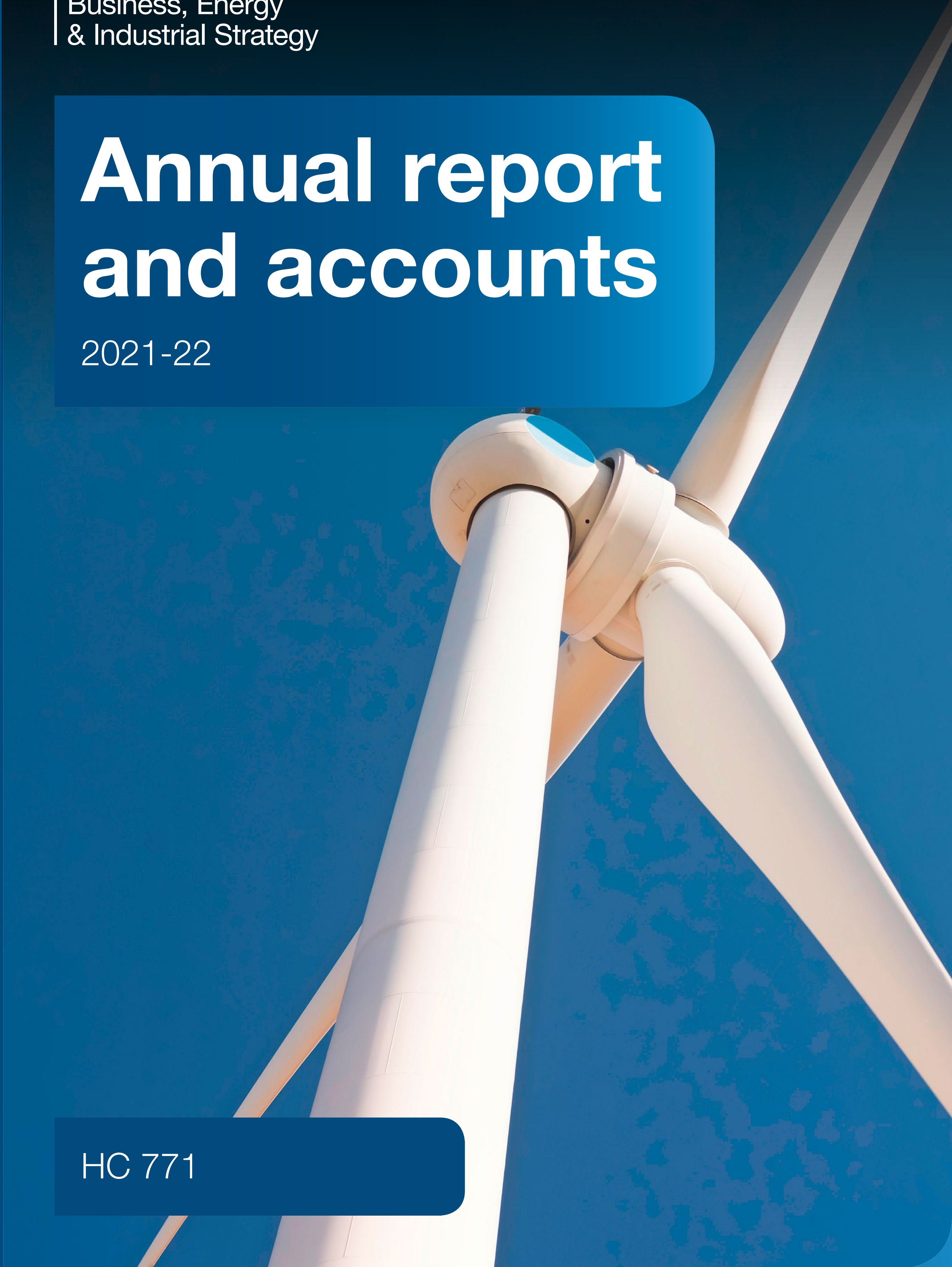
Department for
Business, Energy
& Industrial Strategy

Annual report and accounts

2021-22



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Foreword of the Secretary of State

Rt Hon Jacob Rees-Mogg
Secretary of State for Business, Energy and Industrial Strategy

BEIS is at the forefront of the government's efforts to respond to challenges facing our country. Having joined the Department in September 2022, the activity included within the Annual Report and Accounts was under my predecessor. The Department has continued to support businesses and boost enterprise; deliver on net zero, ensure energy security; and generate investment in innovation, science and frontier technologies. In 2021-22, BEIS delivered all this while continuing to mitigate the COVID-19 pandemic. The Department supported sectors to reopen and recover and delivered a world-leading vaccination programme. BEIS responded decisively when Russia invaded Ukraine, passing the Economic Crime Act to enforce sanctions and protect our national interests. The Department accelerated work to secure sustainable and independent UK energy systems.

BEIS made significant progress on science and innovation. The Department published our Innovation Strategy and Life Sciences Vision to drive growth, productivity, and job creation across the UK. The Advanced Research & Invention Agency (ARIA) Act created ARIA - a new high-risk and cutting-edge research agency. BEIS secured £39.8 billion in R&D investment across BEIS partners for 2022-25 - the largest settlement ever. It is a critical step in delivering our goal for 2.4% of GDP spending on R&D by 2027.

BEIS continues to drive reform to create the best environment for business, while supporting workers and consumers. BEIS supported workers with another National Living Wage increase and announced plans to ensure staff keep all their tips.

In consultation with businesses the Department is working to replace existing EU regulations covering vertical agreements between suppliers and retailers with regulation that better reflects the requirements of the UK economy and will increase flexibility, encourage efficiencies, and reduce excessive regulation.

The Net Zero Strategy outlined our plans to decarbonise all economic sectors by 2050 and to back innovative technologies like hydrogen and carbon capture usage and storage (CCUS). BEIS are already delivering on these commitments. Successes include CCUS clusters in Merseyside/North Wales and Teesside/Humber, confirmed to be deployed in the mid-2020s.

The Department capitalised on our domestic experience by hosting the COP26 climate conference. It delivered historic international commitments to phase down unabated coal and protect nature.

In response to the Omicron variant, an extra £737 million was provided to Local Authorities to support affected businesses. BEIS also provided the safe working guidance. BEIS supported sectors to reopen at the right time through our Hospitality Strategy. Underlying this, is the continued success of the Vaccine roll out, with 86% of adults receiving a second dose and 68% receiving a 3rd booster.

As we enter 2022-23, the Department is well placed to build on our successes. I have complete confidence that we will continue to deliver on our agenda of extraordinary economy wide transformation, putting the interests of businesses and consumers at the heart of everything we do.

Report of the Permanent Secretary

Sarah Munby
Permanent Secretary and Principal Accounting Officer

This year has been another busy and eventful one. Beyond making substantial progress on boosting enterprise, delivering net zero and supporