We worked with HMT on a plan for growth to support the economy. → We managed the rollout of vaccines to support the country to emerge from lockdown and prevent COVID-19. → We monitored sectors and targeted support packages for businesses.	H The rating remains high due to the widespread implications of the pandemic.
Failure to comply with the Public Sector Equality Duty	→ We developed proposals to drive up compliance with Public Sector Equality Duty.	H The rating of this risk remains high as the scope of the requirement affects many areas of the Department.

Closed or de-escalated risks

Risk	Mitigating activities	Narrative
We may not have the right skills and capacity at the right time to deliver work on trade deals with both the EU and rest of the world   	→ We undertook workforce planning to plan capacity. We prepared staff for negotiations via training and briefings. → We undertook steps to retain corporate knowledge when staff leave. → We monitored internal BEIS core activity to ensure we have the capacity and skills for trade deals.	This area remains a high priority. However, this specific risk has been closed as the Department refocused its attention towards workforce planning in 2021-22.
Failure to prepare for Trade and Europe Transition   	→ We managed the portfolio to ensure projects were kept on track. → We engaged with BEIS sectors to promote business readiness. → We contributed to a series of cross-government deep dives on the economy led by Cabinet Office to assess government's shock handling processes. → We undertook business planning to implement the 2020 Spending Review settlement and maintain long term capacity and capability.	Now the transition period has ended this specific risk has been closed as the Department refocused its attention to implementing the Trade and Cooperation Agreement.

Financial review

Expenditure: How expenditure is presented

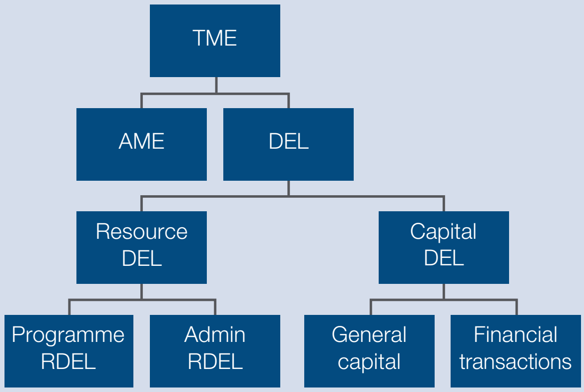
The Department's expenditure is reported in the financial Statements, in the Statement of Comprehensive Net Expenditure (SoCNE) (page 136) and the Statement of Outturn against Parliamentary Supply (SOPS) (page 101), but on different bases. The financial statements are prepared in accordance with accounting standards (International Financial Reporting Standards (IFRS)) 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. Due to the differing presentation requirements between IFRS and SOPS and the complexities this brings, a reconciliation between the two is required, this is shown in SOPS 2.

The Departmental Group's net operating expenditure was £53.8 billion and £53.4 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 £55.6 billion, compared to the Department's Budget £104.5 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.

Our budgetary 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 is split into:

- Annually Managed Expenditure (AME), and
- 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 during a Spending Review which typically 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, and
- '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, and
- 'General capital' for spending on all other assets or investments.

Overview of expenditure in 2020-21

	2020-21 Budget £m	2020-21 Outturn £m	2019-20 Outturn £m
TME[1,2]	**104,487**	**55,601**	**33,844**
Resource DEL	27,913	23,738	2,838
Capital DEL	21,139	20,471	11,228
Total DEL[3]	**49,052**	**44,209**	**14,066**
Resource AME	23,307	(8,152)	19,915
Capital AME	32,128	19,544	(137)
Total AME	**55,435**	**11,392**	**19,778**

Notes

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

2 The TME outturn corresponds to ‘total voted and non-voted’ Outturn reported in the SOPS.

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

The SOPS Outturn 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 of the COVID-19 financial guarantees, 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 four years are shown in the table below.

	2020-21 £m	2019-20 £m	2018-19 £m	2017-18 £m
Nuclear Decommissioning Authority	3,473	6,751	(99,592)	73,218
Science and research	9,182	7,785	7,511	6,740
Contracts for Difference	468	3,543	(2,971)	3,558
UK Research & Innovation (Innovate UK)	1,066	1,077	1,052	973
Coal Authority	274	58	(1,993)	1,545
Green Infrastructure Platform	(87)	9	11	24
Renewable Heat Incentive	848	846	818	687
International Climate Finance	584	339	321	330
Post Office	115	92	228	140
Redundancy payment service	442	431	319	260
COVID-19 business support grant schemes	8,050	10,976	–	–
COVID-19 business loan guarantee schemes	21,281	–	–	–
Future Fund	1,151	–	–	–
Vaccine Taskforce	1,261	–	–	–
Nuclear Liabilities Fund	5,070	–	–	–
Green Investment Bank sale receipts	–	–	–	(1,621)
Other	2,423	1,937	75	179
Total	**55,601**	**33,844**	**(94,221)**	**86,033**

In 2020-21 the Departmental Group's expenditure recognised in the Department's SoCNE increased to £53.8 billion, an increase of £20.3 billion compared to 2019-20 Departmental Group's expenditure. This increase has primarily been driven by the increase of COVID-19 related expenditure, with the Department recognising £11.0 billion in 2019-20 increasing to £32.3 billion in 2020-21.

In previous years, the changes in discount rates have had a more significant impact on the expenditure recognised in the Department's accounts, however, minimal changes in HM Treasury's discount rates between 2019-20 and 2020-21 has resulted in a smaller impact in 2020-21. The movement on the NDA's nuclear decommissioning provision recognised in expenditure in 2020-21, as a result of changes in the discount rate was £2.1 billion.

The Contracts for Difference (CfDs) fair value movement recognised in expenditure in 2020-21 was £2.7 billion, lower than £5.3 billion recognised in 2019-20.

COVID-19 related expenditure

In 2019-20 the Department recognised a £11.0 billion provision expense for COVID-19 related business support grant scheme through the Small Business Grant Fund (SBGF) and Retail, Hospitality and Leisure Grant Fund (RHLGF). 2020-21 saw an increase in COVID-19 related expenditure, covering business support and fighting the Coronavirus through the Vaccine Taskforce.

In 2020-21, £21.3 billion has been recognised in relation to the business support COVID-19 financial guarantee loan schemes (notes 19 and 4.1), £85 million was recognised for the Trade Credit Reinsurance Scheme (notes 19 and 4.4), £1.1 billion was recognised for the Future Fund, a further £0.1 billion was paid under the SBGF and RHLGF (note 4.4), £0.6 billion was paid through the Local Authority Discretionary Grant Fund (note 4.4), £7.2 billion was paid under the Local Restrictions Support Grant schemes (note 4.4) and £0.5 billion was paid out through Science and Research support grants (note 4.4). The Vaccine Taskforce spent £0.6 billion (note 4.1) on developing vaccines and £0.6 billion (note 4.4) on manufactured vaccines.

COVID-19 related expenditure

	2020-21 £m	**2019-20 £m**
Business support – Grant expenditure		
Small Business Grant Fund (SBGF), and Retail Hospitality and Leisure Grant Fund (RHLGF).	110	10,975
Local Authority Discretionary Grant Fund (LADGF)	573	–
Local Restrictions Support Grant schemes	7,225	–
New burdens funding	142	–
	8,050	**10,975**
Business support		
Financial Guarantee schemes	21,281	–
Trade Credit Reinsurance	85	–
Future Fund	1,090	
	22,456	**–**
Vaccine Taskforce		
Vaccine Taskforce	1,261	–
	1,261	**–**
Science & Research		
Science & Research support grants	540	–
	540	**–**
Total	**32,307**	**10,975**

CfDs and Capacity Market Payments

The increase in the estimated discounted value of CfD payments (excluding HPC) from (£16.5 billion) in 2019-20 to (£16.9 billion) in 2020-21 resulted in a £2.7 billion expense reported in the SoCNE which is offset by payments to CfD generators of (£2.3 billion).

£1.1 billion of Capacity Market payments were made in 2020-21 compared to £1.5 billion in 2019-20. These payments are offset by the recognition of levy income.

Discount rates

In previous years, significant changes in HM Treasury's prescribed discount rates have resulted in large impacts on the SoCNE. In the last couple of years, the movement on discount rates has been smaller, and resulted in (£0.2 billion) being recognised in 2019-20 and £2.1 billion in 2020-21 relating to the nuclear decommissioning provision. In 2020-21, in addition to the impact of the discount rate change, the nuclear provision liability has increased by £1.3 billion due to changes in cost estimates. 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

Explanations for the key variances from budget are as follows, split by budget line headings from the SOPS.

	Outturn £m	Budget £m	Variances £m	%
TME	**55,601**	**104,487**	**(48,886)**	**(46.79%)**
Resource DEL	23,738	27,913	(4,175)	(14.96%)
Capital DEL	20,471	21,139	(668)	(3.16%)
Total DEL	**44,209**	**49,052**	**(4,843)**	**(9.87%)**
Resource AME	(8,152)	23,307	(31,459)	(134.98%)
Capital AME	19,544	32,128	(12,584)	(39.17%)
Total AME	**11,392**	**55,435**	**(44,043)**	**(79.45%)**

Total Managed Expenditure (TME)

Our TME budget was £104.5 billion; against this the Department had an Outturn of £55.6 billion. The Department underspent by £48.9 billion in comparison to its Estimate.

This was primarily as a result of:

- a provision for grant funding that was not required of £20.3 billion in Resource AME;
- uncertainties at the time of budgeting for the CfD valuation of £7.5 billion in Resource AME;
- uncertainties at the time of budgeting for the COVID-19 business support schemes in particular the COVID-19 financial guarantee schemes, which represented £12.5 billion of the underspend in Capital AME; and
- underspends against COVID-19 and other budgets of £4.2 billion in Resource DEL.

Resource DEL

The Estimate was £27.9 billion. Outturn against the Estimate was £23.7 billion; £4.2 billion lower than budget. This is primarily due to an underspend against COVID-19 and other budgets.

Capital DEL

The Estimate was £21.1 billion. Outturn against the Estimate was £20.5 billion, £668 million lower than budget. The majority of the underspend is split between COVID-19 measures and other areas in which spend has slipped as a result of COVID-19 restrictions.

Resource AME

The Estimate was £23.3 billion, and Outturn was (£8.2 billion), an underspend of £31.5 billion.

The primary reason for the underspend was that the Department requested budget cover for a potential provision relating to grant funding that was not required as a result of the UK negotiating to become an associate member of the EU's Horizon Europe, Euratom Research and Training and International Thermonuclear Experimental Reactor (ITER) programmes. This accounted for £20.3 billion of the underspend.

In addition to this, the NDA's nuclear decommissioning provision was £0.9 billion lower than the Estimate which reflects uncertainties when budgeting for the Outturn. The CfD liabilities were £7.5 billion lower than the Estimate due to contingency in the forecast of the wholesale electricity prices.

In the Core Department there was a £1.1 billion underspend against the Estimate relating to fair value movements in investments held.

Capital AME

The Estimate was £32.1 billion, and Outturn was £19.5 billion, an underspend of £12.6 billion.

The £12.6 billion underspend was almost entirely due to COVID-19 financial guarantees for which there were significant uncertainties when setting the budget.

Breakdown of Outturn against Budget for EU Exit and COVID-19 expenditure

Area of Expenditure		Outturn	Budget	Saving
		£m	£m	£m
TME		**55,601**	**104,487**	**(48,886)**
RDEL	EU Exit	120	126	(6)
RDEL	COVID-19	21,495	25,053	(3,558)
RDEL	Other	2,123	2,734	(611)
Total RDEL		**23,738**	**27,913**	**(4,175)**
CDEL	EU Exit	39	74	(35)
CDEL	COVID-19	2,081	2,182	(101)
CDEL	Other	18,351	18,883	(532)
Total CDEL		**20,471**	**21,139**	**(668)**
Total DEL		**44,209**	**49,052**	**(4,843)**
RAME	EU Exit	–	20,391	(20,391)
RAME	COVID-19	(10,736)	(9,678)	(1,058)
RAME	Other	2,584	12,594	(10,010)
Total RAME		**(8,152)**	**23,307**	**(31,459)**
CAME	EU Exit	–	–	–
CAME	COVID-19	19,782	31,430	(11,648)
CAME	Other	(238)	698	(936)
Total CAME		**19,544**	**32,128**	**(12,584)**
Total AME		**11,392**	**55,435**	**(44,043)**

EU Exit expenditure

The majority of the £119.6 million of expenditure relating to EU Exit recognised in Resource DEL, related to staff costs and related costs, legal fees and other professional advice spent to prepare and deliver the Trade and Cooperation Agreement. Included within the £119.6 million, are the costs of setting up and providing the Business support helpline and supporting businesses to be ready for the end of the Transition Period. The majority of this funding (£200 million, £126 million RDEL and £74 million CDEL) was provided by HM Treasury as part of the 2019 Spending Review.

The Department's underspend against the Resource AME EU Exit budget was for a funding provision that was not required in 2020-21, as explained above.

COVID-19 expenditure

As detailed in the table COVID-19 related expenditure, the £21.5 billion recognised in Resource DEL, included:

- £18.8 billion relating to business support grant expenditure paid and recognised in the year. This includes £10.8 billion paid and recognised in Resource budgets in 2020-21, which was provided as a provision in the Department's 2019-20,
- £1.5 billion relating to business support financial guarantee – Business Interruption Payments, and
- £1.3 billion relating to the Vaccine Taskforce,
- Less: (£0.1 billion) net cost in Resource DEL of the Trade Credit Reinsurance scheme.

The £2.1 billion recognised in Capital DEL, included:

- £1.1 billion relating to the Future Fund, and
- £0.5 billion of funding to Research and Development.

The (£10.7 billion) recognised in Resource AME, primarily relates to the (£10.8 billion) utilisation of the funding provision recognised in the Department's accounts in 2019-20.

The £19.8 billion recognised in Capital AME, primarily relates to the business support – financial guarantee expenditure recognised in 2020-21 under the CBILS/CLBILS and BBLS financial guarantee business schemes.

All of this spending was funded by HM Treasury during the 2020-21 Main and Supplementary Estimate processes.

In 2019-20 £151 million was recognised in Resource DEL, in respect of COVID-19 expenditure. The £151 million, related to business support grants under the SBGF and RHLGF, that were paid out by Local Authorities before 31 March 2020 from their own funds and were due to be reimbursed by the Department, see note 4.4. 2019-20, Core Department and Agencies. This amount was funded through underspends in the Department's 2019-20 Resource DEL budget.

Expenditure on Official Development Assistance

Official Development Assistance (ODA) refers to aid from the UK government to developing countries to promote economic development.

ODA spend relates to research and innovation (R&I) and International Climate Finance (ICF). In 2020, our total spend was £1,002.7 million. ODA spend is reported for the calendar year, and on a cash basis.

Research and Innovation (R&I)

ODA spend on R&I was £607.0 million. Activities included:

- funding research into COVID-19 and its impact on some of the world's most disadvantaged people – to develop solutions to mitigate its short and long-term impacts;
- supporting the careers of researchers from Development Assistance Committee (DAC) listed countries;
- funding the first female winner of the Africa Prize for Engineering Innovation – the competition supports sub-Saharan African entrepreneurs who are tackling crucial problems in their communities; and
- awarding the Newton Prize 2020 to 6 research projects tackling issues in developing countries.

International Climate Finance (ICF)

ODA spend on ICF spend was £395.7 million. Activities included:

- contribution to the Green Climate Fund – to finance projects including in the poorest and most vulnerable developing countries;
- supporting the multilateral development banks' work to make a green recovery out of the COVID-19 pandemic;
- stabilising deforestation and improving land systems in Colombia; and
- providing technical assistance to partner countries to increase and implement their ambitions to reduce emissions in line with the Paris Agreement.

ODA spend by sector

Sector	Sector code	2020 £m
Education, Level Unspecified	111	17.8
Basic Education	112	2.3
Post-Secondary Education	114	12.2
Health, General	121	108.9
Basic Health	122	19.0
Non-communicable diseases	123	1.7
Population Policies/Programmes & Reproductive Health	130	3.1
Water and supply sanitation	140	2.6
Government & Civil Society-general	151	9.4
Conflict, Peace & Security	152	1.5
Other Social Infrastructure & Services	160	5.0
Transport & Storage	210	0.4
Communications	220	0.1
Energy Policy	231	5.7
Energy generation, renewable sources	232	49.3
Energy Distribution	236	0.0
Banking & Financial Services	240	0.1
Business & Other Services	250	0.4
Agriculture	311	53.2
Forestry	312	45.0
Fishing	313	2.6
Industry	321	17.5
Mineral Resources & Mining	322	1.2
Construction	323	0.2
General Environment Protection	410	100.1
Other Multisector	430	260.2
Emergency Response	720	0.2
Disaster Prevention & Preparedness	740	1.0
Administrative Costs of Donors	910	28.2
Unallocated/unspecified	998	253.8
Total		**1,002.7**

Notes

1 The 2020 Statistics on International Development were published by the Foreign, Commonwealth, and Development Office on 29 September 2021.

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 2021. The Department's liabilities have increased from (£157.6 billion) at 31 March 2020 to (£163.4 billion) at 31 March 2021. The most significant items and assumptions impacting the Statement of Financial Position are explained below. They include

a. Recognition of COVID-19 Business support Financial guarantees and Business support grants;

b. Impact of changes in discount rates;

c. Contracts for Difference (CfDs) and

d. Nuclear Decommissioning provision.

a. Recognition of COVID-19 Business support – Financial guarantees and Business support grant

In 2019-20 the Department recognised a £10.8 billion provision in the SoFP for the expected cost of two business support grant schemes announced in March 2020, the Small Business Grant Fund (SBGF) and the Retail, Hospitality and Leisure Grant Fund (RHLGF). In 2020-21 these grants were paid, resulting in the Department settling its provision liability.

In 2020-21, the impact of the governments' COVID-19 business support schemes through the financial guarantee loan schemes and Trade Credit Reinsurance Scheme have increased the Department's liabilities by £19.8 billion. The expenditure of these schemes recognised in the year have been discussed in the Comparison of expenditure to previous years section above.

The Department's Trade and other receivables balance has increased in 2020-21. £2.5 billion of this increase represents the amount of funding provided to local authorities that is due back to the Department. Further details are given in note 14.

(b) Impact of changes in discount rates

Discount rates

Some of the Department's 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 the Department is required to present a single number in the annual accounts. This single number is based on the Department's 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 several 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 resulted in government bonds providing a negative 'real' return. The long-term discount rate has been negative since 2015. In 2020-21, the long-term discount rate remains negative and is equal to the negative discount rate used in 2019-20. However, the short term and medium-term discount rates have been revised resulting in the 2020-21 equivalent discount rates being slightly more negative than in prior years. This change has driven the change in the reported value of the Department's short term and medium-term provision liabilities.

When negative discount rates are applied to the Department's long-term obligations, this has the effect of increasing the reported value of the liabilities, with the increase of the short term and medium-term negative discount rate this has resulted in an increase in the reported value of the liabilities this year, relating to these elements. The long-term discount rate is unchanged. 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 are 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; 2020-21: RPI was 3.22% (2019-20: RPI was 3.35%) giving an implicit rate of 6.72% (2019-20: 6.85%).

Impact on liabilities

Liabilities in 2020-21 continue to be discounted at a negative rate. The present value of the liabilities is therefore higher than the value the Department expects to pay in the future.

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 nation's energy legacy. The fair value of the CfD has been adjusted using the 0.7% real term discount rate.

	2020-21	2019-20	Rationale
Nuclear decommissioning provision			
Short term < 2 years	(1.21%)	(1.36%)	Set by HM Treasury Public Expenditure System (PES) paper issued on 18 December 2020
Short term 2 – 5 years	(1.88%)	(1.46%)	
Medium-term 6 -10 years	(1.78%)	(1.42%)	
Long-term > 10 years	(0.01%)	(0.01%)	
CfD financial instruments			
Real rate (as cashflows are in real terms)	0.70%	0.70%	As above
Coal pension receivable			
Real rate + 3% RPI (as contractual figures are in nominal values)	3.7%	3.7%	As above: financial instruments discount rate (non-indexed)
COVID-19 schemes			
Financial Guarantees	3.7%	N/A	As above: financial instruments discount rate (non-indexed)
Future Fund	3.7%	N/A	As above: financial instruments discount rate (non-indexed)
Trade Credit Reinsurance	3.7%	N/A	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 3.22%	3.50% RPI 3.35%	Risk-free rate for government investment appraisal set by HM Treasury Green Book, adjusted for inflation

Notes

1. The values above are real rates for 2020-21 and 2019-20 taking into account the nominal and inflation rates for 2020-21 and 2019-20. They are derived from HM Treasury's nominal and inflation rates. Further details of the nominal and inflation rates are given in the Departmental Group Accounting Policies note 1.23.

The impact of discounting

	2020-21 With discounting £m	2020-21 Without discounting £m	2020-21 Impact of discounting £m	2019-20 With discounting £m	2019-20 Without discounting £m	2019-20 Impact of discounting £m
Assets – Financial assets						
Repayable Launch Investments	485	732	(247)	833	1,098	(265)
Coal pension receivable	695	773	(78)	808	916	(108)
Liabilities – provisions, financial guarantees and insurance contracts						
NDA nuclear provision	135,118	131,454	3,664	134,677	132,409	2,268
Coal Authority provision	2,529	2,508	21	2,306	2,275	31
COVID-19 Financial Guarantees	19,773	20,477	(704)	–	–	–
Trade Credit Reinsurance	69	73	(4)	–	–	–
Liabilities – Financial instruments						
CfD liabilities (recognised and deferred liabilities)	88,930	100,086	(11,156)	89,583	100,903	(11,320)

(c) Contacts for Difference (CfDs)

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

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 72 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 2021, the cumulative value of the deferred differences of the CfDs was (£72.0 billion) (31 March 2020: (£73.1 billion)).
- The Department will in future accounting periods recognise all subsequent movements of fair value CfD contracts, through the SoCNE, whose cumulative value was (£88.9 billion) at 31 March 2021 (31 March 2020: (£89.6 billion)).

- The Department has recognised a liability, of (£16.9 billion) as at 31 March 2021 relating to part of the initial deferred fair value being recognised plus subsequent movements in fair value after initial recognition being recognised less payments to CfD generators (31 March 2020 (£16.5 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.

Effect on the Statement of Financial Position

	2020-21 £bn	2019-20 £bn
01-Apr	**16.5**	**12.9**
Changes in FV on existing recognised contracts	1.6	4.4
Payments made to generators	(2.3)	(1.7)
Deferred differences recognised	1.1	0.9
31-Mar	**16.9**	**16.5**

Movements in fair value

	2020-21 £bn	2019-20 £bn
01-Apr	**89.6**	**35.2**
Changes in fair value on existing recognised contracts	1.6	4.4
Additions	–	0.9
Recognition of HPC CFD during the year	–	50.8
Payments made to generators	(2.3)	(1.7)
31-Mar	**88.9**	**89.6**

Effect on the Statement of Comprehensive Net Expenditure

	2020-21 £bn	2019-20 £bn
Contract for difference derivatives	**2.7**	**5.3**
comprising:		
Changes in FV on existing recognised contracts	1.6	4.4
Deferred differences recognised	1.1	0.9

(d) NDA provision

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.

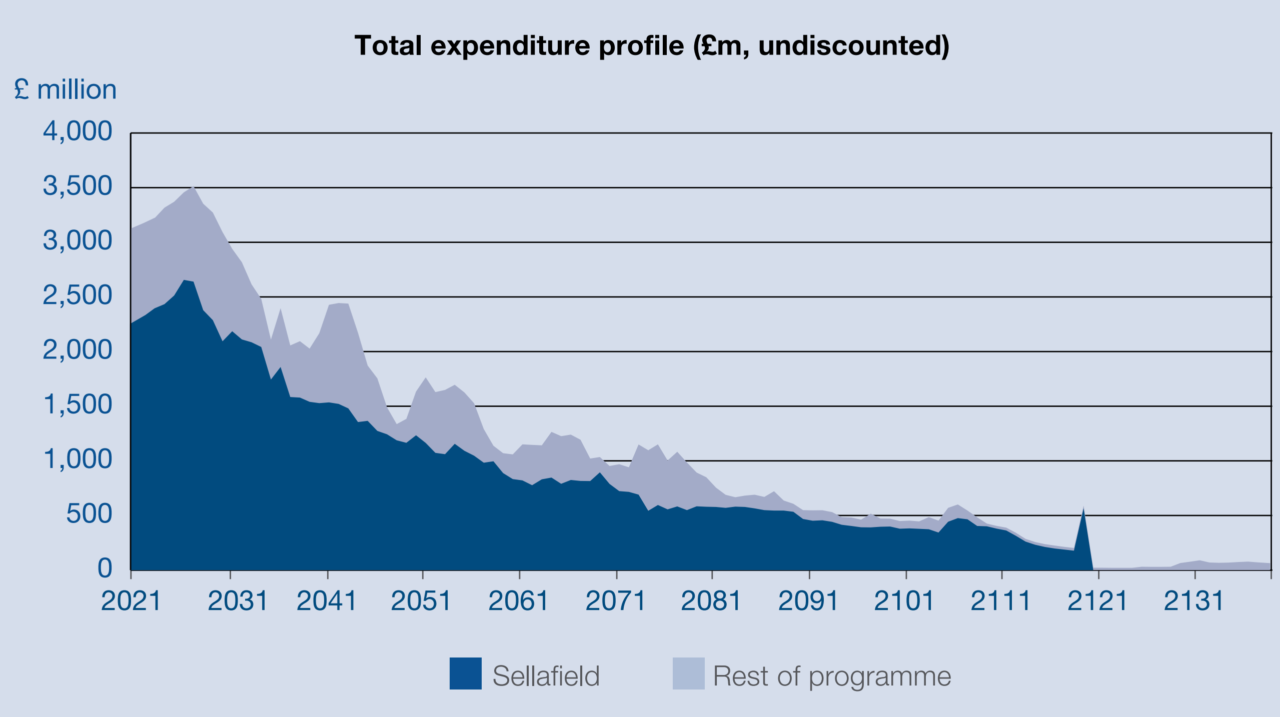
Decommissioning of sites will take many decades. In part, this is because plans often include periods of ‘care and maintenance’, where sites are made safe and put into an interim state, allowing residual amounts of radioactive material to decay over time. By doing this, the final stages of decommissioning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

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 £112 billion to £241 billion.

NDA provision: forecast undiscounted expenditure



Sustainability report

Overview

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

As part of our commitment to environmental sustainability, we participate in the Greening Government Commitments (GGC). The GGCs demonstrate how the UK government is working to improve the environmental performance of its estate and operations. The GGCs include targets to reduce our greenhouse gas emissions, domestic flights, waste, paper consumption and water use by 2019-20 compared to a 2009-10 baseline. These targets remained in place for 2020-21 due to COVID-19 disruptions.

GGC performance is the total for the BEIS family for GGC reporting entities, which includes – i. BEIS Core, ii. Companies House, iii. UK Intellectual Property Office, iv. Land Registry, v. Natural Environment Research Council, vi. Nuclear Decommissioning Authority, and vii. Ordnance Survey. Further information is available at the Greening Government Commitments page on gov.uk.

Environmental sustainability

2020-21 performance against targets

The following table compares our performance in 2020-21 against the targets set for 2020, in relation to the 2009-10 baseline year.

	Progress in 2020-21
GHG emissions – reduce by 66%[1]	81% reduction
No. of domestic flights – reduce by 30%	98% reduction
Waste arising: total non-hazardous – reduce generally	88% reduction
Waste to landfill – reduce to 10% of total waste	4.6% of total waste to landfill
Waste recycled, reused, composted – increase generally	66.8% of total waste
Paper, reams procured – reduce by 50%	95% reduction
Water, volume consumed – reduce generally	85% reduction

Notes

1. The revised 2020 target for BEIS is 66%. By 2016-17, we had achieved a 51% reduction, and exceeded the original target of 40% by 2020.

Greenhouse Gas Emissions

We continue to make significant progress in reducing our GHG emissions, through consolidation of our estate and energy efficiency improvements.

		2020-21	2019-20[6]	2018-19	2017-18	2016-17	Baseline 2009-10
Tonnes CO_2e	Emissions scope 1[1]	4,459	4,901	6,644	8,007	6,109	17,837
	Emissions scope 2[2] and 3[3]	7,828	13,882	16,037	22,325	25,480	46,507
	Total greenhouse gas emissions	**12,287**	**18,783**	**22,681**	**30,332**	**31,589**	**64,344**
MWh	Electricity: non-renewable	13,201	14,186	28,661	29,221	30,360	45,324
	Electricity: renewable	15,879	26,247	15,596	17,429	19,541	38,676
	Gas	22,119	22,620	20,347	36,186	29,071	62,905
	District heating	–	24	114	149	125	–
	Other heat	1,369	802	9,210	6,824	2,664	9,865
	Total related energy use	**52,568**	**63,879**	**73,928**	**89,809**	**81,761**	**156,770**
£'000	Expenditure on energy	5,124	7,349	7,460	6,755	6,467	n/a
	Expenditure on CRC licence[4]	–	–	298	598	497	n/a
	Expenditure on official business travel[5]	1,839	13,035	16,907	7,559	11,660	n/a
	Total related expenditure	**6,963**	**20,384**	**24,665**	**14,912**	**18,624**	**n/a**

Notes

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 The CRC scheme ended in 2018-19
5 Expenditure on official business travel for NERC does not include international flights
6 The 2019-20 figures for emissions, gas and electricity consumption have been updated since the 2019-20 BEIS Annual Report and Accounts due to an error in previous reporting

Domestic flights

	2020-21	2019-20	2018-19	2017-18	2016-17	Baseline 2009-10
Total number of domestic flights[1]	91	3,860	4,503	2,689	5,125	5,885

Notes

From 2018-19 onwards, each part of a return journey counts as one flight, in line with the GGC reporting requirement. In previous years, a return journey counted as one flight.

Waste

We have segregated our waste streams by installing bins to recycle a variety of materials. We have also eradicated avoidable consumer single use plastics (subject to COVID-19 restrictions).

		2020-21	2019-20	2018-19	2017-18	2016-17	Baseline 2009-10
Tonnes	**Total waste generated**	**870**	**1,971**	**2,137**	**2,468**	**2,159**	**7,541**
	Non-hazardous: to landfill	40	90	300	289	197	2,986
	Non-hazardous: reused/ recycled	581	1,349	1,297	1,779	1,775	4,107
	– Non-hazardous: composted	*31*	*63*	*79*	*49*	*60*	*25*
	– ICT waste: reused	–	*2*	–	–	–	*7*
	– ICT waste: recycled	*29*	*36*	*30*	*11*	*51*	*2*
	– ICT waste: other	–	–	*4*	–	–	–
	Incinerated: e.g. food waste	249	532	540	400	187	448
£'000	**Total disposal cost**	**493**	**553**	**404**	**468**	**432**	**n/a**

Paper and water

We are accredited to ISO 50001 (energy efficiency) and ISO14001 (waste management) and are reviewed annually against these standards. We purchase only recycled paper which we also recycle after use. We have installed automatic sensor water taps to minimise wastage.

		2020-21	2019-20	2018-19	2017-18	2016-17	Baseline 2009-10
Reams	Paper procured (A4 equivalent)	22,104	47,509	71,335	61,825	97,893	441,134
m^3	Water consumption	42,545	125,774	115,907	110,457	126,468	283,495
£'000	Water supply and sewage costs	213	461	489	325	329	n/a

Wider sustainability and transparency

Biodiversity & the natural environment

Given our largely urban locations, BEIS has limited scope in this area. However, where appropriate, our partner organisations are taking steps to maximise their biodiversity such as by tree planting and grassland management.

Sustainable construction

BEIS has 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.

Sustainable food and catering

BEIS is committed to sustainable, and where possible, British food products. We have eliminated avoidable single use plastics from our catering provision (subject to COVID-19 restrictions).

Climate change adaptation

To date climate change adaptation planning in BEIS has been at a national level, embedded within the cross-government National Adaptation Plan, published every 5 years. It sets out how risks of extreme weather events, like floods will be managed for communities, the built environment, businesses, and local government.

We have committed to producing a climate change adaptation plan in our sustainability strategy and are also required to do so as part of the Greening Government Commitments

(2021-2025). This plan will set out the risks from climate change that the department is susceptible to, and the actions needed to mitigate these risks. We will also be considering how to feature climate change adaptation in future performance and project management, project gateway reviews and any policy development informed by consultation with relevant stakeholders both internally and externally.

The department has a volunteer green guardian network which will be involved in raising awareness of our climate change adaptation plan. We also propose to roll out carbon literacy training to all BEIS staff, which will include learning on the necessity of climate change adaption.

Rural proofing

In policy appraisals, policy teams use place-based analysis which essentially covers rural proofing. At the policy design stage, teams consider the impacts on different regions, including rural areas. This is done even where proposals do not have geographically defined objectives, but appear likely to have different implications either positive or negative for parts of the UK. Analysts have access to guidance and training on place-based analysis.

BEIS monitors the impact on rural areas, where relevant, and publishes findings as part of the post implementation review or evaluation process.

Rural proofing does not feature in programme and project assurance gateway reviews. Project gateway reviews cover the structure and organisation of the project, and ability to deliver.

The Cities and Local Growth Unit (CLGU) is a joint unit between BEIS and MHCLG. They coordinate both Departments' approaches to local growth and the levelling up agenda. To inform and challenge policy development, they maintain close relationships with local stakeholders across the UK. This engagement supports the government's vision of levelling up – ensure that the whole of the UK benefit from the same access to opportunities.

Sustainable procurement

Suppliers

We support procurement that is open and competitive. We evaluate bids from suppliers against criteria that is published. The social value components – social, economic, and environmental benefits that will be delivered through the contract – are considered and given a minimum weighting of 10%.

Where we use Crown Commercial Service frameworks to procure our common goods and services, these embed the use of the Government Buying Standards.

BEIS is also leading a Sustainable Procurement Programme to align all government activities into a coherent strategy to achieve the UN SDGs.

Prompt payments

It is government policy to pay 90% of undisputed invoices within 5 days, with the remainder paid in 30 days.

	2020-21	2019-20	2018-19
Invoices paid within 5 days	83.07%	94.3%	94.8%
Invoices paid within 30 days	98.34%	99.1%	99.3%

The performance this year has been affected by changes to the mix of transactions caused by the COVID-19 pandemic. It is expected that the performance will improve in 2021-22 once offices are fully opened-up again. 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.

Engagement with small and medium enterprises

We continue to promote opportunities with Small and Medium Enterprises (SMEs) through – open competition, early market engagement and use of government frameworks wherever we can.

Over the last year the effect of the COVID-19 pandemic on the nature of our procurements has reduced the share that has been spent directly with SMEs. This is because of significant necessary investments in the COVID-19 vaccination programme with the large pharmaceutical companies that have developed the vaccines. Even though the share has fallen, we have spent more with SMEs this year than in previous years.

	2020-21	2019-20	2018-19
Share of direct procurement placed with SMEs	15.9%	30.3%	31.6%

Performance in other areas

Complaints to the Parliamentary Ombudsman

Number of complaints accepted for investigation by the Parliamentary Ombudsman in 2019-20	**0**
Number of investigations reported on in 2019-20*	**0**
(a) Investigations fully upheld	0
(b) Investigations partly upheld	0
(c) Investigations not upheld	0
Number of Ombudsman recommendations in 2019-20	
Complied with	0
Not complied with	0

Note:

* Number of investigations reported may include complaints accepted for investigation in a previous year.

These figures have been obtained directly from the Parliamentary and Health Service Ombudsman for the period 2019-20, the latest available.

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.

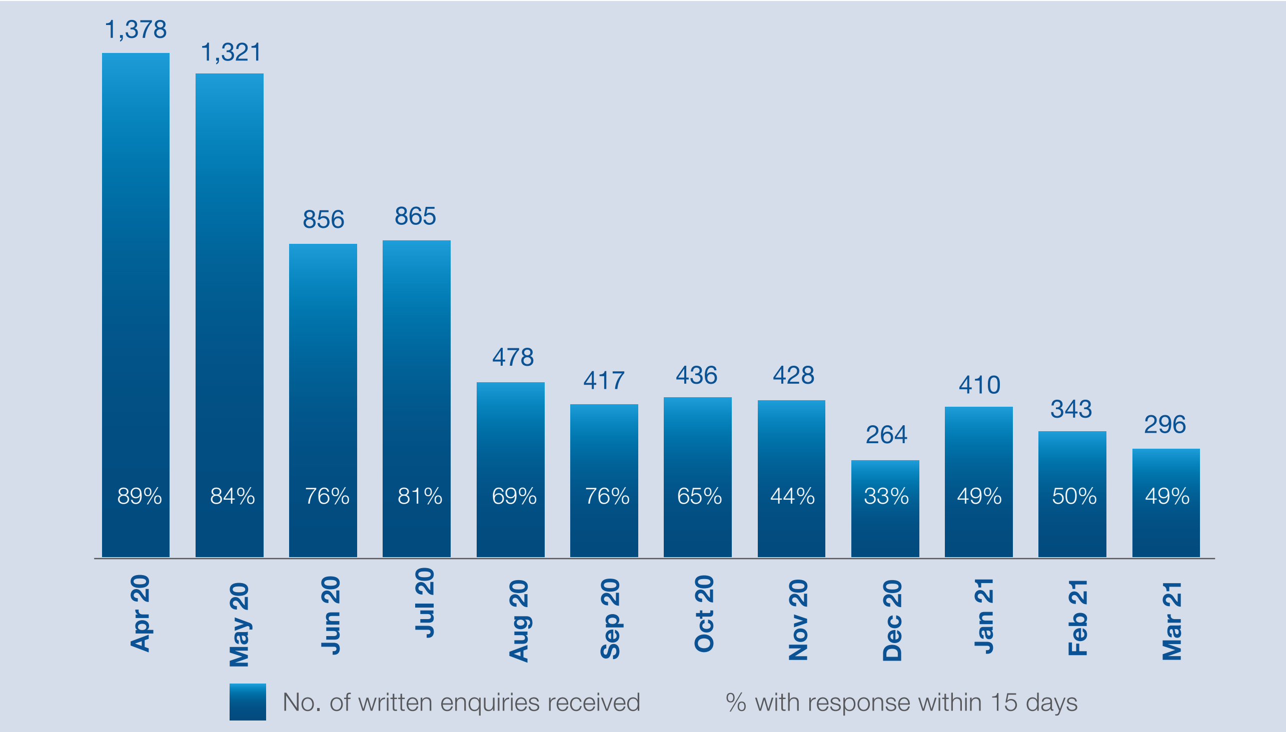
Performance on public correspondence

We aim to respond to 80% of our correspondence in 15 working days. In 2020-2021, we received 7,492 written enquiries from members of the public and responded to 72% of cases within 15 working days.

The coronavirus pandemic and subsequent lockdowns led to a significant rise in the volume of public correspondence being sent to BEIS, which increased by 47% from 2019-20.

During 2020-21, performance fluctuated because of the increased intake volumes and a higher proportion of complex enquiries requiring more time to resolve.

The graph shows our monthly performance.



Anti-bribery and anti-corruption

No cases of bribery or corruption were identified within BEIS core in 2020-21.

We continued to manage risks relating to anti-bribery and anti-corruption and worked with other government departments on high-risk areas such as COVID-19 support funding and overseas' funding.

Our counter fraud team promote awareness of fraud including, anti-bribery, and corruption. This includes training to staff in high-risk areas, such as those working in finance or with financial responsibility.

BEIS' policy on 'Gifts, Hospitality, Bribery, and Corruption', expect the highest standards of behaviour from staff when deciding whether to accept gifts and hospitality offered. There are also constraints in giving reciprocal gifts and offering hospitality to ensure claims are proportionate, necessary, and defensible under public scrutiny.

Directorates record gifts and hospitality offered over a value of £15 and any reciprocal gifts given. Due to working from home, there has been a lower risk of inappropriate gifts and hospitality being received or given, but we are not complacent.

Advertising campaigns

Our communications team supports the delivery of major policy areas in BEIS. We communicate using a range of channels – marketing, press and public relations, digital, internal. We also work with partners who can help us reach our audiences. Where necessary, we use paid publicity and advertising to raise awareness and influence behaviours. All our communications are insight driven and robustly evaluated.

In 2020-21:

- We worked with other government departments to run national advertising campaigns to support – businesses and workers during COVID-19, and businesses' preparations for end of the Brexit Transition period.
- We ran campaigns to support government's commitment to reach net zero emissions. The campaigns aimed to help businesses and consumers understand the critical role they play and encourage take up of policies that facilitate sustainable behaviours – to build back greener and better from COVID-19.

The results of our campaigns speak for themselves:

- We played a crucial role in COVID-19 campaigns contributing to saving 22,629 to 27,658 lives and preventing 1.5 million to 1.8 million infections between April and December 2020. This includes our Safer Working campaign which drove over 1 million visits to the key guidance pages.
- We supported thousands of businesses across the UK to access COVID-19 support schemes. We reached over 95% of small businesses through bespoke partnership activity, and over 73% of BAME small business owners through community channels. This helped to ensure 99% of employers were aware of the Coronavirus Job Retention Scheme.
- We supported UK businesses ahead of the end of the Brexit Transition period – 81% UK SMEs, and 71% of the public, recognised our Check Change Go campaign. There were 55 million visits to Transition content on GOV.UK from July 2020 to January 2021, and the Brexit Checker Tool was completed 5 million times.

Sarah Munby
Permanent Secretary and
Principal Accounting Officer

17 November 2021

Accountability report

Purpose of the Accountability report

The Accountability report sets out how the Department meets the key accountability requirements to Parliament. It is broken down into three areas:

The Corporate governance report

Which:

- Discloses Ministers and Directors with oversight for the Department, and
- Explains the governance structures, and a review of our risk management and the internal control systems.

The Staff and remuneration report

Which:

- Highlights employees matters and details of staff numbers and costs, and
- The Remuneration report discloses the remuneration of our Ministers and Directors.

Parliamentary accountability and audit report

Which includes:

- The Parliamentary accountability report presents the Department's expenditure against the budgets set by Parliament, and
- The Audit report includes the Audit certificate and report, prepared by the National Audit Office to Parliament. It sets out the Audit opinion on the financial statements.

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. 1530 (together known as the 'Departmental Group', consisting of the Core Department and sponsored bodies listed at note 27 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

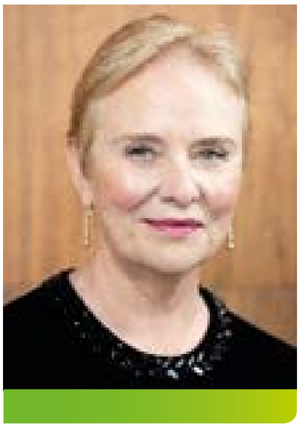
As Accounting Officer, I have taken all the steps I ought to have taken to make myself aware of any relevant audit information and to establish that the Department for Business, Energy and Industrial Strategy's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

Sarah Munby

Permanent Secretary and Principal Accounting Officer

17 November 2021

Report of the lead non-executive director



Ann Cairns
Lead Non-Executive Director

I was delighted to be appointed as the Lead Non-Executive Board Member for BEIS in January 2021. The opportunity to work with the government Department which excelled at acquiring vaccines at remarkable speed and scale was compelling. Since joining I have been impressed with the Department's wide portfolio. BEIS continues to be a key player in the in fight against the Coronavirus. It is also the driver of our net zero agenda to grow a stronger, greener Britain. All this, together with the strong role in innovation and vital task of helping business thrive and investment grow make BEIS one of the most interesting places to work.

BEIS has certainly demonstrated adaptability and flexibility in its response to the pandemic, moving to a virtual office almost overnight and standing up effective governance arrangements to facilitate quick and effective decision making. At the same time, BEIS has helped Britain to successfully exit the European Union and enable business to keep trading with the bloc. To allow time and effort to be focussed on the crisis response and EU Exit, some policy areas were scaled back during the year, to divert effort to these twin priorities.

The Departmental Board has been undergoing a period of change, with the tenures of several non-executive colleagues ending during this reporting period and the recruitment of new Members. In addition to my joining earlier this year, the Board's refreshed non-executive membership will also include Vikas Shah and Stephen Hill whom I welcomed in May. A further member will be appointed later in 2021 to concentrate on the Department's net zero agenda.

On behalf of the Non-Executive Board and Committee Members who were in post this year, I want to thank colleagues across BEIS for their hard work and dedication over the last 12 months and congratulate them for their achievements in a time of crisis. My incoming non-executive colleagues and I are committed to working collectively with the Board, as well as individually with policy teams, to support the Department's next steps in leading Britain's recovery.

Directors' report

The Directors' report provides names and ministerial titles of all ministers who had responsibility for the department from 1 April 2020 to 31 March 2021

It also includes our Senior officials and Non-Executive Directors (NEDs) during the year.

Senior officials comprise members of the Executive Committee.

Leavers refer to those who left ministerial or management posts during the financial year.

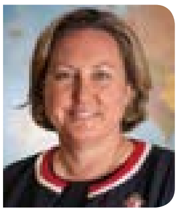
Leavers and joiners, since the end of the reporting year, up to the date of publication are detailed in a separate section below.

Conflicts of interest and biographies

Refer to the governance statement on page 59.

Ministers

Rt Hon Kwasi Kwarteng MP
Secretary of State for Business, Energy, and Industrial Strategy



Rt Hon Anne-Marie Trevelyan MP
From 8 Jan 2021 Minister of State (Minister for Business, Energy and Clean Growth)

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

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

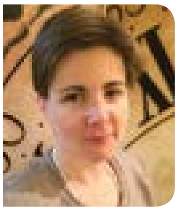
Paul Scully MP
Parliamentary Under Secretary of State (Minister for Small Business, Consumers and Labour Markets)

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

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

Senior officials

Sarah Munby
From 20 Jul 2020 Permanent Secretary



Cath Bremner
From 1 Mar 2021 Interim Director General

Ben Golding
From 1 Mar 2021 Interim Director General

Ashley Ibbett
From 14 Apr 2020 Director General

Paul Monks
From 1 Oct 2020 Chief Scientific Advisor

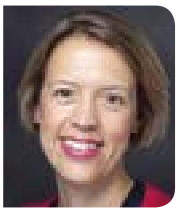
Madelaine McTernan
From 1 Jan 2021 Director General

Mike Keoghan
Director General; Chief Economic Adviser

Jaee Samant
Director General

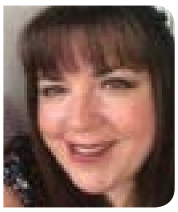
Jo Shanmugalingam
Director General

Doug Watkins
Director; interim Director General, from 13 Jul 2020

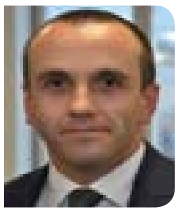


Joanna Whittington
Director General

Simon Hulme
From 20 Jul 2020 Director

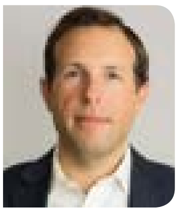


Alice Hurrell
From 20 Jul 2020 Director



Dan Micklethwaite
From 2 Nov 2020 Director

Tom Taylor
Chief Financial Officer; Director



Craig Woodhouse
Director

Non-executive directors

Ann Cairns
From 13 Jan 2021
Lead NED, board member, NGC Chair

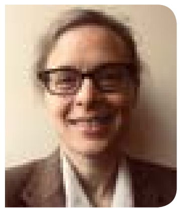
Nigel Boardman
Board member, ARAC Chair

Bryan Ingleby
ARAC

Elaine Clements
ARAC

Catherine Pridham
PIC

Alison Rodwell
From 11 Nov 2020
ARAC



Jane Whittaker
From 11 Nov 2020
ARAC

Leavers

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

Ministers

Alok Sharma:
To 7 Jan 2021, Secretary of State for Business, Energy and Industrial Strategy

Senior officials

Julian Critchlow
To 26 Mar 2021, Director General

Nick Elliott
From 1 Jun to 31 Dec 2020, Director General

John Loughhead
To 30 Sep 2020, Chief Scientific Advisor

Sam Beckett
To 8 Sep 2020, Director General. Acting Permanent Secretary to 20 Jul 2020.

Chris Thompson
From 14 Apr to 1 Aug 2020, Director

Sarah Harrison
To 12 Jul 2020, Director General

Alex Chisholm
To 13 Apr 2020, Permanent Secretary

Caleb Deeks
To 13 Apr 2020, Director

Non-executive directors

Leena Nair
To 24 Jan 2021, Board member, NGC Chair

Archie Norman
To 8 Dec 2020, Lead NED, Board member

Carolyn McCall
To 31 Jul 2020, Board member

Stephen A. Carter
To 10 Dec 2020, Board member

Kathryn Parsons
To 8 Dec 2020, Board member

Stuart Quickenden
To 8 Dec 2020, Board member, ARAC

Louise Fisher
To 21 Apr 2021, NGC

Adrian Kamellard
To 21 Dec 2020, ARAC

Leavers and Joiners, since the end of the reporting year, up to the date of publication:

Ministers

Leavers

Nadhim Zahawi MP
To 14 Sep 2021, Parliamentary Under Secretary of State (Minister for Business and Industry)

Rt Hon Anne-Marie Trevelyan MP
To 14 Sep 2021, Minister of State (Minister for Energy, Clean Growth and Climate Change)

Amanda Solloway MP
To 15 Sep 2021, Parliamentary Under Secretary of State (Minister for Science, Research and Innovation)

Joiners

Rt Hon Greg Hands MP
From 15 Sep 2021, Minister of State (Minister for Energy, Clean Growth and Climate Change)

Lee Rowley MP
From 16 Sep 2021, Parliamentary Under Secretary of State (Minister for Business and Industry)

George Freeman MP
From 17 Sep 2021, Parliamentary Under Secretary of State (Minister for Science, Research and Innovation)

Senior officials

Leavers

Cath Bremer
To 4 Jun 2021, Interim Director General

Ben Golding
To 25 Jun 2021, Interim Director General

Jaee Samant
To 29 Oct 2021, Director General

Craig Woodhouse
To 14 Jul 2021, Director

Joiners

David Bickerton
From 2 Aug 2021, Director General

Freya Guinness
From 19 Apr 2021, Director General

Lee McDonough
From 7 Jun 2021, Director General

Ben Rimmington
From 28 Jun 2021, Director General

Non-executive directors

Joiners

Vikas Shah
From 4 May 2021, Board member and ARAC member

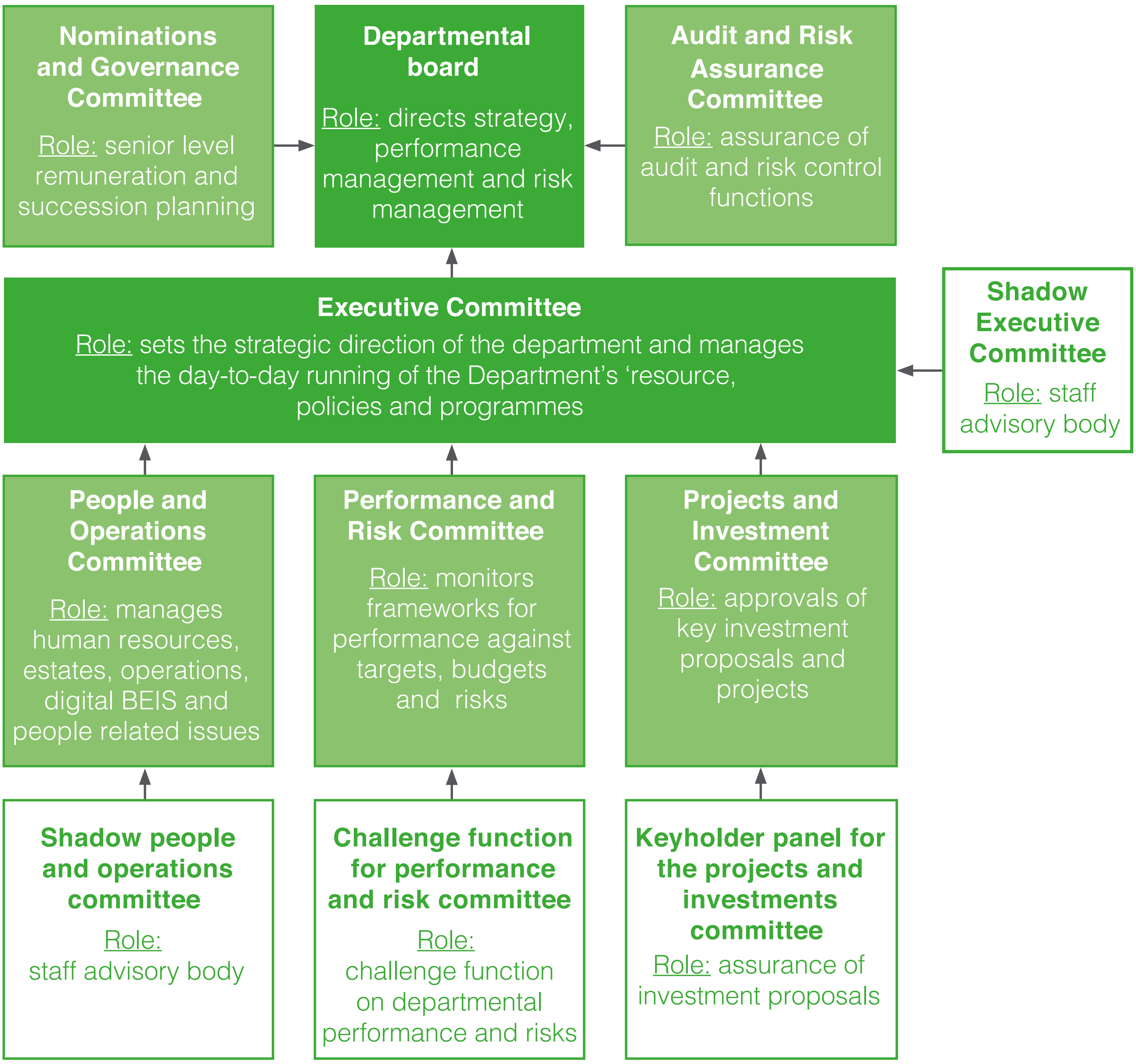
Stephen Hill
From 6 May 2021, Board member

Governance statement

Overview

The governance statement sets out how the Department was governed and directed by management during the year. It summarises the various Board and committee activities during the year. It also provides a risk assessment and concluding remarks by the Accounting Officer.

Our governance structure



Board and committee attendance

The table below shows board attendance from 1 April 2020 to 31 March 2021, 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	**2**	**1**	**7**	**65**
x /x = number attended /number eligible to attend				
Ministers				
Rt Hon Kwasi Kwarteng MP	2/2			
Rt Hon Alok Sharma MP (to 7 Jan 2021)	1/1			
Rt Hon Anne-Marie Trevelyan MP (from 8 Jan 2021)	0/0			
Nadhim Zahawi MP	0/1			
Amanda Solloway MP	1/1			
Paul Scully MP	1/1			
Lord Callanan	0/1			
Lord Grimstone	1/1			
Senior officials / Executive directors				
Alice Hurrell (from 20 Jul 2020)		1/1		53/65
Alex Chisholm (to 13 Apr 2021)				5/10
Ashley Ibbett (from 11 Sep 2020)				49/54
Ben Golding (from 1 Mar 2021)				3/4
Caleb Deeks (to 13 Apr 2021)				11/16
Chris Thompson (14 Apr to 1 Aug 2020)				23/29
Craig Woodhouse				55/65
Cath Bremner (from 1 Mar 2021)				3/4
Dan Micklethwaite (from 2 Nov 2020)				16/19
Doug Watkins				61/65
Jaee Samant				62/65
Jo Shanmugalingam	1/1			57/65
Joanna Whittington	1/1			63/65
Prof John Loughhead (to 30 Sep 2020)				42/44
Julian Critchlow (to 26 Mar 2021)	1/1			57/61
Madelaine McTernan (from 1 Jan 2021)				1/11
Mike Keoghan (from 20 Jul 2020)				41/54
Nick Elliott (1 Jun 2020 – 31 Dec 2020)				3/29
Prof Paul Monks (from 01 Oct 2020)				20/21
Sam Beckett (to 8 Sep 2020)	1/1		1/1	40/41
Sarah Harrison (to 12 Jul 2020)	1/1		2/2	38/38
Sarah Munby	1/1		4/6	60/65
Simon Hulme (from 19 Oct 2020)			1/1	18/20
Tom Taylor	2/2		1/1	48/65
Non-executive directors				
Ann Cairns (from 13 Jan 2021)	1/1			
Archie Norman (to 8 Dec 2020)	1/1			
Nigel Boardman	2/2		7/7	
Elaine Clements			7/7	
Adrian Kamellard (to 21 Dec 2020)			2/4	
Alison Rodwell (from 11 Nov 2020)			3/3	
Bryan Ingleby			7/7	
Jane Whittaker (from 11 Nov 2020)			3/3	
Leena Nair (to 24 Jan 2021)	0/1	1/1		
Stephen A. Carter (to 10 Dec 2020)	1/1			
Stuart Quickenden (to 8 Dec 2020)	1/1			
Kathryn Parsons (to 8 Dec 2020)	1/1			
Carolyn McCall (to 31 Jul 2020)	1/1			
Louise Fisher (to 21 Apr 2021)		1/1		

Introduction

The Department demonstrated adaptability and flexibility in its response to the pandemic during 2020-2021, standing up effective, virtual governance arrangements in order to address the COVID-19 pandemic as a critical national incident.

As well as standing up BEIS's emergency response group and setting up a COVID-19 programme, the Department stood up almost daily Ministerial meetings in the initial stages of the pandemic and twice daily meetings of the Executive Committee (ExCo), to facilitate quick and effective decision making. We also accelerated the investment approvals process through the Project Investment Committee, including to meet the needs of the Vaccine Taskforce.

To allow ministerial and executive time and effort to be focussed on the crisis response, some governance processes were scaled back during the year – for example, the Departmental Board and the People and Operations Committee – but were also refreshed in a way that will support the Department as its role shifts further towards operational delivery.

Non-executive scrutiny remained strong throughout the year. However, as the Audit and Risk Assurance Committee (ARAC) met more often it maintained strong oversight of the implementation of business support schemes and associated reporting and fraud implications. The ARAC also monitored the Department's risk management, including schemes subject to 'ministerial direction', and had regular sessions with ExCo members.

Departmental Board

Coverage of Departmental Board discussions

It has been a year of change for the Departmental Board (the Board). The Board was involved in the Department's response to the pandemic during the early part of the reporting period. But formal Board meetings were not a priority for crisis management as the year developed. Instead, informal calls were used to keep non-executive board members appraised of the Department's pandemic response and to enable their continued support to the executive.

The then Secretary of State decided to review the membership of the Board in summer 2020, although progress was slowed by the priority of the COVID-19 pandemic response.

Although the tenures of many of our previous Board members concluded towards the end of the 2019-20 reporting period, ministers and senior officials continued to have access to non-executive advice throughout the period, as Board members provided informal advice and support, where called upon, to provide the Department with stability and continuity.

Board appointments

While the Board has been understrength at non-executive level for part of the year, the Department has taken time to assess the skills needed at Board level to meet its future challenges.

A new lead non-executive board member, Ann Cairns, was appointed by the Secretary of State in January 2021 and a competition was launched for new non-executive board members in January 2021. Since the end of the reporting period two further Board appointments were made, Vikas Shah and Stephen Hill. The Board is up to full strength again and held its first full Board meeting in October 2021.

Quality of data used by the Board

The papers received by the Board have been of high quality. Meetings took place virtually and were efficiently chaired. Challenge and discussion were encouraged.

BEIS's governance team provided a comprehensive secretariat service to the Board and committees to ensure the effective and efficient administration of the Board and its activities.

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, with one exception.

All departments are requested by the Cabinet Office to carry out an annual board effectiveness evaluation. This was put into abeyance this year due to the increased committee workload caused by the pandemic and the refresh of the Departmental Board Membership. A more in-depth board evaluation assessment is expected in 2021-2022 in line with Cabinet Office guidance.

Instead, the Department has carried out a light touch review of its overall governance arrangements, which were found to be fit for purpose. In addition, the Department thoroughly reviewed and relaunched the People and Operations Committee to improve its effectiveness.

Since the Department is responsible for corporate governance and champions women on boards, the Department 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. In April 2020, the Board's gender diversity was at 35% and included four BAME members. However, due to non-executive vacancies at the end of the reporting period, in April 2021, the Board's gender diversity had declined to 20% and one BAME member.

Conflicts of interest

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. These are published on gov.uk. In addition to this, at the commencement of each Board meeting, Board members are required to declare any interests they may have. There were no conflicts of interests registered during the Board meeting in 2020-21.

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

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 2020-2021, and considered other issues by correspondence. During 2020-21, NGC has focused on:

- senior level talent in BEIS, and
- future reform and change in BEIS.

Highlights of Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee (ARAC) was integral to the scrutiny and challenge process in 2020-21. It provided advice to BEIS Accounting Officers on matters of financial accountability, assurance, and governance. It provided expert challenge, helping to focus on what was important, and how best to manage risk.

During 2020-2021 ARAC worked to:

- implement a robust assurance process, assurance mapping and supported further development of the controls and assurance tool (CAT),
- oversee the approval and rollout of the new departmental risk management framework,
- consider how risks on COVID-19 and the Vaccine Task Force (VTF) should be better integrated within the departmental risk register and risk appetite statement,

- oversee the work of internal and external audit,
- oversee the preparation of and financial reporting in the annual report and accounts,
- examine financial management and financial reporting treatment for COVID-19 loan schemes issued under ministerial directions, and
- continue regular engagement with partner organisations (POs) by attending their ARAC meetings and welcomed observers from POs to BEIS ARAC meetings.

Highlights of the Executive Committee and its sub-committees

Executive Committee

The Executive Committee (ExCo) is the main body to which the Departmental Board delegates the day-to-day management of BEIS. ExCo sets the strategic vision of the department and provides direction on the management of ministerial and internal priorities.

In response to the COVID-19 pandemic, from April 2020 to August 2020, ExCo, seconded members of the Emergency Response Group, Human Resources, Legal and Communications onto it and met twice-daily.

This group (known formally as CV-19 ExCo) worked through issues arising from the pandemic that impacted BEIS. It took a more directional role within the Department, absorbing business that would have usually been taken by the People and Operations Committee and overseeing the Department's pandemic response.

In September 2020, ExCo reverted to its usual format, but still met more regularly than in 2019-2020. Over the past year, the pandemic, response to it, economic recovery, and wellbeing of BEIS staff have been a key focus of ExCo. Other key areas ExCo discussed were:

- business support during the end of the Transition Period and the pandemic,
- the future BEIS Programme and Location strategy,
- performance of BEIS' major programmes,
- science and innovation delivery,
- transition of the Industrial Strategy and the plan for growth,
- delivering net zero and enabling a green recovery,
- EU Exit, the Transition Period, and the future of the UK's relationship with the EU,
- Departmental risks and risk management, and
- business planning.

Performance and Risk Committee

The Performance and Risk (P&R) Committee reviews the overall performance of the Department and considers its risks. P&R analyses the monthly risk report to identify emerging risks from departmental reporting for further review. P&R maintained strong oversight over operational delivery throughout the Departmental Group in 2020-21. In line with its Terms of Reference, P&R has done the following in 2020-21:

- monitored the performance of BEIS programmes and policy commitments, including those delivered by our POs,
- scrutinised directorates to ensure they had in place objective performance monitoring – including indicators, key milestones, and metrics,
- provided assurance on the updated departmental Risk Framework, and
- reviewed departmental risk and risks associated with delivery programmes – especially where this was operating outside the BEIS Risk Appetite Statement.

Projects and Investments Committee

The Project and Investment Committee (PIC) considered investment proposals over

£20 million or those deemed novel or contentious.

In response to the COVID-19 pandemic, from April 2020 to March 2021, PIC pioneered an expedited process to fast-track and approve vital COVID-19 vaccine business cases.

PIC also increased its availability during the pandemic to meet the high demand of business cases. They met twice a week to ensure they continued to provide crucial approval and assurances.

During 2020-2021, PIC continued to provide high standard support to BEIS and its POs through conducting robust assurances and approvals.

People and Operations Committee

People and Operations Committee (POpCo) considers matters relating to human resources, accommodation, security, diversity and inclusion, and IT.

POpCo was suspended in May 2020 in response to the onset of the pandemic and decisions were taken by ExCo.

During this time, POpCo underwent a thorough review into its remit and efficacy. In response to the review findings, structural changes were put in place to increase its effectiveness and it resumed in October 2020.

Since then, POpCo has worked to:

- monitor the success of the performance management system, building on lessons learnt and setting new manager expectations,
- promote and monitor the diversity and inclusion policy,
- oversee (where directed by ExCo), the location strategy and the future BEIS programme, and
- oversee the works of the estate and security team, including the security and updates to the main BEIS building. It also ensured that measures were in place to make all BEIS' estates COVID-19 secure.

Management of outside interests and business appointments

Business Appointment Rules

The Department is committed to the highest standards of ethical conduct and integrity. For civil servants, these standards are reinforced by the Civil Service Code, which clearly stipulates the behaviour expected from all civil servants. The BEIS Conflicts of Interest policy provides a framework for dealing with any actual, potential or perceived conflicts of interest. It also provides a guide for identifying, monitoring and managing actual, potential or perceived conflicts of interest that could arise between staff, suppliers and other stakeholders. As part of this commitment, the department seeks to ensure that it is open and clear about any actual, potential or perceived conflicts of interest between our work and other interests and relationships.

All staff must ensure that they make a declaration at the earliest opportunity once they have become aware that a conflict of interest may exist. As soon as a declaration has been made, line management must ensure that they review all declarations and agree any mitigating actions if required. All Director Generals (SCS3) and Directors (SCS2), whether they are engaged in activities that might create the perception of or potential for a conflict of interest or not, are required to fill out a Conflicts of Interest Declaration Form on an annual basis. 'Nil returns' should also be declared.

The BEIS Conflicts of Interest policy and declaration form are available to all staff on the departmental intranet pages.

The BEIS Conflicts of Interest policy provides guidance for identifying, monitoring and managing actual, potential or perceived conflicts of interest, including paid positions external to BEIS. SCS Conflict of Interest declaration forms, where an interest has been declared, are reviewed by the BEIS Conflicts Officer. BEIS SCS were recently asked to complete a questionnaire to ensure all conflicts of interest declaration were up to date. There is no evidence to date that any

SCS in BEIS holds a remunerated position or has other interests outside government which might conflict with their obligations under the Civil Service Code.

The Business Appointment Rules are designed to uphold the core values in the Civil Service Code of integrity, honesty, objectivity and impartiality. Before accepting any new appointment or employment, individuals must consider whether an application under the Rules is required. If it is required, they should not accept or announce a new appointment or offer of employment before it has been approved. Countersigned applications are sent to the BEIS Human Resources function for assessment and action. All SCS3 and above applications are referred to the Advisory Committee for Business Appointments. The Business Appointment Rules have been discussed at Audit and Risk Committees.

In compliance with the Business Appointment Rules, the department is transparent in the advice given to individual applications for senior staff, including special advisers. Advice regarding specific business appointments has been published on BEIS's website https://www.gov.uk/government/collections/beis-business-appointment-rules-advice.

Information on Business Appointment Rules is also available to all staff on the departmental intranet pages.

In line with the current Declaration of Interests policy for special advisers, all special advisers have declared any relevant interests or confirmed they do not consider they have any relevant interests. The Permanent Secretary and Principal Accounting Officer has considered these returns and there are no relevant interests to be published.

Risk assessment

Risk management

Risk management responsibilities

The Department is responsible for having a risk management framework and reviewing its effectiveness. The framework includes the standard process of – identify, assess, review and report risks. Effectiveness reviews take the form of regular engagement with risk champions, and an annual consultation of the framework. This brings about continuous improvement.

Processes and structure

Our principal risks in 2020-21 are disclosed in the Performance report under Risks affecting delivery of our objectives on page 26. The process to identify these risks involves horizon scanning by the Executive Committee on an annual basis, and escalations as appropriate throughout the year. The risks are evaluated and managed using an online reporting system. These processes were in place in 2020-21.

Monitoring and assurance

The output from the online reporting system is reported on monthly basis to governance boards. This is also supported at group level by risk champions. They review the group level risks being mitigated by directorates within the group. They consider and flag potential escalations to the group leadership team.

The Department developed a COVID-19 risk register to focus our attention on the work required to support businesses and the country through the pandemic.

Effectiveness reviews

P&R perform deep dives into risks, which reviews the effectiveness of the risk management system. During the year, we continued to improve the online risk management tool to ensure risks were being reported regularly. We also improved league tables of compliance to assess the quality of the updates.

Compliance

During the year, we updated our risk management framework to ensure consistency with government best practice in the Orange Book. The update also incorporated recommendations from the Government Internal Audit Agency (GIAA)'s internal audit from 2019, to enhance the clarity of some of the guidance.

Internal controls mechanism

During 2020-21 the Department had to adapt to changing ways of working and the quick implementation of new projects.

We moved to a new operating approach following the end of the Transition Period. The internal audit review noted well-designed processes and controls were in place for the transition.

We provided vital business support interventions to manage the economic impact of the pandemic. Actions taken included:

- engaging the independent Industrial Development Advisory Board (in cases where the Industrial Development Act was being used) to give assurance and challenge from a business and commercial basis,
- development of new management information systems to help assess awards for their appropriateness,
- putting in place a claw back framework to recover funds as necessary, and
- establishing a new counter-fraud team to better and proactively manage some of the risks presented.

The Department also had to adapt to working at home by default. This included new processes to manage the onboarding of new staff and to manage expenses to meet the additional costs created by remote working. This has largely proved successful. The expenses process was assessed as 'moderate' by internal audit, compared to 'limited' in previous years.

Progress also continued to ensure audit actions were implemented in a timely fashion. By the end of March 2021, 94% of actions from 2019-20 internal audits were completed. Almost half of 2020-21 audit actions were completed, with most audits being completed in the second half of the year.

Looking ahead, as the Core Department becomes more delivery focussed, efforts to improve internal controls and assurance will need to be directed to where they can have the most impact.

The new implementation and delivery directorate within the Core Department has already scoped a new delivery transformation programme. This aims to improve project governance, tools, process, and people capability.

Also, given that much of the Department's business is delivered through its partner organisations, a new assurance process was developed during 2020-21 for BEIS arm's length bodies. This will provide a more systematic assurance process from April 2021.

There also remains corporate challenges regarding compliance. This includes the leavers process which impacts on security and payroll overpayments, and completion of mandatory training including for security and health and safety. To incentivise compliance, new management information is being put in place to help senior management act, with charging for equipment that is not returned on time.

Government Internal Audit Agency

The Government Internal Audit Agency (GIAA) provides the internal audit service for BEIS. For 2020-21, the Group Chief Internal Auditor provided a "moderate" opinion.

GIAA concluded that this achievement was commendable given the backdrop of the Department having to undertake significant reprioritisation and restructuring exercises more than once during the year. Notably in response to the COVID-19 pandemic, preparing for the EU Exit end of transition period, and preparing for what could have been a severely challenging set of pressures over the winter.

There remain challenges. In particular to address weaknesses in the culture of compliance, which was compounded by pausing some key governance and management processes during the Department's initial response to the pandemic. This enabled executive-level governance to remain effective in responding to COVID-19 and the pace of change during the year. However, looking ahead, it will be important to reintroduce these as the department becomes increasingly delivery focussed.

National Audit Office and the Public Accounts Committee

BEIS led on several key COVID-19 interventions and continued to lead on the government's net zero commitment. Given the significance of these priorities, there was a notable increase in the quantity and pace of the National Audit Office (NAO)'s BEIS non-financial-audit activity. This also resulted in more frequent attendance at the Public Accounts Committee (PAC) to provide further evidence.

BEIS provides responses to the PAC after each PAC hearing via the HM Treasury minutes process, and twice a year via the HM Treasury minutes progress updates.

These are published on gov.uk https://www.gov.uk/government/collections/treasury-minutes and https://www.gov.uk/government/collections/treasury-minutes-progress-on-implementing-recommendations-of-public-accounts-committee.

Project assurance

A project assurance review is a key requirement within the Department before submitting a business case for approval.

In 2020-21, programmes and projects continued to follow the Department's Integrated Assurance and Approvals Strategy. This ensured the right level of assurance was undertaken on internal programmes and projects, and those overseen by the Infrastructure and Projects Authority (IPA), as part of the Government Major Projects Portfolio (GMPP). The Department had 13 projects on GMPP during the year, and this is due to rise in 2021-22.

Due to the impact of COVID-19, new structures to support remote reviews were quickly developed and successfully implemented. During 2020-21 there was a 49% increase in the volume of project reviews completed.

The Department remains in a strong position to continue to embed project assurance across projects. We are also well placed to fully support the changes being introduced by the IPA, to manage and review all GMPP projects across government.

Quality assurance of analytical models

We use analytical models to inform our core business of policy making and evaluation. We quality assure our models to ensure they are fit for purpose. BEIS has a standard process for quality assurance (QA) of models, which complies with the government's AQuA (Analytical Quality Assurance) Book. In 2020-21, 71 of the 87 registered analytical models had the required level of assurance. Teams with non-compliant models have plans to achieve the required level of assurance in 2021-22.

We ensure POs undertaking modelling are aware of BEIS' QA guidelines and are monitoring the assurance of their models.

Assurance on grants to local authorities

In 2020-21, the Department provided £20.8 billion as grants to local authorities, under section 31 (s.31) of the Local Government Act 2003.

Section 31: COVID-19 response grants

Of this, £19.1 billion related to the COVID-19 response of which £10.8 billion related to the Small Business Grant Fund (SBGF) and Retail, Hospitality and Leisure Grant Fund (RHLGF) recognised as a provision in the 2019-20 Department's financial statements.

Under s.31, responsibility for the use of funds is devolved to recipient bodies. However, each award was accompanied by a Memorandum of Understanding. It set expectations for how the funding is to be used and stipulated regular reporting to the Department.

Section 31: Other grants

The £1.7 billion of other s.31 grants included: £533 million on the Public Sector Decarbonisation Scheme, and £503 million on Green Homes Grants. Local authorities competed for Green Homes Grants based on published criteria. For the Public Sector Decarbonisation Scheme, local authorities applied for funding, which was then assessed by Salix Limited. The Department made the payments to local authorities under both schemes.

Counter-fraud and error

The 2019-20 annual report stated that the focus towards the end of the year was on the increased risks of fraud and error associated with the COVID-19 grants and loans to support businesses. It noted that this would inevitably dominate much of what the department was going to do in 2020-21 and this has proved to be true.

In 2020-21 BEIS became accountable for financial support worth over £100 billion. This was primarily for COVID-19 business support schemes, which provided grant and loan funding along with the financial guarantee schemes. Much of this was recognised at the outset to have a high or very high risk of fraud and error due to the need to prioritise providing liquidity businesses impacted by the pandemic.

In eight of the COVID-19 support schemes the BEIS Accounting Officer sought Ministerial Directions to proceed. This recognised the uncertainties on whether the support would meet the principles identified in Managing Public Money on regularity, including the fraud and error risks, and value for money.

Working with delivery partners, the Department has prevented significant levels of fraud. Lenders reported fraud prevention of over £2 billion and local authorities also prevented grant fraud worth £17 million. The department sets on record our appreciation for all their work.

The table adjacent indicates the estimated level of fraud and error at year end within each scheme at the 95% confidence level and within the margin of error/confidence range indicated.

Scheme	Value of schemes	Fraud and error range
Bounce Back Loans	Total value guaranteed of £46.0 billion	£3.6 billion to £6.3 billion
COVID-19 Business Support Grants	Value of grant schemes £19.1 billion	£0.5 billion to £1.6 billion

BEIS's counter fraud response to the level of reported fraud has been to collaborate with BEIS partner organisations, including the Insolvency Service and Companies House, other departments, lenders, local authorities and law enforcement bodies to implement a cost-effective and proportionate suite of criminal and civil sanctions. These activities will carry on over several years. At the time of this report they have already led to over 65 arrests and the recovery of over £3.5 million. While the department cannot comment on live investigations involving the schemes above or any others, it will report on the results of any activities in future reports.

An important distinction needs to be made between fraud and fraud losses. Fraud refers only to the conduct of those who commit it and need not result in a permanent economic loss to the taxpayer. The tables above report estimated levels of financial support obtained either fraudulently or in error, which may be recovered or repaid over time. The department will provide updates in future reports as new information becomes available.

Data protection

BEIS notified the Information Commission's Office (ICO) of four personal data breaches assessed as meeting the ICO's reporting guidelines. The ICO determined that regulatory action was not appropriate in four cases.

This figure is the total for the BEIS data Controllership, made up of the Core Department and five Executive Agencies – UK Space Agency, Met Office, UK Intellectual Property Office, Insolvency Service (excluding Official Receiver Offices & Office of the Adjudicator), and Companies House (excluding the Registrar function).

Protective security

No significant cyber breaches were reported in 2020-21. Our managed IT services meet government cyber security standards. We continued to evolve our defences, processes, monitoring and resilience to meet the growing cyber threat.

We continued to work with the Government Property Agency to ensure adequate security at sites where we have staff. We are developing our approach to personnel security to meet the demands of new ways of working.

All our staff play their part in ensuring strong security. We now have a commercial training solution to build on our existing awareness-raising activities.

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). They have a duty to seek a direction if they believe one of the four Accounting Officer standards – regularity, propriety, value for money and feasibility – cannot be met.

During 2020-21, six Ministerial directions were issued, in addition to the three Ministerial directions issued in March 2020, relating to Coronavirus support schemes. These nine Ministerial directions were reported in last year's 2019-20 Governance report. They are included in this year's Governance report as they provide background to the Government's Coronavirus support schemes.

Coronavirus Business Interruption Loan Scheme

A Ministerial direction was given, authorising the Coronavirus Business Interruption Loan Scheme (CBILS), allowing a loan value of up to £5 million to be guaranteed 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, it was also 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 issued on 22 March 2020, instructing the Accounting Officer to proceed with the introduction of the scheme.

Support fund for retail, hospitality and leisure businesses

A 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 it represented value for money in line with the requirements of MPM.

The Ministerial Direction was issued on 23 March 2020, instructing the Accounting Officer to proceed with the implementation of the fund.

Small Businesses Grant Fund

A 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 issued on 23 March 2020, instructing the Accounting Officer to proceed with the delivery of the scheme.

Coronavirus Business Interruption Loan Scheme – Changes to Scheme

A 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 on commercial terms, outside of a government backed scheme.

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.

The Ministerial Direction was issued on 2 April 2020, instructing the Accounting Officer to proceed with implementing the changes to the scheme.

Coronavirus Large Business Interruption Loan Scheme

A Ministerial Direction was given authorising the introduction of 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 were possible.

The Ministerial Direction was issued on 16 April 2020, instructing the Accounting Officer to proceed with the introduction of the scheme.

Local Authority Discretionary Grants

A 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 issued on 1 May 2020, instructing the Accounting Officer to proceed with the introduction of the scheme.

Bounce Back Loan Scheme

A Ministerial Direction was given authorising the introduction of the 'Bounce Back' Loan Scheme (BBLS) 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 issued on 1 May 2020, instructing the Accounting Officer to proceed with the introduction of the scheme.

Future Fund

A 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 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 the 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 issued on 19 May 2020, instructing the Accounting Officer to proceed with the introduction of the Future Fund.

OneWeb

A 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 prospectus 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 date 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 highlight 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 issued on 26 June 2020, instructing the Accounting Officer to proceed with the purchase of OneWeb.

Effectiveness of our whistle blowing arrangements

Internal whistle blowing

Our procedures are accessible to all BEIS employees. We continue to offer six different routes for employees to raise concerns, including via an external whistleblowing hotline.

In 2020-21 we had no whistleblowing concerns raised by our employees – a reduction on previous years. The 2020 People Survey once again showed the majority of staff had confidence that any concerns raised under the Civil Service Code would be properly investigated.

External whistle blowing

The contrast with previous years could not have been greater. In previous years, a small number of whistle blowers reported concerns. But in 2020-21, nearly 2,000 reports from members of the public were received. Nearly all related to the fraudulent acquisition or misuse of COVID-19 support funds provided through guaranteed loans and grants.

These reached us through a government wide fraud hotline, supported by Crimestoppers – a charity which members of the public can anonymously contact to report crime.

BEIS examined these reports to determine the most appropriate organisation to consider them and act. While we cannot comment on individual cases/ live investigations, in about half of the cases we received, there were grounds for further investigation to consider whether civil or criminal sanctions might be appropriate along-side the recovery of funds.

Governance of BEIS' public bodies

BEIS has a large, diverse range of public bodies which span numerous sectors. In 2020-21, BEIS worked with 43 public bodies with a wide span of policy and operational responsibilities.

These public bodies are uniquely known within BEIS as partner organisations. They include arm's length bodies – defined by Cabinet Office as being administratively classified to either: a Non-Departmental Public Body, Executive Agency or Non-ministerial department. They also include Public Corporations and bodies yet to be administratively classified or that do not have an administrative classification.

Most of the Department's public bodies are governed by their own independent boards – with their own separate governance and internal assurance structures. Details of this can be found in their individual annual reports and accounts. The 27 bodies consolidated into the Department's accounts are all individually reviewed by the Core Department as part of the process to prepare the annual accounts.

In 2020-21, the Core Department received assurance on risks and delivery within the partner organisations through:

- policy colleagues via a sponsorship model,
- POs governance statements,
- advice and challenge from ARAC on assurance processes, and
- a dedicated risk and governance board, which provided assurance to the Executive Board on the Core Department's relationship with its bodies.

Public bodies appraise the performance of their Boards in line with the Cabinet Office guidance. The requirement to have an assessment of annual board performance is included within the management agreements for each public body and it also informs the process of the potential reappointment of board members. Confidence in the quality of the PO Boards is critical to assurance and some POs have carried additional risks in terms of Board appointments which will be addressed in 2021-22.

The Department continues to review and develop its approach to POs to ensure it has the appropriate lines of sight and maintains productive relationships.

As noted above, a new assurance process was introduced during the period and non-executive directors of the Core Department's ARAC attend ARAC meetings of significant partner organisation during the year. Chairs from partner organisation ARACs are invited to observe the Core Department's ARAC in return.

POs provide weekly data to the Partnerships Team in the Core Department on the operational impacts of COVID-19 on staff, resources, and delivery. This allows the Core Department to monitor impact on delivery and identify risks and issues. This information is shared with DGs and the BEIS Economic Recovery Board to consider and act, as necessary.

Accounting Officer's conclusion

I have considered the evidence provided regarding the annual governance statement and the independent assurance provided by the Audit, Risk and Assurance Committee. BEIS received a "moderate" opinion on the framework of governance, risk management and control within the Department for 2020-21 from GIAA which was the same as the previous year.

The last year has been exceptionally challenging for the Department, which has focussed on delivering the Government's response to the COVID-19 pandemic and steering the economic recovery, alongside making final preparations for the UK's departure from the European Union. These challenges are highlighted in the material levels of fraud and error seen in the COVID-19 responses, leading to regularity qualifications in relation to the COVID-19 business loan schemes and the COVID-19 business support grants. Further information can be seen in the 'Regularity of Expenditure' statement. Yet through this the Department has showed its adaptability and flexibility, pivoting rapidly to ensure the redeployment of staff and prioritisation of effort and resources.

The Department stood up strong and effective executive governance arrangements during the pandemic allowing quick and effective decision making. Good executive level governance and an expedited approvals processes gave the Department flexibility in a rapidly evolving environment whilst maintaining focus on staff welfare. To facilitate the crisis response some Non-Executive governance processes were scaled back or flexed. However, this brings with it the opportunity to adjust to the Department's developing role in delivery, including bringing fresh skills to the Board and ExCo and bolstering leadership capability for strong programme design and management.

The Department made improvements in the control environment as noted by the GIAA but there are a number of areas for development as the control environment matures:

- Despite improvements in culture of compliance, we will work on better aligning the values of the organisation with compliance values in order to see a sustained and permanent outcome.
- On Partner Organisations, BEIS continues to review and develop its approach to ensure it has the appropriate line of sight into its POs and to ensure that, where relevant, the balance of the shareholder relationship is right.
- Risk management in the Department continues to improve and evolve. New risk management tools and mitigation measures have been introduced which has in turn increased effectiveness, but there is still more to do to ensure that risk tools perform optimally in dynamic risk environments such as those faced by the Department in 2020-21.
- The Department rapidly deployed effective business support schemes both at the start of and throughout the reporting period. This required the Department to operate at considerable risk which was the right decision to get support into the right hands as quickly as possible. It has taken some time to scale up our associated assurance processes and looking forward we will take the opportunity to build proportionate assurance processes in more real time to future programmes.

In summary, I am satisfied that the Department has continued to embed an appropriate system of internal control and risk management during this reporting period and to improve and adapt its governance arrangements in light of the risks being managed. The Department will continue to develop and embed processes to further facilitate and strengthen assurances to enable the Department to move towards a delivery department and respond to current and emerging challenges.

Sarah Munby
Permanent Secretary and
Principal Accounting Officer

17 November 2021

Staff report

Overview

The staff report reports employee matters in the year. It also provides statutory disclosures on staff costs, numbers, composition, and other activities.

Introduction

This year has, of course, been dominated by responding to the COVID-19 pandemic, while supporting our vital work on EU transition following the UK's departure from the EU. Despite the challenging circumstances the employee engagement score for BEIS showed improvement. We have also made improvements in the diversity of our workforce, notably increasing the number of Black and ethnic minority SCS appointments.

COVID-19 adjustments

The majority of our staff have continued to work from home throughout the COVID-19 pandemic in line with government guidelines.

We ensured our offices were "COVID-19 secure" by implementing measures to minimise the risk of transmission in the workplace. This has enabled a small number of essential staff to work in BEIS premises.

Staff engagement

In the people survey 2020, BEIS achieved a response rate of 89%. Overall, our results showed an improvement when compared with 2019, with an engagement index of 65% (+3%). The outcomes for 7 of the 9 survey themes improved, notably leadership and managing change (+5%). The lower scoring themes were learning and development at 60% (-4%) and resources and workload 74% (-1%).

Overall, this is a positive result, given additional pressure and impacts of COVID-19, and within the context of the significant progress made on our engagement index and key areas since 2016.

We have used hosted conversations led by Senior Civil Servants and all staff meetings to increase engagement with our people throughout the year, and particularly as we have worked remotely. Our ongoing change programmes will provide greater opportunity for growth and development across all our locations.

Health, safety, and well-being

The Health, Safety and Wellbeing of our people is paramount to BEIS, whether working from home or in the office. This has been a particular challenge in 2020-21.

We have a strong record in providing a safe and supportive work environment. In 2020-21, there was one reported dangerous occurrence within 'Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013'.

The Wellbeing offer includes training in resilience, stress management, mental health talks, health campaigns and disability awareness. Staff have access to the Employee Assistance Programme for confidential counselling and advice for work and life issues.

BEIS have over 270 staff trained as Mental Health First Aiders who provide first support to those who seek help due to a mental health concern.

We are publishing a revised Wellbeing Strategy during Quarter 2, 2021-22 which focuses on the culture, leadership, support and will reinforce ownership of wellbeing within BEIS.

Shared parental leave

During 2020-2021, 33 of our employees took advantage of our Shared Parental Leave (SPL) policy and the flexibilities it offers. Our policy enables our employees to take time off work to share in the care of their baby. They may also be eligible for full pay for some or all the leave – this is an enhancement to the SPL Statutory Pay entitlement.

Most employees who took time off were partners of the birth mother or primary adopter, and this is a similar take-up and profile to previous years.

Gender pay gap

Our analysis demonstrates the gap is driven by an uneven gender split by grade, with more men represented at senior grades and a greater proportion of women in more junior grades. The gaps have widened slightly since 2019 but remain lower than when the data was first published in 2017.

Mean gender pay gap	The mean pay of male employees vs mean pay of female employees had a difference of 10.2%
Median gender pay gap	The median gender pay gap was 10.7%.
Mean bonus gap	The mean bonus pay to relevant male employees vs mean bonus pay to relevant female employees had a difference of 12.9%.
Median bonus gap	The median bonus gap was 15.8%.
Bonus proportions	The proportion of men who received a bonus was 87.5%; the proportion of women who received a bonus was 86.2%.
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.

We continue to analyse salary, D&I, talent, and recruitment data, monitor progression and highlight trends to help reduce the gender pay gap in BEIS.

In recruitment, the continued use of success profiles and specialist recruitment channels helped to attract a diverse pool of applicants at delegated grades.

We also monitor performance outcomes and distribution of reward to ensure diversity considerations are accounted for.

The full Gender Pay Gap report for 2020 can be found at: https://www.gov.uk/government/publications/beis-gender-pay-gap-report-and-data-2020.

Staff policies applied for disabled staff

Applications

BEIS encourages applications from a diverse range of candidates. We use targeted communications routes to ensure access to the widest pool of talented people. Supporting disabled people at recruitment and throughout their employment is important to BEIS – our accreditation under the Disability Confident Leader scheme endorses this.

Continuing employment

We offer reasonable adjustments where practical for both office and home working environments. We support disabled staff or staff with long-term health conditions by carrying out assessments, providing equipment and training.

We have a Disability Action Plan and actively work with colleagues across BEIS to increase disability awareness, provide training, promote digital awareness. We work closely with our ‘Capability Action’ staff network.

Training and development

All participants of the Future Leaders Scheme (FLS) who identify as disabled, are offered additional support via our DELTA offer. DELTA is integrated into the FLS programme. It is an accelerated development programme aimed at supporting participants with a disability.

Diversity and inclusion

Diversity and Inclusion matter to BEIS. We make the most of differences to solve important and complex policy issues facing the country, business and the environment. In doing so, we also continue to make BEIS a great place to work. During the year we have:

- increased the diversity of our workforce – particularly the representation of Black and ethnic minority SCS
- achieved reaccreditation as a Disability Confident Leader

- rolled out workplace empathy training to build inclusion skills in teams to over 1,100 staff, and Public Sector Equality Duty training to over 1,000 staff
- ranked 18th in the Social Mobility Employer Index, up from 70th
- in the 2020 people survey, increased to a score of 85% for 'inclusion and fair treatment', up from 83% in 2019.

Staff composition

The table below shows our staff composition as at 31 March 2021.[1, 2]

Gender	2020-21	2019-20
All employees	5,210	4,309
Men	51%	53%
Women	49%	47%
Senior civil servants	313.3	242
Men	56%	55%
Women	44%	45%

Gender	2020-21	2019-20
Executive committee[3]	16	16
Men	63%	63%
Women	38%	38%

Disability	2020-21	2019-20
Declaration rate:	83%	75%
representation for staff who have declared:		
no	83%	84%
yes	11%	10%
prefer not to say	6%	6%

Ethnicity	2020-21	2019-20
Declaration rate:	89%	79%
representation for staff who have declared:		
white	73%	78%
BAME	22%	18%
prefer not to say	5%	4%

Sexual orientation	2020-21	2019-20
Declaration rate:	89	80%
representation for staff who have declared:		
straight	80%	84%
LGBT+	10%	8%
prefer not to say	10%	8%

Notes

1 2020-21 figures are based on the criteria and definitions in the Annual Civil Service Employee Survey (ACSES), as determined by ONS. The figures represent FTE persons on payroll, including those who were not active – such as those on maternity leave and outward loans.

2 2019-20 figures were not based on the ACSES criteria. Although they included FTE on payroll, they excluded those who were inactive.

3 Executive committee figures for both years are based on headcount.

Staff turnover percentage

The table below shows the staff turnover percentage in 2020-21 for BEIS core and relevant agencies. Turnover refers to leavers outside the Civil Service. Departmental turnover refers to leavers within the Civil Service.

Turnover is actively monitored and remains stable. BEIS workforce has seen further expansion, with much of the additional resource focused on net zero. The Department continues to look for ways to improve the employee experience using feedback from the People Survey and learning and development opportunities.

	Turnover	Departmental turnover
Core Department	4.5%	11.5%
ACAS	9.3%	5.3%
Companies House	3.8%	5.3%
Insolvency service	4.3%	7.0%
UK Intellectual Property Office	2.8%	4.3%
Met Office	4.5%	4.5%
UK Space Agency	3.8%	21%

Sickness absence data

The table below shows average working days lost to sickness absence.

	2020-21
Core Department	2.4
Companies House	4.2
Insolvency Service	5.6
UK Space Agency	7.4

Trade union facility time

	Core Department and Agencies	Other agencies not consolidated in the accounts[1]	Total
Relevant union officials			
Trade union representatives employed			
Number of employees who were relevant union officials	42	38	**80**
Full-time equivalent	40	35	**75**
% of time spent on facility time			
working hours each representative spent on facility time			
0%	6	5	**11**
1 – 50%	36	33	**69**
51 – 99%	–	–	**–**
100%	–	–	**–**
% of pay bill spent on facility time			
pay bill refers to total pay bill for all employees not just union representatives			
Total cost of facility time (£)	£120,544	£101,284	**£221,828**
Total pay bill (£)	£410,894,208	£226,920,423	**£637,814,631**
Facility time as a % of pay bill	0.03%	0.04%	**0.03%**
Paid trade union activities			
Trade union duties are paid; trade union activities can be paid or unpaid.			
(Hours spent on paid trade union activities ÷ total paid facility time hours) * 100	0.00%	8.96%	**8.96%**

Notes

1 Agencies not consolidated in Departmental Group accounts: UKIPO and Met Office.

Number of senior civil servants by salary band

The table below shows the number of senior civil servants (SCS), grouped by their salary bands.

SCS numbers represent full-time equivalent persons (FTE), actively in post in the Core Department, as at 31 March 2021 (for example excluding those on maternity leave or outward loans). It includes those on open-ended contracts and fixed term contracts.

Salary bands represent actual salary rates; bonuses are not included.

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

	Number of SCS staff as at 31 March 2021	Number of SCS staff as at 31 March 2020
Below £55,000	2	–
£60,000 – £64,999	12	–
£65,000 – £69,999	8	35
£70,000 – £74,999	135	84
£75,000 – £79,999	49	31
£80,000 – £84,999	18	20
£85,000 – £89,999	6	4
£90,000 – £94,999	27	28
£95,000 – £99,999	14	9
£100,000 – £104,999	7	6
£105,000 – £109,999	3	2
£110,000 – £114,999	2	3
£115,000 – £119,999	1	2
£120,000 – £124,999	3	1
£125,000 – £129,999	3	7
£130,000 – £134,999	4	1
£135,000 – £139,999	1	–
£140,000 – £144,999	1	2
£145,000 – £149,999	–	2
£150,000 – £154,999	2	–
£155,000 – £159,999	–	1
£160,000 – £164,999	2	1
£170,000 – £174,999	–	1
£180,000 – £184,999	2	2
Total	**302**	**242**

Permanent secretary

Sarah Munby[1]
(from 20 Jul 2020)

Sam Beckett[2]
(acting from 14 Apr 2020 to 20 Jul 2020)

Alex Chisholm
(to 13 Apr 2020)

Director general

Cath Bremner
(acting from 1 Mar 2021)

Ben Golding
(acting from 1 Mar 2021)

Ashley Ibbett
(from 14 Apr 2020)

Mike Keoghan
(acting from 21 Sep 2020)

Madelaine McTernan
(from 1 Jan 2021)

Professor Paul Monks
(Chief Scientific Adviser, from 1 Oct 2020)

Jaee Samant

Jo Shanmugalingam

Doug Watkins
(acting Chief Operating Officer, from 13 Jul 2020)

Joanna Whittington

Julian Critchlow
(to 26 Mar 2021)

Nick Elliott
(from 1 Jun to 31 Dec 2020)

Professor John Loughhead
(Chief Scientific Adviser, to 30 Sep 2020)

Sarah Harrison
(to 12 Jul 2020)

1 Prior to being appointed Permanent Secretary, Sarah Munby was a director general.

2 Prior to and following being acting Permanent Secretary, Sam Beckett was a director general and left the Department on 8 September 2020.

Staff numbers

Audited information

The table below shows the average number of FTE persons employed in 2020-21.

					2020-21	2019-20 restated
	Permanent employed staff	Others	Ministers	Special advisers	Total	Total
Core Department	4,717	158	6	3	**4,884**	**4,536**
Agencies	2,933	93	–	–	**3,026**	**2,942**
Non departmental public bodies (NDPBs)	14,492	1,209	–	–	**15,701**	**14,401**
Total	**22,142**	**1,460**	**6**	**3**	**23,611**	**21,879**
Of which:						
Core Department and Agencies	7,650	251	6	3	**7,910**	**7,478**
NDPBs and other designated bodies	14,492	1,209	–	–	**15,701**	**14,401**
Total	**22,142**	**1,460**	**6**	**3**	**23,611**	**21,879**

Staff numbers and related staff costs have been restated as a result of Companies House becoming part of the Departmental Group. See note 26 for further details.

Staff costs

Audited information

During the year, £15,972,717 of staff costs were capitalised, (2019-20 restated: £22,259,726) and 338 employees (2019-20 restated: 478 employees) in the Departmental Group were engaged on capital projects.

Staff severance costs for current and prior year are included in wages and salaries. Further detail on exit packages is included on page 80.

Included within the total net costs of other staff shown below are ministers' total net costs of £284,739 (2019-20: £369,658).

			2020-21	2019-20 restated
	Permanent employed staff	Others	Total	Total
	£m	£m	£m	£m
Wages and salaries	1,011	100	**1,111**	956
Social security costs	108	–	**108**	98
Other pension costs	242	–	**242**	225
Sub total	**1,361**	**100**	**1,461**	**1,279**
Less recoveries in respect of outward secondments	(1)	–	**(1)**	–
Total net costs	**1,360**	**100**	**1,460**	**1,279**
Of which:				
Core Department and Agencies	471	32	**503**	**429**
NDPBs and other designated bodies	889	68	**957**	**850**
Total net costs	**1,360**	**100**	**1,460**	**1,279**

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 2020-21, employer contributions of £140,041,099 were payable to the PCSPS (2019-20 restated: £108,153,599) at one of four rates in the range 26.6% to 30.3% (2019-20: 26.6% to 30.3%) 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 2020-21 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 £1,390,271 (2019-20: £1,221,237) 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 £19,066 (2019-20: £17,180), 0.5% (2019-20: 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 2021 were £26,147 (2019-20: £11,448). Contributions prepaid at that date were £nil (2019-20: £nil).

Ill-health retirement

In 2020-21, 31 persons (2019-20: 43 persons) across the Departmental Group retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £1,962,034 (2019-20: £2,319,227).

Other pension schemes

Employer contributions to other pension schemes in 31 March 2021, amounted to £254,056,970 (2019-20: £232,281,655). 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

Audited information

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

	Permanent employed staff	Others	2020-21 Total	2019-20 Total
Number of staff (full time equivalent)	**14,192**	**1,002**	**15,194**	**15,428**
Costs				
Wages and salaries (£m)	808	39	**847**	**864**
Social security costs (£m)	89	–	**89**	**90**
Other pension costs (£m)	144	–	**144**	**144**
Total costs (£m)	**1,041**	**39**	**1,080**	**1,098**

Civil Service and other compensation schemes – exit packages

Audited information

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme (CSCS), a statutory scheme made under the Superannuation Act 1972.

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.

The table below shows the total cost of exit packages agreed and accounted for in 2020-21. £7,976,011 exit costs were paid in 2020-21, the year of departure (2019-20 restated: £19,990,607).

	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2020-21	**2019-20**	**2020-21**	**2019-20 restated**	**2020-21**	**2019-20 restated**
Less than £10,000	12	2	22	11	34	13
£10,000 – £25,000	19	2	27	26	46	28
£25,000 – £50,000	13	19	40	32	53	51
£50,000 – £100,000	3	16	38	70	41	86
£100,000 – £150,000	–	1	7	25	7	26
£150,000 – £200,000	–	–	–	17	–	17
More than £200,000	–	1	-	35	–	36
Total number	**47**	**41**	**134**	**216**	**181**	**257**
Of which:						
Core Department and Agencies	–	–	1	2	1	2
NDPBs and other designated bodies	47	41	133	214	180	255
Total number	**47**	**41**	**134**	**216**	**181**	**257**
Total cost (£)	**1,035,715**	**2,175,747**	**6,120,516**	**22,392,359**	**7,156,231**	**24,568,106**
Of which:						
Core Department and Agencies	–	–	69,000	110,040	69,000	110,040
NDPBs and other designated bodies	1,035,715	2,175,747	6,051,516	22,282,319	7,087,231	24,458,066
Total cost (£)	**1,035,715**	**2,175,747**	**6,120,516**	**22,392,359**	**7,156,231**	**24,568,106**

Staff redeployments

The table below shows the number of outward and inward staff loans as at 31 March 2021.

Staff loaned (outward staff loans) refer to staff permanently employed by the Core Department on loan to another organisation.

Staff hosted (inward staff loans) refer to people attached to the Core Department on loan from other organisations.

As the home department, costs relating to outward staff loans which were short-term, were charged to the administration budget, if the Core Department paid the cost.

As the host department, costs relating to inward staff loans which were short-term, would have been charged to the administration budget if the Core Department did pay the cost.

The Department does not currently hold information centrally to support disclosure of average likely durations of redeployments.

Grade	Staff loaned (outward staff loans)		Staff hosted (inward staff loans)	
	Short term (less than 6 months)	Long term (more than 6 months)	Short term (less than 6 months)	Long term (more than 6 months)
Administrative assistant	–	1	–	1
Executive officer	–	7	2	4
Higher executive officer	–	42	1	14
Senior executive officer	–	26	1	10
Grade 7	1	65	5	34
Grade 6	–	18	–	9
Senior civil service	–	13	–	6
Total	**1**	**172**	**9**	**78**

Staff resource on EU Exit and COVID-19

EU Exit

	2020-21	2019-20
Average approximate FTE staff engaged on activities relating to EU Exit	1,090	1,130

COVID-19

	2020-21
Average approximate FTE staff redeployed onto activities relating to the COVID-19 pandemic response	1,290

Consultancy and temporary staff expenditure

The Departmental Group's expenditure on consultancy in 2020-21 was £137.3 million (2019-20 restated: £55.7 million).
The consultancy expenditure of executive agencies was £8.4 million (2019-20 restated: £2.6 million) and the consultancy expenditure relating to arm's length bodies was £46.9 million (2019-20: £41.7 million) of which £32.2 million (2019-20: £27.7 million) was related to SLCs.

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 requirement falls outside the core business of civil servants
- 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 2020-21 was £100.5 million (2019-20 restated: £75.8 million), as detailed in the staff costs note below. 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 show the number of paid off payroll engagements above £245 per day. Off-payroll engagements refer to workers who are paid off-payroll, without deducting tax and national insurance at source, typically contractors.

Table 1a: Highly paid off-payroll worker engagements as at 31 March 2021, earning £245 per day or greater

	Of which, number that have existed for:					
	Total number	**< 1 year**	**1 – 2 years**	**2 – 3 years**	**3 – 4 years**	**4 or more years**
Core Department and Agencies						
Core Department[1]	**249**	199	14	9	6	21
Companies House	**18**	9	5	–	3	1
Insolvency Service	**7**	6	–	1	–	–
UK Space Agency	**32**	19	10	3	–	–
Consolidated in the Departmental Group accounts, (excluding nuclear site licence companies)						
Advisory, Conciliation and Arbitration Service	**7**	7	–	–	–	–
British Business Bank plc	**27**	26	1	–	–	–
British Business Finance Ltd	**26**	25	1	–	–	–
The Start-up Loans Company	**1**	1	–	–	–	–
Civil Nuclear Police Authority	**7**	4	1	1	–	1
Coal Authority	**6**	4	2	–	–	–
Competition Appeal Tribunal and Competition Service	**2**	–	–	1	–	1
Diamond Light Source Ltd	**9**	7	–	2	–	–
Nuclear Decommissioning Authority	**15**	7	3	4	–	1
Radioactive Waste Management Ltd	**96**	64	17	13	–	2
Oil and Gas Authority	**4**	3	–	–	1	–
UK Atomic Energy Authority	**204**	70	55	34	15	30
UK Research and Innovation	**112**	86	18	2	2	4
UK Shared Business Services Ltd	**22**	12	5	1	3	1
Not consolidated in Departmental Group accounts						
Groceries Code Adjudicator	**1**	–	–	1	–	–
Pubs Code Adjudicator	**1**	–	–	–	–	1
Small Business Commissioner	**3**	–	–	3	–	–
Total	**849**	**549**	**132**	**75**	**30**	**63**

1 The number of Highly Paid off-payroll worker engagements in the Core Department rose from 26 to 249 between 2019-2020 and 2020-21. This is due to the following:

a) Resource requirements to manage COVID-19 vaccine rollout and EU Exit arrangements.

b) The inclusion of Cool Off contracts are included this year – they refer to off-payroll persons with long term contracts, but who are only called upon as and when needed. For example, this may include someone who has had a 4-year contract but has only worked on average 3 working weeks throughout the entire year

c) A change in off-payroll reporting requirements – in prior years workers were required to have been contracted for more than 6 months to be included, this exemption no longer applies in 2020-21

Table 2a: All highly paid off-payroll workers engaged at any point during the year ended 31 March 2021, earning £245 per day or greater

	No. of off-payroll workers engaged during the year ended 31 March 2021	Of which: Not subject to off-payroll legislation	Of which: Subject to off-payroll legislation and determined as in-scope of IR35	Of which: Subject to off-payroll legislation and determined as out-of-scope of IR35	No. of engagements reassessed for compliance or assurance purposes during the year	Of which: no. of engagements that saw a change to IR35 status following review
Core Department and Agencies						
Core Department[1]	**356**	223	28	105	–	–
Companies House	**18**	18	–	–	–	–
Insolvency Service	**10**	–	7	3	10	–
UK Space Agency	**45**	–	36	9	7	–
Consolidated in the Departmental Group accounts, (excluding nuclear site licence companies)						
Advisory, Conciliation and Arbitration Service	**17**	13	1	3	–	–
British Business Bank plc	**32**	–	25	7	–	–
British Business Finance Ltd	**31**	–	24	7	–	–
The Start-up Loans Company	**1**	–	1	–	–	–
Civil Nuclear Police Authority	**14**	14	–	–	–	–
Coal Authority	**8**	8	–	–	–	–
Competition Appeal Tribunal and Competition Service	**–**	–	–	–	–	–
Diamond Light Source Ltd	**9**	–	9	–	2	–
Low Carbon Contracts Company Ltd	**6**	–	4	2	–	–
Nuclear Decommissioning Authority	**12**	2	3	7	–	–
Radioactive Waste Management Ltd[2]	**96**	56	15	25	25	2
Oil and Gas Authority	**8**	–	–	8	–	–
Salix Finance Limited	**6**	6	–	–	–	–
UK Atomic Energy Authority	**100**	97	–	3	3	–
UK Research and Innovation	**163**	94	29	40	75	2
UK Shared Business Services Ltd	**22**	–	–	22	22	–
Not consolidated in Departmental Group accounts						
Groceries Code Adjudicator	**1**	–	–	1	1	–
Pubs Code Adjudicator	**2**	–	1	1	1	–
Small Business Commissioner	**3**	–	–	3	–	–
Total	**986**	**531**	**183**	**246**	**146**	**4**

1 The Core Department's figures from 2019-2020 to 2020-21, increased from 19 to 356. This is due to 3 main reasons as explained in the footnotes to table 1.

2 RWM are not able to provide the full IR35 breakdown this year.

Table 3a: For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2020 and 31 March 2021

	No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year	Total no. 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	–	38
Companies House	–	7
Insolvency Service	–	12
UK Space Agency	–	14
Consolidated in the Departmental Group accounts, (excluding nuclear site licence companies)		
Advisory, Conciliation and Arbitration Service	–	7
Central Arbitration Committee	–	1
Certification Office for Trade Union and Employers' Associations	–	1
British Business Bank plc	–	12
British Business Aspire Holdco Ltd	–	3
British Business Finance Ltd	–	12
British Business Financial Services Ltd	–	12
British Business Investments Ltd	–	5
BBB Patient Capital Holdings Ltd	–	3
British Patient Capital Limited	–	5
Capital for Enterprise Fund Managers Ltd	–	4
Capital for Enterprise (GP) Ltd	–	2
Capital for Enterprise Limited	–	3
The Start-up Loans Company	–	3
Civil Nuclear Police Authority	–	6
Coal Authority	–	12
Competition Appeal Tribunal and Competition Service	2	6
Diamond Light Source Ltd	–	6
The Financial Reporting Council Ltd	–	2
Low Carbon Contracts Company Ltd	–	13
Nuclear Decommissioning Authority	–	16
Nuclear Decommissioning Authority Archives Ltd	–	2
Radioactive Waste Management Ltd	–	9
Oil and Gas Authority	–	9
Salix Finance Limited	1	5
South Tees Site Company Ltd	–	3
UK Atomic Energy Authority	–	14
AEA Insurance Ltd	2	2
UK Research and Innovation	–	25
UK Shared Business Services Ltd	–	2

	No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year	Total no. 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 Departmental Group accounts		
British Hallmarking Council	–	2
Committee on Climate Change	–	13
Groceries Code Adjudicator	–	3
Pubs Code Adjudicator	–	3
Small Business Commissioner	3	4
Total	**8**	**301**

Notes to Table 3a

Where there were off-payroll engagements of board members and/or senior officials with significant financial responsibility, the following notes provide details of the exceptional circumstances that led to the engagement, and the duration of the engagement.

Competition Appeal Tribunal and Competition Service

The President of the Tribunal has a statutory duty to provide training to members of the Tribunal. One off-payroll member was appointed as a training provider. The individual has been a member of the Tribunal since its inception and has knowledge of its processes and case histories. The individual was appointed in 2013, the contract has been renewed and currently ends in March 2023.

Second off-payroll member assists the first member in preparing training and are planned to succeed the first member on their departure. The individual was appointed in 2019.

Salix Finance Limited

One non-executive board member only came onto payroll from 1 October 2020; prior to that they invoiced the company (period 1 April to 30 September).

AEA Insurance Ltd

AEAIL is a captive insurance company registered in the Isle of Man and subject to their tax and NI legislation. AEAIL does not employ anyone.

Two AEAIL directors are off-payroll by default and are paid a small fee by AEAIL. From 2002 and 2005 respectively.

Small Business Commissioner

SBC has 3 non-executive directors for their Audit, Risk & Assurance Board and Advisory Board. Contracted to work with us 8 days a year and paid a daily rate. All 3 NEDs started in 2019 and have a contract for 4 years taking them to 2022.

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: Highly paid off-payroll worker engagements as at 31 March 2021, earning £245 per day or greater

	Total number	Of which, no. that have existed for:				
		< 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 or more years
Dounreay Site Restoration Ltd	**36**	15	3	2	2	14
LLW Repository Ltd	**25**	9	3	5	3	5
Magnox Ltd	**51**	6	1	3	5	36
Sellafield Ltd	**171**	38	23	55	21	34
Total	**283**	**68**	**30**	**65**	**31**	**89**

Table 2b: All highly paid off-payroll workers engaged at any point during the year ended 31 March 2021, earning £245 per day or greater

	No. of off-payroll workers engaged during the year ended 31 March 2021	Of which: Not subject to off-payroll legislation	Subject to off-payroll legislation and determined as in-scope of IR35	Subject to off-payroll legislation and determined as out-of-scope of IR35	No. of engagements reassessed for compliance or assurance purposes during the year	Of which: no. of engagements that saw a change to IR35 status following review
Dounreay Site Restoration Ltd	**7**	7	–	–	–	–
LLW Repository Ltd	**39**	39	–	–	–	–
Magnox Ltd	**54**	–	37	17	51	–
Sellafield Ltd	**144**	–	65	79	–	–
Total	**244**	**46**	**102**	**96**	**51**	**–**

Table 3b: For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2020 and 31 March 2021

	No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year	Total no. 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	10
LLW Repository Ltd	1	9
Magnox Ltd	–	11
Sellafield Ltd	–	1
Total	**9**	**31**

Notes to Table 3b

Where there were off-payroll engagements of board members and/or senior officials with significant financial responsibility, the following notes provide details of the exceptional circumstances that led to the engagement, and the duration of the engagement.

Dounreay Site Restoration Ltd

All 8 persons have been seconded from the Parent Body Organisation (PBO); therefore, they are not on DSRL payroll. DSRL do however incur their costs. 1 x 5 years, 1 x 3 years, 1 x 2 years, 4 x 1 year, and 1 x 10 months.

LLW Repository Ltd

The one off-payroll post holder was supplied by the parent body organisation as required by contractual arrangements with NDA – since 1 Dec 2015.

Remuneration report

Overview

The remuneration report sets out the remuneration policy and the amounts awarded to BEIS ministers and directors. Just like the staff report, it is fundamental to demonstrating transparency and accountability to Parliament.

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

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.

Executive directors/senior officials

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

Ministers – single total figure of remuneration

Audited information

The table below shows each component, and the single total figure of remuneration for each minister in 2020-21.

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.

				2020-21				2019-20
	Salary[1]	Full year equivalent salary if different	Pension benefits[2]	Total	Salary[1]	Full year equivalent salary if different	Pension benefits[2]	Total
	£	£	to nearest £1,000	to nearest £1,000	£	£	to nearest £1,000	to nearest £1,000
Secretary of State								
Rt Hon Kwasi Kwarteng MP[3]	39,962	67,505	10,000	**50,000**	21,320	31,680	5,000	**27,000**
Rt Hon Alok Sharma MP (to 7 Jan 2021)[4]	56,254	67,505	12,000	**68,000**	8,729	67,505	3,000	**12,000**
Ministers of State								
Lord Grimstone[5]	–	–	–	**–**	–	–	–	**–**
Anne-Marie Trevelyan MP (from 8 Jan 2021)[6]	7,324	31,680	2,000	**9,000**	–	–	–	**–**
Parliamentary Under-Secretaries of State								
Nadhim Zahawi MP[7]	–	–	–	**–**	–	–	–	**–**
Lord Callanan[8]	107,335	107,335	17,000	**125,000**	13,880	107,335	4,000	**18,000**
Paul Scully MP[9]	22,375	22,375	5,000	**28,000**	2,893	22,375	1,000	**4,000**
Amanda Solloway MP	22,375	22,375	5,000	**28,000**	2,893	22,375	1,000	**4,000**

Notes

1. Salary information excludes employers' national insurance contributions. None of the ministers of the Department received benefits in kind during the year. Minsters 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 Minister of State for the Department for Business, Energy and Industrial Strategy from 24 July 2019 to 7 January 2021 and became Secretary of State for the Department for Business, Energy and Industrial Strategy from 8 January 2021.
4. Previously Secretary of State for International Development.
5. Minister of State jointly at Department for International Trade; does not draw salary or pension benefits.
6. Previously Secretary of State for International Development.
7. Jointly Parliamentary Under-Secretary for the Department of Health and Social Care and Department for Business, Energy and Industrial Strategy; does not draw salary or pension benefits.
8. Full year equivalent salary includes £36,366 Lords Office Holders Allowance.
9. Jointly Parliamentary Under Secretary of State in the Department for Business, Energy and Industrial Strategy and Minister for London.

Ministers – pension benefits

Audited information

The table below shows the pension entitlements for each minister.

	Pension benefits at age 65 as at 31 March 2021	Real increase in pension at age 65	CETV at 31 March 2021[1]	CETV at 31 March 2020[1]	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Secretary of State					
Rt Hon Kwasi Kwarteng MP	0-5	0-2.5	16	8	4
Rt Hon Alok Sharma MP (to 7 Jan 2021)	0-5	0-2.5	47	33	7
Ministers of State					
Lord Grimstone[2]	–	–	–	–	–
Anne-Marie Trevelyan MP (from 8 Jan 2021)	0-5	0-2.5	14	12	1
Parliamentary Under-Secretaries of State					
Nadhim Zahawi MP[3]	–	–	–	–	–
Lord Callanan	5-10	0-2.5	84	62	12
Paul Scully MP	0-5	0-2.5	6	1	3
Amanda Solloway MP	0-5	0-2.5	7	1	4

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 – single total figure of remuneration

Audited information

The table below shows each component, and the single total figure of remuneration for each senior official in 2020-21. Senior officials comprise members of the executive committee.

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.

	2020-21					2019-20				
	Salary[1]	Full year equivalent salary if different	Bonus	Pension[2]	Total	Salary[1]	Full year equivalent salary if different	Bonus	Pension[2]	Total
	£'000	£'000	£'000	to nearest £1,000	£'000	£'000	£'000	£'000	to nearest £1,000	£'000
Permanent secretary										
Sarah Munby (from 20 Jul 2020)	160-165	–	–	53	**215-220**	75-80	110-115	–	31	105-110
Sam Beckett (from 14 Apr 2020 to 20 Jul 2020)[3]	65-70	135-140	5-10	103	**180-185**	130-135	–	10-15	68	210-215
Alex Chisholm (to 13 Apr 2020)[4]	5-10	180-185	–	3	**5-10**	180-185	–	15-20	70	270-275
Director general										
Cath Bremner (from 1 Mar 2021)[5]	5-10	125-130	–	5	**15-20**	–	–	–	–	–
Ben Golding (from 1 Mar 2021)[6]	10-15	120-125	–	13	**20-25**	–	–	–	–	–
Ashley Ibbett (from 14 Apr 2020)[7]	130-135	120-125	5-10	133	**270-275**	–	–	–	–	–
Mike Keoghan (from 21 Sep 2020)[8]	70-75	130-135	5-10	109	**185-190**	–	–	–	–	–
Madelaine McTernan (from 1 Jan 2021)[9]	–	–	–	–	**–**	–	–	–	–	–
Paul Monks (from 1 Oct 2020)[10]	50-55	105-110	–	21	**70-75**	–	–	–	–	–
Jaee Samant	130-135	–	5-10	69	**205-210**	125-130	–	–	45	170-175
Jo Shanmugalingam[11]	110-115	110-115	–	91	**200-205**	65-70	95-100	–	82	150-155
Doug Watkins[12]	135-140	–	0-5	–	**140-145**	125-130	–	0-5	69	195-200
Joanna Whittington	160-165	–	5-10	67	**235-240**	155-160	–	–	57	215-220
Julian Critchlow (to 26 Mar 2021)	140-145	–	5-10	–	**150-155**	140-145	–	–	–	140-145
Nick Elliott (from 1 Jun to 31 Dec 2020)[13]	–	–	–	–	**–**	–	–	–	–	–
John Loughhead (to 30 Sep 2020)	90-95	130-135	–	41	**130-135**	130-135	–	–	67	200-205
Sarah Harrison (to 12 Jul 2020)[14]	40-45	140-145	5-10	30	**80-85**	140-145	–	10-15	67	220-225

	2020-21					2019-20				
	Salary[1]	Full year equivalent salary if different	Bonus	Pension[2]	Total	Salary[1]	Full year equivalent salary if different	Bonus	Pension[2]	Total
	£'000	£'000	£'000	to nearest £1,000	£'000	£'000	£'000	£'000	to nearest £1,000	£'000
Director										
Simon Hulme (from 19 Oct 2020)	80-85	180-185	–	31	**110-115**	–	–	–	–	–
Alice Hurrell (from 20 Jul 2020)	80-85	105-110	10-15	73	**175-180**	–	–	–	–	–
Dan Micklethwaite (from 2 Nov 2020)	40-45	100-105	–	16	**55-60**	–	–	–	–	–
Tom Taylor	130-135	–	5-10	48	**185-190**	125-130	–	5-10	41	180-185
Craig Woodhouse	130-135	–	5-10	69	**205-210**	90-95	125-130	–	36	125-130
Chris Thompson (from 14 Apr – 1 Aug 2020)	25-30	95-100	5-10	17	**50-55**	–	–	–	–	–
Caleb Deeks (to 13 Apr 2020)	0-5	100-105	5-10	9	**20-25**	100-105	–	5-10	60	170-175

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 Prior to and following being acting Permanent Secretary, Sam Beckett was a director general and left the Department on 8 September 2020.

4 Subsequently the Chief Operating Officer for the Civil Service and Permanent Secretary for the Cabinet Office in April 2020.

5 Temporarily appointed as Director General of Energy, Transformation and Clean Growth.

6 Temporarily appointed as Director General of Energy, Transformation and Clean Growth.

7 Salary includes a Pivotal Role Allowance of £15k.

8 On secondment from UK Government Investments (UKGI).

9 Temporarily appointed as Director General of Business Sectors.

10 Contracted and remunerated as 80% of full time equivalent; full time equivalent of full year equivalent salary is £130-135k.

11 Contracted and remunerated as 90% of full time equivalent; full time equivalent of full year equivalent salary is £120-125k.

12 Temporarily appointed as Director General of Corporate Services.

13 On secondment from the Ministry of Defence (MOD).

14 Subsequently the Chief Operating Officer for the Cabinet Office in July 2020.

Senior officials – pension benefits

Audited information

The table below shows the pension entitlements for each senior official for the year ending 2021. Senior officials comprise members of the executive committee.

	Accrued pension at pension age as at 31 March 2021 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2021[1]	CETV at 31 March 2020[1]	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Permanent secretary						
Sarah Munby (from 20 Jul 2020)[2]	5-10	2.5-5	44	16	18	–
Sam Beckett (from 14 Apr 2020 to 20 Jul 2020)[3]	60-65 plus lump sum of 130-135	2.5-5 plus lump sum of 7.5-10	1130	1,040	84	–
Alex Chisholm (to 13 Apr 2020)	30-35	0-2.5	404	402	1	–
Director general						
Cath Bremner (from 1 Mar 2021)	10-15	0-2.5	146	143	2	–
Ben Golding (from 1 Mar 2021)	30-35	0-2.5	418	409	8	–
Ashley Ibbett (from 14 Apr 2020)	35-40 plus lump sum of 75-80	5-7.5 plus lump sum of 10-12.5	649	528	96	–
Mike Keoghan (from 21 Sept 2020)	40-45 plus lump sum of 80-85	5-7.5 plus lump sum of 7.5-10	695	595	73	-
Madelaine McTernan (from 1 Jan 2021)	–	–	–	–	–	–
Paul Monks (from 1 Oct 2020)	0-5	0-2.5	16	–	12	–
Jaee Samant	55-60 plus lump sum of 115-120	2.5-5 plus lump sum of 0-2.5	1,041	957	47	–
Jo Shanmugalingam	25-30 plus lump sum of 55-60	2.5-5 plus lump sum of 5-7.5	408	340	50	–
Doug Watkins[4]	–	–	–	–	–	22,000
Joanna Whittington	45-50 plus lump sum of 75-80	2.5-5 plus lump sum of 0-2.5	822	745	41	–
Julian Critchlow (to 26 Mar 2021)	–	–	–	–	–	–
Nick Elliott (from 1 Jun to 31 Dec 2020)	–	–	–	–	–	–

	Accrued pension at pension age as at 31 March 2021 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2021[1]	CETV at 31 March 2020[1]	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
John Loughhead (to 30 Sept 2020)	20-25	0-2.5	303	277	28	–
Sarah Harrison (to 12 Jul 2020)	55-60	0-2.5	1,034	1,007	23	–
Director						
Simon Hulme (from 19 Oct 2020)	0-5	0-2.5	24	–	17	-
Alice Hurrell (from 20 Jul 2020)	45-50	2.5-5	627	574	45	-
Dan Micklethwaite (from 2 Nov 2020)	20-25	0-2.5	292	275	6	-
Tom Taylor	50-55 plus lump sum of 100-105	2.5-5	858	801	23	-
Craig Woodhouse	5-10	2.5-5	53	18	16	-
Chris Thompson (from 14 Apr – 1 Aug 2020)	40-45 plus lump sum of 75-80	0-2.5 plus a lump sum of 0-2.5	662	651	8	-
Caleb Deeks (to 13 Apr 2020)	30-35	0-2.5	382	377	5	-

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 Prior to being appointed Permanent Secretary, Sarah Munby was a director general.

3 Prior to and following being acting Permanent Secretary, Sam Beckett was a director general and left the Department on 8 September 2020.

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

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 2021.

	2020-21		2019-20	
	Fee entitlement	Full year equivalent if different	Fee entitlement	Full year equivalent if different
	£'000	£'000	£'000	£'000
Ann Cairns (from 13 Jan 2021)	5-10	20-25	–	–
Archie Norman (to 8 Dec 2020)[1]	–	–	20-25	–
Nigel Boardman	20-25	–	20-25	–
Leena Nair (to 24 Jan 2021)	20-25	–	20-25	–
Stephen Carter (to 10 Dec 2020)[2]	–	–	15-20	–
Stuart Quickenden (to 8 Dec 2020)[3]	–	–	15-20	–
Kathryn Parsons (to 8 Dec 2020)[4]	–	–	15-20	–
Carolyn McCall (to 31 Jul 2020)[5]	–	–	15-20	–

Notes

1 Contract not renewed, so no fee paid or payable.
2 Contract not renewed, so no fee paid or payable.
3 Contract not renewed, so no fee paid or payable.
4 Contract not renewed, so no fee paid or payable.
5 Contract not renewed, so no fee paid or payable.

Fair pay disclosure

Audited information

The table below shows the relationship during the year ending 31 March 2021 between the remuneration of the highest-paid director and the median remuneration of the workforce across the Core Department and three agencies, Companies House, 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.

	2020-21	2019-20 restated
Remuneration band of highest paid director	£180,000-£185,000	£200,000-£205,000
Median remuneration of workforce	£40,350	£39,539
Ratio of highest paid director to median	4.52	5.12
Remuneration range of workforce including directors	£18,542-£251,665	£17,031-£218,484
Number of people remunerated in excess of highest paid director	3	1

Figures for 2019-20 have been restated to reflect the inclusion of Companies House in the Departmental Annual report and accounts as a central government body from 1 April 2020 (note 26).

Notes to the remuneration report

The information in the Remuneration report relates solely to the Core Department except for the fair pay disclosure, which relates to the Core Department and three 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 individual annual reports and accounts of the relevant bodies.

Single total figure of remuneration

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 (£81,932 from 1 April 2020) 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 2020-21 relate to performance in 2020-21 and the comparative bonuses reported for 2019-20 relate to performance in 2019-20.

Pension Benefits

Ministerial pensions

Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute and the rules are set out in the Ministers' etc. Pension Scheme 2015, available at http://qna.files.parliament.uk/ws-attachments/170890/original/PCPF%20MINISTERIAL%20SCHEME%20FINAL%20RULES.doc.

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

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme.

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

Ministerial pensions – the real increase in the value of the CETV

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

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined **alpha**. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has 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 switch into **alpha** sometime between 1 June 2015 and 1 February 2022. Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see below). 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 defined contribution (money purchase) 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 is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). 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 www.civilservicepensionscheme.org.uk

Civil service pensions – Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme.

A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

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

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 Outturn against 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 Outturn against 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 exactly tie 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 104 to 111 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).

The SOPS and Estimates are compiled against the budgeting framework, which is similar to, but different from, IFRS. An understanding of the budgeting framework and an explanation of key terms is provided on page 32, in the financial review section of the performance report. Further information on the Public Spending Framework and the reasons why budgeting rules are different to IFRS can also be found in chapter 1 of the Consolidated Budgeting Guidance, available on gov.uk.

The SOPS provides a detailed view of financial performance, in a form that is voted on and recognised by Parliament. The financial review, in the Performance Report, provides a summarised discussion of outturn against estimate and functions as an introduction to the SOPS disclosures.

Summary table 2020-21

	SOPS note	Outturn Voted £'000	Outturn Non-voted £'000	Outturn Total £'000	Estimate Voted £'000	Estimate Non-voted £'000	Estimate Total £'000	2020-21 Outturn vs Estimate: saving/ (excess) Voted £'000	2020-21 Outturn vs Estimate: saving/ (excess) Total £'000	2019-20 Outturn total £'000
Departmental Expenditure Limit										
Resource	1.1	24,336,895	(599,466)	**23,737,429**	28,546,108	(633,000)	**27,913,108**	4,209,213	4,175,679	**2,838,375**
Capital	1.2	20,471,371	–	**20,471,371**	21,139,384	–	**21,139,384**	668,013	668,013	**11,227,917**
Total DEL		**44,808,266**	**(599,466)**	**44,208,800**	**49,685,492**	**(633,000)**	**49,052,492**	**4,877,226**	**4,843,692**	**14,066,292**
Annually Managed Expenditure										
Resource	1.1	(8,593,955)	441,841	**(8,152,114)**	22,684,526	622,000	**23,306,526**	31,278,481	31,458,640	**19,914,124**
Capital	1.2	19,686,287	(142,400)	**19,543,887**	32,270,198	(142,400)	**32,127,798**	12,583,911	12,583,911	**(136,900)**
Total AME		**11,092,332**	**299,441**	**11,391,773**	**54,954,724**	**479,600**	**55,434,324**	**43,862,392**	**44,042,551**	**19,777,224**
Resource	1.1	15,742,940	(157,625)	**15,585,315**	51,230,634	(11,000)	**51,219,634**	35,487,694	35,634,319	**22,752,499**
Capital	1.2	40,157,658	(142,400)	**40,015,258**	53,409,582	(142,400)	**53,267,182**	13,251,924	13,251,924	**11,091,017**
Total Budget		**55,900,598**	**(300,025)**	**55,600,573**	**104,640,216**	**(153,400)**	**104,486,816**	**48,739,618**	**48,886,243**	**33,843,516**
Non-budget expenditure		7,983	–	**7,983**	7,983	–	**7,983**	–	–	**299,766**
Total Budget and non-budget		**55,908,581**	**(300,025)**	**55,608,556**	**104,648,199**	**(153,400)**	**104,494,799**	**48,739,618**	**48,886,243**	**34,143,282**

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 32 to 42.

Net cash requirement 2020-21

				2020-21	2019-20 restated
	SOPS note	Outturn	Estimate	Outturn vs Estimate: saving/(excess)	Outturn total
		£'000	£'000	£'000	£'000
Net cash requirements	3	48,325,765	52,671,002	4,345,237	15,720,905

Administration costs 2020-21

				2020-21	2019-20
	SOPS note	Outturn	Estimate	Outturn vs Estimate: saving/(excess)	Outturn total
		£'000	£'000	£'000	£'000
Administration costs	1.1	565,646	614,759	49,113	502,428

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

Notes to the SOPS, 2020-21

Audited Information

SOPS note 1. Outturn detail, by Estimate Line

SOPS 1.1 Analysis of Resource Outturn by Estimate Line

		2020-21											2019-20
		Resource Outturn							Estimate			Outturn vs Estimate: saving/ (excess)	Resource Outturn
		Administration			Programme			Total	Total	Virements	Total inc. virements		Total
		Gross	Income	Net	Gross	Income	Net						
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Resource spending in DEL: voted expenditure													
A	Deliver an ambitious industrial strategy	–	–	**–**	19,173,551	(351,036)	**18,822,515**	**18,822,515**	21,947,565	–	**21,947,565**	3,125,050	908,525
B	Maximise investment opportunities and bolster UK interests	–	–	**–**	92,648	(1,832)	**90,816**	**90,816**	87,060	3,756	**90,816**	–	73,225
C	Promote competitive markets and responsible business practices	5,389	(17)	**5,372**	407,479	(289,298)	**118,181**	**123,553**	205,632	(260)	**205,372**	81,819	103,988
D	Delivering affordable energy for households and businesses	–	–	**–**	83,969	(36)	**83,933**	**83,933**	133,759	(14,975)	**118,784**	34,851	38,974
E	Ensuring that our energy system is reliable and secure	–	–	**–**	12,756	(6,967)	**5,789**	**5,789**	16,110	–	**16,110**	10,321	4,723
F	Taking action on climate change and decarbonisation	–	–	**–**	53,157	(58)	**53,099**	**53,099**	57,490	–	**57,490**	4,391	32,518
G	Managing our energy legacy safely and responsibly	–	–	**–**	216,910	(1)	**216,909**	**216,909**	216,174	735	**216,909**	–	234,186
H	Science and Research	–	–	**–**	1,247,604	(19)	**1,247,585**	**1,247,585**	1,804,306	–	**1,804,306**	556,721	6,159
I	Capability	486,997	(18,062)	**468,935**	36,487	(390)	**36,097**	**505,032**	654,734	(13,259)	**641,475**	136,443	415,591
J	Government as Shareholder	–	–	**–**	1,623,270	(27,537)	**1,595,733**	**1,595,733**	1,713,399	–	**1,713,399**	117,666	13,618
K	Deliver an ambitious industrial strategy (ALB) net	–	–	**–**	13,127	–	**13,127**	**13,127**	14,376	–	**14,376**	1,249	21,077
L	Promote competitive markets and responsible business practices (ALB) net	8,553	–	**8,553**	52,854	–	**52,854**	**61,407**	61,228	260	**61,488**	81	54,743
M	Ensuring that our energy system is reliable and secure (ALB) net	–	–	**–**	(2,297)	–	**(2,297)**	**(2,297)**	1	(2,297)	**(2,296)**	1	(2,756)

											2020-21	2019-20
	Resource Outturn							Estimate			Outturn vs Estimate: saving/ (excess)	Resource Outturn
	Administration			Programme			Total	Total	Virements	Total inc. virements		Total
	Gross	Income	Net	Gross	Income	Net						
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
N Taking action on climate change and decarbonisation (ALB) net	4,465	–	**4,465**	6,752	–	**6,752**	**11,217**	10,468	17,272	**27,740**	16,523	8,260
O Managing our energy legacy safely and responsibly (ALB) net	5,112	–	**5,112**	26,943	–	**26,943**	**32,055**	33,538	(735)	**32,803**	748	28,719
P Science and Research (ALB) net	7,120	–	**7,120**	220,214	–	**220,214**	**227,334**	258,418	–	**258,418**	31,084	231,165
Q Capability (ALB) net	11,103	–	**11,103**	–	–	**–**	**11,103**	1,600	9,503	**11,103**	–	34,693
R Government as Shareholder (ALB) net	61	–	**61**	(7,307)	–	**(7,307)**	**(7,246)**	46,050	–	**46,050**	53,296	48,853
S NDA and SLC expenditure (ALB) net	54,925	–	**54,925**	1,190,306	–	**1,190,306**	**1,245,231**	1,284,200	–	**1,284,200**	38,969	1,330,218
Total voted DEL	**583,725**	**(18,079)**	**565,646**	**24,448,423**	**(677,174)**	**23,771,249**	**24,336,895**	**28,546,108**	**–**	**28,546,108**	**4,209,213**	**3,586,479**
Resource spending in DEL: non-voted expenditure												
T Nuclear Decommissioning Authority Income (CFER)	–	–	**–**	(3,701)	(595,765)	**(599,466)**	**(599,466)**	(633,000)	–	**(633,000)**	(33,534)	(748,104)
Total non-voted DEL	**–**	**–**	**–**	**(3,701)**	**(595,765)**	**(599,466)**	**(599,466)**	**(633,000)**	**–**	**(633,000)**	**(33,534)**	**(748,104)**
Total Resource spending in DEL	**583,725**	**(18,079)**	**565,646**	**24,444,722**	**(1,272,939)**	**23,171,783**	**23,737,429**	**27,913,108**	**–**	**27,913,108**	**4,175,679**	**2,838,375**
Resource spending in AME: voted expenditure												
U Deliver an ambitious industrial strategy	–	–	**–**	(10,729,734)	(17,394)	**(10,747,128)**	**(10,747,128)**	(9,639,124)	–	**(9,639,124)**	1,108,004	10,733,189
V Promote competitive markets and responsible business practices	–	–	**–**	89,422	–	**89,422**	**89,422**	91,492	(76)	**91,416**	1,994	72,052
W Delivering affordable energy for households and businesses	–	–	**–**	–	–	**–**	**–**	94,000	5,375	**99,375**	99,375	–
X Taking action on climate change and decarbonisation	–	–	**–**	667	–	**667**	**667**	100	567	**667**	–	–
Y Managing our energy legacy safely and responsibly	–	–	**–**	(178,940)	(29,382)	**(208,322)**	**(208,322)**	(148,355)	–	**(148,355)**	59,967	(203,397)
Z Science and Research	–	–	**–**	86,053	–	**86,053**	**86,053**	20,390,551	–	**20,390,551**	20,304,498	54,912
AA Capability	–	–	**–**	(41,033)	–	**(41,033)**	**(41,033)**	960	(5,942)	**(4,982)**	36,051	(55,895)
AB Government as Shareholder	–	–	**–**	64,469	(47,319)	**17,150**	**17,150**	313,585	–	**313,585**	296,435	10,236
AC Renewable Heat Incentive	–	–	**–**	848,139	–	**848,139**	**848,139**	1,150,000	–	**1,150,000**	301,861	846,092
AD Deliver an ambitious industrial strategy (ALB) net	–	–	**–**	(71,456)	–	**(71,456)**	**(71,456)**	19,500	–	**19,500**	90,956	36,202

											2020-21	2019-20
	Resource Outturn							Estimate			Outturn vs Estimate: saving/ (excess)	Resource Outturn Total
	Administration			Programme			Total	Total	Virements	Total inc. virements		
	Gross	Income	Net	Gross	Income	Net						
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
AE Promote competitive markets and responsible business practices (ALB) net	–	–	**–**	(221)	–	**(221)**	**(221)**	(297)	76	**(221)**	–	973
AF Taking action on climate change and decarbonisation (ALB) net	–	–	**–**	468,485	–	**468,485**	**468,485**	8,000,057	–	**8,000,057**	7,531,572	3,543,428
AG Managing our energy legacy safely and responsibly (ALB) net	–	–	**–**	231,227	–	**231,227**	**231,227**	242,155	–	**242,155**	10,928	22,826
AH Science and Research (ALB) net	–	–	**–**	64,982	–	**64,982**	**64,982**	112,030	–	**112,030**	47,048	149,372
AI Capability (ALB) net	–	–	**–**	–	–	**–**	**–**	4	–	**4**	4	4
AJ Government as Shareholder (ALB) net	–	–	**–**	(354,185)	–	**(354,185)**	**(354,185)**	117,868	–	**117,868**	472,053	(99,851)
AK Nuclear Decommissioning Authority (ALB) net	–	–	**–**	1,027,590	–	**1,027,590**	**1,027,590**	1,940,000	–	**1,940,000**	912,410	4,371,679
Maximise investment opportunities and bolster UK interests	–	–	**–**	(1,217)	–	**(1,217)**	**(1,217)**	–	–	**–**	1,217	701
Ensuring that our energy system is reliable and secure	–	–	**–**	–	(4,108)	**(4,108)**	**(4,108)**	–	–	**–**	4,108	478
Total voted AME	**–**	**–**	**–**	**(8,495,752)**	**(98,203)**	**(8,593,955)**	**(8,593,955)**	**22,684,526**	**–**	**22,684,526**	**31,278,481**	**19,483,001**
Resource spending in AME: non-voted expenditure												
AM Promote competitive markets and responsible business practices	–	–	**–**	450,999	(9,158)	**441,841**	**441,841**	622,000	–	**622,000**	180,159	431,123
Total non-voted AME	**–**	**–**	**–**	**450,999**	**(9,158)**	**441,841**	**441,841**	**622,000**	**–**	**622,000**	**180,159**	**431,123**
Total Resource spending in AME	**–**	**–**	**–**	**(8,044,753)**	**(107,361)**	**(8,152,114)**	**(8,152,114)**	**23,306,526**	**–**	**23,306,526**	**31,458,640**	**19,914,124**
Total resource spending	**583,725**	**(18,079)**	**565,646**	**16,399,969**	**(1,380,300)**	**15,019,669**	**15,585,315**	**51,219,634**	**–**	**51,219,634**	**35,634,319**	**22,752,499**
Non-budget: voted												
Prior Period Adjustments	–	–	**–**	7,983	–	**7,983**	**7,983**	**7,983**	–	**7,983**	**–**	**299,766**
Total Resource and non-budget spending	**583,725**	**(18,079)**	**565,646**	**16,407,952**	**(1,380,300)**	**15,027,652**	**15,593,298**	**51,227,617**	**-**	**51,227,617**	**35,634,319**	**23,052,265**

Significant variances between Outturn and Estimate are explained in the financial review on pages 32 to 42.

SOPS 1.2. Analysis of capital Outturn by Estimate line

								2020-21	2019-20
		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	666,929	(439,827)	**227,102**	238,551	–	**238,551**	11,449	**(14,440)**
B	Maximise investment opportunities and bolster UK interests	493,824	(1,124)	**492,700**	492,000	700	**492,700**	–	**265,872**
C	Promote competitive markets and responsible business practices	37,323	(14,164)	**23,159**	83,514	–	**83,514**	60,355	**3,861**
D	Delivering affordable energy for households and businesses	1,270,653	(85,931)	**1,184,722**	1,240,500	(47,530)	**1,192,970**	8,248	**44,502**
E	Ensuring that our energy system is reliable and secure	277	–	**277**	7,500	–	**7,500**	7,223	**291**
F	Taking action on climate change and decarbonisation	239,474	(42)	**239,432**	406,050	–	**406,050**	166,618	**154,227**
G	Managing our energy legacy safely and responsibly	5,074,050	–	**5,074,050**	5,073,950	100	**5,074,050**	–	**3,461**
H	Science and Research	873,577	(65,106)	**808,471**	943,382	(31,010)	**912,372**	103,901	**691,794**
I	Capability	45,048	(9,649)	**35,399**	7,387	28,012	**35,399**	–	**19,703**
J	Government as Shareholder	1,187,641	(118,060)	**1,069,581**	898,760	170,821	**1,069,581**	–	**64,227**
K	Deliver an ambitious industrial strategy (ALB) net	(8)	–	**(8)**	–	–	**–**	8	**–**
L	Promote competitive markets and responsible business practices (ALB) net	1,682	–	**1,682**	2,589	–	**2,589**	907	**1,193**
N	Taking action on climate change and decarbonisation (ALB) net	284	–	**284**	3,448	47,530	**50,978**	50,694	**27**
O	Managing our energy legacy safely and responsibly (ALB) net	17,915	–	**17,915**	21,750	(100)	**21,650**	3,735	**12,919**
P	Science and Research (ALB) net	9,125,825	–	**9,125,825**	9,251,763	–	**9,251,763**	125,938	**7,786,590**
Q	Capability (ALB) net	2,298	–	**2,298**	–	2,298	**2,298**	–	**30**
R	Government as Shareholder (ALB) net	368,759	–	**368,759**	663,240	(170,821)	**492,419**	123,660	**396,476**
S	NDA and SLC expenditure (ALB) net	1,799,723	–	**1,799,723**	1,805,000	–	**1,805,000**	5,277	**1,797,184**
	Total voted DEL	**21,205,274**	**(733,903)**	**20,471,371**	**21,139,384**	**–**	**21,139,384**	**668,013**	**11,227,917**

							2020-21	2019-20
			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: non-voted expenditure								
T Nuclear Decommissioning Authority Income (CFER)	–	–	–	–	–	**–**	–	**–**
Total non-voted DEL	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total capital spending in DEL	**21,205,274**	**(733,903)**	**20,471,371**	**21,139,384**	**–**	**21,139,384**	**668,013**	**11,227,917**
Capital spending in AME: voted expenditure								
X Taking action on climate change and decarbonisation	–	–	**–**	3,250	–	**3,250**	3,250	**–**
Y Managing our energy legacy safely and responsibly	29,382	–	**29,382**	27,348	2,034	**29,382**	–	**29,419**
Z Science and Research	1,247	–	**1,247**	–	1,247	**1,247**	–	**1,263**
AB Government as Shareholder	22,815,449	(3,097,006)	**19,718,443**	32,230,000	(3,460)	**32,226,540**	12,508,097	**37,000**
AD Deliver an ambitious industrial strategy (ALB) net	(8,954)	–	**(8,954)**	10,000	–	**10,000**	18,954	**365**
AH Science and Research (ALB) net	(53,610)	–	**(53,610)**	–	–	**–**	53,610	**(59,496)**
AJ Government as Shareholder (ALB) net	(221)	–	**(221)**	(400)	179	**(221)**	–	**(3,051)**
Total voted AME	**22,783,293**	**(3,097,006)**	**19,686,287**	**32,270,198**	**–**	**32,270,198**	**12,583,911**	**5,500**
Capital spending in AME: non-voted expenditure								
AI Managing our energy legacy safely and responsibly (CFER)	–	(142,400)	**(142,400)**	(142,400)	–	**(142,400)**	–	**(142,400)**
Total non-voted AME	**–**	**(142,400)**	**(142,400)**	**(142,400)**	**–**	**(142,400)**	**–**	**(142,400)**
Total capital spending in AME	**22,783,293**	**(3,239,406)**	**19,543,887**	**32,127,798**	**–**	**32,127,798**	**12,583,911**	**(136,900)**
Total capital spending	**43,988,567**	**(3,973,309)**	**40,015,258**	**53,267,182**	**–**	**53,267,182**	**13,251,924**	**11,091,017**
Non-budget								
Prior period adjustments	–	–	**–**	**–**	**–**	–	**–**	**–**
Total capital and non-budget spending	**43,988,567**	**(3,973,309)**	**40,015,258**	**53,267,182**	**–**	**53,267,182**	**13,251,924**	**11,091,017**

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.

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.

Significant variances between Outturn and Estimate are explained in the financial review on pages 32 to 42.

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 2020.

	SOPS note	2020-21 Outturn total £'000	2019-20 restated Outturn total £'000
Total resource Outturn in Statement of Outturn against Parliamentary Supply	**SOPS 1.1**	**15,593,298**	**23,052,265**
Add:			
NDA remedial decommissioning costs which are capital in budgets but taken through the SoCNE		1,769,474	1,797,204
Capital Grants		8,114,313	1,411,680
Share of profit/loss of joint ventures and associates		(129,641)	5,763
Other non-budget		58,775	176,418
Financial Guarantees		19,781,449	-
Research and Development costs		9,113,892	7,800,260
Total		**38,708,262**	**11,191,325**
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		11	(23)
Expected return on pension scheme assets		(35,699)	(39,265)
NDA income scored in SOPS only		32,132	30,243
Capital Income in SoCNE		(108,548)	(32,758)
Research and Development income		(473,771)	(467,966)
Prior period adjustments		(7,983)	(299,766)
Other:			
Impact of intra group transactions		66,427	23,060
Other differences		–	39,284
Boundary changes		–	6,973
Total		**(527,431)**	**(744,250)**
Net Operating Expenditure for the period in Consolidated Statement of Comprehensive Net Expenditure	**SoCNE**	**53,774,129**	**33,499,340**

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.

				2020-21
		Outturn	Estimate	Outturn vs Estimate: saving/ (excess)
	SOPS note	£'000	£'000	£'000
Total Resource Outturn	**SOPS 1.1**	**15,593,298**	**51,227,617**	**35,634,319**
Total Capital Outturn	**SOPS 1.2**	**40,015,258**	**53,267,182**	**13,251,924**
Adjustments for ALBs				
Remove voted resource and capital		(14,212,046)	(23,898,586)	(9,686,540)
Removal of intra-group transactions		40,922	–	(40,922)
Add cash in grant-in-aid		12,499,124	13,658,410	1,159,286
Add share purchase and loans		617,730	–	(617,730)
Less share capital repayment		(726)	–	726
Adjustments to remove non-cash items				
Depreciation		(128,026)	(197,858)	(69,832)
New provisions and adjustments to previous provisions		(208,379)	(11,147,087)	(10,938,708)
Prior Period Adjustments		(7,983)	(7,983)	–
Other non-cash items		90,459	136,795	46,336
Financial Guarantees		(19,724,418)	(31,430,000)	(11,705,582)
Adjustments to reflect movements in working balances				
Increase/(decrease) in receivables		3,444,479	450,000	(2,994,479)
(Increase)/decrease in payables		(1,011,159)	233,688	1,244,847
Use of provisions		11,017,207	225,424	(10,791,783)
Total		**(7,582,816)**	**(51,977,197)**	**(44,394,381)**
Removal of non-voted budget items				
Other non-voted budget items		300,025	153,400	(146,625)
Total		**300,025**	**153,400**	**(146,625)**
Net cash requirement		**48,325,765**	**52,671,002**	**4,345,237**

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.

	2020-21		2019-20	
	Outturn total		Outturn total	
	accruals	*cash basis*	accruals	*cash basis*
	£'000	£'000	£'000	£'000
Operating income of the NDA within the Ambit	716,007	*736,000*	623,962	*556,000*
Income outside the ambit of the Estimate	100,333	*127,753*	142,945	*142,945*
[Excess] cash surrenderable to the Consolidated Fund	142,400	*142,400*	142,400	*142,400*
Total amount payable to the Consolidated Fund	**958,740**	***1,006,153***	**909,307**	***841,345***

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 265 to 272, 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

	2020-21		2019-20	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
Total number of losses	**7,383**	**7,749**	**11,986**	**12,300**
RPS receivable impairment – £m	447	447	446	446
COVID-19 business support grant schemes – £m	1,038	1,038	–	–
COVID-19 loan guarantee schemes – £m	98	98	–	–
Other losses – £m	304	307	30	35
Total value of losses – £m	**1,887**	**1,890**	**476**	**481**

Details of cases over £300,000: COVID-19 business support grants: Core Department

The Department has estimated based on information currently available, that loss in relation to fraud and error on the COVID-19 business support grants included in the 'Grants' note (note 4.4) is material to the accounts and falls within the range of £514 million and £1,562 million, the midpoint of the estimate being £1,038 million which is the value included in the losses table above. The estimate is based on ongoing post assurance sampling work being undertaken by the Department, which include a number of uncertainties due to data limitations, further details are included in the Regularity of Expenditure disclosure in the annual report. The table above does not include the number of losses in relation to the COVID-19 business support grants. The value of the losses has been estimated based on a random sample. However, the Department has no further information on the number of losses associated with the estimated value.

Details of cases over £300,000: COVID-19 loan guarantees: Core Department

During 2020-21, the Core Department paid £832 million to cover interest payments for the Bounce Back Loan Scheme (note 4.1), known as Business Interruption Payments (BIPs). The Department's central estimate of fraud at year end within the scheme is 11.15% and as such an estimate of £92.8 million relates to suspected fraudulent BIPs. Further information regarding the fraud rate estimate is included within note 19 and the Regularity of Expenditure disclosure in the annual report. The table above does not include the number of losses in relation to the COVID-19 loan guarantees BIPs payments. The value of the losses has been estimated however the Department has no further information on the number of losses associated with the estimated value.

Although no individual cases were in excess of £300,000, lenders have notified the Core Department of suspected borrower fraud in relation to 155 guarantee claims totalling £4.8 million which were paid out by the Core Department under the Bounce Back Loan

Scheme and Coronavirus Business Interruption Loan Scheme (note 19) during 2020-21 (2019-20: £nil).

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

The Core Department held onerous leases up to 31 March 2021 for properties on the Department's estate. Responsibility for these costs transferred to the Government Property Agency on 1 April 2021 and the onerous lease provisions were reduced to £nil as at 31 March 2021 (31 March 2020: £54 million); payments in 2020-21 totalled £16.2 million (2019-20: £16.8 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 £8 million up to December 2020 when the EU ETS allowances were sold. Further information on the sale is in note 8. The arrangement fees are charged to British Steel Limited. However, as British Steel filed for compulsory liquidation on 22 May 2019, the £8 million in fees are unlikely to be recoverable and have therefore been written-off.

Loan guarantees: fruitless payments: Core Department

Although no individual cases were in excess of £300,000, lenders have notified the Department of suspected borrower fraud in relation to 155 guarantee claims totalling £4.8 million which were paid out by the Department under the Bounce Back Loan Scheme (note 19) during 2020-21 (2019-20: £nil).

Details of cases over £300,000: fruitless payments: Core Department

The Core Department has spent £243 million during 2020-21, on the COVID-19 vaccine development agreement with Valneva SE to supply 100 million vaccine doses. The Government announced on 13 September 2021, that it has terminated the agreement with Valneva SE, and so there will be no vaccine doses delivered. This spend has therefore been recognised as "fruitless".

The Core Department recognised £29 million in relation to 9 suspected fraudulent payments within the Future Fund Scheme.

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 (12.6%) 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 2020-21 is £447 million (2019-20: £446 million).

The Insolvency Service lost a significant legal action which resulted in a Court Order that a sum of £6.4 million to be paid on account of the successful defendants' costs with the final figure being subject to agreement and/or a further Court Order(s).

Details of cases over £300,000: realised exchange rate and hedging losses: Agencies

UK Space Agency incurred realised exchange rate losses of £0.4 million as a result of fluctuations in exchange rates. These losses were made in the course of normal business activity and were outside the control of management.

Details of cases over £300,000: store losses: Departmental Group

One loss was recorded for £0.33 million by UKRI, in relation to a failed hydraulic equipment upgrade at Halley V1 Antarctic Base.

Special payments

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

	2020-21		2019-20	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
Total number of special payments	86	91	410	417
Total value of special payments – £m	–	1	1	1

Details of cases over £300,000

Sellafield Ltd paid a fine and associated costs of £0.33 million following a prosecution at Carlisle Magistrates Court in December 2020 in relation to an incident on 24 April 2020, in which an employee was injured while working on electrical equipment. The prosecution was brought by the Office for Nuclear Regulation (ONR) under Section 2 (1) of the Health and Safety at Work Act.

Gifts and hospitality

Managing Public Money requires annual reports to report 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 2020-21, the Core Department did not give any reportable gifts above £300,000.

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
- debt relief orders: the cost of considering an application for a debt relief order by the Official Receiver.

Companies House sets its fees to recover costs, it has a range of fees covering two main areas:

- registration activities – includes incorporation, annual registration, change of name, mortgage registration, dissolution, liquidation and recharges of costs incurred in the administration of late filling penalties; and
- dissemination activities – includes searches delivered on paper, electronically and to bulk customers insolvency practitioner regulations: the cost of authorising and monitoring insolvency practitioners and registering individual voluntary arrangements.

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 2020	Increase / (Decrease) in year	Liabilities crystallised in year	Obligations expired in year	31 March 2021	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**	–
Departmental Group: As part of a Sale Agreement relating to a previous BBSRC site, BBSRC (now part of UKRI) 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.	–	3	–	–	**3**	–
Total	**21**	**3**	**–**	**–**	**24**	**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.
- 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 the possibility of claims for any exposure to ionising radiation arising from the fusion activities of the UK Atomic Energy Authority.

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 (now ARFY) relating to the use of their yield curve data for the sale of Green Investment Bank. The Core Department 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 actions undertaken in respect of administration of specified companies.
- 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.
- An indemnity has been provided to the Chair of the Post Office Horizon IT Inquiry in respect of any liabilities he may incur as a result of holding, or having held, this position.
- An indemnity has been provided to 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.
- 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 2021 of £23.5 billion (31 March 2020: £23.3 billion) has a present value of £23.8 billion (31 March 2020: £24.1 billion). The value of the Fund as at 31 March 2021 is £14.7 billion (31 March 2020: £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 2021 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.
- 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.

Vaccine Taskforce

- The Core Department has undertaken to bear costs in relation to contingent liabilities for the COVID-19 Relief Claim and study sponsor indemnity for the Human Challenge Project (announced on 20 October 2020) being undertaken by Imperial College, London, that may arise in specific circumstances and are not covered by the insurance policy taken out by Imperial College for this purpose. The responsibility for these contingent liabilities will transfer to the Department for Health and Social Care (DHSC) following the Machinery of Government change in 2021-22 (expected after the Supplementary estimates).
- The Core Department is responsible for indemnities related to vaccine manufacturing defects. These indemnities are for of any adverse reactions to the vaccine candidates that could not have been foreseen through the robust checks and procedures that have been put in place. The Government announced on 1 March 2021 of the joint unit for the Vaccine Taskforce between BEIS and DHSC, which specifies that DHSC will assume practical responsibility for these indemnities from 1 August 2021. The responsibility for these indemnities will formally transfer to DHSC following the Machinery of Government change in 2021-22.
- The responsibility for managing all other indemnities and contingent liabilities related to the COVID-19 vaccines sits with the Department of Health and Social Care.

Others

- 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 European Southern Observatory (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 provided to the previous Parent Body Organisations (PBOs) of LLWR, Magnox, Sellafield and Dounreay covering the periods of their ownership.
- 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.

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.[1] Although the WTCs provide a default price based on today's best estimate, they allow the waste transfer price to be set after a specified later date. The final price agreed is subject to a cap, but the likelihood of the future costs exceeding the agreed cap is considered remote.

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

Capacity agreements

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

At a capacity auction, applicants who offer the lowest bid can win a capacity agreement. A capacity auction relates to delivery of capacity approximately four 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 eight 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.

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 2021				As at 31 March 2020			
	Due within 1 year	Due within 2-5 years	Due over 5 years	Total	Due within 1 year	Due within 2-5 years	Due over 5 years	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Capacity Market – ESC	957	2,763	4,022	**7,742**	1,236	2,699	1,761	**5,696**
Income from levy – ESC	(957)	(2,763)	(4,022)	**(7,742)**	(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 124). This is due to the fraud and error rates with the COVID-19 loan guarantees and with COVID-19 business support grants. The Accounting Officer received Ministerial Directions in relation to the COVID-19 loan guarantees and the initial COVID-19 business support grant schemes: The Small Business Grant Fund (SBGF), Retail, Hospitality and Leisure Grant Fund (RHLGF), Local Authority Discretionary Grand Fund (LADGF). Ministerial Directions were not issued in relation to the subsequent schemes, as they were follow on and similar in nature.

COVID-19 loan guarantees

The Department has entered into loan guarantee agreements with accredited lenders for the Bounce Back Loan Scheme (BBLS). Due to the rapid response needed to help businesses through the pandemic, BBLS relied on self-certification of eligibility to facilitate faster lending. It was expected that there would be a heightened risk of fraudulent borrowing and loans being issued in error. The rate of fraud and error is estimated to be in a range of 8.15% to 14.15%, reflecting £3,615 million to £6,275 million, with the central estimate value being £4,944 million (11.15%) of loan facilities. This estimate has been based on a statistically significant sample of BBLS facilities with a 95% confidence interval. The Department will continue to refine its estimate of fraud and error and report on this in future annual reports. Further information on the estimation of the fraud rate is included in 'Financial guarantee, loan commitment liabilities and reinsurance contracts, note 19.

Different fraud typologies have been identified across the loan schemes and not all of these will necessarily result in losses to public funds. Eventual losses of public funds due to fraud could vary from the range noted above and uncertainties surrounding the estimates are expected to remain for some time. Information has become available since year end which supports a reduction in the fraud estimate to 7.5%, though this reduction requires further verification. As this information was not available at year end, it has not been reflected within the valuation in note 19 in line with IFRS9 requirements. Work to refine the estimate will continue as further information becomes available, such as further repayments information. Further details about the loan guarantees can be found in the notes for 'Accounting Policies, note 1', 'Operating Expenditure, note 4', and 'Financial guarantee, loan commitment liabilities and reinsurance contracts, note 19'.

The Department has entered into loan guarantee agreements with accredited lenders for the Coronavirus Business Interruption Loan Scheme (CBILS) and Coronavirus Large Business Interruption Loan Scheme (CLBILS). Unlike BBLS which relied on self-certification of eligibility, for CBILS and CLBILS lenders followed standard lending practices.

Although neither the volume nor cadence of lending through the schemes was normal, the Department's judgement, is that there is a normal level of fraud and error within CBILS and CLBILS, as detailed further in note 19.

The Department does not have enough evidence to override this judgment and will continue to monitor fraud and error on these schemes, as well as repayment information to understand actual losses as a result of fraud and error to the taxpayer.

Further information on these schemes can be found in note 19 to the financial statements and the actual losses for 2020-21 can be found in 'Losses and special payments' disclosure.

COVID-19 business support grants

Hospitality and Leisure Grant Fund (RHLGF), Local Authority Discretionary Grand Fund (LADGF), Closed Business Lockdown Payment, Christmas Support Package, Additional

Restrictions Grants (ARG), Local Restrictions Support Grants (various) were available in 2020-21. The COVID-19 business support grants were provided in urgent response to the financial difficulties faced by businesses during the pandemic as a result of both regional and national lockdowns. Due to the rapid turnaround in making funding available for businesses, it was expected that there would be a degree of fraudulent and erroneous claims and opportunistic behaviour.

The level of fraud and error in relation to the initial three schemes; The Small Business Grant Fund (SBGF), Retail, Hospitality and Leisure Grant Fund (RHLGF) and Local Authority Discretionary Grand Fund (LADGF), is estimated to be 8.9%. This is the central estimate of statistical analysis undertaken by the Department, completed on a subset of 476 taken from a random sample of payments made to businesses in relation to The Small Business Grant Fund (SBGF), Retail, Hospitality and Leisure Grant Fund (RHLGF) and Local Authority Discretionary Grand Fund (LADGF), providing a range of 4.4% to 13.4% with a 95% confidence interval. The central estimate gives a value of £1,038 million. If irregular payments had been at the lower band of the confidence interval they would have a value of £514 million, and if irregular payments had been at the higher band of the confidence interval, they would have a value of £1,562 million.

The work carried out was focused on determining whether payments had been made within the eligibility criteria of the schemes, as well as detecting any easily identifiable fraud.

There are uncertainties in the estimate as a result of data limitations and time constraints. The work carried out involved a review of the 476 payments against publicly available information to determine whether the payment was made in line with the scheme eligibility criteria. Each payment was then categorised as either being 'eligible', 'not eligible', or 'possibly eligible'. The data limitations identified by the department as significant are detailed below:

Payments categorised as 'not eligible' have been included within the estimate. Those categorised as 'possible' are not included within the estimated figure above and require further investigation to determine whether the payments were made outside of the scheme criteria. The estimated value of irregular spend could increase with the inclusion of these.

The checks being performed are not capable of finding more complex fraud, work looking at this is ongoing and results will not be available for some time. The fraud checks carried out in the analysis work were not comprehensive, nor did they use the systems required to detect complex fraud.

The analysis was performed over a random subset of a random sample of grant payments. The subset was selected from returns which had been provided by local authorities. The Department has assumed there is no relationship between the order with which local authority returns were received, and the results from the analysis, the work has been based on a random sample.

A total of c.1 million grant payments were made for these three grant schemes, the sample of 476 payments analysed represents 0.05% of all payments.

Currently, no work has been completed on the further business support grant schemes; Closed Business Lockdown Payment, Christmas Support Package, Additional Restrictions Grants (ARG), Local Restrictions Support Grants (various). This work will start once the work on SBGF, RHLGF and LADGF is concluded. Although these schemes have some differences in the way they have been set up, and fraudsters could have become savvier, there are some similarities to the initial schemes. The Department was able to provide increased guidance and support to local authorities for administering the schemes and local authorities have had the opportunity to learn from the initial schemes that were implemented in a fast-paced manner. Therefore, the Department is expecting the level of fraud and error to be lower than the level identified from the sampling above.

As further information becomes available, this estimate will be refined for disclosure in future years. Further details about the COVID-19 business support grants themselves can be found in the ‘Grants’ note 4.4 and accounting policies note 1.26.

The Department is currently undertaking several assurance exercises which aim to build a picture regarding the level of fraud and error within the grant schemes, including the assurance work over the second cohort of grants, and work targeted at identifying fraudulent payments. The Department is refining its approach to identifying fraud and error as a result of the lessons learnt from the work performed over the first set of grants.

Renewable heat incentive grant scheme

The value of payments made in error during 2020-21 under the Core Department GB Renewable Heat Incentive Scheme is estimated at £16.6 million (1.8% of total payments) within a 95 per cent confidence interval of £12.3 million to £20.8 million. Applied to the expenditure total of £848 million (which represents the value of payments made in 2020-21, adjusted for net movements on accrued amounts payable) this would give an estimate of potential error of £15.0 million within a 95% confidence interval of £11.2 million to £18.9 million. This assumes the same error rate would be incurred on the accrued expenditure when it is paid.

Sarah Munby
Permanent Secretary and Principal Accounting Officer

17 November 2021

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 2021 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 2020. 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. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual.

I have also audited the Statement of Outturn against 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 2021 and of the Department's and Departmental Group's net expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Emphasis of matters – Provision for nuclear decommissioning, Contracts for Difference (CfDs) derivatives, business support grant expenditure and financial guarantee liabilities

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.

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.

Furthermore, I draw attention to the disclosures made in notes 1.26 and 19 to the financial statements concerning the measurement of the Department's liability under the Bounce Back Loan and Coronavirus Business Interruption Loan guarantee schemes. As described in note 19, the guarantee liability recognised in these financial statements is the present value of amount that the Department expects to pay to lenders to settle claims made in accordance with scheme rules, which has been measured in accordance with the lifetime expected credit loss requirements of IFRS 9 as instructed per the HM Treasury derogation. As note 19 describes, the measurement of the guarantee liability is highly sensitive to assumptions regarding probability of default and loss given default, with particular sensitivity to assumptions regarding the rate of fraud occurrence and fraud loss. The sensitivity also applies to the associated credit losses recognised in the Statement of Comprehensive Net Expenditure.

Finally, I draw attention to the disclosures made in notes 1.26, 4.4 and 14 to the financial statements concerning the measurement of expenditure incurred under the Local Restrictions Support Grant (Closed) and (Closed) Addendum Schemes, Local Restrictions Support Grant (Open) and Closed Business Lockdown Payment schemes. As described in note 1.26, the Department has estimated the value of grants paid out by local authorities on behalf of the Department under these schemes where a full reconciliation of local authority data has not been able to be completed. As note 1.26 describes, the Department has not been able to calculate a confidence interval for the estimated expenditure, due to the calculation not being made on a statistically random sample. Whilst the associated estimated spend included in note 4.4 is based on the best information that the Department has available, there is uncertainty over the final value of these schemes as the actual values which have been paid out to businesses could be different to the values calculated in the estimation process. This estimation uncertainty also applies to the associated receivables balance disclosed in note 14 to the financial statements which represents the difference between the cash funding provided by the Department to local authorities and the estimated values that local authorities have paid out to businesses.

Qualified opinion on regularity

In my opinion, except for the effects of the matters described in the basis for qualified opinion on regularity paragraph, in all material respects:

- the Statement of Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2021 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

I have qualified my opinion on the regularity of the Department's and Departmental Group's 2020-21 financial statements due to the material level of fraud estimated in the COVID-19 loan schemes for which the Department provided financial guarantees. The estimated cost of this fraud is disclosed as a current liability under financial guarantees, loan commitment liabilities and reinsurance contracts in the Department's Consolidated Statement of Financial Position with more detail provided in note 19 to the financial statements.

I have also qualified my audit opinion on the regularity of the Department's and Departmental Group's 2020-21 financial statements due to the material level of fraud and error estimated in the COVID-19 business support grants funded by the Department and issued by local authorities. While the level of fraud and error in these grants is uncertain, I am satisfied that there is sufficient evidence to conclude that this constitutes material expenditure in the Department's accounts. More detail is provided in the Regularity of Expenditure disclosures in the Parliamentary Accountability Report.

My report, which follows on pages 130 to 134, provides further detail in support of my qualified audit opinion on regularity.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law 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 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Department and Departmental Group in accordance with the ethical requirements that are relevant to my audit of 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

In auditing the financial statements, I have concluded that the Department's and Departmental Group's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Department's and Departmental Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Department and Departmental Group is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

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 certificate thereon. The Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, 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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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, based on the work undertaken in the course of the audit:

- 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; 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

In the light of the knowledge and understanding of the Department and Departmental Group and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Report. 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
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual are not made; 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.

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 in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error; and
- assessing the Department's and Departmental Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Department and Departmental Group will not continue to be provided in the future.

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.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. 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.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management, the Department's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Department and Departmental Group's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the

Department and the Departmental Group's controls relating to Government Resources and Accounts Act 2000, Managing Public Money, Supply and Appropriation (Main Estimates) Act 2020 and the Coronavirus Act 2020.

- discussing among the engagement team including significant component audit teams and involving relevant internal and external specialists in Modelling and Economics and Statistics regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals, bias in management estimates, including the valuation of the Department's liability for loan guarantee schemes, and payments of grants to businesses under COVID-19 support schemes;
- obtaining an understanding of the Department's and Departmental Group's framework of authority as well as other legal and regulatory frameworks that the Department and Departmental Group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Department and Group. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money, Supply and Appropriation (Main Estimates) Act 2020, Employment Law, tax legislation, the Industrial Development Act 1982, Local Government Act 2003 and the Coronavirus Act 2020; and
- specific consideration of the Department's assessment of the level of fraud and error in COVID-19 support schemes.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit and Risk Assurance Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- reviewing the Department's methodology and assumptions in estimating the level of fraud and error in COVID-19 support schemes.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Outturn against 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.

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.

Report

My report on the qualification in relation to fraud and error in the COVID-19 business loan schemes and COVID-19 business support grants is on pages 130 to 134.

Gareth Davies
Comptroller and Auditor General

22 November 2021

National Audit Office
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The Report of the Comptroller and Auditor General to the House of Commons

Fraud and error in COVID-19 loan guarantees and business support grants

Introduction

The Department for Business, Energy & Industrial Strategy (the Department) is responsible for supporting business; implementing the UK's Industrial Strategy; promoting science, research and innovation; securing affordable and clean energy supplies; and coordinating delivery of the government's climate change commitments.

In 2020-21, the Department guaranteed £79.3 billion of loans under the three COVID Guarantee schemes to support UK businesses during the COVID-19 pandemic. These schemes: the Bounce Back Loan Scheme (BBLS); the Coronavirus Business Interruption Loan Scheme (CBILS); and the Coronavirus Large Business Interruption Loan Scheme (CLBILS) were administered on its behalf by the British Business Bank. At year-end, the Department reported an estimated credit loss of £19.8 billion which it expects to crystalise as lenders call on the scheme guarantees to compensate them for loans that were not likely to be repaid. Of these credit losses, the Department estimates that £4.9 billion arise from fraud, where loans were issued to ineligible businesses.

The Department also distributed £21.8 billion of grant funding to local authorities in England to support businesses threatened by the impact of the pandemic through seven schemes: Small Business Grant Fund; Retail, Hospitality and Leisure Grant Fund; Local Authority Discretionary Grant Fund; Local Restriction Support Grants (multiple scheme iterations); Additional Restrictions Grant; Christmas Support Package; and Closed Business Lockdown Payment.

At 31 March 2021, the Department estimates £18.9 billion of the £21.8 billion noted above had been paid out to businesses by local authorities. Local authorities were responsible for making grants to eligible businesses within the relevant scheme guidance, issued by the Department, however the Department has overall responsibility for ensuring funds were used in accordance with Parliament's intentions. The Department has estimated that material levels of fraud and error are present in the payments made to businesses by local authorities on behalf of the Department.

This report sets out:

- The reasons and context for my qualified audit opinion in relation to fraud and error in the COVID-19 business loan scheme guarantees and COVID-19 business support grants; and
- The Department's current estimates of the level of fraud and error in these loan and grant schemes, including the levels of uncertainty in these estimates.

Qualification of the Comptroller and Auditor General's audit opinion on the regularity of expenditure arising from COVID-19 business loan scheme guarantees and business support grants

I have qualified my opinion on the regularity of the Department's and Departmental Group's 2020-21 financial statements due to the material level of fraud estimated in the COVID-19 business loan schemes for which the Department provided financial guarantees. The estimated cost of this fraud is included within the financial guarantee liabilities in the

Department's and Departmental Group's Consolidated Statement of Financial Position with more detail provided in note 19.

I have also qualified my audit opinion on the regularity of COVID-19 business support grants funded by the Department and issued by local authorities. While the level of fraud and error in these grants is uncertain, I am satisfied that there is sufficient evidence to conclude that this constitutes material expenditure in the Department's and Departmental Group's accounts.

In performing my audit under the Government Resources and Accounts Act 2000, I am required to obtain sufficient evidence 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.

The Department set out scheme criteria for each of the business loan schemes specifying which businesses were eligible and the amount that they could borrow. While these loans were issued by commercial lenders, government provided either full guarantees (in the case of BBLS) or partial guarantees (in the case of CBILS and CLBILS), so any failure to repay these loans leads to costs to the taxpayer. Fraud results in guaranteed loans being issued to businesses which are not entitled to those loans or where the loan issued differs from the amounts permitted in the Department's rules. Therefore, any government expenditure arising from guarantees on fraudulent loans does not conform with Parliament's intention and is irregular.

The terms of the COVID-19 business support grants were also set by the Department and any fraud or error in payments made to businesses leads to grants being issued in contravention of these terms. Therefore, any government expenditure arising from fraudulent or erroneous grants does not conform with Parliament's intention and is irregular.

In assessing my regularity opinion, I have considered the rates of fraud and error across all the loan and grant schemes launched by the Department to mitigate the effects of the COVID-19 pandemic. Estimated credit losses due to fraudulent payments through the BBLS are £4.9 billion, which I regard as material to the accounts. There is uncertainty over the level of losses through fraud in CBILS. The Department concluded that, due to the relative strength of preventative controls in place, levels of fraud would be lower than those borne under BBLS. I conclude that, based on repayment evidence available at this time, this conclusion is reasonable. However, I expect the Department to produce a robust estimate of these losses as repayment data becomes available in 2021-22.

The estimated range of fraud and error in the COVID-19 Business Support Grants is £0.5 billion to £1.6 billion, which I also regard as material.

The estimated level of fraud in COVID-19 business loans

The government introduced three loan schemes with associated guarantees (BBLS, CBILS and CLBILS) in response to the COVID-19 pandemic with the intention of quickly getting money to businesses that needed support. In total, £79.3 billion of loans were approved under these schemes. As priority was given to distributing the funding quickly, fewer checks on borrowers were carried out than would be usual. The Department was aware that this created a heightened risk of fraud, particularly in the BBLS. The final date for applications to all three schemes was 31 March 2021.

Bounce Back Loan Scheme (BBLS)

The Chancellor of the Exchequer announced the Bounce Back Loan Scheme on 27 April 2020. BBLS aimed to provide the smaller end of small and medium sized enterprises (SMEs) with a "simple, quick easy solution for those in need of smaller loans". The Department launched the scheme on 4 May 2020 offering loans of up to £50,000, or a maximum of 25% of annual turnover, to support businesses during the pandemic. These loans were provided by commercial lenders with government providing a 100% guarantee for both capital and interest. Loans totalling £47.4 billion were approved under BBLS.

The Department recognised the risks to the taxpayer of prioritising speed when issuing these loans. Its Accounting Officer sought a Ministerial Direction on the grounds that the spending proposal might breach HM Treasury rules on regularity, propriety, value for money and feasibility[1]. On 1 May 2020 the Secretary of State for Business, following approval from the Chancellor, directed the Accounting Officer to proceed with the scheme.

The Department has set out its estimates of losses expected through the three COVID-19 loan schemes and associated guarantees in note 19 to the accounts. Most of these expected losses arise from borrowers defaulting on loan repayments for legitimate reasons, but the Department has also factored in anticipated losses due to fraud in BBLS. It considers that owing to the scheme design and the speed with which loans were issued through this scheme, the risk of fraud is considerably higher than in the other two loan schemes.

The Department commissioned experts to produce a statistical estimate of the rate of occurrence of fraud in BBLS. It used the results of this work to estimate the level of fraud present within the scheme at 11.15% or £4.9 billion to a 95% confidence interval[2]. I note that there are limitations to the methods used to generate this estimate which mean that the rate of fraud loss may fall outside the statistical range generated, however I am satisfied that the true value of fraud would still be clearly material to the financial statements. The most notable of these limitations are:

- The exercise did not assess which loans flagged as fraudulent were likely to ultimately default and therefore result in a claim on the government guarantee. The Department has assumed that all occurrences of fraud would result in a full default, so it is likely that fraud losses in the scheme are over-estimated.
- The exercise looked for indicators of 'possible' and 'probable' fraud occurrence and then used the results to arrive at an estimate of 11.15% of loans being fraudulent. It is likely that some loans identified as 'possible' and 'probable' fraud were in fact consistent with the scheme rules, so the estimated level of fraud occurrence is likely to be overstated.
- The estimate does not include a number of known fraud risk factors, for example businesses not adversely impacted by the pandemic taking out BBLS, because risk indicators could not be built into the estimation approach. I have examined the Department's rationale for excluding these fraud indicators and am satisfied that its justification is reasonable.

In note 19 to the annual report and accounts, the Department confirms it expects to refine these estimates once it begins to receive repayment data on loans issued through the scheme. As explained in the Regularity of Expenditure note on page 121 of the Annual Report and Accounts, the Department's expert has recently revised its central estimate of fraud present within the scheme down to 7.5% from 11.15% in light of information only available from May 2021, however the Department has not yet assessed this information.

While I note the limitations in the Department's estimate of the level of losses arising from fraud in the BBLS, I consider its overall approach to be reasonable given the information available at the reporting date.

The current estimated level of losses arising from fraud is £4.9 billion which I consider to be material to the accounts. As these losses have not been incurred in accordance with Parliament's intentions, the resulting expenditure is irregular. I have therefore qualified my audit opinion on the regularity of expenditure arising from guarantees issued by the Department under the BBLS. The losses and special payments note on page 112 of the Annual Report and Accounts discloses the Department's estimate of losses that have crystallised up to 31 March 2021.

1 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/994901/MPM_Spring_21__without_annexes_180621.pdf (para. 3.4.3)
2 i.e. the Department can be 95% confident from the results of their estimate that the level of fraud present in BBLS is within the range of 8.15% to 14.15% disclosed in note 19 to the financial statements, with 11.15% representing the central point of this range.

Coronavirus Business Interruption Loan Scheme (CBILS)

The Coronavirus Business Interruption Loan Scheme (CBILS) was designed to provide financial support to businesses across the UK with an annual revenue under £45 million that were losing revenue and seeing their cashflow disrupted by the COVID-19 outbreak. Businesses could access up to £5 million of support through commercial lenders and partners, with government guaranteeing 80% of the sums advanced. Loans totalling £26.4 billion were approved under CBILS.

The Department does not expect there to be significant levels of fraud in loans made through CBILS as lenders were able to perform more checks before loans were issued and the government guarantee only covers 80% of their value. I am satisfied that this is a reasonable approach and that there was no compelling evidence available at the reporting date to undermine this assumption. However, I expect the Department to review this assumption during the 2021-22 financial year to confirm that it remains valid as repayment data becomes available to support a more robust estimate for the accounts.

Coronavirus Large Business Interruption Loan Scheme (CLBILS)

The Coronavirus Large Business Interruption Loan Scheme (CLBILS) provided financial assistance for businesses with an annual turnover of over £45 million. Businesses could access up to £200 million of support or 25% of their annual turnover, whichever was lower. Loans totalling £5.6 billion were approved under CLBILS.

As with CBILS, funds were provided by commercial lenders and partners with government guaranteeing 80% of the sums advanced.

The Department has not produced a separate estimate for losses arising from fraud in CLBILS. It considers the risk of fraud to be low because lenders had better data available on the businesses participating in the scheme and because the government guaranteed only 80% on the loans' value. Repayments for CLBILS loans began earlier than in the other two schemes and repayment data supports the low expected level of losses from fraud.

The estimated level of fraud and error in COVID-19 business support grants

During 2020-21, the Department provided local authorities with £21.8 billion in grants to issue to businesses adversely affected by the COVID-19 pandemic, of which an estimated £18.9 billion was paid out to businesses in 2020-21. These are disclosed in note 4.4 to the accounts. The Department provided this funding through seven separate schemes, launched throughout 2020-21, each of which had specific eligibility criteria:

- Small Business Grant Fund (SBGF)
- Retail, Hospitality and Leisure Grant Fund (RHLGF)
- Local Authority Discretionary Grant Fund (LADGF)
- Local Restriction Support Grants (LRSG) (multiple scheme iterations)
- Additional Restrictions Grant (ARG)
- Christmas Support Package (CSP)
- Closed Business Lockdown Payment (CBLP)

The Department set the eligibility criteria for these grants and has overall accountability for the schemes. Local authorities were responsible for processing applications and distributing the funding to eligible businesses in accordance with the scheme guidance published by the Department.

The Department wanted local authorities to make payments quickly to provide rapid support to businesses but recognised the risks in working at pace to value for money and that grants might be paid in error. In March 2020, the Department's Accounting Officer sought and obtained Ministerial Directions to proceed with the introduction of the SBGF and RHLGF schemes as a result of these risks. A further Ministerial Direction was obtained for the LADGF scheme because of uncertainties around its value for money when it was introduced.

The scheme guidance documents issued to local authorities by the Department set requirements for local authorities to carry out some checks before or after issuing a grant, however these varied from scheme to scheme and allowed discretion to local authorities as to how they implemented the checks and provided assurance to the Department. As a result, the checks are unlikely to have been carried out in the same way by each of the 314 English local authorities.

The Department relied on information provided by local authorities to understand if funding had been applied as intended, but the variable quality and timeliness of evidence has made this difficult to do. The Department has not been able to produce a single, statistically reliable estimate of fraud and error in this grant expenditure and has instead produced and estimated a range as set out and explained in the Regularity of Expenditure note on page 121 of the Annual Report and Accounts. I regard this as material to the financial statements and as this expenditure has not been incurred in accordance with Parliamentary intention it is irregular. I have therefore qualified my audit opinion on the regularity of expenditure through the seven COVID-19 business support grant schemes funded by the Department.

Due to the uncertainty identified by the Department (disclosed on pages 121 to 123 of the Annual Report and Accounts), my audit has not sought to obtain assurance over the precision of the estimated range of fraud and error in these grant schemes. Instead, I have satisfied myself that the minimum level of fraud and error estimated by the Department is material to my regularity audit opinion.

Future reporting and activity by the Department

The Department intends to conclude its assurance testing for all business support grant schemes by Spring 2022 to support local authorities in undertaking their own work to identify irregular payments. This work is expected to allow the Department to determine a more reliable estimate of fraud and error for disclosure in its 2021-22 Annual Report and Accounts. The work will also support the Department's efforts to work with local authorities on the recovery of grant payments made as a result of fraud or error.

The Department also expects to refine its estimates of the levels of fraud present in the business loan scheme guarantees in 2021-22 as more robust information, including loan repayment data, becomes available.

I will review the Department's updated estimates and recovery activities as part of my audit of the 2021-22 Annual Report and Accounts.

Gareth Davies
Comptroller and Auditor General

22 November 2021

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 2021

	Note	31 March 2021 Core Department and Agencies £m	31 March 2021 Departmental Group £m	31 March 2020 restated Core Department and Agencies £m	31 March 2020 restated Departmental Group £m
Income from sale of goods and services	6.1	(890)	(5,401)	(322)	(4,863)
Total operating income		**(890)**	**(5,401)**	**(322)**	**(4,863)**
Staff costs	3	503	1,460	429	1,279
Purchase of goods and services	4.1	4,168	6,420	1,621	4,326
Depreciation and impairment charges	4.2	91	514	24	446
Provision, financial guarantee and other liabilities expenses	4.3	19,926	23,761	10,869	17,873
Grants	4.4	29,795	25,044	14,006	9,410
Other operating expenditure		(52)	(72)	33	27
Total operating expenditure		**54,431**	**57,127**	**26,982**	**33,361**
Net operating expenditure		**53,541**	**51,726**	**26,660**	**28,498**
Finance income	6.2	(215)	(332)	(208)	(331)
Finance expense	5	47	(238)	(125)	(18)
Contracts for difference derivatives	9	–	2,746	–	5,346
Share of post-tax loss/(profits) of associates and joint ventures	13	26	(130)	–	5
(Gain)/loss on net assets transferred		–	2	–	–
Net expenditure for the year from operations		**53,399**	**53,774**	**26,327**	**33,500**
Net expenditure for the year		**53,399**	**53,774**	**26,327**	**33,500**
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		3	(22)	–	(57)
– revaluation of intangible assets		–	(54)	–	(13)
Items that may be reclassified subsequently to net operating costs:					
– revaluation of investments		109	76	166	116
– other revaluation movements		16	20	12	(2)
– actuarial (gains)/losses		–	(150)	–	(88)
Total other comprehensive net income and expenditure		**128**	**(130)**	**178**	**(44)**
Comprehensive net expenditure for the year		**53,527**	**53,644**	**26,505**	**33,456**

All operations are continuing.

Further analysis of staff costs can be found in the Staff note in the Accountability Report on page 77.

The notes on pages 143 to 254 form part of these Accounts.

Consolidated Statement of Financial Position

as at 31 March 2021

		31 March 2021		31 March 2020 restated		1 April 2019 restated	
	Note	Core Department and Agencies £m	Departmental Group £m	Core Department and Agencies £m	Departmental Group £m	Core Department and Agencies £m	Departmental Group £m
Non-current assets:							
Property, plant and equipment	7	328	3,833	333	3,632	320	3,559
Investment properties		2	122	2	121	–	117
Intangible assets	8	44	190	119	248	30	183
Investment and loans in public bodies	10	4,101	1,725	3,392	1,706	3,332	1,742
Other financial assets	11	1,769	5,641	967	4,120	1,196	4,118
Recoverable contract costs	12	–	1,447	–	1,425	–	1,620
Derivative financial instruments	22	–	–	–	–	7	7
Investment in joint ventures and associates	13	348	1,395	–	967	–	1,039
Trade and other receivables	14	634	739	740	848	813	938
Total non-current assets		**7,226**	**15,092**	**5,553**	**13,067**	**5,698**	**13,323**
Current assets:							
Inventories		–	18	–	51	–	37
Non-current assets held for sale		–	6	–	6	–	20
Trade and other receivables	14	4,091	5,462	535	2,255	454	1,573
Investments and loans in public bodies	15	588	572	687	672	666	620
Other financial assets	11	–	72	–	–	–	–
Derivative financial instruments	22	–	–	9	9	17	17
Cash and cash equivalents	16	1,952	3,444	1,069	2,189	1,324	2,119
Total current assets		**6,631**	**9,574**	**2,300**	**5,182**	**2,461**	**4,386**
Total assets		**13,857**	**24,666**	**7,853**	**18,249**	**8,159**	**17,709**
Current liabilities:							
Trade payables and other liabilities	17	(4,460)	(7,928)	(2,823)	(6,524)	(2,957)	(5,701)
Provisions for liabilities and charges	18	(226)	(3,426)	(11,047)	(14,065)	(260)	(3,050)
Financial guarantees, loan commitment liabilities and re-insurance contracts	19	(19,837)	(19,880)	(17)	(17)	(11)	(11)

	Note	31 March 2021 Core Department and Agencies £m	31 March 2021 Departmental Group £m	31 March 2020 restated Core Department and Agencies £m	31 March 2020 restated Departmental Group £m	1 April 2019 restated Core Department and Agencies £m	1 April 2019 restated Departmental Group £m
Derivative financial instruments	22	(7)	(7)	–	–	(1)	(13)
Total current liabilities		**(24,530)**	**(31,241)**	**(13,887)**	**(20,606)**	**(3,229)**	**(8,775)**
Non-current assets plus/less net current assets/ liabilities		**(10,673)**	**(6,575)**	**(6,034)**	**(2,357)**	**4,930**	**8,934**
Non-current liabilities:							
Trade payables and other liabilities	17	(1,324)	(3,003)	(883)	(2,467)	(1,140)	(2,900)
Provisions for liabilities and charges	18	(1,540)	(136,301)	(1,704)	(136,037)	(1,920)	(131,416)
Financial guarantees, loan commitment liabilities and re-insurance contracts	19	(65)	(168)	(74)	(221)	(43)	(219)
Derivative financial instruments	9, 22	–	(16,933)	–	(16,464)	(2)	(12,923)
Retirement benefit obligations	20	–	(392)	–	(87)	–	(921)
Total non-current liabilities		**(2,929)**	**(156,797)**	**(2,661)**	**(155,276)**	**(3,105)**	**(148,379)**
Total assets less liabilities		**(13,602)**	**(163,372)**	**(8,695)**	**(157,633)**	**1,825**	**(139,445)**
Taxpayers' equity and other reserves:							
General fund		(14,015)	(166,043)	(9,246)	(160,272)	1,094	(142,279)
Revaluation reserve		413	1,900	551	2,008	731	2,164
Charitable funds		–	472	–	402	–	438
Non-controlling interests		–	299	–	229	–	232
Total equity		**(13,602)**	**(163,372)**	**(8,695)**	**(157,633)**	**1,825**	**(139,445)**

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

The notes on pages 143 to 254 form part of these Accounts.

Sarah Munby
Permanent Secretary and Principal Accounting Officer

17 November 2021

Consolidated Statement of Cash Flows

for the period ended 31 March 2021

	Note	2020-21 Core Department and Agencies £m	2020-21 Departmental Group £m	2019-20 restated Core Department and Agencies £m	2019-20 restated Departmental Group £m
Cash flows from operating activities					
Net operating cost		(53,399)	(53,774)	(26,327)	(33,500)
Adjustment for non-cash expenditure		19,974	26,483	10,740	23,571
(Increase)/decrease in inventories		–	33	–	(14)
(Increase)/decrease in trade and other receivables	14	(3,450)	(3,098)	(8)	(592)
Less movements in receivables relating to items not passing through the Consolidated Statement of Comprehensive Net Expenditure		7	292	101	227
Increase/(decrease) in trade payables and other liabilities	17	2,078	1,940	(391)	390
Less movements in payables relating to items not passing through the Consolidated Statement of Comprehensive Net Expenditure		(1,192)	(2,092)	83	(460)
Use of provisions	18	(11,048)	(13,922)	(248)	(3,037)
Financial guarantees called in	19	(41)	(41)	(13)	(13)
Expenditure funded by the National Insurance Fund (RPS)	4.1	443	443	430	430
Payments to retirement benefit obligations		–	(139)	–	(106)
Net cash outflow from operating activities		***(46,628)***	***(43,875)***	***(15,633)***	***(13,104)***
Cash flows from investing activities					
Purchase of property, plant and equipment		(51)	(486)	(40)	(296)
Purchase of intangible assets		(17)	(26)	(128)	(155)
Proceeds of disposal of property, plant and equipment		–	4	–	28
Proceeds of disposal of intangible assets		87	87	–	2
Proceeds of disposal of assets held for sale		–	5	–	5
Loan redeemed from Post Office Limited	15	3,146	3,146	5,342	5,342
Loans made to Post Office Limited	15	(3,038)	(3,038)	(5,379)	(5,379)
Repayments of loans and investments		125	930	32	745
Payments to the Contracts for Difference generators	9	–	(2,277)	–	(1,803)
Other investments and loans made		(1,691)	(2,305)	(241)	(1,091)
Launch investment receipts	11.1	336	336	340	340
Venture capital fund redemptions		–	75	7	106
Venture capital fund investments		(4)	(322)	–	(255)
Dividends from Joint ventures and associates	13	–	88	–	94
Disposal of Joint venture and associates		–	6	–	2
Dividends from subsidiaries		23	–		
Investment in Joint ventures and associates	13	(250)	(254)	–	(30)
Investment in shares		(364)	–	(19)	(19)
Net cash outflow from investing activities		***(1,698)***	***(4,031)***	***(86)***	***(2,364)***

		2020-21		2019-20 restated	
		Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	Note	£m	£m	£m	£m
Cash flows from financing activities					
From Consolidated Fund (supply) – current year		49,187	49,187	15,465	15,465
From the National Insurance Fund		443	443	430	436
Payments in respect of the National Insurance Fund	4.1	(443)	(443)	(430)	(436)
Other adjustments relating to financing activities				–	3
Net financing		***49,187***	***49,187***	***15,465***	***15,468***
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**861**	**1,281**	**(254)**	**–**
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		1,006	958	841	912
Payments of amounts due to the Consolidated Fund		(984)	(984)	(842)	(842)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**883**	**1,255**	**(255)**	**70**
Cash and cash equivalents opening balance		**1,069**	**2,189**	**1,324**	**2,119**
Cash and cash equivalents at the end of the period	16	**1,952**	**3,444**	**1,069**	**2,189**

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

for the period ended 31 March 2021

	Note	General Fund restated £m	Revaluation Reserve restated £m	Taxpayers' equity restated £m	Total Reserves restated £m
Balance at 1 April 2019		**1,094**	**731**	**1,825**	**1,825**
Net parliamentary funding – drawn down		15,465	–	**15,465**	**15,465**
Net parliamentary funding – deemed		1,321	–	**1,321**	**1,321**
National Insurance Fund – RPS		436	–	**436**	**436**
Supply (payable)/receivable adjustment	17	(1,067)	–	**(1,067)**	**(1,067)**
Income payable to the Consolidated Fund		(169)	–	**(169)**	**(169)**
Net expenditure for the year		(26,327)	–	**(26,327)**	**(26,327)**
Non-Cash Adjustments:					
Auditors' remuneration	4.1	1	–	**1**	**1**
Movements in Reserves:					
Other comprehensive net expenditure for the year		–	(178)	**(178)**	**(178)**
Transfers between reserves		2	(2)	**–**	**–**
Other movements		(2)	–	**(2)**	**(2)**
Balance at 31 March 2020		**(9,246)**	**551**	**(8,695)**	**(8,695)**
Net parliamentary funding – drawn down		49,187	–	**49,187**	**49,187**
Net parliamentary funding – deemed		1,067	–	**1,067**	**1,067**
National Insurance Fund – RPS		456	–	**456**	**456**
Supply (payable)/receivable adjustment	17	(1,928)	–	**(1,928)**	**(1,928)**
Income payable to the Consolidated Fund		(141)	–	**(141)**	**(141)**
Net expenditure for the year		(53,399)	–	**(53,399)**	**(53,399)**
Amounts paid from distributable reserves		(20)	–	**(20)**	**(20)**
Non-Cash Adjustments:					
Auditors' remuneration	4.1	1	–	**1**	**1**
Movements in Reserves:					
Other comprehensive net income for the year		–	(128)	**(128)**	**(128)**
Transfers between reserves		9	(9)	**–**	**–**
Other movements		(1)	(1)	**(2)**	**(2)**
Balance at 31 March 2021		**(14,015)**	**413**	**(13,602)**	**(13,602)**

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

for the period ended 31 March 2021

	Note	General Fund restated	Revaluation Reserve restated	Taxpayers' Equity restated	Charitable Funds – Unrestr–icted/ Restricted	Non controlling interest	Total Reserves restated
		£m	£m	£m	£m	£m	£m
Balance at 31 March 2019		**(142,279)**	**2,164**	**(140,115)**	**438**	**232**	**(139,445)**
Net parliamentary funding – drawn down		15,465	–	**15,465**	–	–	**15,465**
Net parliamentary funding – deemed		1,321	–	**1,321**	–	–	**1,321**
National Insurance Fund – RPS		436	–	**436**	–	–	**436**
Supply (payable)/receivable adjustment	17	(1,067)	–	**(1,067)**	–	–	**(1,067)**
Income payable to the Consolidated Fund		(791)	–	**(791)**	–	–	**(791)**
Net expenditure for the year		(33,500)	–	**(33,500)**	–	–	**(33,500)**
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)	–	**(4)**	–	–	**(4)**
Balance at 31 March 2020		**(160,272)**	**2,008**	**(158,264)**	**402**	**229**	**(157,633)**
Net parliamentary funding – drawn down		49,187	–	**49,187**	–	–	**49,187**
Net parliamentary funding – deemed		1,067	–	**1,067**	–	–	**1,067**
National Insurance Fund – RPS		456	–	**456**	–	–	**456**
Supply (payable)/receivable adjustment	17	(1,928)	–	**(1,928)**	–	–	**(1,928)**
Income payable to the Consolidated Fund		(829)	–	**(829)**	–	–	**(829)**
Net expenditure for the year		(53,774)	–	**(53,774)**	–	–	**(53,774)**
Amounts paid from distributable reserves		(138)	–	**(138)**	–	–	**(138)**
Non-Cash Adjustments:							
Auditors' remuneration	4.1	1	–	**1**	–	–	**1**
Movements in Reserves:							
Other comprehensive net (expenditure)/income for the year		150	(20)	**130**	–	–	**130**
Transfers between reserves		10	(85)	**(75)**	70	5	**–**
Minority interest		–	–	–	–	65	**65**
Other movements		27	(3)	**24**	–	–	**24**
Balance at 31 March 2021		**(166,043)**	**1,900**	**(164,143)**	**472**	**299**	**(163,372)**

The notes on pages 143 to 254 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 2020-21 *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 Core 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 Coronavirus business support financial guarantees schemes, 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 are expected to be met by future funding voted by Parliament annually in Supply and Appropriation Acts. There is no reason to believe the resources required 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.*

In accordance with a derogation from HM Treasury from the *FReM* and IFRS 9, financial guarantee liabilities under new schemes implemented during 2020-21 in response to the COVID-19 pandemic have been reported at initial recognition and at 31 March 2021 at amounts equal to lifetime expected credit losses (ECL), measured in accordance with the requirements of IFRS 9 (note 1.20).

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 upon 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

The Department has introduced the revised Conceptual Framework for Financial Reporting, adopted by the *FReM* for periods beginning from 1 April 2020. The revised 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.

The adoption of the revised Conceptual Framework has had no impact on the 2020-21 Departmental Group accounts.

The COVID-19 guarantee transactions differ from guarantees previously made, in that Ministers accepted from the outset that their transaction price would not reflect credit risk. These transactions differ in substance from guarantees recognised under existing schemes and application of the HMT derogation detailed in note 1.20 does not represent a change in accounting policy.

All other accounting policies are unchanged compared to those in the 2019-20 Departmental Group financial statements.

1.6 New accounting standards adopted in the year and FReM changes

In addition to adopting the revised Conceptual Framework, the Department has accounted for the Trade Credit Reinsurance scheme launched in the year, under IFRS 4 – Insurance Contacts. See note 1.23 Insurance and Reinsurance contracts for the Department's accounting policy. No new additional standards have been adopted in these financial statements. The *FReM* 2020-21 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

IFRS 16 'Leases'

IFRS 16 'Leases' supersedes IAS 17 'Leases' and is generally effective for periods beginning on or after 1 January 2019. Implementation of IFRS 16 in the public sector has been delayed, Government departments are required to adopt IFRS 16 from 1 April 2022 in accordance with the *FReM*, however departments can elect to early adopt. The Department has agreed with HM Treasury that it will adopt IFRS 16 from 1 April 2021.

IFRS 16 represents a significant change in lessee accounting by removing the distinction between operating leases (off-statement of financial position financing) and finance leases (on-statement of financial position financing) and introducing a single lessee accounting model. IFRS 16 requires the recognition of all leases as finance leases with exemption given to low value leases and short-term leases, i.e. those with lease terms of less than 12 months. This will result in the recognition of a right of use asset, measured at the present value of future lease payments, and a matching liability in the Statement of Financial Position (SoFP).

The Group is adopting IFRS 16 on the cumulative catch-up basis as mandated in the *FReM*, and therefore the cumulative impact on previous years' results will be recognised within equity at the beginning of the period. As such, the prior year comparative information will not be restated. Under the 'grandfathering' rules mandated in the *FReM* for the initial transition to IFRS 16, a right of use asset and lease liability will be recognised for all relevant leases not previously recognised as finance leases for accounting purposes under IAS 17. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for initial direct costs, prepayments or incentives, and costs related to restoration at the end of a lease.

The definition of a contract is expanded to include intra-UK government agreements where non-performance may not be enforceable by law. This includes, for example, Memorandum of Understanding (MOU) agreements.

The Group has expanded the definition of a lease to include arrangements with nil consideration. Peppercorn leases are examples of these, they are defined by HM Treasury as lease payments significantly below market value. These assets are fair valued on initial recognition. On transition any differences between the discounted lease liability and the right of use asset are included through equity. Any differences between the lease liability and right of use asset for new leases after implementation of IFRS 16 are recorded in income.

Impact of the new standard

The Group has assessed the impact of IFRS 16 on the Statement of Comprehensive Net Expenditure for the financial year ending 31 March 2021 and on the Statement of Financial Position at that date. The figures below are for leases that have commenced as at 31 March 2021 with residual asset values and lease periods at that date in excess of the Department's 'low value' de minimis threshold of £10,000 and twelve months respectively. The weighted average incremental borrowing rate applied to the lease liabilities is 1.07%. The majority of the Group applies the HM Treasury central internal rate of borrowing which on transition to IFRS 16 for the Group is 0.91%.

IFRS 16 is expected to increase total expenditure in 2021-22 by approximately £nil million in the Departmental Group. The value of leased assets is expected to increase by approximately £255 million whilst associated lease liabilities will increase by approximately £261 million.

SoCNE impacts arising from IFRS 16

	Core and Agencies			Departmental Group		
	2020-21	2021–22 (expected)	Increase/ (decrease) expected	2020-21	2021–22 (expected)	Increase/ (decrease) expected
	£m	£m	£m	£m	£m	£m
Asset depreciation	–	30	30	–	44	44
Interest expense on discounted lease liability	–	1	1	–	3	3
IAS 17 basis rental payments	27	–	(27)	47	–	(47)
Total	**27**	**31**	**4**	**47**	**47**	**–**

SoFP impacts arising from IFRS 16

	Core and Agencies			Departmental Group		
	31 Mar 2021	1 April 2021 (expected)	Increase/ (decrease) expected	31 Mar 2021	1 April 2021 (expected)	Increase/ (decrease) expected
	£m	£m	£m	£m	£m	£m
Right of use assets commenced at 1 April 2021	–	127	127	–	255	255
Total	–	**127**	**127**	**–**	**255**	**255**
Lease liabilities commenced at 1 April 2021	–	128	128	–	261	261
Write-down of onerous lease provisions	–	–	–	(5)	–	5
Total	–	**128**	**128**	**(5)**	**261**	**266**

Operating lease commitments disclosed applying IAS 17 are £295 million (note 21), which is £34 million higher than lease liabilities recognised at the date of initial application. The difference is mainly due to:

- Some lease commitments under IAS 17 including VAT, whilst lease liabilities under IFRS 16 are calculated excluding VAT
- Discounting on leases under IFRS 16, which would not be discounted under IAS 17
- Short term and low value leases, which are outside the scope of IFRS 16, but within the scope of IAS 17
- Leases that are expected to terminate on 31 March 2021

This is partially offset by:

- Differences in lease terms between IAS 17 and IFRS 16, where IAS 17 calculates the lease term based on the minimum lease term (which is based on break clauses included in the lease agreement), whilst IFRS 16 determines the lease term based on when the Departmental Group expects to terminate the lease (which may not necessarily be the same as the break clause included in the lease term as the Departmental Group does not expect to exercise the break clause in the lease)
- Leases not classified as operating leases under IAS 17 that are within scope of IFRS 16
- Leases that were not signed by 31 March 2021, but were expected to be signed on 1 April 2021
- Interest expense being included in the lease liability, but not within the operating lease commitments
- Liabilities that are currently disclosed as part of provisions being reclassified as lease liabilities

IAS 17 basis rental payments included in the above table differ to the value disclosed in note 4.1 as rentals under operating leases, because the rentals under operating leases figure include charges out of scope of IAS 17, including service charges, gas, electricity and rates.

The value of the lease liability on inception is £6 million higher than the right of use asset on inception. This is due to prepayments of lease liabilities and the recognition of lease receivables rather than right of use assets, where properties are subsequently leased out, to entities outside of the Departmental Group.

Practical expedients on transition

The Departmental Group has elected to adopt the following practical expedients on transition:

- As mandated in the *FReM*, elected to not reassess whether contracts contain a lease or not.
- Elected to apply the 'cumulative catch-up' approach for adopting IFRS 16 as mandated in the *FReM.*
- Elected to recognise an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Statement of Financial Position immediately before the date of initial application (IFRS 16, Section C8.b.ii), as mandated in the *FReM.*
- As mandated in the *FReM*, elected to not make any adjustments for leases for which the underlying asset is of a low value.
- Elected to rely on onerous lease provision for basis of impairment assessment rather than conducting an impairment review.
- Elected to recognise all short-term leases through the Statement of Comprehensive Net Expenditure rather than recognise a right-of-use asset as mandated in the *FReM.*
- Elected to use hindsight to determine the lease terms in contracts which contain options to extend or terminate as mandated in the *FReM.*

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 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 Outturn against 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 'Revenue from Contracts with Customers' 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.

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.

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 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.

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. Where an intermediary acts as agent in distributing grant on behalf of the Department, grants payable are recognised when the grant recipient becomes entitled to the grant. 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 1.19) 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 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 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.

1.17 Leases

The Departmental Group continues to apply IAS 17 'Leases' for 2020-21, 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

Departmental Group as lessor

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 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.

1.18 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 ‘Financial Instruments’. The financial asset is recognised when the Departmental Group becomes party to the contractual provisions of the instrument. 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.

1.19 Financial instruments

The Departmental Group adopted IFRS 9 ‘Financial Instruments’ from 1 April 2018. Financial assets and liabilities are measured initially at fair value plus transaction costs unless measured 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. Further information is given in note 1.20 and note 1.26.

Financial assets

Classification and measurement of financial asset

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. 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.

Categories of financial asset

Financial assets are categorised as one of the following:

- *Amortised cost* are financial assets whose contractual cash flows are the solely payments of principal and interest and the objective of the business model is to hold financial assets to collect 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:
- 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.
- 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 measured 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.

- All financial assets which do not meet the criteria for classification to be recognised and measured at Amortised Cost and FVOCI are recognised and measured at Fair Value Through Profit or Loss (FVTPL). 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*.

The impairment methodology is detailed in the financial instruments note 22.

Derecognition of 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.

Financial liabilities

Classification and measurement of financial liabilities

The Departmental Group's financial liabilities excluding derivatives and some financial guarantees are initially recognised at fair value including directly attributable transaction costs; they are subsequently measured at amortised cost using the effective interest rate method, 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.

Derecognition of financial liabilities

Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

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).

1.20 Financial guarantee and loan commitment liabilities

Financial guarantee contract liabilities

A guarantee liability is recognised when a lender makes an offer of a loan facility to a borrower which meets the eligibility criteria of the relevant scheme. Guarantee liabilities are derecognised when the Department is no longer exposed to potential lender claim on the guarantee, that is either a) when a lender claim has been approved by the Department for payment, b) on expiry of the guarantee without lender claim including where a loan facility has not been drawn down by the borrower within the offer period or c) if a guarantee is no longer considered to meet the eligibility criteria of the relevant scheme such that the guarantee is no longer effective. Amounts due to the Department as recovered by lenders from defaulted borrowers following derecognition of the guarantee liability are recognised on a cash basis and offset against Provision expense in the SoCNE.

Other than as described below, guarantee liabilities are measured as required by the *FReM*, at fair value at initial recognition and subsequently remeasured at the higher of a) the amount of loss allowance determined in accordance with IFRS 9 and b) the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 'Revenue from Contracts with Customers'.

In accordance with a derogation from HM Treasury from the above measurement requirement in the *FReM* for new schemes implemented during 2020-21 (the Bounce Back Loan Scheme, the Coronavirus Business Interruption Loan Scheme and Coronavirus Large Business Interruption Loan Scheme), financial guarantee liabilities under these schemes are measured at initial recognition and at 31 March 2021 at amounts equal to lifetime expected credit losses (ECL), measured in accordance with the requirements of IFRS 9.

In measuring the present value of ECL for which an effective interest rate cannot be determined, as is the case for these 2020-21 guarantee schemes, IFRS 9 requires use of a discount rate that reflects the current market assessment of the time value of money. The rate used in these accounts for the 2020-21 schemes is the nominal rate of 3.7% as specified in the *FReM* for fair value measurement of financial instruments. Although ECL is not a fair value measurement, this rate was specified by HM Treasury as part of the above derogation.

Loan commitments at below market rate

The Departmental Group accepts a lower than market rate of return from Enterprise Capital Fund investments 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 key management personnel.

1.21 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, two schemes through the NDA and six others through the nuclear site licence companies.

The net assets/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 Net 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 United Kingdom Atomic Energy Authority (UKAEA) Combined Pension Scheme. 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.

1.22 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 2021			31 March 2020		
	Nominal discount rate	Inflation rate	Equivalent real discount rate	Nominal discount rate	Inflation rate	Equivalent real discount rate
Cash outflows expected within two years	(0.02%)	1.2%	(1.21%)	0.51%	1.9%	(1.36%)
Cash outflows expected between two and five years	(0.02%)	1.9%	(1.88%)	0.51%	2.0%	(1.46%)
Cash outflows expected between five and ten years	0.18%	2.0%	(1.78%)	0.55%	2.0%	(1.42%)
Cash outflows expected after ten years	1.99%	2.0%	(0.01%)	1.99%	2.0%	(0.01%)

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.

1.23 Insurance and reinsurance contracts

Insurance contracts are contracts under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified future event (the insured event) adversely affects the policyholder and are accounted for under IFRS 4 'Insurance Contracts'. Where IFRS 4 was found not to be prescriptive in some areas, guidance was taken from the standard issued to replace it in the future, IFRS 17 'Insurance Contracts'. The Core Department has recognised a reinsurance liability in relation to the Trade Credit Reinsurance Scheme (note 19).

Insurance contracts and reinsurance contracts are accounted for on the date the contract is approved by the Core Department.

Insurance and reinsurance liabilities are measured at fair value and cover both reported and unreported claims cover by the insurance and reinsurance contract at the reporting date, the value recognised is based on the experience of the insurance companies being reinsured by the Department. Possible future claims relating to catastrophe and not included in the calculation of the insurance or reinsurance liabilities. The fair value for the Trade Credit Reinsurance Scheme is calculated using the income approach under IFRS 13, which reflects the present value of future cash outflows that are expected to occur. The discount rate used is the Financial Instrument nominal rate of

3.7% as set by HM Treasury. The cash outflows include the claims losses and the related claims handling expenses incurred by the insurance companies.

Insurance and reinsurance premiums are recognised in the SoCNE, whey they are earned and not when they are written. Written reinsurance premiums include an estimate of premiums written by the insurance companies reinsured by the Department, but not reported to the Department at the reporting date. This relates to insurance contracts where the period of cover has commenced before the balance sheet date.

Where written insurance and reinsurance premiums are subject to retrospective adjustment due to risk not being able to be assessed with accuracy at the commencement of the insurance contract, recognition of any increases is deferred until recognition can be ascertained with reasonable certainty.

Where written insurance and reinsurance premiums are subject to a reduction, a remeasurement taking account of the reduction is assessed as soon as the Department has an obligation to the policyholder.

Claims and expenses costs are recognised when they are incurred.

1.24 Contingent assets and liabilities

Contingent 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. Remote contingent liabilities reported in the Accountability Report are stated at the amounts reported to Parliament.

Contingent assets

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.

1.25 Third party assets

The Departmental Group holds certain cash balances belonging to third parties as custodian or trustee. 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

Future Fund (note 11.2)

The valuation of the Future Fund’s Convertible Loan Notes (CLNs) is complex due to the significant number and diversity of borrowers and investors in the Future Fund scheme, the options available to borrowers under the terms of the Convertible Loan Note Agreements (CLAs), and data limitations. This means that there is judgement and estimation uncertainty in the valuation and there are key unobservable inputs in the model. Model input sensitivity analysis is included in note 11.2.

The CLNs are financial assets, measured at FVTPL under IFRS 9. They are initially measured at fair value, and subsequently remeasured to fair value at each reporting date with movements being recognised in the SoCNE. The fair value at inception is determined to be equal to the transaction price of the CLNs, as the investments are made on equal terms with private sector investors in an arm's length transaction. This is a significant assumption as each CLN in the valuation model is calibrated to its fair value at inception. The Future Fund was valued at £1.03 billion as at 31 March 2021.

Fair value measurement of Hinkley Point C CfD

The Low Carbon Contracts Company (LCCC) entered into the Hinkley Point C 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.

The Hinkley Point C CfD duration is more than double (35 years) the length of other CfDs (15 years) entered into by the company. This has made it considerably more challenging for management to provide a reliable single point fair value estimate for Hinkley Point C CfD.

Prior to 2019-20 the Department and LCCC had not been able to obtain wholesale electricity price forecasts covering the unusually long period of the contract, thereby preventing a reliable estimate being made. As a result of this, the Department and LCCC had been unable to recognise Hinkley Point C CfD in the financial statements. During 2019-20 the Department, using the Dynamic Dispatch Model (DDM), was able to reliably estimate wholesale electricity prices out to 2060. The Department's DDM model forecasts wholesale electricity prices out to 2050. The Department was able to estimate wholesale electricity prices out to 2060 by effectively 'freezing' the updated 2050 model for all subsequent years. The main driver facilitating the Department's ability to do this was the government's commitment in the year to bring all greenhouse gas emissions to Net Zero by 2050, therefore giving more certainty over potential generation mixes into the future. Therefore, in line with the recognition criteria for the other CfDs, the recognition criteria for Hinkley Point C CfD was deemed to have been met and the CfD recognised in LCCC's and the Department's 2019-20 financial statements.

As in the previous year, third party forecasts have been used by LCCC as reference to support the reasonableness of the internally generated price series derived from the DDM forecast. As a result of the reasonableness of the underlying assumptions of the forecast, management deem the valuation of the Hinkley Point C CfD as a reliable estimate that is complete, neutral and free from error.

Deferral of differences between fair value and transaction price for CfDs

The fair value of the CfDs, disclosed in note 9, is derived at initial recognition based on the valuation technique that uses data other than from observable sources. In accordance with IFRS 9, the measurement of CfDs in the statement of financial position therefore includes an adjustment to defer the difference between the fair value at initial recognition and the transaction price of £nil.

LCCC's and the Department's management believes it is reasonable to amortise the difference between the fair value at initial recognition and the transaction price over the same period as the actual contract life reflects the obligation under the contract to make payments. Financial instrument standards require the "deferred difference" to be recognised only to the extent that it arises from a change in factor (including time) that market participants would take into account.

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 was recognised as income and expense, respectively, in 2019-20 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.

Covid-19 Business Support Grant Expenditure (note 4.4)

Not all of the reconciliations supporting the grants paid out by local authorities to businesses have been completed yet. As a result, an estimate of the expenditure has been made in relation to those schemes that have not been fully reconciled. The estimate of £5,569 million includes the Local Restrictions Support Grant (Closed) and (Closed) Addendum Schemes, Local Restrictions Support Grant (Open) and Closed Business Lockdown Payment schemes. Those schemes not included in the estimate as they have either been fully reconciled, or because the local authorities act as principals for the scheme and so payments are recognised when the Department provides the funding to the local authorities, are Small Business Grant Fund (SBGF) and the Retail, Hospitality and Leisure Grant Fund (RHLGF), Local Authority Discretionary Grant Fund (LADGF), Additional Restrictions Grant and Christmas Support Package.

The estimated expenditure has been calculated using the returns from local authorities (LAs) which were received and reconciled to the funding allocation, at the point in time at which the calculation was performed. As such the estimate is not based on a statistically random sample of reconciled returns. The reconciliations determine how much of the allocated funding the LA has spent using the funding allocated as the starting point. The percentage of underspend resulting from the completed reconciliations is then applied to the total unreconciled allocated spend for each grant scheme. This estimate is based on the best information that the Department has available.

The Department has carried out additional work to seek control for the bias in the estimate due to it not being a random sample, and to assess whether those reconciliations completed were representative of the whole population. The Department looked at the following characteristics of LAs for which returns had been received and reconciled; i) the geographical spread of the LAs, ii) the split of urban and rural LAs, and iii) the funding amount allocated to the LAs. The Department also reviewed the reconciliations for the grant schemes which were fully completed and therefore not included in the estimate and found no correlation between the date at which reconciliations were completed and the amount of funding the LAs paid out. There is no evidence to suggest that the LAs whose reconciliations were not complete at the date the estimation was calculated would have any higher or lower spend than the LAs included in the calculation, and the reconciliations which have been completed have been determined to be representative of spend across each scheme and the results extrapolated to reach the expenditure value recognised.

It has not been possible to calculate a confidence interval for the estimated expenditure, due to the calculation not being made on a statistically random sample. There is limited information available for which to determine a possible range around the estimate. For the grant schemes for which an estimate of expenditure has been made, the total payments made by the Department to LAs was £6,235 million. This is seen as the maximum cost to the Department. However, not all of the payments received by LAs have been paid out to businesses as grants and the estimate is the likely value to be associated with these schemes.

The minimum possible value for the grant schemes for which an estimate of expenditure has been made, is £2,189 million. This is based on the lowest percentage difference between the final reconciled value compared to the payment allocation across all schemes. This value is the lowest possible value identified in relation to the scheme, it is much lower than the amount the Department expects to be spent by the local authorities.

The estimation calculation has been re-performed including additional returns which have been received and reconciled since the expenditure value was calculated, and the change in the value of the estimate is not material. This shows that the estimate has not changed significantly with the inclusion of more information.

Included in the expenditure value of £5,569 million, is the known spend for reconciliations which have been completed for the Local Restrictions Support Grant (Closed) and (Closed) Addendum Schemes, Local Restrictions Support Grant (Open) and Closed Business Lockdown Payment schemes. The value of known expenditure is £1,084 million, the estimated spend is £4,485 million. The number of LAs which for which reconciliations have been completed is 93, out of a total of 314 LAs.

The difference between the cash amounts paid out to local authorities, and the expenditure determined to have been made to businesses is recognised as a receivable back to the Department in note 14.

Whilst the estimated spend included in note 4.4 is based on the best information that the Department has available, there is uncertainty over the final value of these schemes as the actual values which have been paid out to businesses could be different to the values calculated in the estimation process.

Useful lives of non-current assets (note 4.2, 7, 8)

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.

Financial guarantees (note 19)

The liability for each individual guarantee is measured using modelling techniques with overlay adjustments, based on management judgement, applied to the total model liability estimates for each scheme if considered necessary to ensure reported liability values reflect all relevant reasonable and supportable information.

The liabilities for the Bounce Back Loan Scheme (BBLS) and Coronavirus Business Interruption Loan Scheme (CBILS) are subject to significant estimation uncertainty relating primarily to estimates of probability of default of the underlying loans and recoveries from borrowers post claim. There is an absence of information relating to historical loan performance for these new schemes, uncertainty over forward macroeconomic conditions, absence of repayment data for analysis of performance on existing loans as at 31 March 2021 due to immaterial loan repayments during the reporting period; and, for BBLS, uncertainty in relation to levels of fraudulent borrowing.

Trade Credit Reinsurance Scheme (note 19)

The note describes the uncertainties relating to the Trade Credit Reinsurance Scheme liabilities which are 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.

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

The prior period adjustments and their impact on the comparative amounts for the prior periods represented in which the error occurred are detailed in note 26.

2. Reporting by operating segment

In accordance with the relevant reporting requirements, including IFRS 8 – Operating Segments, the Statement of Outturn against 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:

			2020-21	2019-20 restated
	Permanently employed staff	Others	Total	Total
	£m	£m	£m	£m
Wages and salaries	1,011	100	**1,111**	956
Social security costs	108	–	**108**	98
Other pension costs	242	–	**242**	225
Sub total	**1,361**	**100**	**1,461**	**1,279**
Less recoveries in respect of outward secondments	(1)	–	**(1)**	–
Total net costs	**1,360**	**100**	**1,460**	**1,279**
Of which:				
Core Department and Agencies	**471**	**32**	**503**	**429**
NDPBs and other designated bodies	**889**	**68**	**957**	**850**
Total net costs	**1,360**	**100**	**1,460**	**1,279**

Staff costs have been restated as a result of Companies House becoming part of the Departmental Group. See note 26 for further details.

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

	2020-21		2019-20 restated	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Rentals under operating leases	42	60	44	57
Accommodation and office equipment costs	26	211	25	222
Legal, professional and consultancy costs	208	428	164	348
Finance, HR, IT and support costs	160	205	156	176
Training and other staff costs	15	31	9	24
Travel and subsistence costs	4	15	11	52
Advertising and publicity	4	20	7	17
Programme management and administration of grants and awards	177	250	33	172
Capacity Market payments	–	1,095	–	1,483
Professional and international subscriptions	413	720	366	612
Enforcement costs of employment related policies	38	38	30	30
Donations	–	28	–	21
Funding Paternity, Adoption and Shared Parental Leave policy	90	90	72	72
Purchase of geographical and scientific equipment	–	37	–	40
Purchase of weather information and weather related services	113	113	101	101
Redundancy payments service	443	443	430	430
Payment of taxes and levies	–	53	–	2
Subsidy to Post Office Limited	50	50	50	50
Coronavirus Business Interruption Loan Scheme (CBILS)	701	701	–	–
Bounce Back Loan Scheme (BBLS)	832	832	–	–
Vaccine Taskforce – Vaccine Development	643	643	–	–
Energy intensive industries and other subsidies	129	129	105	105
Other purchase of goods and services cost	80	228	18	312
Total	**4,168**	**6,420**	**1,621**	**4,326**

Purchase of goods and services have been restated as a result of Companies House becoming part of the Departmental Group. See note 26 for further details.

Core Department

CBILS and BBLS

The Core Department has provided assistance to borrowers under the CBILS and BBLS loan guarantee schemes (note 19) by bearing the cost of lender fees for CBILS loans and of interest payments due for the first twelve months of loans for both CBILS and BBLS.

Vaccine Taskforce – Vaccine Development

The Vaccine Taskforce (VTF) was set up by the Government in May 2020 in response to the COVID-19 pandemic, to drive forward the development and production of a coronavirus vaccine for deployment in the UK and internationally. The VTF has entered into vaccine development agreements with eight different organisations: Oxford-AstraZeneca, Novavax, Moderna, Pfizer-BioNTech, Janssen, Sanofi-GSK, Valneva and COVAX.

For 2020-21, the responsibility for overseeing the procurement of the vaccines sits with the Vaccine Taskforce with the Core Department. Upon successful regulatory approval, vaccine doses are delivered to the Department of Health and Social Care (DHSC), who are responsible for the deployment of the vaccines.

Each project is currently at a different development stage. The Oxford-AstraZeneca, Pfizer-BioNTech and Moderna vaccines have achieved regulatory approval in 2020-21, the Janssen vaccine in May 2021, and all four are being deployed across the United Kingdom. Clinical trials have concluded for the Novavax vaccine in March 2021, and it is now awaiting regulatory approval. The Sanofi-GSK and Valneva vaccine are still going through clinical trials.

Advance payments made to support the manufacturing and clinical development of potential vaccine candidates have been initially recognised as "at risk" payments (i.e., there is a risk that vaccine development and clinical trials may not result in a vaccine candidate approved by the UK Medicines and Healthcare products Regulatory Agency), and so have been expensed in the Statement of Comprehensive Net Expenditure. These expenses are reversed and classified as a prepayment if regulatory approval is subsequently achieved. The prepayment is released when vaccines have been delivered to DHSC, in accordance with the contractual terms.

The total cost of £1,261 million has been incurred in the Statement of Comprehensive Net Expenditure for the VTF; of which £643 million are for upfront payments for vaccine development (included in the 'Vaccine Taskforce – Vaccine Development' line), and £618 million for finished vaccines transferred to DHSC ('non-monetary grant in kind', included in the 'Grants' note below). Further information on the 'non-monetary grant in kind' payments can be found in the 'Grants' note, and the prepayments value can be seen in the 'Trade and other receivables' note.

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 £1,495,000 (2019-20: £700,000) comprises £1,430,000 (2019-20: £640,000) for the cost of the audit of the Departmental Group, £20,000 (2019-20: £20,000) for the Trust Statement, and £45,000 (2019-20: £40,000) for the audit of the UK Atomic Energy Authority Pension Scheme Accounts. The increase in cost for the Departmental Group for 2020-21 relates primarily to increased audit complexity in the Core Department as a result of major new schemes introduced during the year in response to the COVID-19 pandemic.

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 £274,000 (2019-20 restated: £228,000) can be found in the accounts of the individual Agencies.

NDPBs and other designated bodies

The cash remuneration of £2,830,780 (2019-20: £2,787,121) relates to the statutory audit of NDPBs and other designated bodies. Of this amount, £2,313,900 (2019-20: £2,299,250) was payable to the NAO and £516,880 (2019-20: £487,871) was payable to auditors other than the NAO.

In 2020-21, £nil was payable to the NAO (2019-20: £nil) and £119,574 was payable to auditors other than the NAO (2019-20: £240,267) for non-audit services. Further details can be obtained from the accounts of the NDPBs and other designated bodies.

Departmental Group

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 2020-21 totalled £485 million (2019-20: £496 million) against income of £42 million (2019-20: £66 million). The net amount totalled £443 million (2019-20: £430 million).

Capacity market payments

Capacity Market payments of £1,095 million were recognised in 2020-21 (2019-20: £1,483 million).

4.2 Depreciation and impairment charges

	2020-21		2019-20 restated	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Amortisation of recoverable contract costs	–	102	–	101
Depreciation	28	237	24	234
Amortisation	5	50	5	67
Impairment of property, plant and equipment	–	19	5	26
Impairment of intangible assets	–	1	–	2
Impairment of investments and remeasurement of expected credit losses	58	105	(10)	16
Total	**91**	**514**	**24**	**446**

Depreciation and impairment charges have been restated as a result of Companies House becoming part of the Departmental Group. See note 26 for further details.

4.3 Provision, financial guarantee and other liabilities expenses

	2020-21		2019-20	
	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	2	2,087	20	247
Increase/(decrease) in other provisions due to changes in discount rate	3	(12)	7	(20)
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	72	1,837	(21)	6,812
Total increase/(decrease) in provisions excluding bad debt provisions and financial guarantee liabilities	**77**	**3,912**	**10,830**	**17,863**
Total increase/(decrease) in bad debt provisions	–	–	–	–
Total increase/(decrease) in financial guarantee liabilities and loan commitment liabilities	19,849	19,849	39	10
Total	**19,926**	**23,761**	**10,869**	**17,873**

In 2019-20, the Core Department recognised a provision relating to COVID-19 Grant Funding, specifically the Small Business Grant Fund and the Retail, Hospitality and Leisure Grant Fund which were announced by the Chancellor on 11 March 2020 to support businesses during the COVID-19 pandemic. The provision had been recognised for claims that were not paid by local authorities to eligible businesses as at 31 March 2020. The provision was fully utilised in 2020-21.

Total increase/(decrease) in financial guarantee liabilities and loan commitment liabilities for Core Department and Agencies for 2020-21 includes £19,781 million (2019-20: £nil) relating to liabilities recognised by the Core Department for new financial guarantee schemes (note 19.)

The provision expense in 2020-21 was primarily driven by cost estimate changes of the NDA's nuclear decommissioning provision which increased the nuclear decommissioning liability estimate by £1.8 billion (2019-20: £6.9 billion). In 2020-21 and 2019-20, the equivalent real discount rate for cash outflows expected after ten years prescribed by HM Treasury was unchanged at (0.01%). 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

	2020-21		2019-20	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Grant in aid	12,499	–	11,308	–
Post Office network reform	–	–	42	42
Market frameworks	83	83	67	67
Science and Research	618	7,315	521	6,730
International Climate Fund	515	518	291	297
Renewable Heat Incentive	848	848	846	846
Heat Infrastructure team	60	60	29	29
Innovation programmes	112	593	125	610
Social Housing and Public Sector Decarbonisation Grant schemes	670	670	–	–
Green Homes Grant scheme	539	539	–	–
Vaccine Taskforce: vaccines transferred to DHSC	618	618	–	–
Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund and Local Authority Discretionary Grant Fund	683	683	151	151
Local Restriction Support Grant schemes	7,225	7,225	–	–
New burdens funding	142	142	–	–
Science and Research support grants	–	540		
Grants to central government bodies	5,086	5,086	588	588
Transfer of freehold property assets to the Government Property Agency	23	42	–	–
Other grants	74	82	38	50
Total	**29,795**	**25,044**	**14,006**	**9,410**

Core Department

The total of £5,086 million of ‘Grants to central government bodies’ in 2020-21 includes:

- £5,070 million relating to a contribution by the Core Department to the Nuclear Liabilities Fund (NLF), following agreement between HM Treasury and the NLF (2019-20: £nil), and
- £16 million to the Official Receiver to discharge their statutory duties in relation to the insolvency of British Steel Limited (2019-20: £588 million).

As part of the Vaccine Taskforce, £618 million has been recognised as ‘non-monetary grant in kind’ payments to the Department of Heath and Social Care (DHSC). These are for finished COVID-19 vaccines; the ‘non-monetary grant in kind’ payments to DHSC have been measured at the total cost of the finished vaccines.

The Green Homes Grant Scheme has been administered through the voucher scheme and the Local Authority Delivery Scheme (LADs). Voucher expenditure is currently £35.9 million. Of this, £20.3 million relates to vouchers paid, £15.6 million relates to accruals for vouchers awaiting payment (works done). The Local Authority Delivery Scheme (LADs) scheme has a spend of £502.8 million. This represents all phases of the scheme, i.e., Phases 1a, 1b and 2. The Green Homes Grant Scheme closed to new applications on 31 March 2021.

The 'Social Housing and Public Sector Decarbonisation' total, includes £62 million in relation to the Social Housing scheme and £608 million in relation to the Public Sector Decarbonisation Scheme. In 2020-21, the Core Department provided £533.6 million to local authorities under Section 31 of Local Government Act 2003. Other eligible public bodies were provided grants by the Core Department but were administered and paid through Salix Finance Limited (within the Departmental Boundary); a total of £74.4 million was paid out via Salix Finance Limited in 2020-21 in relation to the Social Housing and Public Sector Decarbonisation Scheme.

COVID-19 Business Support Grants

In 2019-20, the Core Department recognised a provision for the Small Business Grant Fund (SBGF) and the Retail, Hospitality and Leisure Grant Fund (RHLGF) of £10,824 million representing the Core Department's estimate of total payments to be made under the schemes. This liability was settled in full in 2020-21 by grants paid to businesses under the two schemes, with an additional value of £110.3 million grants paid out under these schemes.

In 2020-21, the Core Department launched further COVID-19 support to businesses through several new grant schemes. Further information on the COVID-19 Business Support Grants recognised in 2020-21 is below:

COVID-19 Business Support Grant	Amount £m	Paragraph
Small Business Grant Fund (SBGF) and the Retail, Hospitality and Leisure Grant Fund (RHLGF)	110.3	See above
Local Authority Discretionary Grant Fund (LADGF)	573.0	a
Total: Small Business Grant Fund, Retail, Hospitality and Leisure Grant Fund, and Local Authority Discretionary Grant Fund	**683.3**	
Local Restrictions Support Grants (Closed) and (Closed) Addendum schemes	3,404.0	b
Local Restrictions Support Grant (Sector)	3.0	
Local Restrictions Support Grant (Open)	198.1	
Additional Restrictions Grant	1,631.0	c
Christmas Support Package	22.9	
Closed Business Lockdown Payment	1,965.9	d
Total: Local Restrictions Support Grant schemes	**7,224.9**	
Total: COVID-19 Business Support Grant	**7,908.2**	

a) On 1 May 2020, the Local Authority Discretionary Grant Fund (LADGF) was announced. This additional fund was aimed at small businesses with ongoing fixed property-related costs who were not eligible for the Small Business Grant Fund or the Retail, Leisure and Hospitality Fund.

The Department has recognised grant expenditure in relation to the Local Authority Discretionary Grant Fund (LADGF) scheme of £573.0 million. The Local Authority Discretionary Grant Fund is now closed, and local authorities received this funding by 30 September 2020.

b) Local restrictions came into force and further grant schemes were announced in response.

On Wednesday 9 September 2020, the Government announced there would be further funding to support businesses that were legally required to close due to restrictions being put in place to manage the coronavirus. This support took the form of a grant funding scheme called the Local Restrictions Support Grants (Closed). There were various iterations of this scheme covering different periods as the local restrictions evolved in response to the pandemic including the (Closed) addendum scheme which applied in periods of national restrictions.

The Department has recognised grant expenditure in relation to the Local Restrictions Support Grants (Closed) and (Closed) Addendum schemes of £3,404.0 million. The Local Restrictions Support Grants (Closed) and (Closed) Addendum schemes closed to new applications on 31 March 2021.

c) On 31 October 2020, the Government announced the introduction of additional support for local authorities under national and Local COVID Alert Level 3 restrictions. This support took the form of a funding scheme called the Additional Restrictions Grant (ARG). Under the Additional Restrictions Grant, local authorities receive a one-off lump sum payment amounting to £20 per head in each eligible local authority when Local COVID Alert Level 'Very High' (LCAL 3) or widespread national restrictions are imposed. On the 5 January 2021, a top-up to the Additional Restrictions Grant (ARG) was announced. The Department has recognised grant expenditure in relation to the Additional Restrictions Grant (ARG) scheme of £1,631 million, the amount allocated to local authorities. Funds that have not been distributed by local authorities by 31 March 2022 will be subject to recovery. Therefore, the actual expenditure figure may be lower than that reported above.

d) The Closed Business Lockdown Payment was announced on 4 January 2021 for businesses required to close as a result of national lockdown from 5 January 2021. The total grants paid in relation to this scheme was £1,965.9 million. The Closed Businesses Lockdown Payment closed to new applications on 31 March 2021.

Details regarding the estimation of expenditure in the Local Restrictions Support Grant (Closed) and (Closed) Addendum Schemes, Local Restrictions Support Grant (Open) and Closed Business Lockdown Payment schemes can be found in note 1.26.

5. Finance expense

		2020-21		2019-20
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Change in fair value – financial assets	63	(302)	(113)	50
Net loss/(gain) on foreign exchange	(1)	(1)	–	(1)
Unrealised foreign exchange rate losses/(gains)	(1)	8	1	1
Bank charges and interest payable	–	47	–	36
Expected return on funded pension scheme assets	–	(36)	–	(39)
Interest on pension liabilities	–	33	–	38
Borrowing costs on provisions	(14)	13	(13)	(103)
Total	**47**	**(238)**	**(125)**	**(18)**

In 2019-20, HM Treasury prescribed nominal and inflation rates were positive, however the resulting real discount rates were negative. In 2020-21, HM Treasury prescribed nominal rate for cashflows expected in the next five years were negative, whilst the prescribed nominal and inflation rates for cashflows expected in over five years remained positive, this resulted in the real discount rates being slightly more negative than in 2019-20 for provisions expected to be settled in the next ten years. The 2020-21 equivalent real discount rate for cash outflows expected after ten years prescribed by HM Treasury remained at (0.01%), the same as 2019-20. The negative equivalent real discount rate for cashflow expected in the next five to ten years, increased from (1.42%) in 2019-20 to (1.78%) in 2020-21. The borrowing costs on provision positive expense is primarily driven by the unwind of the discount on the Coal Authority's 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

	2020-21		2019-20 restated	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£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	699	885	210	378
Levy income	11	3,449	11	3,347
Sales of goods and services	7	657	10	804
Miscellaneous income	10	66	9	86
Other income				
European Union funding	1	12	1	20
Current grants and capital grants	162	332	81	228
Total	**890**	**5,401**	**322**	**4,863**

Operating income – Fees, charges and recharges to/from external customers and central government organisations and Miscellaneous income have been restated as a result of Companies House becoming part of the Departmental Group. See note 26 for further details.

Core Department

'Fees, charges and recharges to/from external customers and central Government organisations' for the Core Department and Agencies of £699 million (2019-20: £210 million) includes premium fee income of £378 million (2019-20: £nil) relating to new schemes implemented by the Core Department during 2020-21. The premium fee income of £378 million includes £335 million from the Trade Credit Reinsurance Scheme (note 19), £40 million from the Coronavirus Business Interruption Loan Scheme and £3 million from the Coronavirus Large Business Interruption Loan Scheme.

Departmental Group

Within Levy Income, Capacity Market supplier charge income of £1,095 million has been recognised in 2020-21 (2019-20: £1,483 million). The value of Capacity Market supplier charge income recognised in 2019-20 was higher than 2020-21 because Capacity Market supplier charge income relating to the 2018/19 Delivery Year was recognised in Levy Income in 2019-20 due to the 'Standstill' of the Capacity Market in 2018-19 (see note 1.26).

Included in the Sales of goods and services line above is £555 million of income from the NDA (2019-20: £703 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 contracts, 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: 2021–2026	2027– 2039	2040–2087
Spent fuel reprocessing and associated waste management	Spent fuel storage	13	708	54	139	515
	Interim storage wastes	86	340	340	–	–
	Treatment of wastes	64	254	254	–	–
	Storage of treated wastes	5	170	19	51	100
	Storage of products	19	834	85	222	527
Spent fuel receipts	Receipt of spent fuel	211	3,729	1,937	1,792	–
Other storage contracts	Storage of materials	15	1,051	281	605	165
Storage and destorage of residues	Storage	6	12	12	–	–
	Destorage	2	18	18	–	–
Waste substitution	Destorage	22	51	51	–	–
Legacy waste management	Waste management	6	156	156	–	–
Transfer of ownership of materials and flasks		43	–	–	–	–
Total		**492**	**7,323**	**3,207**	**2,809**	**1,307**

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

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

Further details can be found in the NDA's annual report and accounts.

6.2 Finance income

	2020-21 Core Department and Agencies £m	2020-21 Departmental Group £m	2019-20 restated Core Department and Agencies £m	2019-20 restated Departmental Group £m
Effective Interest from FVTPL assets	18	18	25	25
Effective Interest from amortised cost assets	33	33	29	29
Interest income from amortised cost assets	7	84	10	85
Interest income from FVTPL assets	12	69	10	54
Dividend income from FVTPL assets held at the period end	–	95	–	97
Dividend income from investments in joint ventures, associates and public dividend capital	145	33	134	41
Total	**215**	**332**	**208**	**331**

Finance income – Interest income from amortised cost assets and Dividend income from investments in joint ventures, associates and public dividend capital have been restated, see note 26 for further details.

Core Department and Agencies

In 2020-21 Core Department and Agencies recognised dividend income of £145 million (2019-20: £134 million). This includes a dividend of £88 million from Enrichment Holdings Limited (EHL) (2019-20: £94 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 2020-21 the Departmental Group received dividend income of £128 million (2019-20: £138 million), comprising distributions from investment funds and dividend income of £88 million (2019-20: £90 million) recognised from BIS (Postal Services Act 2011) Company.

7. Property, plant and equipment

Departmental Group 2020-21	Land	Buildings	Dwellings	Leasehold Improvements	Information Technology	Plant and Machinery	Furniture, Fixtures and Fittings	Transport Equipment	Assets under Construction	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Cost or valuation										
Balance at 1 April 2020	**275**	**2,594**	**42**	**74**	**251**	**6,168**	**26**	**285**	**636**	**10,351**
Additions	2	4	–	–	14	58	1	5	402	486
Disposals	(13)	(69)	–	(4)	(61)	(48)	(3)	(1)	–	(199)
(Impairments)/ impairment reversals	–	–	–	–	–	4	–	–	–	4
Transfer to non-current assets held for sale	(5)	–	–	–	–	–	–	–	–	(5)
Reclassifications	22	146	(42)	13	8	64	2	1	(214)	–
Revaluations	19	(18)	–	–	1	32	–	6	–	40
At 31 March 2021	**300**	**2,657**	**–**	**83**	**213**	**6,278**	**26**	**296**	**824**	**10,677**
Depreciation										
Balance at 1 April 2020	**(28)**	**(1,036)**	**–**	**(38)**	**(185)**	**(5,242)**	**(14)**	**(176)**	**–**	**(6,719)**
Charged in year	(1)	(58)	–	(7)	(29)	(128)	(3)	(11)	–	(237)
Disposals	–	37	–	4	61	47	3	1	–	153
Impairments	–	–	–	–	–	(22)	–	(1)	–	(23)
Reclassifications	–	(3)	–	–	–	3	–	–	–	–
Revaluations	1	5	–	–	(1)	(20)	–	(3)	–	(18)
At 31 March 2021	**(28)**	**(1,055)**	**–**	**(41)**	**(154)**	**(5,362)**	**(14)**	**(190)**	**–**	**(6,844)**
Carrying amount at 31 March 2021	**272**	**1,602**	**–**	**42**	**59**	**916**	**12**	**106**	**824**	**3,833**
Carrying amount at 1 April 2020	**247**	**1,558**	**42**	**36**	**66**	**926**	**12**	**109**	**636**	**3,632**
Asset financing:										
Owned	221	1,585	–	42	59	916	12	106	824	3,765
Leased	51	17	–	–	–	–	–	–	–	68
Carrying amount at 31 March 2021	**272**	**1,602**	**–**	**42**	**59**	**916**	**12**	**106**	**824**	**3,833**
Of the total:										
Core Department and Agencies	16	133	–	33	9	83	4	–	50	328
NDPBs and other designated bodies	256	1,469	–	9	50	833	8	106	774	3,505
Carrying amount at 31 March 2021	**272**	**1,602**	**–**	**42**	**59**	**916**	**12**	**106**	**824**	**3,833**

Departmental Group 2019-20	Land	Buildings	Dwellings	Leasehold Improvements	Information Technology	Plant and Machinery	Furniture, Fixtures and Fittings	Transport Equipment	Assets under Construction	Total restated
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Cost or valuation										
Balance at 1 April 2019	**247**	**2,487**	**41**	**59**	**271**	**6,211**	**21**	**329**	**581**	**10,247**
Additions	–	5	–	1	14	43	4	2	227	296
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	**275**	**2,594**	**42**	**74**	**251**	**6,168**	**26**	**285**	**636**	**10,351**
Depreciation										
Balance at 1 April 2019	**(7)**	**(1,000)**	**–**	**(34)**	**(204)**	**(5,210)**	**(13)**	**(220)**	**–**	**(6,688)**
Charged in year	(1)	(50)	(1)	(5)	(30)	(133)	(2)	(12)	–	(234)
Disposals	–	2	–	1	52	109	1	64	–	229
Impairments	–	–	–	–	(3)	–	–	–	–	(3)
Reclassifications	(22)	22	–	–	–	3	–	(3)	–	–
Revaluations	2	(10)	1	–	–	(11)	–	(5)	–	(23)
At 31 March 2020	**(28)**	**(1,036)**	**–**	**(38)**	**(185)**	**(5,242)**	**(14)**	**(176)**	**–**	**(6,719)**
Carrying amount at 31 March 2020	**247**	**1,558**	**42**	**36**	**66**	**926**	**12**	**109**	**636**	**3,632**
Carrying amount at 1 April 2019	**240**	**1,487**	**41**	**25**	**67**	**1,001**	**8**	**109**	**581**	**3,559**
Asset financing:										
Owned	194	1,540	42	36	65	926	12	109	636	3,560
Leased	53	18	–	–	–	–	–	–	–	71
On balance sheet (SoFP) PFI and other service concession arrangements	–	–	–	–	1	–	–	–	–	1
Carrying amount at 31 March 2020	**247**	**1,558**	**42**	**36**	**66**	**926**	**12**	**109**	**636**	**3,632**
Of the total:										
Core Department and Agencies	21	126	–	30	11	84	5	–	56	333
NDPBs and other designated bodies	226	1,432	42	6	55	842	7	109	580	3,299
Carrying amount at 31 March 2020	**247**	**1,558**	**42**	**36**	**66**	**926**	**12**	**109**	**636**	**3,632**

Property, plant and equipment has been restated as a result of Companies House becoming part of the Departmental Group. See note 26 for further details.

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 2021 were held by Nuclear Decommissioning Authority (NDA) and UK Research and Innovation (UKRI). Revaluations were conducted in 2021 for some of the UKRI land and buildings, by Avison Young Ltd Chartered Surveyors. Included in Assets under construction is £200.0 million (2019-20 £246.2 million) for the RRS Sir David Attenborough and associated projects.

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.

During the year, Dwellings have been reclassified to the Buildings category of PPE above.

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

Transfer of Freehold Assets

In the year, the Department entered into three agreements with the Government Property Agency (GPA) an executive agency of the Cabinet Office, to transfer the following freehold property assets owned by the Department, including all revaluation reserve balances associated with the assets shown below.

This transfer which is shown as a disposal within buildings in the table above, includes a transfer of legal ownership of land, buildings and any associated components that are a result of subsequent enhancement since recognition of the original asset.

Asset Detail	Date of Transfer	Net Book Value as at 31 March 2021 £m	Date of Lease Agreement
Core and Agencies:			
Building 84, Stanton Avenue, Teddington, TW11 0JZ	14 February 2021	9.5	10 February 2021
Companies House, Crown Way, Cardiff, CF14 3UZ	31 March 2021	13.7	12 April 2021
Departmental Group:			
Polaris House, North Star Avenue, Swindon, SN2 1FL	31 March 2021	19.1	18 December 2020

The assets were transferred to GPA for £nil consideration and in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, they were transferred at fair value resulting in a capital grant in kind expense of the same amount.

The Department will begin to pay rent per the terms set out in the lease that was signed on the date listed in the table above, between the Department and GPA.

All freehold assets were subject to a professional valuation by Montagu Evans at the date of the transfer. Any movements in book value as a result of this revaluation were adjusted prior to the transfer to GPA.

8. Intangible assets

Departmental Group 2020-21	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 2020	**153**	**194**	**1**	**331**	**87**	**20**	**786**
Additions	4	1	–	–	–	21	26
Disposals	(9)	(2)	–	–	(87)	–	(98)
Reclassifications	42	(25)	–	–	–	(17)	–
Revaluations	–	–	–	54	–	–	54
At 31 March 2021	**190**	**168**	**1**	**385**	**–**	**24**	**768**
Amortisation							
Balance at 1 April 2020	**(120)**	**(155)**	**(1)**	**(262)**	**–**	**–**	**(538)**
Charged in year	(14)	(20)	–	(16)	–	–	(50)
Disposals	9	2	–	–	–	–	11
Impairments	(1)	–	–	–	–	–	(1)
Reclassifications	(17)	17	–	–	–	–	–
At 31 March 2021	**(143)**	**(156)**	**(1)**	**(278)**	**–**	**–**	**(578)**
Carrying amount at 31 March 2021	**47**	**12**	**–**	**107**	**–**	**24**	**190**
Carrying amount at 1 April 2020	**33**	**39**	**–**	**69**	**87**	**20**	**248**
Asset financing:							
Owned	47	12	–	107	–	24	190
Carrying amount at 31 March 2021	**47**	**12**	**–**	**107**	**–**	**24**	**190**
Of the total:							
Core Department and Agencies	21	2	–	–	–	21	44
NDPBs and other designated bodies	26	10	–	107	–	3	146
Carrying amount at 31 March 2021	**47**	**12**	**–**	**107**	**–**	**24**	**190**

Departmental Group 2019-20	Information Technology £m	Software Licences £m	Websites £m	Patents £m	Licences & Others £m	Assets under Construction £m	Total restated £m
Cost or Valuation							
At 1 April 2019	**204**	**122**	**1**	**318**	**–**	**26**	**671**
Additions	5	19	–	–	119	12	155
Disposals	(10)	(7)	–	–	–	(2)	(19)
Impairments	–	(1)	–	–	–	(1)	(2)
Reclassifications	(50)	61	–	–	–	(11)	–
Transfers in/(out)	4	–	–	–	–	(4)	–
Revaluations	–	–	–	13	(32)	–	(19)
At 31 March 2020	**153**	**194**	**1**	**331**	**87**	**20**	**786**
Amortisation							
At 1 April 2019	**(172)**	**(67)**	**(1)**	**(248)**	**–**	**–**	**(488)**
Charged in year	(17)	(36)	–	(14)	–	–	(67)
Disposals	10	7	–	–	–	–	17
Reclassifications	59	(59)	–	–	–	–	–
At 31 March 2020	**(120)**	**(155)**	**(1)**	**(262)**	**–**	**–**	**(538)**
Carrying amount at 31 March 2020	**33**	**39**	**–**	**69**	**87**	**20**	**248**
Carrying amount at 1 April 2019	**32**	**55**	**–**	**70**	**–**	**26**	**183**
Asset financing:							
Owned	33	39	–	69	87	20	248
Carrying amount at 31 March 2020	**33**	**39**	**–**	**69**	**87**	**20**	**248**
Of the total:							
Core Department and Agencies	5	12	–	–	87	15	119
NDPBs and other designated bodies	28	27	–	69	–	5	129
Carrying amount at 31 March 2020	**33**	**39**	**–**	**69**	**87**	**20**	**248**

Intangible assets have been restated as a result of Companies House becoming part of the Departmental Group. See note 26 for further details

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.

The EU ETS allowances were revalued to £87 million at 31 March 2020, before being sold in in November and December 2020. The profit on disposal was £52.6 million (after payment of distributable profits to the Official Receiver).

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 2021 is £107 million (2019-20: £69 million) and there would need to be a substantial increase in expected royalty income to result in a material increase in the fair value of the patents.

9. Derivative financial instruments

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

Contracts for Difference (CfDs)

CfDs are a mechanism used to support new investment in UK low carbon generation projects. CfDs have been established as a private law 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', designated as FVTPL and stated 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 marketplace but where no marketplace 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 18 December 2020.

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 relevant payment period 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).

Typically, if generators start generating within their TCW (which is specified in the contract) then the generation period starts from the date of generation and, subject to all conditions being met, the generator can extract benefit for the full term of the contract. If generators miss the end of their TCW (and it is not extended under the terms of the contract) then the payment life period commences at the end of their TCW even if the generator is not in a position to generate. If the generator does not achieve the required minimum generation capacity by the contractual Longstop Date, LCCC has a right to terminate the CfD.

After initial recognition, the Department recognises the deferred difference as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

Changes in fair value arising after day one are recognised in the reporting period that they occur and are accounted for in the Statement of Comprehensive Net Expenditure and in the Statement of Financial Position as they arise. An individual CfD is only recognised as an asset if the decrease in fair value is significant as compared to the CfD portfolio.

CfDs may be signed many years in advance of actual generation. The main benefit to generators is the fact that they can derive economic value from these contracts over the payment period life of the contract.

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 2021 LCCC was counterparty to 72 contracts, including HPC, recognised in the accounts (at 31 March 2020: 73 contracts). During 2019-20 the Departmental Group recognised the HPC CfD in the Statement of Financial Position for the first time.

Measurement differences relating to day one recognition

All CfDs (including HPC) are issued for £nil consideration through the CfD auction process, this being deemed the transaction price. The difference between the fair value of the instrument at initial recognition (day one) and the transaction price is deferred unless the fair value at initial recognition is based on observable inputs (which is not currently the case).

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

	Core Department and Agencies	LCCC CfDs (exc. HPC)	LCCC HPC	Departmental Group Total
	£m	£m	£m	£m
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**
Re-measurement 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**
Carrying value of non-current derivative liabilities as at 31 March 2020	**–**	**16,464**	**–**	**16,464**
Remeasurement of the CfD liability	–	416	1,202	1,618
Payments to the CfD generators	–	(2,277)	–	(2,277)
Deferred difference recognised during the year	–	1,128	–	1,128
CfD liability as at 31 March 2021 recognised on the Consolidated Statement of Financial Position	**–**	**15,731**	**1,202**	**16,933**
Carrying value of non-current derivative liabilities as at 31 March 2021	**–**	**15,731**	**1,202**	**16,933**

During the year, the net movement of £2,746 million (2019-20: £5,346 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	LCCC CfDs exc. HPC	LCCC HPC	Departmental Group Total
	£m	£m	£m	£m
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**
Measurement differences recognised relating to terminated CfDs	–	6	–	6
Deferred measurement differences recognised during the year	–	(1,128)	–	(1,128)
Deferred measurement differences as at 31 March 2021	**–**	**21,171**	**50,826**	**71,997**

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 using the Dynamic Dispatch Model (DDM) owned by the Department.

Should no low carbon electricity be supplied in accordance with the contractual terms, then 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 2020	–	–	89,583	89,583
Balance at 31 March 2021	–	–	88,930	88,930

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 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**
Change in fair value during the year	416	1,202	1,618
CfDs terminated during the year	6	–	6
Payments to the CfD generators	(2,277)	–	(2,277)
Balance at 31 March 2021	**36,902**	**52,028**	**88,930**

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 2020 DDM reference case to calculate the fair value of the CfD portfolio, due to the unavailability of the 2021 DDM. Low and high cases were also published by the Department which presented low and high assumptions for the wholesale prices of oil, gas and coal. The impact of the high and low cases is illustrated in the sensitivity analysis table below. The internal model used to calculate the fair value has been updated for short term prices, installed capacities, Transmission Loss Multiplier (TLM) and load factors.

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 £2.4 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 Longstop Date. The valuation uses the latest estimate from generators on the start date.

The estimated start dates for reactor one and reactor two of the HPC project are June 2026 and June 2027 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 investment contracts and offshore wind) of its current contractual installed capacity figure and 100%. The actual output of the generator will depend on the load factor.

The HPC 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.

For HPC CfD the generator (NNB Generation Company (HPC) Limited) provides LCCC with a generation profile, which forecasts the generation over the life of the contract.

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 2021 in line with the requirements of the CfD contract.

The relevant strike price for the HPC 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. 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 HPC 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 HPC project outperforms relative to the original base case assumptions; and

ii a mechanism to capture gains above specified levels arising from the sale of equity and economic interests (direct or indirect) in the HPC project.

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

- If the relevant IRR is more than 11.4%, LCCC will receive 30% of any gain above this level.
- If the relevant IRR is more than 13.5%, 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 HPC come in under budget, the strike price will be adjusted downwards so that the gain (or saving) is shared with LCCC. The gain share is 50/50 for the first billion pounds, with savings in excess of this figure being shared 75% to LCCC and 25% to the generator, NNB Generation Company (HPC) Limited (NNBG).

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

No adjustment to the valuation has been made for construction gain share on the grounds that there has not been any construction gain share 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 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 LCCC management and used for the valuation produces a forecast price of £40.10 per MWh in 2040 and £37.82 per MWh in 2050 (and 2060). The Department also included high and low cases for this reference case scenario. These high and low value cases 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 the Department's high/low fossil fuel price scenarios the forecast price is £42.72/£33.78 per MWh in 2040 and £42.35/£33.59 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 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. Having undertaken appropriate due diligence LCCC management is satisfied that, whilst significant, the estimation uncertainty associated with future wholesale electricity prices is not fundamental.

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 LCCC has used the HM Treasury discount rate of 0.7% for valuing financial instruments such as CfDs. In the table below the impact of using the social discount rate of 3.5%, as published in the HM Treasury Green Book, has been illustrated.

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 HPC CfD the impact (and certain assumptions) have been shown separately.

	Favourable/ (Unfavourable) changes HPC CfD £m	Favourable/ (Unfavourable) changes Other CfDs £m	Favourable/ (Unfavourable) changes Total Impact £m
Change in fair value of CfDs if:			
DDM High Case	3,971	7,425	11,396
DDM Low Case	(4,494)	(6,651)	(11,145)
Discount rate of 3.5%	23,306	6,531	29,837
Specific to CfDs exc. HPC:			
10% more load factor	–	(3,690)	(3,690)
10% less load factor	–	3,690	3,690
Estimated Commissioning Date moves backward by one year	–	(348)	(348)
Generation starts at the earliest possible date	–	137	137
Specific to HPC CfD:			
10% less load factor	5,203	–	5,203
Generation starts at the earliest possible date	80	–	80
Generation start date delayed one year from estimated start date	(32)	–	(32)
Sizewell C strike price adjustment	2,761	–	2,761

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.

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 in the preparation of the financial statements.

	Fair value of CfDs £m	Valuation technique	Significant unobservable input	Range Min – Max	Units
2020	89,583	DCF	Electricity prices	32.69 – 60.46	£/MWh
2021	88,930	DCF	Electricity prices	24.62 – 77.77	£/MWh

10. Investments and loans in other public sector bodies

	Ordinary shares	Public Dividend Capital restated	Other investments and loans	Core Department and Agencies Total restated	Elimination of shares and other investments and loans held in NDPBs	NDPBs Ordinary Shares and Other investments and loans	Departmental Group Total restated
	£m	£m	£m	£m	£m	£m	£m
Balance at 1 April 2019	**2,479**	**65**	**788**	**3,332**	**(2,079)**	**489**	**1,742**
Additions	19	–	238	**257**	(148)	–	**109**
Redemptions	–	–	(1)	**(1)**	–	–	**(1)**
(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**
Additions	364	–	499	**863**	(721)	–	**142**
Redemptions	–	–	(68)	**(68)**	11	–	**(57)**
(Impairments) / Impairment reversal	51	–	(30)	**21**	(22)	–	**(1)**
Revaluations	(103)	–	–	**(103)**	1	41	**(61)**
Unwinding of discount	–	–	5	**5**	(1)	–	**4**
Loans repayable within 12 months transferred to current assets	–	–	(9)	**(9)**	1	–	**(8)**
Balance at 31 March 2021	**2,609**	**65**	**1,427**	**4,101**	**(2,950)**	**574**	**1,725**

Investments and loans in other public sector bodies – Public Dividend Capital has been restated as a result of Companies House becoming part of the Departmental Group. See note 26 for further details.

10.1 Ordinary Shares in other public sector bodies

	31 March 2021		31 March 2020	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Balance at 1 April	**2,297**	**1,305**	**2,479**	**1,404**
Additions	364	–	19	19
(Impairments)/Impairment reversal	51	–	(39)	–
Revaluations	(103)	(61)	(162)	(118)
Balance at 31 March	**2,609**	**1,244**	**2,297**	**1,305**
Comprising				
Ordinary Shares held within the Departmental boundary – held at cost	1,939	–	1,524	–
Ordinary Shares held outside the Departmental boundary – held at fair value	670	1,244	773	1,305
Balance at 31 March	**2,609**	**1,244**	**2,297**	**1,305**

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 1,860,711,265 ordinary shares (31 March 2020: 1,496,407,933), each with a nominal value of £1. The Core Department invested in additional share capital during the year of £364 million (31 March 2020: £nil). The Core Department's holding had a cost of £1,861 million at 31 March 2021 (31 March 2020: £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 2020: 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 that was subsequently repaid. The Core Department's holding had a cost less provision for impairment of £76 million at 31 March 2021 (31 March 2020: £25 million).

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 UKGIP 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 through the SoS holds 62,016,358 non-voting shares and one voting share in UKSBS, held at cost less provision for impairment of £2 million at 31 March 2021 (31 March 2020: £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 held one ordinary share in STSC with a nominal value of £1. On 8 October 2020, the one ordinary share in STSC was transferred to the South Tees Development Corporation.

The principal objective of the company is to secure and manage the South Tees Site, this continues under the company's new ownership.

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 2021 (31 March 2020: £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 2021 (31 March 2020: £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 through other comprehensive income.

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 2021 was £nil (31 March 2020: £145 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 for fair value. The fair value as at 31 March 2021 was £327 million (31 March 2020: £325 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 2021 was £158 million (31 March 2020: £151 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 2021 was £87 million (31 March 2020: £70 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 for fair value. The fair value as at 31 March 2021 was £98 million (31 March 2020: £81 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 for fair value and amounted to £574 million as at 31 March 2021 (31 March 2020: £533 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	71.88%
Rutherford Indemnity Limited	Guernsey	Nuclear insurance	NDA	100%

(i) Ownership through International Nuclear Services Limited.

10.2 Public Dividend Capital (PDC)

	UK Intellectual Property Office	Met Office	Total restated
	£m	£m	£m
Balance at 1 April 2019 restated	**6**	**59**	**65**
Additions	–	–	–
Redemptions	–	–	–
Impairments	–	–	–
Balance at 31 March 2020	**6**	**59**	**65**
Additions	–	–	–
Redemptions	–	–	–
Impairments	–	–	–
Balance at 31 March 2021	**6**	**59**	**65**

Public Dividend Capital has been restated as a result of Companies House becoming part of the Departmental Group. See note 26 for further details

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

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.

	UK Intellectual Property Office	Met Office
	£m	£m
Net Assets/(Liabilities) at 31 March 2020	97	273
Turnover	111	249
Surplus/profit (deficit/loss) for the year before financing	5	15
Net Assets/(Liabilities) at 31 March 2021	96	270
Turnover	122	259
Surplus/profit (deficit/loss) for the year before financing	7	7

For all bodies, information for 2020-21 and 2019-20 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 2021		31 March 2020	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Balance at 1 April	**1,030**	**336**	**788**	**273**
Additions	499	142	238	90
Repayments	(68)	(57)	(1)	(1)
Unwind of discount	5	4	–	–
Impairments	(30)	(1)	–	–
Revaluations	–	–	20	–
Loans repayable within 12 months transferred to current assets	(9)	(8)	(15)	(26)
Balance at 31 March	**1,427**	**416**	**1,030**	**336**

Loans in other public sector bodies

Core Department

The balance comprises a number of loans to other public sector bodies, the most significant loans making up the balance are detailed below:

Energy Efficiency Loans Scheme and Recycling Funds

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.

To 30 September 2020, the Core Department recognised the loans made to Salix Finance Limited as loans to public sector bodies outside of the Departmental Group. The public sector loans schemes (Energy Efficiency Loans Scheme and Recycling Funds) had been administered by Salix Finance Limited since their inception and were recognised in Salix Finance Limited's accounts. On 30 September 2020, the Secretary of State became the sole shareholder of Salix Finance Limited which resulted in Salix Finance Limited becoming a NDPB. From 30 September 2020, when it was assessed that the Core Department was principal to these loans, the Core Department recognised all loans made under the Energy Efficiency Loans Scheme and Recycling Funds, rather than recognising the loan to Salix Finance Limited. Salix Finance Limited no longer holds these loans; Salix Finance Limited now only administers the loans on behalf of the Core Department.

The total carrying amount of the Energy Efficiency Loans Scheme and Recycling Funds is £234.2 million at 31 March 2021; the non-current element of these loans is £188.6 million (included in note 10.3), and the current element of these loans is £45.6 million (included in note 15). These are accounted for at amortised cost under IFRS 9.

Fleetbank Funding Limited Loan (Enable Funding programme)

The Core Department's loan to Fleetbank Funding Limited is to provide funding to support the Enable Funding programme, managed by the British Business Bank. This was launched in November 2014 and aimed at improving the provision of asset and lease finance to smaller UK businesses.

The carrying amount of the Fleetbank Funding Limited loan is £493 million at 31 March 2021 (31 March 2020: £410 million). The loans are accounted for at amortised cost under IFRS 9.

This loan is to a consolidated body and is eliminated on consolidation.

Northern Powerhouse Investment Limited and Midlands Engine Investment Limited Loans

The Core Department has loans with Northern Powerhouse Investment Fund and Midlands Engine Investment Fund. The funds are matched by funding from the European Investment Bank. The funds are set up to provide commercially-focused finance to help small and medium sized enterprises start up and grow.

The carrying amount of the loan investments in these entities is £241 million at 31 March 2021 (31 March 2020: £140 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 loans with the Met Office fund 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 loans are £153 million at 31 March 2021 (31 March 2020: £118 million). The non-current element of these loans is £152 million at 31 March 2021 (31 March 2020: £104 million) included in the table above; the current element of these loans is £1 million at 31 March 2021 (31 March 2020: £14 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.
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.

Body in which Share is held and type and value of Share	Significant terms of Shareholding
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.
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.

<table>
<tr><th>Body in which Share is held and type and value of Share</th><th>Significant terms of Shareholding</th></tr>
<tr><td>British Energy Ltd (formerly British Energy plc)

£1 Special Share</td><td>• British Energy plc Special Share created in 1996 is held solely by the Secretary of State for Business, Energy and Industrial Strategy.
• The consent of the Special Shareholder, which can only be refused on grounds of national security (except in relation to an amendment to the company's Articles of Association), is required in respect of:
– various amendments to the company's Articles of Association; and
– the giving of consent in respect of the issue of shares by, the sale of shares in or amendments to the Articles of Association of various subsidiaries in certain cases.
• The company has no significant assets or liabilities as a result of the restructuring scheme, which came into effect on 14 January 2005.</td></tr>
<tr><td>Nuclear Liabilities Fund Ltd

£1 Special Rights Redeemable Preference Share</td><td>• Created in 1996.
• The Secretary of State for Business, Energy and Industrial Strategy has a Special 'A' Share (there is also a 'B' Share held by British Energy).
• The consent of the Special Shareholder is required for any of the following:
– to change any of the provisions in the Memorandum of Association or Articles of Association;
– to alter the share capital or the rights attached thereto;
– the company to create or issue share options;
– the 'B' Special Shareholder or any of the Ordinary shareholders to dispose or transfer any of their rights in their shares;
– the company to pass a members voluntary winding-up resolution;
– the company to recommend, declare or pay a dividend;
– the company to create, issue or commit to give any loan capital;
– the company to issue a debenture; or
– the company to change its accounting reference date.</td></tr>
<tr><td>OneWeb Holdings Limited

$0.01USD Special Share</td><td>• Incorporated in 2020.
• The Secretary of State for Business, Energy and Industrial Strategy has a Special 'B' Share.
• The written consent of the Special Shareholder is required for any of the following:
– any change in the nature or scope of the business of the Group or any commencement of new activity outside its existing course of business;
– any amendments to the company's Articles of Association or any other governing and constitutional documents;
– any change to the location of the Group's executive management team, headquarters or centre of operations;
– any Group Member entering into, or amending, any contract, arrangement or relationship which may prejudice the Group's ability to enter into contracts, arrangements or relationships with certain parties;
– any change to the technical and technology standards of any of the Group's operations;
– the sale by any Group member of any product or service which is going to be used for a defence or national security application;
– the entry by any Group member into arrangements notifiable under a tax disclosure regime;
– any change to the jurisdiction of tax residence; or
– any change to the corporate structure or activities of any Group member which may impact the jurisdiction of tax residence or have a negative reputational impact arising from tax matters.</td></tr>
</table>

10.5 Membership Fund

The Secretary of State for Business, Energy and Industrial Strategy has a share in the membership fund of the Carbon Trust. The members' fund at 31 March 2021 was £nil (31 March 2020: £nil).

11. Other financial assets

	Note	31 March 2021 Core Department and Agencies £m	31 March 2021 Departmental Group £m	31 March 2020 Core Department and Agencies £m	31 March 2020 Departmental Group £m
Balance at 1 April		**967**	**4,120**	**1,196**	**4,118**
Additions		1,196	2,483	3	1,246
Repayments		(341)	(1,215)	(346)	(1,172)
Effective interest		17	17	25	25
Amortisation		–	2	–	–
Revaluations		(70)	336	89	(37)
Impairments		–	(30)	–	(60)
Balance at 31 March		**1,769**	**5,713**	**967**	**4,120**
Comprising:					
Repayable launch investments	11.1	485	485	833	833
Other loans and investments	11.2	1,284	5,228	134	3,287
Balance at 31 March		**1,769**	**5,713**	**967**	**4,120**

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

	31 March 2021 Core Department and Agencies £m	31 March 2021 Departmental Group £m	31 March 2020 Core Department and Agencies £m	31 March 2020 Departmental Group £m
Due within twelve months	–	72	–	–
Due after twelve months	1,769	5,641	967	4,120
Total	**1,769**	**5,713**	**967**	**4,120**

11.1 Repayable launch investments

	31 March 2021 Core Department and Agencies £m	31 March 2021 Departmental Group £m	31 March 2020 Core Department and Agencies £m	31 March 2020 Departmental Group £m
Balance at 1 April	**833**	**833**	**1,058**	**1,058**
Repayments	(336)	(336)	(340)	(340)
Effective interest	17	17	25	25
Revaluations	(29)	(29)	90	90
Balance at 31 March	**485**	**485**	**833**	**833**

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: third party data sources, 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 2.22% 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 2021 was £485 million (31 March 2020: £833 million). The historic cost, including repayments to date and excluding accrued income, of the portfolio at 31 March 2021 was £250 million (31 March 2020: £279 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 £390 million and £531 million respectively, at 31 March 2021 (2019-20: £772 million and £866 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	Private sector shares	Investment funds	Other investments	Total
	£m	£m	£m	£m	£m	£m	£m
Balance at 1 April 2019	**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**
Additions	5	–	1,769	14	685	10	**2,483**
Repayments	(4)	(1)	(489)	(75)	(299)	(12)	**(880)**
Revaluations	–	–	(89)	37	346	72	**366**
Impairments	–	–	(30)	–	–	**–**	**(30)**
Amortisation	–	–	2	–	–	**–**	**2**
Transfers	–	–	(28)	–	28	**–**	**–**
Reclassifications	–	–	(60)	61	(1)	**–**	**–**
Balance at 31 March 2021	**42**	**5**	**1,952**	**198**	**2,961**	**70**	**5,228**
Of the total:							
Core Department and Agencies	–	–	996	124	164	–	**1,284**
NDPBs and other designated bodies	42	5	956	74	2,797	70	**3,944**
Balance at 31 March 2021	**42**	**5**	**1,952**	**198**	**2,961**	**70**	**5,228**

Core Department

Private sector loans and Private sector shares

Future Fund investments are held by the Core Department. The scheme launched on 20 May 2020 as a COVID-19 business support scheme, and is administered by the British Business Bank (BBB) on behalf of the Core Department. The Department issued convertible loans on commercial terms to eligible businesses, in amounts from £125,000 to £5 million, subject to at least equal match funding from private investors. The policy aim was to support the development trajectory of innovative, high-growth, UK-based businesses.

An external expert has been engaged as an external valuer, to support the Department in determining the quarterly and year end fair values. The external expert developed the valuation model and owns the intellectual property in relation to it. Both the external expert and BBB provide inputs and assumptions to the valuation model. Overall responsibility for the valuation remains with the Department, which retains the right to override any valuation that is suggested by the external expert. The Department did not override any aspects of the valuation at the reporting date.

Future Fund

	Private sector loans	Private sector shares	Total
	£m	£m	£m
Balance at 1 April	**–**	**–**	**–**
Additions	1,090	–	**1,090**
Transfers (conversions to equity)	(60)	60	**–**
Fair value gains/(losses)	(87)	27	**(60)**
Exits	**–**	–	**–**
Balance at 31 March	**943**	**87**	**1,030**

Measurement and carrying values

Future Fund Convertible Loan Notes (CLNs) are financial assets measured at fair value through profit or loss under IFRS 9. The convertible element means contractual cash flows are not solely payments of principal and interest.

The estimates for CLNs are based on the fair value definition provided in IFRS 13, which is that fair value reflects "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

The model values CLNs pre-conversion and equity shares post-conversion. The pre-conversion valuation includes the outstanding debt, the conversion option (which has yet to be exercised) and the potential future equity value. The post-conversion valuation is an equity valuation only.

BBB worked with the external expert to develop a Monte-Carlo based model to model the debt value. This method of valuation was selected as it was consistent with the risk-neutral debt valuation framework (discounted cash flow model), similar to other market approaches of modelling businesses and enabled key events (actual or potential) to be included in the valuation. The fair value of the of the option to convert the CLN into equity is based on a risk-neutral framework, checked against real world parameters to ensure that the valuations are reasonable. The amount of equity owned pre-conversion is known, and the equity value estimate is informed based on information provided as part of the conversion.

Post-conversion, equity values will be reassessed for any key events, or risk factors.

The assumptions which have been assessed as being most significant to the fair value estimates are:

- Arm's length assumption – a transaction negotiated between independent parties was arranged to issue the CLNs, such that all the parties are acting in their own self-interest. Transaction price is generally taken to be the best evidence of a financial instrument's initial fair value. As the Department is investing alongside third-party investors on the same terms, the transaction price has been taken as representative of the CLNs fair value at inception.

- Share equivalence assumption (pari passu) – all shares within the capital structure of companies within the Future Fund are treated equally and therefore are assumed to have equal value. The implication of this assumption is that CLNs are recognised at fair value.
- Data cut off timing – there was a data cut-off at 1 April 2021 for extracting data from the scheme's online portal to input into the valuation model, pertaining to the position of the underlying borrowers as at the valuation date.
- Fully diluted share capital ("FDSC") – Where there are any data flaws in FDSC submitted by borrowers, it has been assumed that the FDSC remains consistent with inception until a financing event takes place.

These are key assumptions that do not change with future uncertainties, unlike other assumptions in the model, and therefore these are not included within the sensitivity analysis below.

There are limitations to the data included in the valuation model. The valuation of the Future Fund relies on company specific information being provided by investee companies on a quarterly basis. This information is taken from an online portal at the reporting date and contains data from the latest submission from each company. Given that the information is self-reported by the companies, there is a risk that inconsistencies could arise which may impact on the valuation. A dedicated team within BBB monitors data quality within the online portal to reduce this risk. At the reporting date, 293 borrowers had not submitted their first quarterly return. These investments are held at par, with a fair value at the reporting date, 31 March 2021, of £231m (31 March 2020: £nil).

The individual loans were drawn down by businesses over a 9-month period. Because it would not be viable to estimate individual unobservable parameters for each day of this period, all unobservable parameters are sourced as at 31 March 2021.

The rate of fraud is expected to be in line with Cabinet Office expectations for government expenditure. Suspected fraudulent loans have been valued at £nil.

The fair value of the Future Fund at the reporting date, 31 March 2021, was £1,030 million (31 March 2020: £nil).

Sensitivity analysis

Future uncertainties are addressed in the model by constructing different scenarios for the key drivers and then assigning probabilities to these scenarios to implement the model.

Key uncertainties have been determined to be:

- default probability (PD), being probability of the loan defaulting;
- exit probability, being the probability of a sale/ IPO of the company; and
- spot equity value, defined as estimated average price per share of the underlying company.

The valuation methodology does not seek to determine a range, likely scenario, or plausible value for these parameters. The sensitivity of the valuation to changes in the key parameters is presented in the table below, using illustrative assumptions for each parameter and showing the movement in Present Value (PV) and the PV weighted % movement in each case.

Between inception and the reporting date, default probability (PD) has increased by 2.51%, exit probability has reduced by 0.03%, and spot equity value has decreased by 3.61%. These movements do not reflect expectations of future movements in assumptions. The impacts of these changes are non-linear, therefore the values below cannot be multiplied to obtain the impact of the movements noted above.

Parameter	Sensitivity (%)	Movement in PV (£m)	PV weighted % movement
Default probability	+1%	(45)	(6.6%)
	–1%	50	7.3%
Exit probability	+1%	30	4.4%
	–1%	(28)	(4.1%)
Spot equity value	x130%	55	8.0%
	x70%	(41)	(5.9%)

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 2021, £956 million of loans were held by NDPBs and other designated bodies (31 March 2020: £875 million).

The value of loans held by BBB as at 31 March 2021 was £462 million (31 March 2020: £500 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 £18 million (31 March 2020: £50 million) to private companies through the BFP Mid Cap scheme. BBB provides invoice discount finance and peer to peer lending through the Investment Programme funds which were valued at £177 million at 31 March 2021 (31 March 2020: £257 million). BBB provides loans to start ups and small businesses via The Start Up Loans Company which were valued at £157 million at 31 March 2021 (31 March 2020: £110 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 2020-21, FFL made loans of £251 million (31 March 2020: £288 million) to private companies through the Enable Loan Programme scheme. The value of loans held by FFL as at 31 March 2021 was £442 million (31 March 2020: £366 million).

Private sector shares

At 31 March 2021 £74 million of private sector shares were held by NDPBs and other designated bodies (31 March 2020: £117 million). These were held by BIS (Postal Services Act 2011) Company Ltd, Nesta Trust, and STFC. 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.

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 by NDPBs and other designated bodies at 31 March 2021 was £2,797 million (31 March 2020: £2,114 million). In accordance with IFRS 9, the investments are measured at ‘fair value through profit or loss’ with fair value movements going directly to the SoCNE.

BBB held investment funds valued at £1,980 million at 31 March 2021 (31 March 2020: £1,495 million). The most significant investment is a long-term venture and growth capital investment fund in British Patient Capital valued at £653 million at 31 March 2021 (31 March 2020: £316 million). BBB also has investments as part of their Non-Peer to Peer Investment Programme which were valued at £442 million at 31 March 2021 (31 March 2020: £367 million), the Business Finance Partnership valued at £312 million at 31 March 2021 (31 March 2020: £408 million), and the Enterprise Capital Fund valued at £335 million at 31 March 2021 (31 March 2020: £252 million).

The fair value of the investments in BIS (Postal Services Act 2011) Company Limited (BPSA) as at 31 March 2021 was £190 million (31 March 2020: £215 million). These investments primarily comprised investments in European and North American unquoted shares.

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 2021 were £1,447 million (31 March 2020: £1,425 million). Further details can be found in NDA's annual report and accounts.

Recoverable contract costs relating to nuclear provisions	Departmental Group 31 March 2021 £m	Departmental Group 31 March 2020 £m
Gross recoverable contract costs	**4,895**	**5,087**
Less applicable payments received on account	(3,246)	(3,304)
Less associated contract loss provisions	(202)	(358)
Balance at 31 March	**1,447**	**1,425**

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 2021 £m	Departmental Group 31 March 2020 £m
Gross recoverable contract costs at 1 April	**5,087**	**5,046**
Increase/(decrease) in year	117	334
Unwinding of discount	(8)	(7)
Release in year – continuing operations	(199)	(185)
Amortisation of recoverable contract costs	(102)	(101)
Balance at 31 March	**4,895**	**5,087**

The gross balance of recoverable contract costs of £4,895 million (31 March 2020: £5,087 million) comprises £1,414 million (31 March 2020: £1,516 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 £3,481 million (31 March 2020: £3,571 million) of probable future costs which form part of the nuclear decommissioning provision (note 18.1) and will be released as they are incurred.

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 31 March 2021			Departmental Group 31 March 2020		
	Historic costs	Future costs	Total costs	Historic costs	Future costs	Total costs
	£m	£m	£m	£m	£m	£m
Balance at 1 April	**1,516**	**3,571**	**5,087**	**1,617**	**3,429**	**5,046**
Increase/(decrease) in the year	–	117	117	–	334	334
Unwinding of discount	–	(8)	(8)	–	(7)	(7)
Amortisation	(102)	–	(102)	(101)	–	(101)
Release in year	–	(199)	(199)	–	(185)	(185)
Balance at 31 March	**1,414**	**3,481**	**4,895**	**1,516**	**3,571**	**5,087**

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 31 March 2021			Departmental Group 31 March 2020		
	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	**955**	**561**	**1,516**	**1,026**	**591**	**1,617**
Amortisation	(72)	(30)	(102)	(71)	(30)	(101)
Balance at 31 March	**883**	**531**	**1,414**	**955**	**561**	**1,516**

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 2021		31 March 2020	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Balance at 1 April	**–**	**967**	**–**	**1,039**
Additions	374	378	–	30
Dividends	–	(88)	–	(94)
Disposals	–	(6)	–	(2)
Profit/(Loss)	(26)	130	–	(5)
Revaluations	–	14	–	(1)
Balance at 31 March	**348**	**1,395**	**–**	**967**

Core Department

OneWeb Holdings Limited (OneWeb)

In 2020-21 the Core Department made a £374 million equity investment in OneWeb, which develops cutting-edge satellite technology in the UK and in the US. The Core Department holds at 31 March 2021 40.6% of the ordinary shares in OneWeb. The Core Department accounts for its investment in

OneWeb as an associate using the equity method. The value of the Core Department's holding at 31 March 2021 is £348 million, reflecting the Core Department's share of post-acquisition net profit or (loss) of the associate.

OneWeb's financial statements are prepared in accordance with Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 101). The financial statements are prepared to 31 March and presented in US dollars.

The principal place of business is West Works Building, 195 Wood Lane, London.

Summarised financial information	2020-21 £m
Current assets	251
Non-current assets	582
Current liabilities	(3)
Revenue	1
Profit/(loss) from continuing activities	(65)

Other financial information	2020-21 £m
Cash and cash equivalents	26
Current financial liabilities (excl trade and other payables and provisions)	(4)
Finance costs and interest expense	(65)

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 2020: 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 Department accounts for its investment in the Crick as a joint venture under the equity method. The value of the Departmental Group's investment at 31 March 2021 is £292 million (31 March 2020: £299 million), reflecting the Departmental Group's share of post-acquisition net profit or (loss) of the joint venture.

The Crick's financial statements are prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (Charities SORP 2nd Edition (FRS 102)). The financial statements are prepared to 31 March and presented in pounds sterling.

The principal place of business is Midland Road, London.

Summarised financial information	2020-21 £m	2019-20 £m
Non-current assets	544	561
Current assets	79	56
Current liabilities	(49)	(35)
Revenue	167	162
Profit/(loss) from continuing activities	(9)	(29)

Other financial information	2020-21 £m	2019-20 £m
Cash and cash equivalents	39	30
Depreciation and amortisation	(39)	(39)
Capital commitments	1	3

URENCO

URENCO is an international supplier of enrichment services. The Department holds 33% (31 March 2020: 33%) of the ordinary share capital through Enrichment Holdings Limited. The Department accounts for its investment in URENCO as an associate using the equity method. At 31 March 2021, the Departmental Group's holding is valued at £525 million (2019-20: £444 million).

URENCO's group financial statements are prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRS as issued by the IASB. The financial statements are prepared to 31 December and are presented in euros.

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

Summarised financial information	2020-21 £m	2019-20 £m
Non-current assets	4,152	4,227
Current assets	1,816	1,340
Current liabilities	(832)	(339)
Non-current liabilities	(3,433)	(3,614)
Revenue	1,511	1,582
Profit/(loss) from continuing activities	449	7

Other financial information	2020-21 £m	2019-20 £m
Cash and cash equivalents	567	275
Current financial liabilities (excl trade and other payables and provisions)	(529)	(31)
Non-current financial liabilities (excl trade and other payables and provisions)	(1,171)	(1,561)
Depreciation and amortisation	(292)	(312)
Interest income	76	65
Interest expense	(149)	(159)

14. Trade and other receivables

	31 March 2021		31 March 2020 restated	
	Core Department and Agencies £m	Departmental Group £m	Core Department and Agencies £m	Departmental Group £m
Amounts falling due within one year:				
Trade receivables	147	698	173	1,253
Other receivables:				
VAT and other taxation	24	176	22	177
Staff receivables	–	1	1	2
RPS receivables	34	34	30	30
Other	2,729	2,771	168	242
Contract Assets	10	50	12	109
Prepayments and accrued income	1,147	1,732	129	442
	4,091	**5,462**	**535**	**2,255**
Amounts falling due after more than one year:				
Trade receivables	21	76	9	61
RPS receivables	49	49	42	42
Other receivables	564	568	689	699
Contract Assets	–	5	–	6
Prepayments and accrued income	–	41	–	40
	634	**739**	**740**	**848**
Total receivables at 31 March	**4,725**	**6,201**	**1,275**	**3,103**

Trade and other receivables has been restated as a result of Companies House becoming part of the Departmental Group. See note 26 for further details.

Core Department

Other receivables due within 1 year held by the Core Department includes £2.53 billion in relation to COVID-19 Business Support Grants estimation for payments due back to the Department from local authorities. This balance includes some amounts due to local authorities from the Department which have not been separated out into payables and which are offset within the receivables balance above. Further details on COVID-19 Business Support Grants estimation is included in note 1.26.

Also included in other receivables held by the Core Department is a discounted receivable of £695 million (31 March 2020: £808 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 £140 million (31 March 2020: £142 million), with the amount receivable not within 1 year £555 million (31 March 2020: £666 million).

The undiscounted amount is £773 million (31 March 2020: £916 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 2020-21 (2019-20: £nil) 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.

Included within prepayments and accrued income at the 31 March 2021 is £577 million in relation to vaccine doses procured for the COVID-19 pandemic, which have been prepaid, but the doses have not yet been delivered to the Department for Health and Social Care (DHSC).

Prepayments and accrued income falling due within one year as at 31 March 2021 includes £335 million (31 March 2020: £nil) of premium income receivable from insurers under the Trade Credit Reinsurance scheme (note 19).

Agencies

The Redundancy Payment Service (RPS) receivable is shown net of expected credit losses. The expected credit loss is calculated by the Insolvency Service using a model which is approved by HMRC. The model calculates the recoverable debt as £83 million as at 31 March 2021 (31 March 2020: £72 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 6.2% for non-preferential and 35.9% for preferential (31 March 2020: 6% for non-preferential and 37.8% for preferential).

15. Investments and loans in public sector bodies: current

	31 March 2021		31 March 2020	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Balance at 1 April	**687**	**672**	**666**	**620**
Additions	3,038	3,038	5,379	5,379
Repayments	(3,146)	(3,146)	(5,373)	(5,353)
Loans repayable within 12 months transferred from non-current assets	9	8	15	26
Balance at 31 March	**588**	**572**	**687**	**672**

Core Department

The most significant item included above is a loan facility to Post Office Limited (POL). The Core Department has made available to POL a revolving loan facility of up to £950 million. This is to help the company fund its daily in-branch working capital requirements to deliver services through the network, such as social benefits payments and access to cash. In addition, the Core Department has made available to POL a short-term facility of up to £50 million. This is to fund POL's same day liquidity requirements if additional funding is required. These facilities were due to mature on 31 March 2021 and have been extended to 31 April 2024. The outstanding balance on these facilities at 31 March 2021 was £539 million (31 March 2020: £602 million) which is included in the £588 million (31 March 2020: £687 million) above.

16. Cash and cash equivalents

	31 March 2021		31 March 2020 restated	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Balance at 1 April	**1,069**	**2,189**	**1,324**	**2,119**
Net change in cash and cash equivalent balances	883	1,255	(255)	70
Balance at 31 March	**1,952**	**3,444**	**1,069**	**2,189**
The following balances were held at:				
The Government Banking Service (GBS)	1,909	3,093	1,068	1,912
Commercial banks and cash in hand	43	351	1	277
Balance at 31 March	**1,952**	**3,444**	**1,069**	**2,189**

Cash and cash equivalents has been restated as a result of Companies House becoming part of the Departmental Group. See note 26 for further details.

17. Trade payables and other liabilities

	31 March 2021		31 March 2020 restated	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Amounts falling due within one year:				
VAT, social security and other taxation	11	105	10	132
Trade payables	36	357	39	581
Other payables	244	742	348	1,013
Contract liabilities (see note 17.1)	1	455	6	514
Other accruals and deferred income	2,216	4,297	1,351	3,147
Amounts issued from the Consolidated Fund for supply but not spent at year end	1,928	1,928	1,067	1,067
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund:				
Received	24	44	2	70
	4,460	**7,928**	**2,823**	**6,524**
Amounts falling due after more than one year:				
Trade Payables	–	6	–	4
Contract liabilities (see note 17.1)	–	1,503	–	1,479
Other payables, accruals and deferred income	1,324	1,494	883	984
	1,324	**3,003**	**883**	**2,467**
Total payables at 31 March	**5,784**	**10,931**	**3,706**	**8,991**

Trade payables and other liabilities have been restated as a result of Companies House becoming part of the Departmental Group. See note 26 for further details.

17.1 Contract liabilities

	31 March 2021		31 March 2020	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Balance at 1 April	**6**	**1,993**	**5**	**2,165**
Additions	–	71	1	297
Change in measurement	(5)	(5)	–	–
Release to SOCNE	–	(66)	–	(469)
Payment	–	(35)	–	–
Balance at 31 March	**1**	**1,958**	**6**	**1,993**
Of the total				
Due within 1 year	1	455	6	514
Due in over 1 year	–	1,503	–	1,479
Balance at 31 March	**1**	**1,958**	**6**	**1,993**

Included under other accruals and deferred income are:

Core Department

Promissory note liabilities with maturities of less than one year of £220 million (31 March 2020: £380 million) and with maturities greater than one year of £1,323 million (31 March 2020: £926 million) which represent amounts owed for various ODA (Official Development Assistance) programmes to which the Core Department has contributed.

In Other payables falling due within one year at 31 March 2020 there was £240 million payable to the British Business Bank (BBB) related to the un-invested portion of its loan to the Nuclear Liabilities Fund (NLF). This liability has been fully repaid 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 £447 million (31 March 2020: £502 million) and after one year of £1,503 million (31 March 2020: £1,478 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 2021 was £136 million (31 March 2020: £532 million).

18. Provisions for liabilities and charges

		31 March 2021		31 March 2020 restated	
	Note	Core Department and Agencies £m	Departmental Group £m	Core Department and Agencies £m	Departmental Group £m
Current liabilities:					
Not later than one year		226	3,426	11,047	14,065
Total current liabilities		**226**	**3,426**	**11,047**	**14,065**
Non-current liabilities:					
Later than one year and not later than five years		654	15,136	645	13,200
Later than five years		886	121,165	1,059	122,837
Total non-current liabilities		**1,540**	**136,301**	**1,704**	**136,037**
Total at 31 March		**1,766**	**139,727**	**12,751**	**150,102**
Total provisions					
Nuclear	18.1	1,075	136,193	1,208	135,925
Other	18.2	691	3,534	11,543	14,177
Total at 31 March		**1,766**	**139,727**	**12,751**	**150,102**

Provisions for liabilities and charges – Other have been restated as a result of Companies House becoming part of the Departmental Group. See note 26 for further details.

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 2020 and 31 March 2021 has been applied to nominal cash flows which include allowance for future inflation using a forecast of consumer price inflation provided by HM Treasury except where a more appropriate forecast has been identified for specific provisions. The impact of the change in the discounting approach is included in the "Change in discount rate" movement of provisions.

	31 March 2021			31 March 2020		
	Nominal discount rate	Inflation rate	Equivalent real discount rate	Nominal discount rate	Inflation rate	Equivalent real discount rate
Cash outflows expected within two years	(0.02%)	1.2%	(1.21%)	0.51%	1.9%	(1.36%)
Cash outflows expected between two and five years	(0.02%)	1.9%	(1.88%)	0.51%	2.0%	(1.46%)
Cash outflows expected between five and ten years	0.18%	2.0%	(1.78%)	0.55%	2.0%	(1.42%)
Cash outflows expected after ten years	1.99%	2.0%	(0.01%)	1.99%	2.0%	(0.01%)

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 Decomm-issioning	Core Department and Agencies Total	NDA Decomm-issioning	Contract loss	Departmental Group Total
	£m	£m	£m	£m	£m	£m
Balance at 1 April 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**
Net amount deducted from recoverable contract costs	–	–	**–**	–	155	**155**
Unwinding of discount	(16)	1	**(15)**	(14)	(5)	**(34)**
Change in discount rate	(1)	3	**2**	2,081	4	**2,087**
Provided in the year	10	14	**24**	1,310	–	**1,334**
Provisions not required written back	–	–	**–**	–	(123)	**(123)**
Recoverable contract costs – release in year	–	–	**–**	(199)	–	**(199)**
Provisions utilised in the year	(144)	–	**(144)**	(2,737)	(71)	**(2,952)**
Balance at 31 March 2021	**632**	**443**	**1,075**	**135,118**	**–**	**136,193**
Estimated forward discounted cash flows as at 31 March 2021						
Not later than one year	125	1	126	3,142	–	**3,268**
Later than one year and not later than five years	331	88	419	14,256	–	**14,675**
Later than five years	176	354	530	117,720	–	**118,250**
Total forward cash flows as at 31 March 2021	**632**	**443**	**1,075**	**135,118**	**–**	**136,193**

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 2021 is £632 million (31 March 2020: £783 million). Payments are adjusted in line with the Retail Prices Index and the liability includes allowance for future inflation based on a forecast for the Index published by the Office for Budget Responsibility. The undiscounted liability at 31 March 2021, at prices as at the reporting date so excluding the impact of future inflation, is £591 million (31 March 2020: £726 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 2021 is £443 million (31 March 2020: £425 million); the undiscounted liability at 31 March 2021, at prices as at the reporting date so excluding the impact of future inflation, is £414 million (31 March 2020: £401 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 £60 billion out of the total £135 billion provision (31 March 2020: £58 billion out of £135 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 2021 (31 March 2020: £135 billion). The undiscounted equivalent of this reported liability is £132 billion at 31 March 2021 (31 March 2020: £132 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 £117 billion, whilst a decrease in discount rate of 0.5% would increase the provision to £160 billion.

The change in discount rates (see page 208) in the current financial year produced a decrease of £697 million (2020: £3,818 million decrease). This figure excludes the change relating to inflation plus the recoverable contract costs off-setting balance which otherwise result in an increase of £2,025 million.

Analysis of expected timing of discounted cash flows for the NDA Nuclear Provision is as follows:

	Waste	Research	Sellafield	Fuel Manufacturing & Generation	Others	2020-21 Total	2019-20 Total
	£m	£m	£m	£m	£m	£m	£m
Up to 1 year	108	185	2,292	479	78	**3,142**	2,941
2 to 5 years	583	796	10,452	2,001	424	**14,256**	12,349
6 to 20 years	3,022	1,465	32,092	5,599	755	**42,933**	42,639
21 to 50 years	3,488	119	31,965	8,781	565	**44,918**	45,737
50 years +	4,233	52	22,474	3,387	369	**30,515**	31,202
	11,434	**2,617**	**99,275**	**20,247**	**2,191**	**135,764**	**134,868**
Deduction in respect of Site Licence Companies pension receivable from NDA						(646)	(191)
Total NDA Decommissioning Provisions						**135,118**	**134,677**

Sensitivity	Waste	Research	Sellafield	Fuel Manufacturing & Generation	Others	2020-21 Total	2019-20 Total
	£m	£m	£m	£m	£m	£m	£m
Increase	25,360	175	81,659	2,025	110	109,329	111,767
Reduction	(3,768)	(351)	(13,610)	(2,025)	(219)	(19,973)	(20,366)

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 £3,768 million to an increase of £25,360 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 £22,329 million higher (or £3,705 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 £175 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 £351 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 £13,610 million reduction against the current estimate, to a £81,659 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 £2,025 million. Conversely a reduction in the costs associated with this phase may reduce costs by £2,025 million.

Further details are reported in the Financial Review on page 41 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 2021 is £nil million (31 March 2020: £40 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	Concessionary fuel	British Shipbuilders	Legacy ailments	Other restated	Core and Agencies Total restated	Coal Authority	Early departure costs and restructuring	Other	Departmental Group Total restated
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 April 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	30	**10,893**	93	34	36	**11,056**
Provisions not required written back	–	–	(27)	(12)	(68)	**(107)**	(1)	(1)	(16)	**(125)**
Provisions utilised in the year	–	(37)	(7)	(20)	(22)	**(86)**	(31)	(22)	(16)	**(155)**
Unwinding of discount	–	(1)	3	(1)	1	**2**	42	–	5	**49**
Balance at 31 March 2020	**10,824**	**339**	**133**	**136**	**111**	**11,543**	**2,306**	**90**	**238**	**14,177**
Change in discount rate	–	1	1	–	1	**3**	(15)	–	–	**(12)**
Provided in the year	–	–	2	8	80	**90**	230	6	21	**347**
Provisions not required written back	–	(2)	–	–	(40)	**(42)**	–	(2)	(5)	**(49)**
Provisions utilised in the year	(10,824)	(34)	(9)	(16)	(21)	**(10,904)**	(33)	(14)	(19)	**(10,970)**
Unwinding of discount	–	(1)	2	–	–	**1**	41	–	(1)	**41**
Balance at 31 March 2021	**–**	**303**	**129**	**128**	**131**	**691**	**2,529**	**80**	**234**	**3,534**
Estimated forward discounted cash flows as at 31 March 2021										
Not later than one year	–	33	7	15	45	**100**	39	11	8	**158**
Later than one year and not later than five years	–	108	31	47	49	**235**	164	35	27	**461**
Later than five years	–	162	91	66	37	**356**	2,326	34	199	**2,915**
Total forward cash flows as at 31 March 2021	**–**	**303**	**129**	**128**	**131**	**691**	**2,529**	**80**	**234**	**3,534**

Core Department

Business support grant

A constructive obligation was created for the Core Department in 2019-20 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 liability was settled in full in 2020-21 by grant paid to recipients under two schemes, the Small Business Grant Fund and the Retail, Hospitality and Leisure Grant Fund. It was paid over 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. The total of grant paid to businesses under the schemes exceeded the total of £10,824 million for which provision had been made as at 31 March 2020 as described at note 4.4.

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 36,000 current beneficiaries at 31 March 2021, 31,400 have opted for the cash alternative at an average cost per beneficiary of £787 per annum; the average annual cost of solid fuel for the remainder is £1,119 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 2021 is £303 million (31 March 2020: £339 million); the undiscounted liability at 31 March 2021, at prices as at the reporting date so excluding the impact of future inflation, is £290 million (31 March 2020: £326 million).

British Shipbuilders Health Liabilities

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 2021 is £129 million (31 March 2020: £133 million) and includes administration costs. 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. The current estimate is that liabilities will extend up to 2048.

British Coal Corporation Health Liabilities (Legacy ailments)

The provision covers the cost of compensation claims relating to personal injuries suffered by former British Coal mineworkers 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 2021 is £128 million (31 March 2020: £136 million). The undiscounted liability, at prices as at the reporting date so excluding the impact of future inflation, is £123 million (31 March 2020: £131 million) 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 payments is £72 million and comprises estimates at prices as at the reporting date of £13 million (31 March 2020: £9 million) for induced hearing loss, £50 million (31 March 2020: £52 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, £1 million (31 March 2020: £4 million) for litigation by former British Coal Coke Oven Workers and £8 million

(31 March 2020: £9 million) for litigation by former employees of British Coal's Coventry Homefire plant. The current estimate is that liabilities will extend up to 2050.

Onerous leases

The liability of £111 million for 'Other' Core and agency provisions as at 31 March 2020 included 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. Responsibility for these costs transferred to the Government Property Agency from 1 April 2021 and these onerous lease provisions were reduced to £nil as at 31 March 2021 (31 March 2020: £54 million).

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 2021 is £2,529 million (31 March 2020: £2,306 million). The undiscounted liability at 31 March 2021 is £2,508 million (31 March 2020: £2,275 million). Further details are reported in the Coal Authority Annual Report and Accounts.

Early departure costs and restructuring

£68 million (31 March 2020: £78 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 2021 and will continue at least until the date at which the individual would have reached normal retirement age. The undiscounted equivalent is 31 March 2021 is £64 million (31 March 2020: £75 million).

19. Financial guarantee, loan commitment liabilities and reinsurance contracts

		31 March 2021		31 March 2020
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Balance at 1 April	**91**	**238**	**54**	**230**
Additions	21,603	21,645	–	10
Net remeasurement	(1,751)	(1,794)	50	11
Called	(41)	(41)	(13)	(13)
Balance at 31 March	**19,902**	**20,048**	**91**	**238**
Comprising:				
Financial guarantee liabilities	19,833	19,833	91	91
Loan commitment liabilities	–	146	–	147
Reinsurance contracts	69	69	–	–
Balance at 31 March	**19,902**	**20,048**	**91**	**238**
Of which:				
Current liability	19,837	19,880	17	17
Non-current liability	65	168	74	221
Balance at 31 March	**19,902**	**20,048**	**91**	**238**

Core Department

Financial guarantees

The total estimated liability for financial guarantees of £19,833 million as at 31 March 2021 for the Core Department (31 March 2020: £91 million) relates to the following schemes:

Scheme	31 March 2021 £m	31 March 2020 £m
BBLS	17,222	–
CBILS	2,194	–
CLBILS	357	–
Other guarantee schemes	60	91
Total	**19,833**	**91**

Guarantee schemes established in response to the COVID-19 pandemic

The Core Department invited UK commercial finance providers to participate in three schemes to facilitate access to debt finance by businesses across the UK adversely impacted by the COVID-19 pandemic. Eligible businesses could apply to lenders accredited under the following schemes for loans, with the Department assuming all or part of the credit risk incurred by lenders up to set limits per borrower and within specific allocations to each lender, which were set by BBB.

	Bounce Back Loans Scheme (BBLS)	Coronavirus Business Interruption Loan Scheme (CBILS)	Coronavirus Large Business Interruption Loan Scheme (CLBILS)
Scheme opened to borrower applications	4 May 2020	23 March 2020	20 April 2020
Scheme closed to borrower applications	31 March 2021	31 March 2021	31 March 2021
Facility longest maximum duration	Six years, extendable to ten years at borrower discretion under 'Pay As You Grow' option	Six years, extendable to up to ten years for forbearance purposes in line with usual lender forbearance policy	Three years, extendable to up to six years for forbearance purposes in line with usual lender forbearance policy
Facility type	Term loans	Term loans Overdrafts Invoice finance Asset finance	Term loans Overdrafts Invoice finance Asset finance
Facility highest maximum amount per borrower	£50 thousand	£5 million	£200 million
Number of loan facilities approved as at 21 March 2021	1,531.1 thousand	98.3 thousand	0.7 thousand
Number of loan facilities drawn down as at 31 March 2021	1,523.7 thousand	79.0 thousand	0.6 thousand
Outstanding total amount drawn by borrowers as at 31 March 2021	£46,015 million	£21,356 million	£4,263 million
Percentage guaranteed	100%	80%	80%
Total guaranteed as at 31 March 2021	£46,015 million	£17,085 million	£3,410 million
Guarantee liability as at 31 March 2021	£17,222 million	£2,194 million	£357 million

A guarantee is recognised on the Statement of Financial Position and included in the liability when a lender makes an offer of a loan facility to a borrower. There is no direct relationship between the Department and borrowers; quantification of the guarantees in terms of numbers and amounts above is based on information provided by lenders. The schemes are operated on behalf of the Department by the British Business Bank via the network of accredited lenders.

Liability measurement

In accordance with the Treasury derogation from the FReM and IFRS 9 for these guarantees (note 1), the guarantee liabilities are measured at a value equal to the guaranteed proportion of lifetime expected credit losses (ECL) on the underlying loan facilities. They are not crystallised obligations at the reporting date but present value estimates of future expected payments to reimburse guarantee holders for credit losses incurred less any amounts expected to be recovered from borrowers subsequent to guarantee claim.

The liabilities are estimated using IFRS 9 compliant ECL models developed by a third party specialist specifically for these three schemes. The models are operated by the British Business Bank within a formal control environment and in accordance with the Bank's internal governance procedures and the Department's framework for business critical models which complies with quality assurance best practice in the Government's 'Review of quality assurance of government models' by Sir Nicholas Macpherson. The models apply assumptions which have a material impact on the reported liabilities. Key modelling assumptions are set by expert judgement and reviewed by subject matter experts in the Department and Bank. Independent assurance on the model design was provided by the Government Actuary's Department.

For each individual guarantee, the model estimate of probability of default over the lifetime of the underlying loan facility is combined with the amount guaranteed (taking account of the contractual repayment profile) and with an estimate of the amount likely to be recovered post-default (taking into account the type of collateral held by the lender where relevant), to estimate the ECL value, i.e., the expected value estimate of the guarantee liability. Model estimates are adjusted at scheme level if considered necessary to ensure reported liability values reflect all relevant reasonable and supportable information.

Estimation uncertainty – BBLS and CBILS

The liabilities for BBLS and CBILS are material to the Department's financial position and subject to significant estimation uncertainty which may result in material changes to the estimates in future reporting periods as more data becomes available. Liability values are estimated by the model for each underlying loan facility based on data from lenders and other sources. Key data includes a) the amount outstanding on the loan facility and its repayment status (whether not yet drawn down, performing, or in default); b) borrower credit reference information from third parties; c) macroeconomic forecasts from independent specialist economic analysts; and d) for BBLS, the probability that the loan facility may have been contracted fraudulently by the borrower, that is in deliberate contravention of borrower eligibility criteria, as estimated by a third party analysis.

Uncertainty risk in the modelled liability estimate relates primarily to estimates of a) probability of default of individual loan facilities which is materially impacted by i) the effect of current and future macroeconomic conditions on borrowers' ability to repay and, additionally for BBLS, ii) levels of fraudulent borrowing; and b) recoveries from borrowers post claim. The analysis below indicates the sensitivity of the model to changes in inputs. The changes applied do not constitute forecasts and the impacts shown are to model estimates before application of post-model adjustments which have been disclosed separately.

a) Probability of default (prior to adjustment for future macroeconomic conditions and fraud risk)

Probability of default is subject to significant uncertainty, in particular arising from the absence of information relating to historical loan performance for these new schemes and absence of repayment data for analysis of performance on existing loans as at 31 March 2021 due to immaterial loan repayments during the reporting period. The analysis below shows the impact on the model liability estimate had the model estimate of probability of default for each loan facility been lower or higher by the percentages shown. This analysis is applied to probability of default before adjustment by the model to take account of potential changes in future macroeconomic conditions and fraud risk.

Sensitivity analysis: Impact on model liability estimate of changes to probabilities of default	BBLS £m	CBILS £m
Probabilities of default for BBLS lower by 20%	(2,050)	–
Probabilities of default for CBILS lower by 33%	–	(615)
Model liability estimate	16,802	2,089
Probabilities of default for CBILS higher by 50%	–	839
Probabilities of default for BBLS higher by 25%	2,321	–

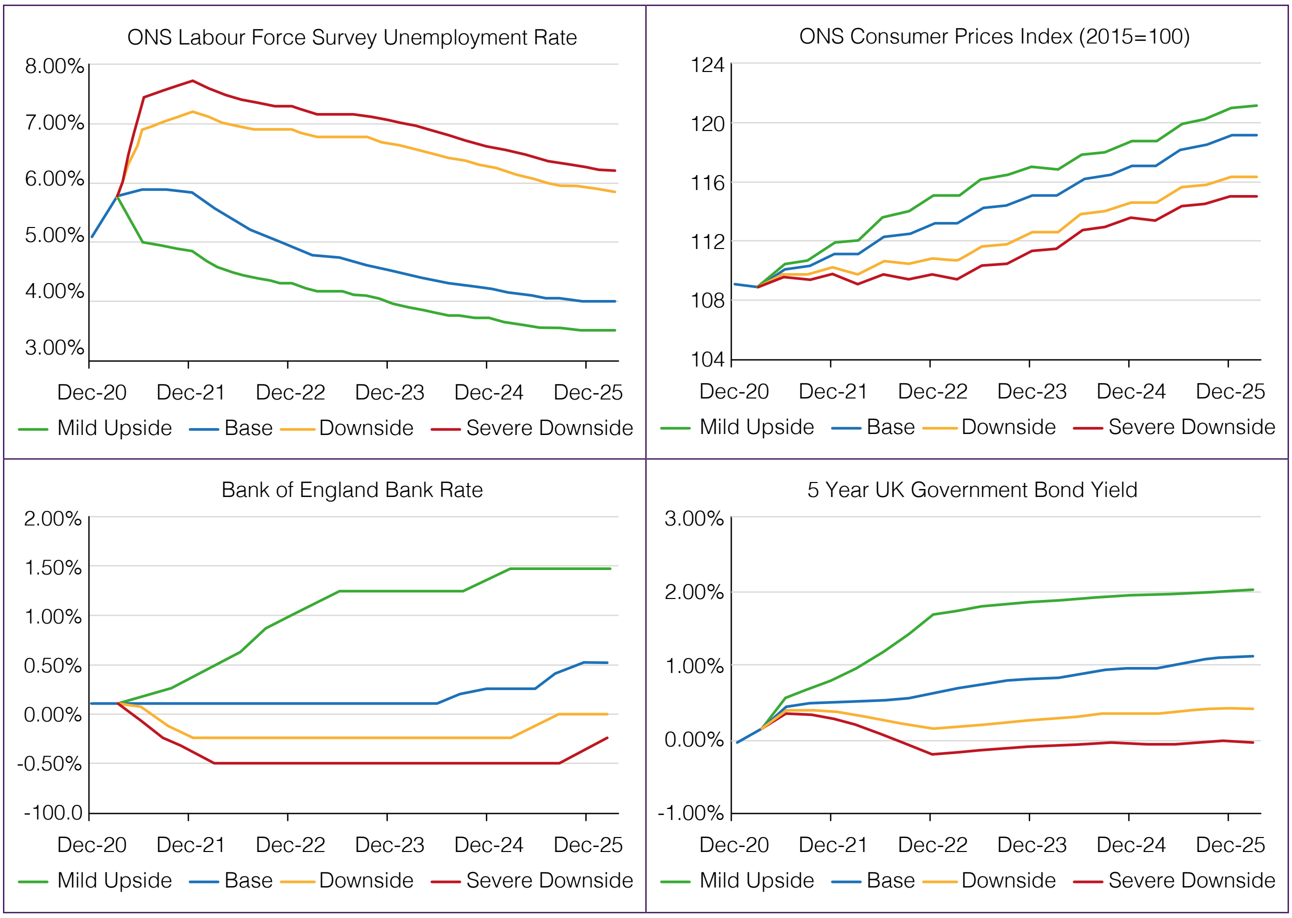
The percentage changes are relative, meaning (by way of an illustrative example only) that an increase of 20% to a probability of default of 1% would increase probability of default to 1.2%. The percentage changes take into account the risk profiles of the individual schemes. The CBILS loan portfolio is subject to lenders' credit policy and underwriting reviews, with risk profiles more closely aligned to commercial lending portfolios, meaning it has a lower risk profile than the BBLS loan portfolio.

The sensitivities for CBILS have been set as the equivalent of a one notch movement downwards or upwards on the Moody's granular rating scale from the model estimates of probability of default. Lower percentage changes have been applied to BBLS as a borrower self-certification product without the usual commercial lender credit policy and underwriting procedures and with higher model estimates of probability of default which limit the scope for credit quality deterioration. The percentages for BBLS are equivalent to half a notch movement on the Moody's granular rating scale.

The model adjusts the estimate of probability of default for each loan facility to take account of i) forward macroeconomic conditions and, for BBLS, ii) levels of fraudulent borrowing:

i) Forward macroeconomic conditions

A probability weighted view of forward economic conditions is applied by the model to adjust probability of default, based on potential scenarios provided by an independent specialist economic analyst.



Economic scenarios provided by Oxford Economics for IFRS 9 ECL measurement, March 2021

The above charts show the values of economic indicators for the different scenarios over the five year period from December 2020 which were applied in the model with the following weightings:

Scenario	Probability weighting in model
Mild upside	10%
Base	50%
Downside	30%
Severe downside	10%

The sensitivity analysis below shows the impact on the model liability estimates had the probability of each individual economic scenario shown been set at 100% with zero probability for the others.

Sensitivity analysis: Impact on model liability estimate of 100% weighting applied to individual economic scenarios	BBLS £m	CBILS £m
Mild Upside	(2,442)	(533)
Base	(1,319)	(300)
Model liability estimate	16,802	2,089
Downside	2,022	450
Severe Downside	2,971	681

ii) Risk of fraudulent borrowing

The risk of guarantee claims for loan defaults arising from fraudulent borrowing despite lender checks having been undertaken in accordance with scheme loan eligibility criteria is considered to be material for BBLS only. The model probabilities of default for BBLS loan facilities are adjusted to include an estimate for probability of fraudulent borrowing of 11.15% which is the central estimate of statistical analysis undertaken by a third party. This analysis was based on a random sample of c.1,100 loans providing a range of 8.15% to 14.15% with a 95% confidence interval. The analysis below shows the impact on the model liability estimate had the value applied for fraud probability been at the lower or higher bounds of the confidence interval.

Sensitivity analysis: Impact on model liability estimate of changes in fraud probability	BBLS £m
Probability of fraud at low end of confidence interval range (8.15%)	(931)
Model liability estimate	16,802
Probability of fraud at high end of confidence interval range (14.15%)	932

The work which was carried out to determine the fraud estimate was focused on estimating the occurrence of fraud within the scheme, rather than the loss to the Department as a result of fraud. The 95% confidence interval detailed above is in relation to fraud occurrence and was calculated based on the best information that was available at the year end. Significant effort and resource was required to determine the estimate, and further refinement of the estimate would have required an undue level of cost and effort.

There are uncertainties present in the estimate, which result due to data limitations and time constraints. The below sets out the key limitations in the estimation of the probability of fraud.

The work carried out to determine the estimate involved a 4-stage process in which the loans were reviewed to identify risk indicators for potential breaches of the BBLS eligibility requirements and other fraud. Where risk indicators were identified by the analysis, the relevant Sample Loans were escalated for further review and lenders were engaged to discuss and clarify responses provided in the early stages to enable a conclusion to be drawn on whether there was suspected fraud associated with the sample loan.

Data Limitations – BBLS

There are data limitations which exist in the sampling work carried out to identify the fraud rate in the scheme. The key limitations are set out below:

- All 'possible' and 'probable' frauds are included within the fraud loss estimation. 'Possible' frauds may not result in an actual loss to the Department, 'possible' frauds were categorised as such where further investigation with lenders had not concluded at the cut-off date. In follow up work subsequently performed, the majority of these frauds moved into the 'no suspected' fraud category.
- The estimate assumes that all loans where a 'duplicate loan' risk indicator was flagged will result in a fraud loss. At the reporting date, the Department doesn't have the information available to probability weight losses from this significant risk indicator which is likely to overestimate the fraud losses.
- The estimate does not include the assessment of turnover fraud which is scheme specific and likely to underestimate fraud losses.
- Data used to inform the fraud estimate was taken in November 2020, there may have been changes to the data between November 2020 and 31 March 2021.

These data limitations are likely to result in both increases and decreases to the fraud estimate, meaning that at this stage it is unclear what the overall impact would be. In subsequent years, further information such as repayment data will be available which will inform, and allow refinement of, the fraud estimate.

Differentiation between fraud occurrence and fraud loss

Although not all fraud occurrence will result in loss, the Department's estimate included within the financial guarantee model assumes that all fraud occurrences identified by the sample exercise will result in a loss. The level of fraud loss will vary between the different suspected fraud typologies. Further work would be required to develop an estimate of fraud losses based on the information relating to the occurrence of fraud identified by the sample review to date. Although an adjustment has been made to the model to take into account risk grading of loans, due to the repayment holiday on the scheme there is no data on which to base a reasonable assessment of 'fraud loss' for each identified fraud typology. It would not have been possible for the additional work to be performed as at 31 March 2021 due to data limitations. For the 2022 year end, further information will be readily available without undue cost or effort, as information on repayments will be available.

CBILS and CLBILS

As noted above, fraud is considered to be material for BBLS only, an explicit fraud rate has not been built into the ECL calculations for CBILS and CLBILS. The assessment made over the levels of fraud in the CBILS and CLBILS schemes are detailed below.

CBILS: The evaluation of information currently available supports the Department's original assessment that the scheme is not affected by elevated levels of fraud. Normal control and verification procedures carried out in the banking industry were required to be completed ahead of a CBILS loan being awarded, this significantly reduces the risk within the portfolio. A number of workstreams were completed in order to ascertain potential levels of fraud. Key findings and limitations are detailed below:

- Full population analysis – this was carried out to identify patterns, trends or anomalies that could indicate areas of fraud risk.
- Fraud risk indicators – a range of fraud risk indicators were assessed against a random statistically valid sample of the CBILS portfolio. The key risks flagged were duplicate loans and high risk business addresses. The remainder of the indicators did not show a high number of 'flagged' risks.
- Lender survey – to gather lender views on fraud and error. Survey results indicated that identified levels of fraud were very low. It was identified that there were some discrepancies in survey responses.

- Identification of potential duplicate loans across the COVID-19 schemes. 16% of the loans sampled were found to have a duplicate loan match with a BBLS loan, with neither loan repaid, where the CBILS loan was taken out after the BBLS loan. The duplicate analysis currently only flags duplicates where neither the CBILS nor matching loan has been repaid and does not consider group structures or linked businesses. The Department does not expect that all duplicate loans will result in a loss to the Department. Although repayment data received post year end cannot be used to inform the year end assessment, it does support the view taken by the Department.

Whilst the analytics performed indicated some potential areas for concern, there was not reasonable supportable information available at the reporting date to justify overriding the reasoned assumption that there are low/ normal levels of fraud in the scheme due to its design, which have been subsequently confirmed through lender experience such as the lender survey. The Department acknowledges that a number of risks identified in the fraud risk assessment were not included in the workstreams noted above, due to the time restrictions. The Department has determined that the scope work carried out was the optimum process, given the constraints in place, and acknowledging limitations due to costs involved in such work.

CLBILS: The fraud risk assessment for the scheme identified a number of risks, these were not determined to represent a material risk of fraud within the scheme. Controls implemented by the lenders, due to the size and value of CLBILS facilities, significantly reduce the risk of fraud within the scheme.

A workshop was held with a representative sample of CLBILS lenders, which discussed both observed and expected levels of fraud in the portfolio. All lenders reported that they expected very low or negligible levels of fraud within their CLBILS portfolio and none identified any suspected levels of fraud in their portfolio at the date the workshop was held. Lenders reported that they expected fraud within their CLBILS portfolio to be consistent with other non-COVID-19 related commercial lending. Unlike the other schemes, CLBILS did not have a repayment holiday and as such repayment data was available at year end, which showed default rates were minimal. The fraud risk within the scheme will continue to be monitored, as will the repayments data that continues to become available.

b) Recoveries post guarantee claim

The model estimates comprise expected values for the amounts to be paid out on guarantee claims less the Department's share of recoveries from borrowers post claim. The schemes are deemed to be non-investment grade, with a 40% change in recoveries appropriate based on industry studies. The analysis shows the impact on the model liability estimates had the estimates of amounts to be recovered been higher or lower by 40%.

Sensitivity analysis: Impact on model liability estimate of changes in estimates of recoveries post guarantee claim	BBLS £m	CBILS £m
Recovery amounts higher by 40%	(484)	(198)
Model liability estimate	16,802	2,089
Recovery amounts lower by 40%	484	198

Adjustments to model estimates

Overlay adjustments have been made to the total model liability estimates for each scheme, based on expert management judgement, to take account of the current exceptional uncertainty around future macroeconomic conditions as the economy recovers from the effects of the COVID-19 pandemic. This uncertainty is apparent in a) material differences between a number of independent UK forecasts and b) large variances between upside and downside forecasts over the next three years.

	BBLS £m	CBILS £m
Model liability estimate	16,802	2,089
Adjustment	420	105
Reported liability	17,222	2,194

Trade credit reinsurance

On 1 April 2020, the Core Department launched the Trade Credit Reinsurance Scheme (TCRS), as a response to the COVID-19 pandemic. The Core Department has entered into reinsurance contracts to cover the majority of the financial risk associated with policies written by private sector insurers in the UK to cover trade credit risk to which policyholders (UK businesses) are exposed from sales contract. The TCRS ensured that trade credit insurance coverage and credit limits offered by insurers to businesses were maintained during the Coronavirus pandemic and helped businesses trade with confidence. The TCRS was initially due to run from 1 April to 31 December 2020. On 29 December 2020, the TCRS was extended by six months to 30 June 2021.

As at 31 March 2021 the Department was exposed to potential claims of up to £125,000 million, however, the maximum payouts BEIS would make under the scheme are capped at £9,000 million The carrying value of the TCRS guarantee at the balance sheet date is £69 million and £16 million was claimed during the year. The guarantee has been evidenced as being lower than the Department's total exposure, as there has been a lower level of insolvencies and buyer defaults than originally expected given estimated impact on GDP over the last 18 months, which is likely due to the other government support schemes in place as a result of the COVID-19 pandemic.

Forecast of future cashflows

Future cashflow forecast of claims losses and expenses form the basis for the valuation of the Trade Credit Reinsurance liability. The forecast is based on the actual occurrence of claims in 2020-21 and actuarial assumptions on the profile of claims pertaining to debtor defaults in the current year. This is the key assumption for the valuation of the Trade Credit Reinsurance liability.

Sensitivity analysis

The Core Department has modelled the impact of uncertainty of future claims from insurance companies. Uncertainties are addressed through constructing different scenarios for key drivers and assigning probabilities to them.

Insurance Risk

Effect on expenditure recognised in the SoCNE (i.e. the value of the liability for Claims Outstanding)

	Movement in variable %	Increase/ (Decrease) TCR Valuation £m
Inflation	+1	0.25
	-1	(0.24)
Discount Rate	+1	(0.90)
	-1	0.92
Average Estimate of Loss	+5	3.47
	-5	(3.47)

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)

UKRI operates the legacy Medical Research Council (MRC) defined benefit, final salary pension scheme. A full actuarial evaluation was undertaken as at 31 December 2019 which was rolled forward by the actuary to determine the approximate position as at 31 March 2021.

The key assumptions are discount rate of 2.00% (2019-20: 2.30%) and rate of increase in pension payments of 2.40% (2019-20: 2.00%). A decrease of 0.5% in the discount rate would lead to an increase of approximately 10% in the total liability, while a decrease of 0.5% in the rate of increase in pensions would lead to an approximate 8% 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 2019. The actuaries rolled forward the results to determine approximate positions as at 31 March 2021. 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 Electricity Supply Pension Scheme (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 2019 for all six SLCs schemes. The actuaries rolled forward the results to determine approximate positions as at 31 March 2021.

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 2021 Funded pension schemes £m	31 March 2020 Funded pension schemes £m
Present value of defined benefit obligation at 1 April	**7,274**	**8,240**
Interest cost	163	199
Current service cost	197	253
Past service cost	6	7
Benefits paid	(229)	(239)
Actuarial (gains)/losses in financial assumption	1,366	(1,017)
Actuarial (gains)/losses on defined benefit obligation due to demographic assumptions	(81)	(152)
Actuarial (gains)/losses arising from experience adjustments	(195)	(13)
Employee contributions	23	24
Transfer in	(49)	(28)
Present value of defined benefit obligation at 31 March	**8,475**	**7,274**
Fair value of assets at 1 April	**7,187**	**7,319**
Expected return on plan assets	161	176
Employer contributions	145	145
Benefits paid	(229)	(239)
Actuarial gains/(losses)	845	(210)
Employee contributions	23	24
Transfer in	(49)	(28)
Fair value of assets at 31 March	**8,083**	**7,187**
Net liability at 31 March	**392**	**87**

The increase in the net liability at 31 March 2021 compared to 31 March 2020 is primarily due to an increase in the inflation rate applied to all defined benefit obligations between 31 March 2020 and 31 March 2021.

Net (asset)/liability by scheme

	31 March 2021			31 March 2020		
	Present value of defined benefit obligation	Fair value of assets	Net liability/ (asset)	Present value of defined benefit obligation	Fair value of assets	Net liability/ (asset)
	£m	£m	£m	£m	£m	£m
UK Research and Innovation – Medical Research Council	1,664	1,908	(244)	1,465	1,563	(98)
LLW Repository Ltd – LLWR section of CNPP	47	31	16	32	23	9
Magnox Ltd – SLC section of Magnox Electric Group of ESPS	3,083	3,269	(186)	2,856	3,251	(395)
Magnox Ltd – Magnox section of CNPP	177	146	31	133	118	15
Sellafield Ltd – Group Pension Scheme SLC section of CNPP	659	705	(46)	584	624	(40)
Sellafield Ltd – Sellafield section of CNPP	2,506	1,736	770	1,929	1,369	560
Dounreay Site Restoration Ltd – Dounreay section of CNPP	196	136	60	145	105	40
Nuclear Decommissioning Authority	143	152	(9)	130	134	(4)
Total net liability at 31 March	**8,475**	**8,083**	**392**	**7,274**	**7,187**	**87**

Asset allocation

	31 March 2021	31 March 2020
	£m	£m
Equities	2,473	1,797
Property	948	854
Government bonds	1,809	1,910
Corporate bonds	830	534
Other growth assets	1,884	1,883
Other	139	209
Balance at reporting date	**8,083**	**7,187**

The Magnox schemes had a total asset balance of £3,415 million, of which £1,345 million were government bond assets and £1,236 million were other growth assets which were not quoted in an active market. The Sellafield schemes had £2,441 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 £1,908 million included £1,173 million of quoted equities and £380 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 2021 £m	31 March 2020 £m
UK Research and Innovation – Medical Research Council	24	24
LLW Repository Ltd – LLWR section of CNPP	2	1
Magnox Ltd – SLC section of Magnox Electric Group of ESPS	23	32
Magnox Ltd – Magnox section of CNPP	5	5
Sellafield Ltd – Group Pension Scheme SLC section of CNPP	6	6
Sellafield Ltd – Sellafield section of CNPP	112	75
Dounreay Site Restoration Ltd – DSRL section of CNPP	9	6
Nuclear Decommissioning Authority	1	1
Total	**182**	**150**

Weighted average duration of the defined benefit obligation plans

	31 March 2021 Years	31 March 2020 Years
UK Research and Innovation – Medical Research Council	20	20
LLW Repository Ltd – LLWR section of CNPP	27	27
Magnox Ltd – SLC section of Magnox Electric Group of ESPS	16	16
Magnox Ltd – Magnox section of CNPP	23	21
Sellafield Ltd – Group Pension Scheme SLC section of CNPP	25	20
Sellafield Ltd – Sellafield section of CNPP	25	20
Dounreay Site Restoration Ltd – DSRL section of CNPP	25	20
Nuclear Decommissioning Authority	20	19

Major actuarial assumptions for SLC schemes

	Dounreay Site Restoration Limited		LLW Repository Limited		Magnox Limited (ESPS)		Magnox Limited (CNPP)		Sellafield Limited	
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
Discount rate	2.0%	2.3%	2.0%	2.4%	2.0%	2.3%	2.0%	2.3%	2.0%	2.3%
Inflation (Retail Price Index)	3.0%	2.4%	3.0%	2.6%	3.0%	2.4%	3.0%	2.4%	3.0%	2.4%
Life expectancy in years at 65, currently aged 65 (male)	21.2	21.3	21.3	21.9					21.2	21.3
Life expectancy in years at 65, currently aged 45 (male)	22.6	22.4	22.6	23.0					22.6	22.4
Life expectancy in years at 65, currently aged 65 (female)	23.6	23.2	23.6	23.8					23.6	23.2
Life expectancy in years at 65, currently aged 45 (female)	25.0	24.5	25.1	25.0					25.0	24.5
Life expectancy in years at 60, currently aged 60 (male)					27.1	27.8	25.9	25.9		
Life expectancy in years at 60, currently aged 40 (male)					27.8	28.5	27.4	27.1		
Life expectancy in years at 60, currently aged 60 (female)					29.2	29.8	28.4	27.9		
Life expectancy in years at 60, currently aged 40 (female)					30.1	30.6	29.9	29.2		

Major actuarial assumptions for NDA and UKRI

	Nuclear Decommissioning Authority		UK Research and Innovation	
	2020-21	2019-20	2020-21	2019-20
Discount rate	2.0%	2.3%	2.0%	2.3%
Inflation (Retail Price Index)	3.0%	2.4%	n/a	n/a
Life expectancy in years at 65, currently aged 65 (male)	21.2	21.3	22.6	22.1
Life expectancy in years at 65, currently aged 45 (male)	22.6	22.4	24.2	23.8
Life expectancy in years at 65, currently aged 65 (female)	23.6	23.2	23.6	23.8
Life expectancy in years at 65, currently aged 45 (female)	25.0	24.5	25.1	25.4

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	27	7	290	431	15	174
0.5 percentage point increase in inflation assumption	27	7	272	431	15	125
1 year increase in life expectancy	7	2	157	108	5	64

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 2021		31 March 2020 restated	
		Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	Note	£m	£m	£m	£m
Contracted capital commitments	21.1	23	2,422	9	2,635
Minimum future payments under:					
Operating leases	21.2	148	295	262	435
Finance leases		–	3	–	5
Other financial commitments	21.3	5,249	5,955	2,836	3,555
Total		**5,420**	**8,675**	**3,107**	**6,630**

Capital and other commitments – Operating lease and Other financial commitments have been restated as a result of Companies House becoming part of the Departmental Group. See note 26 for further details.

21.1 Capital commitments

	31 March 2021		31 March 2020	
	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	4	318	9	521
Intangible assets	–	1	–	1
Loans and Investments	19	2,103	–	2,113
Total	**23**	**2,422**	**9**	**2,635**

NDPBs and other designated bodies

Capital commitments as at 31 March 2021 include the following significant items:

- Property, plant and equipment commitments for United Kingdom Research and Innovation (UKRI) of £309 million (31 March 2020: £488 million).
- Investment commitments of £1,664 million (31 March 2020: £1,601 million) for the British Business Bank (BBB) related to undrawn investment commitments, £130 million (31 March 2020: £227 million) for Northern Powerhouse Investment Limited relating to capital calls to be utilised over the next six years, £118 million (31 March 2020: £173 million) for Midlands Engine Investments Limited relating to capital calls to be utilised over the next seven years and £76 million (31 March 2020: £86 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 2021		31 March 2020 restated	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Obligations under operating leases comprise:				
Land:				
Not later than one year	–	1	–	1
Later than one year and not later than five years	–	2	–	2
Later than five years	–	12	–	14
	–	**15**	**–**	**17**
Buildings:				
Not later than one year	22	39	57	73
Later than one year and not later than five years	73	106	103	147
Later than five years	41	119	95	183
	136	**264**	**255**	**403**
Other:				
Not later than one year	7	10	6	10
Later than one year and not later than five years	5	6	1	5
	12	**16**	**7**	**15**
Total	**148**	**295**	**262**	**435**

The commitment for Buildings for the Core Department is £71 million as at 31 March 2021 (31 March 2020: £227 million) which includes the lease on the property at 1 Victoria Street, London; this commitment is £43 million as at 31 March 2021 (31 March 2020: £145 million) now disclosed only up to the first break point under new leases agreed with the Government Property Agency during 2020-21. 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 2021		31 March 2020 restated	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Receivables under operating leases for the following periods comprise:				
Not later than one year	1	7	2	10
Later than one year and not later than five years	2	21	2	26
Later than five years	–	28	–	41
Total	**3**	**56**	**4**	**77**

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 2021		31 March 2020 restated	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Not later than one year	2,633	2,936	495	779
Later than one year and not later than five years	994	1,354	767	1,146
Later than five years	1,622	1,665	1,574	1,630
Total	**5,249**	**5,955**	**2,836**	**3,555**

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 2021 £m	Total 31 March 2020 £m
International Atomic Energy Agency	a	14	59	73	**146**	150
European Space Agency	b	150	–	–	**150**	414
Other subscriptions		10	43	63	**116**	84
Core Department and Agencies total		**174**	**102**	**136**	**412**	**648**
European Organisation for Nuclear Research (CERN)	c	146	88	–	**234**	255
Institut Laue Langevin (ILL)	d	20	37	–	**57**	80
Other subscriptions		81	134	6	**221**	147
Departmental Group total		**421**	**361**	**142**	**924**	**1,130**

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.

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 1 year £m	Later than one year and not later than five years £m	Later than five years £m	Total 31 March 2021 £m	Total 31 March 2020 restated £m
Met Office	a	95	477	1,452	2,024	1,958
Vaccine Taskforce	b	2,188	324	–	2,512	–
Other commitments		176	91	34	301	230
Core Department and Agencies total		**2,459**	**892**	**1,486**	**4,837**	**2,188**
Other commitments		56	101	37	194	237
Departmental Group total		**2,515**	**993**	**1,523**	**5,031**	**2,425**

Core Department

a) 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.

b) The Core Department has entered into non-cancellable contracts as part of the Vaccine Taskforce. Under the Vaccine Taskforce joint unit, practical responsibility for ensuring regularity, propriety and value for money in respect of contractual spend transferred to the Department of Health and Social Care on 1 August 2021. The formal transfer of these commitments will occur when the Machinery of Government change is triggered after the Supplementary Estimates 2021-22.

22. Financial instruments

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

		31 March 2021		31 March 2020 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	1,952	3,444	1,069	2,189
Receivables (i)	14	3,568	4,373	1,134	2,506
Loans to public sector bodies (ii) & (iii)	10.3, 15	1,558	988	1,431	1,008
Other financial assets and private sector loans	11.2	51	1,057	2	924
Total financial assets at amortised cost		**7,129**	**9,862**	**3,636**	**6,627**
Financial assets elected at fair value through other comprehensive income (FVOCI):					
Ordinary shares in public sector companies (iv)	10.1	670	1,244	773	1,305
Other financial assets	11.2	37	68	44	61
Total financial assets elected at FVOCI		**707**	**1,312**	**817**	**1,366**
Financial assets mandatory at fair value through profit or loss (FVTPL)					
Repayable launch investments	11.1	485	485	833	833
Derivatives – Forward contracts		–	–	9	9
Loans to public sector bodies (ii) & (iii)	10.3, 15	102	–	49	–
Other financial assets (vii)	11.2	1,196	4,103	88	2,302
Total financial assets mandatory at FVTPL		**1,783**	**4,588**	**979**	**3,144**
Public dividend capital:					
Public dividend capital	10.2	65	65	65	65
Total public dividend capital		**65**	**65**	**65**	**65**
Financial liabilities					
Financial liabilities as amortised cost:					
Payables (ii)	17	(2,243)	(3,182)	(1,466)	(2,867)
Total financial liabilities as amortised cost		**(2,243)**	**(3,182)**	**(1,466)**	**(2,867)**
Financial liabilities mandatory at fair value through profit or loss (FVTPL):					
Derivatives – Forward contracts		(7)	(7)	–	–
Derivatives – Contracts for difference (CfD)	9	–	(16,933)	–	(16,464)
Total financial liabilities mandatory at FVTPL		**(7)**	**(16,940)**	**–**	**(16,464)**
Financial liabilities designated at fair value through profit or loss (FVTPL):					
Loan commitment liabilities (vi)	19	–	(146)	–	(147)
Total financial liabilities designated at FVTPL		**–**	**(146)**	**–**	**(147)**
Financial guarantee liabilities:					
Financial guarantee liabilities (vi)	19	(19,833)	(19,833)	(91)	(91)
Total financial guarantee liabilities		**(19,833)**	**(19,833)**	**(91)**	**(91)**

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 2020-21 excludes £355 million (2019-20: £236 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. Loans to the British Business Bank with a value of £102 million are classified as Fair Value through Profit and Loss.

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.

v Trade credit reinsurance contracts worth £69 million (2019-20: £nil), included within note 19, are excluded from this table as they are held under IFRS 4 – Insurance Contracts.

vi Under a derogation from the requirements of the *FReM* and IFRS 9 from HM Treasury (note 1), financial guarantees for the BBLS, CBILS, and CLBILS schemes (note 19) are measured at lifetime expected credit losses which is not a measure of fair value but is to be treated as such for the purpose of comparison of fair value to the value in the SoFP.

vii Future Fund convertible loans with a value of £1,030 million (2019-20: £nil), included within Other Financial Assets, are detailed in note 11.2.

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 borrower default on private sector lending against which the Department has issued guarantees, primarily in relation to the Bounce Back Loan Scheme

(BBLS), Coronavirus Business Interruption Loan Scheme (CBILS) and Coronavirus Large Business Interruption Loan Scheme (CLBILS) (note 19). The guarantees were issued to lenders and do not impact on the contractual obligation of borrowers to repay loans. Proportions of lending guaranteed are 100% for BBLS and 80% for CBILS and CLBILS. An estimate of collateral security held by lenders for CBILS and CLBILS, which will reduce the Department's exposure, has been included in the reported liability. Any payment by the Department under a guarantee entitles it to a commensurate proportion of sums subsequently recovered from the borrower.

As at 31 March 2021 the Core Department was exposed to total guaranteed lending under these three schemes of £66,510 million (31 March 2020: £nil). The guarantees will expire over the next ten years as the underlying debt is repaid. The Department's reported liability of £19,773 million as at 31 March 2021 (31 March 2020: £nil) has been measured as the present value of expected payments to reimburse guarantee holders for credit losses incurred less amounts expected subsequently to be recovered from borrowers, that is, as lifetime expected credit losses as defined for financial guarantees by IFRS 9. Accredited scheme lenders are responsible for collections and recoveries of amounts advanced to borrowers. Lenders are required to follow their own recovery processes, whilst fulfilling their regulatory responsibility to ensure fair and consistent treatment of customers. For BBLS, a recoveries framework, developed in conjunction with lenders, provides guidance to lenders on best practice in the context of the scheme rules. Lenders' operation of the schemes, including recoveries processes and performance, is audited by the British Business Bank.

Financial guarantees have also been issued under the Enterprise Financial Guarantee and ENABLE schemes. The Enterprise Financial Guarantee Scheme facilitates lending to viable businesses with the maximum obligation capped at £147 million at 31 March 2021 (31 March 2020: £179 million). The ENABLE guarantee scheme aims to encourage lending to smaller businesses with the Department guaranteeing a portion of net losses on designated loan portfolios of participating banks in excess of an agreed 'first loss' threshold. As at 31 March 2021 the Department had approved guarantee facilities totalling £1.3 billion under ENABLE (31 March 2020: £1.4 billion), of which £783 million was effective (31 March 2019: £783 million) with a potential maximum liability of £310 million (31 March 2020: £356 million). An aggregate liability of £60 million for both schemes as at 31 March 2021 (31 March 2020: £91 million) has been reported 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 2021 determined as follows for trade receivables in the Core Department:

31 March 2021 Core Department	Current	1–30 days	31–60 days	61–90 days	91+ days	Total
Expected Loss rate	1%	17%	4%	42%	100%	
Gross carrying amount- trade receivables (excluding other government debt) (£m)	19	0	0	0	1	20
Loss allowance (£m)	0	0	0	0	1	1

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

The loss allowance for trade receivable balances held by ALBs has been assessed at an organisational 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 2021		31 March 2020 restated	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Balance at 1 April	13	23	15	22
Net remeasurement	1	(3)	(2)	1
Write-off	–	–	–	–
Balance at 31 March	**14**	**20**	**13**	**23**

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 2021 Amortised cost				31 March 2020 restated 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	1,532	–	–	1,532	1,410	–	–	1,410
Medium risk financial assets	307	25	–	332	284	62	–	346
High risk financial assets	166	47	–	213	180	38	–	218
Default financial assets	–	–	53	53	–	–	60	60
Total gross carrying amounts	**2,005**	**72**	**53**	**2,130**	**1,874**	**100**	**60**	**2,034**
Loss allowance	(18)	(18)	(49)	(85)	(25)	(19)	(58)	(102)
Carrying amount	**1,987**	**54**	**4**	**2,045**	**1,849**	**81**	**2**	**1,932**

The Departmental Group does not hold any loans, bonds and term deposits measured at FVOCI.

Prior year carrying amount restated between loss allowance buckets. The overall carrying amount is unchanged.

The movement in the allowance for impaired loans, bonds and term deposits at amortised cost during the year was as follows.

	31 March 2021				31 March 2020			
	12 month ECL	Lifetime ECL not impaired	Lifetime ECL credit impaired	Total	12 month ECL	Lifetime ECL not impaired	Lifetime ECL credit impaired	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 April	25	20	57	**102**	11	15	57	**83**
Additions	23	–	2	**25**	11	4	–	**15**
Net remeasurement	(16)	(3)	(4)	**(23)**	5	12	15	**32**
Repayment	–	–	–	**–**	–	(7)	–	**(7)**
Transfer to credit loss 12 month	–	5	7	**12**	–	(2)	4	**2**
Transfer to credit loss not impaired	(5)	–	2	**(3)**	2	–	9	**11**
Transfer to credit loss impaired	(8)	(1)	–	**(9)**	(3)	(10)	–	**(13)**
Written-off	(1)	(3)	(15)	**(19)**	(1)	7	(27)	**(21)**
Balance at 31 March	**18**	**18**	**49**	**85**	**25**	**19**	**58**	**102**

Cash and cash equivalents

The Departmental Group held cash and cash equivalents of £3,444 million as at 31 March 2021 (31 March 2020 restated: £2,189 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.

Loan commitment liabilities

BBB's ECF loan commitments were designated to be measured at FVTPL and the credit risk is, therefore, reflected in their fair value. These had a fair value of £141 million as at 31 March 2021 (31 March 2020: £147 million).

Financial guarantee contracts

The Core Department holds financial guarantee contracts worth £19,833 million as at 31 March 2021 (31 March 2020: £91 million). £19,773 million relate to Guarantee schemes established in response to the COVID-19 pandemic and in accordance with HM Treasury's Accounts Direction are measured at Lifetime expected credit losses not impaired.

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 £1,090 million (31 March 2020: £1,084 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

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 so is not exposed to interest rate risk.

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 and loan defaults. 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. These valuations take into account the impact of the COVID-19 pandemic as at 31 March 2021.

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 than quoted prices, that are observable either directly or indirectly;
- Level 3 – uses inputs for the assets or liabilities that are not based on observable market data, such as internal models or other valuation method.

The following table presents the Departmental Group's financial assets and liabilities that are measured at fair value at 31 March 2021 and 31 March 2020:

					31 March 2021				31 March 2020
		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									
Equity investments									
Ordinary shares in public sector bodies	10.1	–	1,244	–	**1,244**	–	1,305	–	**1,305**
Private sector shares	11.2	7	36	26	**69**	8	47	25	**80**
Total financial assets at FVOCI		**7**	**1,280**	**26**	**1,313**	**8**	**1,352**	**25**	**1,385**
FVTPL mandatory									
Debt and venture capital investments									
Repayable launch investments	11.1	–	–	485	**485**	–	–	833	**833**
Future Fund Loans	11.2	–	–	943	**943**	–	–	–	**–**
Investment funds	11.2	275	–	2,686	**2,961**	145	–	2,057	**2,202**
Equity investments									
Private sector shares	11.2	39	–	3	**42**	81	–	–	**81**
Future Fund Shares	11.2	–	–	87	**87**				
Other investments	11.2	–	–	70	**70**	–	–	–	**–**
Derivatives – Forward contracts		–	–	–	**–**	–	9	–	**9**
Total financial assets at FVTPL mandatory		**314**	**–**	**4,274**	**4,588**	**226**	**9**	**2,890**	**3,125**
Total financial assets measured at fair value		**321**	**1,280**	**4,300**	**5,901**	**234**	**1,361**	**2,915**	**4,510**
Financial Liabilities									
FVTPL mandatory									
Loan commitment liabilities	19	–	–	(146)	**(146)**	–	–	(147)	**(147)**
Total liabilities at FVTPL mandatory		**–**	**–**	**(146)**	**(146)**	**–**	**–**	**(147)**	**(147)**
FVTPL designated									
Derivatives – Forward contracts		–	(7)	–	**(7)**	–	–	–	**–**
Derivatives – CfD	9	–	–	(16,933)	**(16,933)**	–	–	(16,464)	**(16,464)**
Total financial liabilities at FVTPL designated		**–**	**(7)**	**(16,933)**	**(16,940)**	**–**	**–**	**(16,464)**	**(16,464)**
Total financial liabilities measured at fair value		**–**	**(7)**	**(17,079)**	**(17,086)**	**–**	**–**	**(16,611)**	**(16,611)**

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 2021, excluding the CfDs which are disclosed in note 9.

	Ordinary shares in unlisted private equities £m	Repayable launch investments £m	Investment funds and other financial investments £m	Loan Commitment Liabilities £m	Future Fund £m	Total £m
Balance at 1 April	**25**	**833**	**2,057**	**(147)**	**–**	**2,768**
Additions	4	–	635	(41)	1,090	**1,688**
Repayments/disposals	(1)	(336)	(273)	–		**(610)**
Revaluations	13	–	362	42	(60)	**357**
Gains and losses recognised in SoCNE	(12)	(12)	(25)	–	–	**(49)**
Balance at 31 March	**29**	**485**	**2,756**	**(146)**	**1,030**	**4,154**

The following table presents the changes in level 3 instrument for the year ended 31 March 2020, excluding the CfDs which are disclosed in note 9.

	Ordinary shares in unlisted private equities £m	Repayable launch investments £m	Investment funds and other financial investments £m	Loan Commitment Liabilities £m	Future Fund loans £m	Total £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**

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 2020	1,520	4,337	10,607	16,464
As at 31 March 2021	1,021	3,962	11,950	16,933

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 Core 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 Core 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 – Site restoration liabilities inherited from British Coal	The Core 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 – Horizon 2020 Funding	In July 2018, the UK Government announced an extension of its guarantee of EU-funded projects after the UK 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.
Core Department – Compensation for exclusion from grant scheme	The Core Department may become liable for funding the costs of compensation to certain claimants whose applications to the GB Non-Domestic Renewable Heat Incentive scheme had been rejected, following a court judgment that their applications for accreditation had not been processed in full accordance with scheme regulations.
Quantifiable	
Core Department – Wave Hub transfer (£5 million)	The Core 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.
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.
CNPA – Multi Force Shared Service (MFSS)	There is a partner commitment as part of the end of the MFSS collaboration, to cover any redundancy costs that arise. Cheshire's PCC (as the lead Partner and employer of the MFSS staff) has stated their intention to find a role for all displaced MFSS staff wherever possible. While this is an ambition, there may still be some redundancies in November 2022, however at this time it is not possible to identify the potential costs.
Insolvency Service – Legal Cases	Due to the nature of the work undertaken by the Agency, there are a number of ongoing legal cases giving rise to contingent liabilities. The legal cases included as contingent liabilities all relate to possible obligations where the Agency has issued civil and criminal proceedings through the courts, and the outcome is dependent on court rulings and findings. Further details cannot be disclosed, as in accordance with IAS 37 (paragraph 92), the Agency considers that disclosure of values for any contingent liability connected to legal proceedings could seriously prejudice ongoing litigation.
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.

Basis of Recognition	Description
Others	There are a number of potential liabilities for the Departmental Group 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 £nil (31 March 2020: £10.5 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 2021 the amount lent under these financial guarantee agreements was £3 million (31 March 2020: £3 million). The programme is now closed and there will be no further lending.
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 2025.
UKRI – (Innovate UK) Decommissioning costs (£2.6 million)	UKRI has a contingent liability which may arise if UKRI has to provide a grant to NAREC (Natural Renewable Energy Centre) in order for it to be able to decommission a weather monitoring platform in the North Sea. This is currently collecting data to support the development of an offshore wind test site. This may take place anytime between three and 25 years from now dependent on the development of the site, at an estimated cost of £2.6 million.
UKRI – (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 (£10.4 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 £10.4 million (31 March 2020: £11.8 million).

24. Contingent assets

Core Department

The Core Department has the following contingent assets:

Basis of Recognition	Description
Quantifiable	
Deed relating to the British Coal Staff Superannuation Scheme (BCSSS) under Paragraph 2(9) of Schedule 5 to the Coal Industry Act 1994 (£1.8 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 Core 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 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 engaged in material transactions with other consolidated bodies, other government bodies, and devolved administrations (the Northern Ireland Executive, Scottish government and Welsh government). The most significant of these transactions have been with the Exchequer Consolidated Fund and Contingencies Fund, United Kingdom Research and Innovation, Post Office Limited, Nuclear Liabilities Fund, and Nuclear Decommissioning Authority.

No minister, board member, key manager of the Departmental Group or other related party has 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.

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.

A number of BEIS partner organisations entered into transactions with the Government Property Agency (GPA) in relation to rental payments for office accommodation. In year, the Department also entered into three agreements with the GPA to transfer the freehold property of assets owned by the Department for nil consideration. Further details on the asset transfer can be found in note 7.

UK Space Agency recognised £442k income from OneWeb in 2020-21 in relation to satellite licence applications. OneWeb is an associate of the Department. Further information on OneWeb can be found in note 13.

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

Changes to the Departmental boundary

Companies House

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 October 2018, the ONS reclassified Companies House from a public corporation (a non-consolidated public body) to a central government body (a consolidated body), with effect from 1 November 1844, the date the Joint Stock Companies Act 1844 received Royal Assent and resulted in the establishment of Companies House.

For 2019-20 Companies House retained its legal trading fund status. This was revoked on 1 April 2020, as a result of The Companies House Trading Fund (Revocation) Order Statutory Instrument (SI) 2019: No.1337 (laid on 15 October 2019) coming into force. As a result of the ONS decision and effective date, Companies House has been consolidated into the Departmental Group accounts from 1 November 1844. In accordance with IFRS, this has resulted in the previous two financial years from 1 April 2019, being restated to present comparative financial information.

The impact of restating for Companies Houses results from 1 April 2019, are detailed in the tables below.

No other restatements or prior period adjustments have been made or required.

Impact of restatements on opening balances for the Departmental Group at 1 April 2020

	Balance at 31 March 2020 per 2019-20 published accounts £m	Prior period adjustments – Companies House £m	Restated balance at 1 April 2020 £m
Consolidated Statement of Comprehensive Net Expenditure			
Operating Income	(4,798)	(65)	**(4,863)**
Operating Expenditure	33,291	70	**33,361**
Net expenditure for the year from continuing operations	4,999	3	**5,002**
Other comprehensive net income and expenditure	(44)	–	**(44)**
Total comprehensive expenditure	**33,448**	**8**	**33,456**
Consolidated Statement of Financial Position			
Non-current assets			
Property, plant and equipment	3,605	27	**3,632**
Investment properties	121		**121**
Intangible assets	230	18	**248**
Investments and loans in public bodies	1,706		**1,706**
Other financial assets	4,120		**4,120**
Recoverable contract costs	1,425		**1,425**
Investment in joint ventures and associates	967		**967**
Trade and other receivables	848		**848**
Current assets			
Inventories	51		**51**
Non-current assets held for sale	6		**6**
Trade and other receivables	2,258	(3)	**2,255**
Investments and loans in public bodies	672		**672**
Derivative financial instruments	9		**9**
Cash and cash equivalents	2,158	31	**2,189**
Current liabilities			
Trade payables and other liabilities	(6,484)	(40)	**(6,524)**
Provisions for liabilities and charges	(14,065)		**(14,065)**
Financial guarantees, loan commitment liabilities and re-insurance contracts	(17)		**(17)**
Non-current liabilities			
Trade payables and other liabilities	(2,467)		**(2,467)**
Provisions for liabilities and charges	(136,034)	(3)	**(136,037)**
Financial guarantees, loan commitment liabilities and re-insurance contracts	(221)		**(221)**
Derivative financial instruments	(16,464)		**(16,464)**
Retirement benefit obligations	(87)		**(87)**
Taxpayer’s equity and other reserves			
General fund	(160,292)	20	**(160,272)**
Revaluation reserve	1,998	10	**2,008**
Charitable funds	402		**402**
Non-controlling interests	229		**229**

Impact of restatements on opening balances for the Departmental Group at 1 April 2019

	Balance at 31 March 2019 per 2019-20 published accounts £m	Prior period adjustments – Companies House £m	Restated balance at 1 April 2019 £m
Consolidated Statement of Financial Position			
Non-current assets			
Property, plant and equipment	3,533	26	**3,559**
Investment properties	117		**117**
Intangible assets	167	16	**183**
Investments and loans in public bodies	1,758	(16)	**1,742**
Other financial assets	4,118		**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	1,565	8	**1,573**
Investments and loans in public bodies	620		**620**
Derivative financial instruments	17		**17**
Cash and cash equivalents	2,078	41	**2,119**
Current liabilities			
Trade payables and other liabilities	(5,652)	(49)	**(5,701)**
Provisions for liabilities and charges	(3,050)		**(3,050)**
Financial guarantees, loan commitment liabilities and re-insurance contracts	(11)		**(11)**
Derivative financial instruments	(13)		**(13)**
Non-current liabilities			
Trade payables and other liabilities	(2,901)	1	**(2,900)**
Provisions for liabilities and charges	(131,416)		**(131,416)**
Financial guarantees, loan commitment liabilities and re-insurance contracts	(219)		**(219)**
Derivative financial instruments	(12,923)		**(12,923)**
Retirement benefit obligations	(921)		**(921)**
Taxpayer's equity and other reserves			
General fund	(142,297)	18	**(142,279)**
Revaluation reserve	2,155	9	**2,164**
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 2020, known as the Designation Order, plus amendments from the Government Resources and Accounts Act 2000 (Estimate and Accounts) (Amendment) (No. 2) 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 gov.uk 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 2020-21 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 2020-21		
Agencies		
Companies House	Executive Agency	gov.uk/government/organisations/companies-house
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		
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	find-and-update.company-information.service.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 (Subsidiary of BBB)*	*Consolidated by British Business Bank plc*
British Business Investments Ltd	*Limited Company (Subsidiary of BBB)*	*Consolidated by British Business Bank plc*
British Business Finance Ltd	*Limited Company (Subsidiary of BBB)*	*Consolidated by British Business Bank plc*
British Business Financial Services Ltd	*Limited Company (Subsidiary of BBB)*	*Consolidated by British Business Bank plc*
British Business Aspire Holdco Ltd	*Limited Company (Subsidiary of BBB)*	*Consolidated by British Business Bank plc*
British Patient Capital Limited	*Limited Company (Subsidiary of BBB)*	*Consolidated by British Business Bank plc*
Capital for Enterprise Fund Managers Limited	*Limited Company (Subsidiary 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)
Capital for Enterprise (GP) Limited	*Limited Company (Subsidiary of BBB)*	*Consolidated by British Business Bank plc*
Capital for Enterprise Limited	*Limited Company (Subsidiary of BBB)*	*Consolidated by British Business Bank plc*
The Start-Up Loans Company	*Limited Company (Subsidiary 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	gov.uk/government/organisations/dounreay 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 (Subsidiary of Enrichment Holdings Limited)*	*Consolidated by Enrichment Holdings Limited*
Electricity Settlements Company Ltd	Other Public Body – Limited Company	lowcarboncontracts.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

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)
UK Accounting Standards Endorsement Board Limited	*Limited Company (Subsidiary of FRC)*	*Consolidated by The Financial Reporting Council Limited*
Harwell Science and Innovation Campus Public Sector Limited Partnership	Other Public Body – Limited Partnership	Joint venture owned by UKRI and UK Atomic Energy Authority
Industrial Development Advisory Board	Expert Committee	gov.uk/government/organisations/industrial-development-advisory-board No accounts produced. Funded by 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	gov.uk/government/organisations/low-level-waste-repository-ltd 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	meif.co.uk
The NESTA Trust	Other Public Body – Charitable Trust	nesta.org.uk
Northern Powerhouse Investments Limited	Other Public Body – Limited Company	npif.co.uk
Nuclear Decommissioning Authority[1]	NDPB	gov.uk/government/organisations/nuclear-decommissioning-authority
Magnox Limited	*Limited Company (Subsidiary of NDA)*	*Consolidated by Nuclear Decommissioning Authority*
Radioactive Waste Management Limited	*Limited Company (Subsidiary of NDA)*	*Consolidated by Nuclear Decommissioning Authority*
Sellafield Limited	*Limited Company (Subsidiary of NDA)*	gov.uk/government/organisations/sellafield-ltd *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	NDPB	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.

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)
Regulatory Policy Committee	NDPB	gov.uk/government/organisations/regulatory-policy-committee No accounts produced as costs are included in the Core Department's expenditure.
Salix Finance Limited[2]	NDPB	salixfinance.co.uk Consolidated from 30 September 2020.
South Tees Site Company Limited[3]	Other Public Body – Limited Company	southteesdc.com/about-us/south-tees-site-company-ltd Consolidated up to 8 October 2020.
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 (Subsidiary of UKCI)*	*Consolidated by the UK Climate Investments LLP*
UK Climate Investments H1 Limited	*Limited Company (Subsidiary of UKCI)*	*Consolidated by the UK Climate Investments LLP*
UK Climate Investments Indigo Limited	*Limited Company (Subsidiary of UKCI)*	*Consolidated by the UK Climate Investments LLP*
UK Climate Investments Lakeside Limited	*Limited Company (Subsidiary of UKCI)*	*Consolidated by the UK Climate Investments LLP*
UK Climate Investments VC Limited	*Limited Company (Subsidiary 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*
Innovate UK Loans Limited	*Limited Company (Subsidiary of UKRI)*	*Consolidated by UKRI*
STFC Innovations Limited	*Limited Company (Subsidiary 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 2020-21		
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.

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)
Committee on Climate Change[1]	NDPB	theccc.org.uk/about Turnover and net assets are not material to Departmental Group accounts.
Daresbury SIC (PubSec) LLP	Other Public Body – Limited Liability Partnership	find-and-update.company-information.service.gov.uk/company/OC360004 A joint venture between UKRI and Halton Borough Council. 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 – Subsidiary 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 – Subsidiary of NDA – Limited Company	Part of the NDA – Dormant – Site Licence Company No costs or activities incurred in 2020-21 as the activities transferred to Magnox in 2016-17.
Rule Committee (as mentioned in section 127(2) of the Land Registration Act 2002)	NDPB	gov.uk/government/organisations/land-registration-rule-committee Turnover and net assets are not material to Departmental Group accounts.
Small Business Commissioner	NDPB	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 Salix Finance Limited became a NDPB of BEIS on 30 September 2020 and is consolidated into the Departmental Group accounts from this date.

3 HMG sold its share in South Tees Site Company Limited on 8 October 2020.

28. Events after the Reporting Period

Adjusting events

Regulatory Approval of the COVID-19 Janssen Vaccine

The Janssen COVID-19 vaccine was approved by the MHRA in May 2021 for use in the United Kingdom; thus, resulting in an adjusting post balance sheet event. Initially, these payments were expensed through the SoCNE due to there being a low chance of the vaccines coming into fruition, however these payments are classified as a prepayment when regulatory approval has been obtained. A total of £54.4 million upfront spend has been recognised in the prepayments balance.

Non-adjusting events

Machinery of Government change: Vaccine Taskforce to the Department for Heath and Social Care

The Government announced in March 2021 that there would be a joint unit between BEIS and DHSC for the Vaccine Taskforce. On 1 August 2021, practical responsibility for the Vaccine Taskforce transferred from the Secretary of State for Business, Energy and Industrial Strategy to the Secretary of State for Health and Social Care. A formal Machinery of Government change will not be triggered until after the Supplementary Estimate (expected in February 2022).

During the period between 1 August 2021 and the Supplementary Estimate, accountability to Parliament for the VTF will remain with BEIS. However, practical responsibility for ensuring regularity, propriety, and value for money in respect of the resources used in support of DHSC activities will transfer on 1 August 2021 to the Permanent Secretary for DHSC.

The DHSC Secretary of State will be accountable to Parliament for the VTF's activity where the primary purpose is vaccine and antibody procurement and supply, clinical development, and research and development led by health bodies such as the National Institute for Health Research (NIHR). Whereas the BEIS Secretary of State will be accountable to Parliament for the VTF's activity where the primary purpose is vaccine and antibody manufacturing and fill-finish, and research and development led by BEIS bodies such as UK Research and Innovation (UKRI).

Following the Machinery of Government change, the vaccine contracts will be managed by DHSC, having been signed on behalf of the Crown, with expenditure occurring on the DHSC estimate.

Recovery Loan Scheme

The Recovery Loan Scheme aims to facilitate access to debt finance for UK businesses as they recover from the disruption of the COVID-19 pandemic. The scheme opened to borrower applications from 6 April 2021, with maximum borrowing per business of £10 million, duration of loan facilities of three months to six years and the Core Department assuming 80% of the credit risk incurred by accredited lenders from lending under the scheme. The scheme is scheduled to close on 30 June 2022. For applications from 1 January 2022, maximum borrowing per business will be £2 million and the Department will assume 70% of credit risk.

Information from lenders as at 2 November 2021 indicated exposure to potential lender claims of up to £1,005 million on guaranteed loan facilities totalling £1,257 million with related claims estimated indicatively at between £88 million and £181 million. The exposure to potential claims is expected to increase while the scheme remains open.

COVID-19 Financial Guarantee Schemes

Information has become available after the year end which supports a reduction in the estimate of fraud within the Bounce Back Loan scheme (BBLS) to 7.5%, however this reduction remains subject to further verification. This information was not available at year end and as such, under IFRS 9 is not included in the valuation within note 19. The Department is not able to quantify the impact of the 7.5% fraud rate on the financial guarantee liabilities held on the SoFP, as there are other factors to take account of, including any loan portfolio and changes to other inputs included in the ECL model.

The estimate requires further verification from subject matter experts within the British Business Bank and the Core Department.

All values given below are based on data held by the British Business Bank as at 30 September 2021, as reported to them through the lender portal. Management have not verified the completeness or accuracy of this data, and there may be inconsistencies with information held by lenders and the status of borrowers of the underlying loans.

A large proportion of borrowers are not yet required to begin repayments of their facilities under the terms of the schemes.

The Department is not able to quantify the impact of the data shown below on the financial guarantee liabilities held on the SoFP.

Deployment

The financial guarantee schemes closed to new applications on 31 March 2021, a number of facilities were drawn down after this date.

Facilities Drawn as at 30 September 2021	Value (£m)	Volume	Increase since 31 March 2021
BBLS	46,720	1,539,788	705
CBILS	25,795	97,293	4,439
CLBILS	4,929	723	666
Total	77,444	1,637,804	5,810

Repayments

The Financial Guarantee liabilities disclosed in Note 19 are not valued using repayments data received after 31 March 2021. This is in line with the requirements of IFRS9 to exclude information used in the year end valuation which is not available at the reporting date.

Facilities repaid in full by borrowers as at 30 September 2021	Value (£m)	% repaid by Value	Volume	% repaid by Volume
BBLS	2,039	4	61,809	4
CBILS	2,035	8	10,952	11
CLBILS	750	15	103	14
Total	4,824	6	72,864	4

Defaults and Claims

Lenders have reported that a number of borrowers are currently in default. These may result in claims being made on the guarantee once lenders have followed recovery proceedings.

Defaulted as at 30 September 2021	Value (£m)	% repaid by Value	Volume	% defaulted by Volume
BBLS	1,312	3	37,670	2
CBILS	138	1	718	1
CLBILS	9	0	4	1
Total	1,459	2	38,392	2

Claims settled by the Department are shown below. As at 30 September 2021, the value of claims settled represented less than 1% of the total value of facilities drawn over the duration of the schemes.

Claims Settled as at 30 September 2021	Value (£m)	Volume
BBLS	19	601
CBILS	17	145
CLBILS	0	0
Total	36	746

Pay As You Grow (PAYG)

The Pay as You Grow scheme was announced on 6 February 2021. It was designed to help UK smaller businesses that have taken out a COVID-19 emergency Bounce Back Loan to manage their cashflow.

The BBLS Financial Guarantee liability disclosed in Note 19 is not valued using information on PAYG uptake after the reporting date of 31 March 2021. This is in line with the requirements of IFRS9, to exclude the impact of non-contractual options.

There are three forbearance options available to borrowers:

Option 1 – extension from 6 to 10 year repayment term

Option 2 – additional 6 month repayment holiday

Option 3 – interest only payments for 6 months

Take up across the three options as at 30 September 2021 was as follows:

BBLS – PAYG Options	Value (£m)	% by Value	Volume	% by Value
All 3 options	–	0	3	0
10 year extension	4,490	10	129,061	8
10 year extension & 6-month repayment holiday	2,450	5	67,748	4
10 year extension & 6-month interest only repayment	649	1	18,578	1
6-month repayment holiday	2,631	6	78,260	5
6-month interest only repayment	768	2	24,806	2
Total	10,988	24	318,456	20

Restart Grants

On 3 March 2021, Government announced the introduction of grant support called the Restart Grant (RG) for non-essential retail, hospitality, accommodation, leisure, personal care and gym businesses in England for £4,575 million. The eligibility criteria includes businesses that were trading on 1 April 2021, meaning this support will take the form of a one-off grant funding scheme in Financial Year 2021-2022.

On 3 March 2021, the extension of the Additional Restrictions Grant (ARG), as part of the Restart Grants was announced. £425 million will be available for Local Authorities from 1 April 2021 for those local authorities that demonstrate that they have fully spent their previous allocations of the ARG by 31 July 2021.

OneWeb

Since 31 March 2021, OneWeb has secured additional funding from an additional investor. This has resulted in the Government's equity stake in OneWeb reducing from 40.6% at 31 March 2021 to 20.5% on 8 September 2021.

Nuclear decommissioning: Advanced Gas Cooled Reactor (AGR) transfer

On 23 June 2021 the Core Department, NDA, and EDF entered into new decommissioning arrangements for seven advanced gas cooled reactor (AGR) stations in which the Core Department has directed NDA to take on the future ownership of the stations for future decommissioning. The work will be undertaken by the NDA subsidiary Magnox Limited.

Financial support to Post Office Limited

On 22 July 2021 the Core Department undertook to provide financial support of up to £94 million to Post Office Limited for the purpose of making payments to eligible persons by way of interim compensation for wrongful criminal convictions associated with the Post Office Horizon IT system.

Vaccine Taskforce: Termination of Agreement with Valneva SE

On 13 September 2021, the Government announced that it would be terminating its agreement with Valneva SE (Valneva) to supply 100 million COVID-19 vaccine doses. This is due to a breach of its obligations by Valneva SE. Also, the Government stated that the Valneva COVID-19 vaccine would not have met UK regulatory requirements. The total spent on the Valneva SE COVID-19 vaccine development programme is £243 million in 2020-21; this has been included in 'VTF – Development Costs' and can be seen in Note 4.1 of these accounts.

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.

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 2020-21, BEIS collected income under the following schemes.

- EU emissions trading scheme (EUETS)
- 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.

As a result of the end of the transition period (31 December 2020), the UK left the EU ETS scheme on 31 December 2020. The replacement scheme will be the UK ETS scheme which runs from 1 January 2021. The EU ETS scheme's year runs until 30 April. Therefore, there will be no UK ETS auctions held until after this date to give the opportunity to UK businesses to sell their allowance on the secondary market. The UK will still be involved with the EU ETS auction scheme in relation to Northern Ireland, so will remain an income stream going forward.

EU ETS financial summary

- The UK held 21 EUA auctions and three EUAA auctions in 2020-21.
- 54 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.

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.

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 2020-21 generated -£840,000 (2019-20: £280 million). There were 28 civil penalties levied against CRC participants.
- Civil penalties amounted to £160,765 (2019-20: £249,078). The costs incurred in administering the CRC scheme were borne by the Core 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 2025.

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 2020-21, the income from buy-out payments generated £231,000 (£32 million in 2019-20) – shown in note 2.3 of the Trust Statement. The higher income in the prior year is because 2019-20 was a period of primary reporting for Target Reporting Period III. By comparison, 2020-21 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 (2019-20: 1 civil penalty totalling £1,602).

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 2020-21, 4 penalties were issued which totalled £39,769 (2019-20: 12 penalties which totalled £105,725).

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 261 to 264. 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

17 November 2021

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 the Department for Business, Energy and Industrial Strategy Trust Statement ("the Trust Statement") for the year ended 31 March 2021 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. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual.

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 income; Carbon Reduction Commitment (CRC) allowance sales; Climate Change Agreements (CCA) income; and EU ETS, CRC, CCA, and Energy Savings Opportunity Scheme (ESOS) civil penalties as at 31 March 2021 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 for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law 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 report.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Department in accordance with the ethical requirements that are relevant to my audit of 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

In auditing the financial statements, I have concluded that the Department's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Department's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this report.

The going concern basis of accounting for the Trust Statement is adopted in consideration of the requirements set out in HM Treasury's Government Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

Other Information

The other information comprises information included in the Performance Report, Accountability Report and Foreword to the Trust Statement, but does not include the financial statements and my auditor's report thereon. The Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my report, 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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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, based on the work undertaken in the course of the audit:

- the parts of the Performance Report, Accountability Report and Foreword to the Trust Statement to be audited have been properly prepared in accordance with HM Treasury directions made under the Exchequer and Audit Departments Act 1921; and
- the information given in the Performance Report, Accountability Report and Foreword to the Trust Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Trust Statement and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance Report, Accountability Report and Foreword to the Trust Statement. 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.

Responsibilities of the Accounting Officer for 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 in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.
- assessing the Department's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Trust Statement will not continue to be provided in the future.

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.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes my opinion. 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.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management, the head of internal audit for the Department of Business, Energy and Industrial Strategy and those charged with governance, including obtaining and reviewing supporting documentation relating to the Trust Statement's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance including the Department's controls relating to the Exchequer and Audit Departments Act 1921 and Managing Public Money;
- discussing among the engagement regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition and posting of unusual journals; and
- obtaining an understanding of the Trust Statement's framework of authority as well as other legal and regulatory frameworks that the Trust Statement operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Trust Statement. The key laws and regulations I considered in this context included the Exchequer and Audit Departments Act 1921, Managing Public Money, Environmental Protection Emissions Trading Regulations which came into force on 11 July 2008, Community Emission Trading Scheme (Allocation of Allowances for Payment) Regulations 2008, CRC Energy Efficiency Scheme (Allocation of Allowances for Payment) Regulations 2012, Climate Change Agreements (Administration) Regulations 2012, 2013 and 2014.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my report.

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

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.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General

22 November 2021

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

Statement of Revenue, Other income and Expenditure

for the year ended 31 March 2021

	Note	2020-21 £'000	2019-20 £'000
Revenue			
License fees and taxes			
EU ETS auction income	2.1	2,213,079	201,388
CRC allowance sales	2.2	(840)	280,462
CCA buy-out payments income	2.3	231	31,974
Total licence fees and taxes		**2,212,470**	**513,824**
Fines and penalties			
Civil penalties – EU ETS		137,826	8,485
Civil penalties – CRC		61	250
Civil penalties – CCA		2	2
Civil penalties – ESOS		40	106
Total fines and penalties	2.4	**137,929**	**8,843**
Total revenue and other income		**2,350,399**	**522,667**
Expenditure			
Foreign exchange and interest – EU ETS	3.1	(3,093)	195
Credit losses – debts written off	3.2	–	(9)
Total expenditure		**(3,093)**	**186**
Net revenue for the Consolidated Fund		**2,347,306**	**522,853**

There were no recognised gains or losses accounted for outside of the above Statement of Revenue, Other Income and Expenditure.

The notes on pages 268 to 272 form part of this statement.

Statement of Financial Position

as at 31 March 2021

	Note	31 March 2021 £'000	31 March 2020 £'000
Current assets			
Receivables and accrued fees	4	**147,267**	**9,400**
Cash and cash equivalents	5	34,897	33,181
Total current assets		**182,164**	**42,581**
Current liabilities			
Payables	6	(2,797)	(639)
Total current liabilities		**(2,797)**	**(639)**
Net current assets		**179,367**	**41,942**
Total net assets			
Represented by:		179,367	41,942
Balance on Consolidated Fund Accounts		**179,367**	**41,942**

The notes on pages 268 to 272 form part of this statement.

Sarah Munby

Permanent Secretary and Principal Accounting Officer

17 November 2021

Statement of Cash Flows

for the year ended 31 March 2021

	Note	2020-21 £'000	2019-20 £'000
Net cash flows from operating activities	A	**2,211,600**	**516,565**
Cash paid to the Consolidated Fund	7	(2,209,884)	(511,282)
Increase/(decrease) in cash in this period	B	**1,716**	**5,283**

Notes to the Statement of Cash Flows

	Note	2020-21 £'000	2019-20 £'000
A: Reconciliation of Net Cash Flow to Movement in Net Funds			
Net Revenue for the Consolidated Fund	7	2,347,309	522,853
(Increase)/decrease in receivables and accrued fees	4	(137,867)	(6,603)
Increase/(decrease) in payables	6	2,158	315
Net cash flows from operating activities		**2,211,600**	**516,565**
B: Analysis in changes in Net Funds			
Increase/(decrease) in cash in this period		1,716	5,283
Net Funds as at 1 April (net cash at bank)	5	33,181	27,898
Net Funds as at 31 March (closing balance)	5	**34,897**	**33,181**

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

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.

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.

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

	2020-21 £'000	2019-20 £'000
EU ETS – phase III auctions income	2,213,079	201,388
Total	**2,213,079**	**201,388**

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

	2020-21 £'000	2019-20 £'000
CRC allowance sales	(840)	280,462
Total	**(840)**	**280,462**

2.3 Revenue from CCA

	2020-21 £'000	2019-20 £'000
CCA buy-out payment income receivable	231	31,974
Total	**231**	**31,974**

In 2020-21, the income from buy-out payments generated £231,000 (£32 million in 2019-20). This decrease is due to 2019-20 being the primary reporting period income for Target Reporting Period III.

2.4 Revenue from civil penalties

	2020-21 £'000	2019-20 £'000
Levied under EU ETS	137,826	8,485
Levied under CRC	61	250
Levied under CCA	2	2
Levied under ESOS	40	106
Total	**137,929**	**8,843**

There were 54 penalties totalling £137,826,387 (2019-20: 261 penalties totalling £9,277,406 before an adjustment in relation to prior years, resulting in net value being £8,485,007) levied under the EU ETS scheme. There were 14 penalties totalling £160,765 (2019-20: 40 penalties totalling £249,708) levied under the CRC scheme. 4 penalties totalling £39,769 (2019-20: 12 penalties totalling £105,725) were levied under the ESOS scheme. 1 penalty totalling £1,602 (2019-20: 1 penalty totalling £1,602) was (were) levied under the CCA scheme.

3. Expenditure and disbursements

3.1 Costs incurred in the collection of receipts

	2020-21 £'000	2019-20 £'000
Foreign currency translation (gains)/losses – EU ETS	3,046	(195)
Interest charges on Euro auction bank account – EU ETS	47	–
Total	**3,093**	**(195)**

3.2 Credit losses

	2020-21 £'000	2019-20 £'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: £1,046,556 (2019-20: £1,532,423).

CRC: £15,902 (2019-20: £332,800).

CCA: £380,242 (2019-20: £361,599).

ESOS: £891,682 (2019-20: £1,028,290).

4. Receivables and accrued fees

	2020-21 £'000	2019-20 £'000
Civil Penalties receivable	147,267	9,400
Total	**147,267**	**9,400**

5. Cash and cash equivalents

	2020-21 £'000	2019-20 £'000
Balance as at 1 April	33,181	27,898
Net change in cash and cash equivalent balances	1,716	5,283
Balance at 31 March	**34,897**	**33,181**
The following balances at 31 March were held at:		
Government Banking Service	34,897	33,181
Total	**34,897**	**33,181**

6. Payables

	2020-21 £'000	2019-20 £'000
Other	2,797	639
Total	**2,797**	**639**

7. Balance on the Consolidated Funds accounts

	2020-21 £'000	2019-20 £'000
Balance on the consolidated Fund as at 1 April	41,942	30,371
Net revenue for the Consolidated Fund	2,347,309	522,853
Less amounts paid to the Consolidated Fund	(2,209,884)	(511,282)
Balance on the Consolidated Fund as at 31 March	**179,367**	**41,942**

8. Financial Instruments

8.1 Classification and categorisation of financial instruments

	2020-21 £'000	2019-20 £'000
Financial assets		
Cash	34,897	33,181
Civil penalties receivable	147,267	9,400
Total financial assets	**182,164**	**42,581**
Financial liabilities		
Other Payables	(2,797)	(639)
Total financial liabilities	**(2,797)**	**(639)**

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 loss of £3.046 million incurred in 2020-21 (2019-20: gain of £194,813).

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

There are no events after the reporting period to report on.

Annexes to the Trust Statement

Accounts Direction given by HM Treasury in accordance with Section 2 of the Exchequer and Audit Departments Act 1921

1. This direction applies to those government departments listed in appendix 2.
2. The Department shall prepare a Trust Statement ("the Statement") for the financial year ended 31 March 2021 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 ("FReM") and the FReM addendum issued by HM Treasury which is in force for 2020-21.
3. The Statement shall be prepared, as prescribed in appendix 1, so as to give a true and fair view of (a) the state of affairs relating to the collection and allocation of taxes, licence fees, fines and penalties and other income by the Department as agent and of the expenses incurred in the collection of those taxes, licence fees, fines and penalties insofar as they can properly be met from that revenue and other income; (b) the revenue and expenditure; and (c) the cash flows for the year then ended.
4. The Statement shall also be prepared so as to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
5. When preparing the Statement, the Department shall comply with the guidance given in the FReM (Chapter 11). The Department shall also agree with HM Treasury the format of the Principal Accounting Officer's Foreword to the Statement, and the supporting notes, and the accounting policies to be adopted, particularly in relation to revenue recognition. Regard shall also be given to all relevant accounting and disclosure requirements in Managing Public Money and other guidance issued by HM Treasury, and to the principles underlying International Financial Reporting Standards.
6. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with HM Treasury.
7. The Statement shall be transmitted to the Comptroller and Auditor General for the purpose of his examination and report by a date agreed with the Comptroller and Auditor General and HM Treasury to enable compliance with the administrative deadline for laying the audited accounts before Parliament before the Summer Recess.
8. The Trust Statement, together with this direction (but with the exception of the related appendices) and the Report produced by the Comptroller and Auditor General under section 2 of the Exchequer and Audit Departments Act 1921 shall be laid before Parliament at the same time as the Department's Resource Accounts for the year unless the Treasury have agreed that the Trust Statement may be laid at a later date.

Michael Sunderland
Deputy Director, Government Financial Reporting
Her Majesty's Treasury
23 December 2020

Appendix 1 to Annex D: Trust Statement for the year ended 31 March 2021

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; and
   - such notes as may be necessary to present a true and fair view.
2. The notes shall include among other items:
   - the accounting policies, including the policy for revenue recognition and estimation techniques and forecasting techniques together with statements explaining any significant uncertainty surrounding estimates and forecasts;
   - a breakdown of material items within the accounts;
   - any assets, including intangible assets and contingent liabilities;
   - summaries of losses, write-offs and remissions;
   - post balance sheet events; and
   - any other notes agreed with HM Treasury and the National Audit Office.

Appendix 2 to Annex D: Application of the accounts direction

Sponsoring Department	Income stream	Responsible entity
Department for Business, Energy and Industrial Strategy	EU Emissions Allowance	BEIS
	Fines and Penalties	BEIS
	CRC allowances	BEIS
	Climate Change Agreements	BEIS

Annexes

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.

	2016-17 Outturn £'000	2017-18 Outturn £'000	2018-19 Outturn £'000	2019-20 Outturn £'000	2020-21 Outturn £'000	2021-22 Plans £'000
Resource DEL						
Deliver an ambitious industrial strategy	419,912	377,129	182,286	908,525	18,822,515	4,534,242
Maximise investment opportunities and bolster UK interests	25,651	40,218	70,705	73,225	90,816	139,000
Promote competitive markets and responsible business practices	77,895	106,951	116,245	81,333	123,553	214,300
Delivering affordable energy for households and businesses	36,365	32,381	44,155	38,974	83,933	118,119
Ensuring that our energy system is reliable and secure	5,823	4,201	4,756	4,723	5,789	21,252
Taking action on climate change and decarbonisation	27,236	91,076	24,829	32,518	53,099	86,682
Managing our energy legacy safely and responsibly	291,203	265,752	251,870	234,186	216,909	188,731
Science and Research	(1,985)	5,088	4,608	6,159	1,247,585	701,313
Capability	307,082	320,301	393,848	415,591	505,032	640,411
Government as Shareholder	152,037	92,179	41,017	36,273	1,595,733	1,213,595
Deliver an ambitious industrial strategy (ALB) net	5,433	15,172	15,147	21,077	13,127	–
Promote competitive markets and responsible business practices (ALB) net	45,423	47,622	52,749	53,634	61,407	61,631
Ensuring that our energy system is reliable and secure (ALB) net	1,707	(1,628)	(2,667)	(2,756)	(2,297)	1
Taking action on climate change and decarbonisation (ALB) net	2,399	4,834	6,069	8,260	11,217	9,428
Managing our energy legacy safely and responsibly (ALB) net	39,234	34,711	32,075	28,719	32,055	36,995
Science and Research (ALB) net	257,413	234,283	276,226	231,165	227,334	251,324
Capability (ALB) net	39,818	33,635	30,475	34,693	11,103	1,600
Government as Shareholder (ALB) net	(31,330)	(69,046)	(18,838)	49,962	(7,246)	25,176
NDA and SLC expenditure (ALB) net	1,287,445	1,254,752	1,175,337	1,330,218	1,245,231	1,500,272
Nuclear Decommissioning Authority Income (CFER)	(1,026,768)	(1,176,795)	(978,373)	(748,104)	(599,466)	(990,000)
Nuclear Safeguards Development	–	1,189	(2,275)	–	–	–
Managing our energy legacy safely and responsibly (CFER)	–	–	(475,000)	–	–	–
Total Resource DEL	**1,961,993**	**1,714,005**	**1,245,244**	**2,838,375**	**23,737,429**	**8,754,072**
Of which:						
Staff costs	519,570	533,290	605,821	682,747	821,927	*
Purchase of goods and services	1,977,969	1,938,532	1,936,315	3,394,359	3,761,262	*

	2016-17 Outturn £'000	2017-18 Outturn £'000	2018-19 Outturn £'000	2019-20 Outturn £'000	2020-21 Outturn £'000	2021-22 Plans £'000
Income from sales of goods and services	(1,172,788)	(1,079,179)	(996,751)	(764,171)	(615,649)	(1,004,828)
Current grants to local government (net)	12,055	9,587	22,388	183,159	8,121,959	4,272,498
Current grants to persons and non-profit bodies (net)	178,351	135,838	133,554	177,281	187,621	585,667
Current grants abroad (net)	58,511	59,465	72,274	51,593	75,568	166,971
Subsidies to private sector companies	274,038	526,638	141,423	100,481	12,481,812	747,000
Subsidies to public corporations	145,239	95,170	61,530	50,081	53,903	50,000
Net public service pensions	–	(9)	(12)	(13)	(19)	–
Rentals	40,608	49,177	37,077	46,630	49,830	552
Depreciation	355,397	266,467	310,652	331,470	270,073	334,475
Take up of provisions	780	(165)	–	(32,162)	37,965	47,600
Change in pension scheme liabilities	128	1,372	547	579	228	–
Other resource	(427,865)	(822,178)	(1,079,574)	(1,383,659)	(1,509,051)	(434,329)

Resource AME						
Deliver an ambitious industrial strategy	215,413	17,448	(312,599)	10,733,189	(10,747,128)	8,121
Maximise investment opportunities and bolster UK interests	1,844	1,586	6,044	701	(1,217)	–
Promote competitive markets and responsible business practices	134,029	6,171	79,228	72,282	89,422	88,300
Ensuring that our energy system is reliable and secure	(3,204)	(415)	(295)	478	(4,108)	–
Taking action on climate change and decarbonisation	(1,337,205)	–	–	–	667	–
Managing our energy legacy safely and responsibly	(258,615)	(885,264)	(297,497)	(203,397)	(208,322)	(100,426)
Science and Research	41,888	45,578	205,985	54,912	86,053	23,480,243
Capability	(6,012)	13,557	(12,990)	(55,895)	(41,033)	(955)
Government as Shareholder	(13,342)	(72,885)	807	10,006	17,150	(230,554)
Renewable Heat Incentive	545,426	687,275	817,898	846,092	848,139	1,081,000
Deliver an ambitious industrial strategy (ALB) net	(10,850)	4,967	(14,444)	36,202	(71,456)	19,800
Promote competitive markets and responsible business practices (ALB) net	(59)	87	57	973	(221)	904
Taking action on climate change and decarbonisation (ALB) net	1,065,496	3,558,227	(2,971,284)	3,543,428	468,485	–
Managing our energy legacy safely and responsibly (ALB) net	2,025	1,507,140	(2,022,249)	22,826	231,227	520,626
Science and Research (ALB) net	91,411	94,536	41,299	149,372	64,982	102,874
Capability (ALB) net	(400)	–	1	4	–	5
Government as Shareholder (ALB) net	(26,656)	(25,633)	47,451	(99,851)	(354,185)	(22,489)
Nuclear Decommissioning Authority (ALB) net	2,850,516	69,911,856	(101,791,292)	4,371,679	1,027,590	605,000
Promote competitive markets and responsible business practices	231,511	259,815	319,330	431,123	441,841	770,000
Total Resource AME	**3,523,216**	**75,124,046**	**(105,904,550)**	**19,914,124**	**(8,152,114)**	**26,322,449**

	2016-17 Outturn £'000	2017-18 Outturn £'000	2018-19 Outturn £'000	2019-20 Outturn £'000	2020-21 Outturn £'000	2021-22 Plans £'000
Of which:						
Staff costs	–	–	4,404	5,165	5,714	*
Purchase of goods and services	36,665	101,425	145,292	164,120	150,800	*
Income from sales of goods and services	–	–	(3)	(5)	–	–
Current grants to persons and non-profit bodies (net)	429,011	353,221	416,439	513,128	540,717	958,658
Subsidies to private sector companies	545,426	687,275	817,898	846,092	848,814	1,081,000
Rentals	(718)	(2,456)	(2,198)	(2,069)	(2,035)	–
Depreciation	59,847	4,397,424	(1,882,868)	5,575,119	2,602,318	91,722
Take up of provisions	2,984,041	71,236,030	(101,359,925)	17,774,375	4,017,592	24,660,534
Release of provision	(352,371)	(316,703)	(3,078,344)	(3,035,901)	(13,944,296)	(187,725)
Change in pension scheme liabilities	20,375	34,554	29,717	32,501	29,005	(200)
Unwinding of the discount rate on pension scheme liabilities	38,095	36,924	37,782	38,348	33,467	80
Other resource	(237,155)	(1,403,648)	(1,032,744)	(1,996,749)	(2,434,210)	(281,620)
Total Resource Budget	**5,485,209**	**76,838,051**	**(104,659,306)**	**22,752,499**	**15,585,315**	**35,076,521**
Of which:						
Depreciation	415,244	4,663,891	(1,572,216)	5,906,589	2,872,391	426,197
Capital DEL						
Deliver an ambitious industrial strategy	298,132	142,364	(54,606)	(14,440)	227,102	97,350
Maximise investment opportunities and bolster UK interests	303,527	289,791	243,957	265,872	492,700	321,000
Promote competitive markets and responsible business practices	1,040	4,751	5,940	6,643	23,159	27,633
Delivering affordable energy for households and businesses	42,201	43,633	32,718	44,502	1,184,722	905,000
Ensuring that our energy system is reliable and secure	(548)	60	(626)	291	277	129,300
Taking action on climate change and decarbonisation	39,569	51,578	73,121	154,227	239,432	647,000
Managing our energy legacy safely and responsibly	7,747	7,944	4,278	3,461	5,074,050	56,300
Science and Research	2,596,657	2,634,812	563,177	691,794	808,471	5,449,530
Capability	10,181	18,777	30,305	19,703	35,399	45,801
Government as Shareholder	7,871	(98,418)	172,613	61,445	1,069,581	288,900
Deliver an ambitious industrial strategy (ALB) net	5	32	–	–	(8)	–
Promote competitive markets and responsible business practices (ALB) net	1,247	1,704	1,236	2,030	1,682	6,848
Ensuring that our energy system is reliable and secure (ALB) net	1,005	–	–	–	–	–
Taking action on climate change and decarbonisation (ALB) net	601	39	255	27	284	464,765
Managing our energy legacy safely and responsibly (ALB) net	10,051	15,200	12,128	12,919	17,915	38,792

	2016-17 Outturn £'000	2017-18 Outturn £'000	2018-19 Outturn £'000	2019-20 Outturn £'000	2020-21 Outturn £'000	2021-22 Plans £'000
Science and Research (ALB) net	4,257,684	4,761,522	7,530,042	7,786,590	9,125,825	5,626,337
Capability (ALB) net	480	43	2,482	30	2,298	–
Government as Shareholder (ALB) net	1,202,199	534,574	337,642	395,639	368,759	537,500
NDA and SLC expenditure (ALB) net	1,970,695	2,051,013	2,002,699	1,797,184	1,799,723	2,023,095
Total Capital DEL	**10,750,344**	**10,459,419**	**10,957,361**	**11,227,917**	**20,471,371**	**16,665,151**
Of which:						
Staff costs	477,555	480,982	502,376	535,339	612,263	*
Purchase of goods and services	400,772	498,431	833,595	819,845	858,509	*
Income from sales of goods and services	(258,776)	(276,222)	(260,137)	(273,845)	(261,268)	–
Current grants to persons and non-profit bodies (net)	3,098,274	3,582,865	5,744,797	6,274,041	7,204,570	9,718,930
Current grants abroad (net)	317,400	330,130	340,794	346,659	401,898	1,001,000
Subsidies to public corporations	151,078	98,737	–	4,808	21	–
Capital support for local government (net)	42,270	41,473	5,826	1,588	1,151,761	1,058,600
Capital grants to persons & non-profit bodies (net)	424,678	482,446	888,564	725,074	841,616	320,000
Capital grants to private sector companies (net)	240,728	22,779	35,518	96,127	160,355	527,700
Capital grants abroad (net)	525,993	483,289	308,624	449,475	697,326	705,300
Capital support for public corporations	184,126	81,835	204,229	94,985	74,703	254,500
Purchase of assets	2,242,318	2,412,651	2,345,321	2,176,780	2,285,092	1,966,325
Income from sales of assets	(65,827)	(142,274)	(23,144)	(36,518)	(138,116)	–
Net lending to the private sector and abroad	1,062,304	319,670	163,080	88,455	1,654,821	761,600
Other capital	1,907,451	2,042,627	(132,082)	(74,896)	4,927,820	846

Capital AME						
Managing our energy legacy safely and responsibly	(38,273)	611,792	35,412	29,419	29,382	23,091
Science and Research	834	864	1,212	1,263	1,247	–
Government as Shareholder	129,181	(1,909)	(120,000)	37,000	19,718,443	1,760,000
Deliver an ambitious industrial strategy (ALB) net	84,842	(3,474)	(16,387)	365	(8,954)	10,000
Science and Research (ALB) net	(61,156)	(63,845)	(59,692)	(59,496)	(53,610)	(51,400)
Government as Shareholder (ALB) net	(129,935)	(119,122)	(11,143)	(3,051)	(221)	(200)
Managing our energy legacy safely and responsibly (CFER)	–	–	(141,811)	(142,400)	(142,400)	(142,400)
Government as Shareholder	–	(1,621,078)	–	–	–	–
Total Capital AME	**(14,507)**	**(1,196,772)**	**(312,409)**	**(136,900)**	**19,543,887**	**1,599,091**

	2016-17 Outturn £'000	2017-18 Outturn £'000	2018-19 Outturn £'000	2019-20 Outturn £'000	2020-21 Outturn £'000	2021-22 Plans £'000
Of which:						
Staff costs	(18,461)	(18,719)	(15,325)	(14,078)	(19,813)	*
Purchase of goods and services	834	(7,325)	(2,330)	(4,890)	3,149	*
Capital grants to persons & non-profit bodies (net)	–	–	–	–	–	–
Capital grants to private sector companies (net)	(4,819)	(184,787)	–	–	19,781,449	960,000
Capital grants abroad (net)	–	–	–	–	–	–
Capital support for public corporations	134,000	129,250	(120,000)	37,000	(63,006)	800,000
Purchase of assets	54,158	318	–	–	–	–
Income from sales of assets	15	–	–	–	–	–
Net lending to the private sector and abroad	(141,781)	(1,732,112)	(169,341)	(145,086)	(151,575)	(132,600)
Other capital	(38,453)	616,603	(5,413)	(9,846)	(6,317)	(12,309)
Total Capital Budget	**10,735,837**	**9,262,647**	**10,644,952**	**11,091,017**	**40,015,258**	**18,264,242**
Total Departmental spending	**15,805,802**	**81,436,807**	**(92,442,138)**	**27,936,927**	**52,728,182**	**52,914,566**
Of which:						
Total DEL	12,356,940	11,906,957	11,891,953	13,734,822	43,938,727	25,084,748
Total AME	3,448,862	69,529,850	(104,334,091)	14,202,105	8,789,455	27,829,818

1 Includes impairments

2 Pension schemes report under FRS 17 accounting requirements. These figures therefore include cash payments made and contributions received, as well as certain non-cash items.

3 Total Departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.

* Figures for Plans for staff costs and purchase of goods and services, which include assumptions on future price and pay movements, are redacted in line with HMT guidance.

Notes:

The large increase in spend in 2020-21 on Deliver an ambitious industrial strategy Resource DEL is due to the COVID-19 Business Support Grants (also reflected in the increase for Subsidies to private sector companies and Current grants to local government).

The large increase in spend in 2020-21 on Science and Research Resource DEL is due to the Vaccine Taskforce.

The large increase in spend in 2020-21 and 2021-22 on Government as Shareholder Resource DEL is due to the COVID-19 business support loans.

The large increase in spend in 2019-20 and decrease in 2020-21 on Deliver an ambitious industrial strategy Resource AME is due to the provision raised in 2019-20 for COVID-19 Business Support Grants.

The large increase in spend in 2020-21 on Managing our energy legacy safely and responsibly Capital DEL is due to the Nuclear Liabilities Fund.

The large increase in spend in 2020-21 on Government as Shareholder Capital AME is due to the COVID-19 business support loans.

2019-20 outturn figures differ slightly between lines from those shown in the Statement of Outturn against Parliamentary Supply as expenditure for Insolvency Service is shown here against Promote competitive markets and responsible business practices and for Financial Reporting Council against Promote competitive markets and responsible business practices (ALB) to reflect current Estimate structures, but was recorded against Government as Shareholder and Government as Shareholder (ALB) respectively in the 2019-20 Estimate.

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.

Table 2 – Administration Budget

	2016-17 Outturn £'000	2017-18 Outturn £'000	2018-19 Outturn £'000	2019-20 Outturn £'000	2020-21 Outturn £'000	2021-22 Plans £'000
Resource DEL						
Promote competitive markets and responsible business practices	5,126	4,690	4,680	5,093	5,372	4,553
Managing our energy legacy safely and responsibly	(3,801)	–	–	–	–	–
Science and Research	–	2	–	(2)	–	1,113
Capability	288,546	280,222	350,166	384,234	468,935	517,146
Promote competitive markets and responsible business practices (ALB) net	7,362	8,735	8,783	7,779	8,553	9,072
Taking action on climate change and decarbonisation (ALB) net	3,535	3,447	3,353	5,354	4,465	4,827
Managing our energy legacy safely and responsibly (ALB) net	12,104	7,044	6,912	4,833	5,112	8,183
Science and Research (ALB) net	986	3,371	5,547	7,410	7,120	9,764
Capability (ALB) net	39,818	33,635	30,475	34,693	11,103	1,600
Government as Shareholder (ALB) net	162	27	62	105	61	(274)
NDA and SLC expenditure (ALB) net	38,195	42,121	50,612	52,929	54,925	60,272
Total Administration Budget	**392,033**	**383,294**	**460,590**	**502,428**	**565,646**	**616,256**
Of which:						
Staff costs	329,069	326,207	385,642	434,897	488,106	*
Purchase of goods and services	159,274	154,657	177,288	162,338	185,005	*
Income from sales of goods and services	(37,585)	(31,151)	(10,220)	(3,726)	(3,092)	(6,827)
Current grants to persons and non-profit bodies (net)	38	493	425	325	818	156
Current grants abroad (net)	106	170	184	538	572	–
Subsidies to private sector companies	–	9	–	–	–	–
Subsidies to public corporations	–	–	28	–	–	–
Net public service pensions	–	(9)	(12)	(13)	(19)	–
Rentals	30,117	34,299	22,485	33,391	35,883	(10,995)
Depreciation 1	27,034	22,901	18,850	26,902	28,914	61,223
Take up of provisions	–	(50)	–	3	–	–
Change in pension scheme liabilities	106	184	141	205	100	–
Other resource	(116,126)	(124,416)	(134,221)	(152,432)	(170,641)	(60,042)

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: Financial information by ALB

The table below shows the total operating income, total operating expenditure, net expenditure for the year, and staff numbers and costs for each of our ALBs.

The figures disclosed below will not tie directly to the published ALB accounts due to the figures below including some adjustments which would have been captured in the ALB's accounts in the previous year.

The staff costs and numbers for nuclear site licence companies (SLC's) are not included in the table below. SLC's staff costs are not included in the table below as they are included in the amount shown for utilisation in the NDA's nuclear decommissioning provision in note 18.

Financial Information by ALB

				Permanently employed staff		Other staff	
	Total Operating income	Total Operating expenditure	Net expenditure for the year (including financing)	Number of employees	Staff costs	Number of employees	Staff costs
	£m	£m	£m		£m		£m
Core Department	(608)	53,185	52,431	4,717	336	167	22
UK Space Agency	(2)	517	515	240	16	3	4
Insolvency Service	(213)	640	427	1,637	77	62	3
Companies House.	(71)	92	21	1,056	41	28	4
Competition Service	–	4	4	17	2	–	–
Diamond Light Source Ltd	(74)	105	32	643	47	115	2
Financial Reporting Council Ltd	(35)	37	2	326	28	–	–
UK SBS Ltd	(41)	41	–	558	25	24	2
National Endowment for Science Technology and the Arts	(3)	16	(70)	–	–	–	–
United Kingdom Atomic Energy Authority	(178)	172	(10)	1,351	83	467	25
ACAS	(2)	57	55	912	43	67	1
BIS (Postal Services Act 2011) Company Limited	–	3	(61)	–	–	–	–
Enrichment Holdings Limited	–	–	(150)	–	–	–	–
BBB PLC	(95)	184	(226)	445	37	71	–
Oil And Gas Authority	(31)	31	–	167	5	4	12
Northern Powerhouse Investment Limited	(5)	1	(1)	–	–	–	–
NDA	(564)	4,083	3,503	314	40	46	1
Coal Authority	(16)	236	261	264	15	9	1
Civil Nuclear Police Authority	(119)	119	–	1,566	86	9	–
Radioactive Waste Management	(60)	60	–	203	21	30	4
Electricity Settlements Company	(1,102)	1,102	–	–	–	–	–
UK Climate Investments LLP	–	3	2	–	–	–	–
Sellafield Limited	–	3	3	–	–	–	–
Low Carbon Contracts Company	(2,764)	18	–	69	7	7	–
Midlands Engine Investments Limited	(5)	1	–	–	–	–	–
South Tees Site Company Limited	(16)	14	–	111	3	15	–
UK Green Infrastructure Platform Ltd	–	3	(76)	–	–	–	–
Cornwall and Isles of Scilly Investments Limited	(1)	–	–	–	–	–	–
Salix	–	4	4	74	2	14	–
UKRI	(369)	9,178	8,833	7,472	457	331	22
Consolidation adjustments	973	(12,782)	(11,725)	–	(11)	–	(3)
Total Departmental Group	**(5,401)**	**57,127**	**53,774**	**22,142**	**1,360**	**1,469**	**100**

Annex C: Glossary

ACAS: Advisory, Conciliation and Arbitration Service

AFS: available for sale

ALB: arm's-length bodies

AME: Annually Managed Expenditure

ARAC: Audit and Risk Assurance Committee

BBB: British Business Bank Plc

BBLS: Bounce Bank Loan Scheme

BEIS: Department for Business, Energy and Industrial Strategy

BNFL: British Nuclear Fuels Ltd

BVCA: British Venture Capital Association

CAT: Competition Appeal Tribunal

CBILS: Coronavirus Business Interruption Loan Scheme

CCA: Climate Change Agreements

CfD: Contracts for Difference

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

DEL: Departmental Expenditure Limit

ECL: Expected Credit Loss

EFG: Enterprise Financial Guarantee

EHL: Enrichment Holdings Limited

ESA: European Space Agency

ESC: Electricity Settlements Company

ESRC: Economic and Social Research Council

EUETS: EU Emissions Trading Scheme

EUV: existing-use value

FDP: Funded Decommissioning Programme

FF: Future Fund scheme

FIDeR: Financial Investment Decision Enabling for Renewables

FRC: Financial Reporting Council

FReM: Government Financial Reporting Manual

FVTOCI: fair value through other comprehensive income

FVTPL: fair value through profit or loss

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

IAS: International Accounting Standards

IFRS: International Financial Reporting Standards

INSS: Insolvency Service

IPEV: International Private Equity and Venture Capital

ISCF: Industrial Strategy Challenge Fund

JET: Joint European Torus

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

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
OSL: Ordnance Survey Limited

PCFP: Parliamentary Contributory Pension Fund
PCSPS: Principal Civil Service Pension Scheme
PDC: public dividend capital
PES: Public Expenditure System
PSH: Postal Services Holding Company Ltd
PIC: Projects and Investment Committee
PO: partner organisations
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 Outturn against Parliamentary Supply
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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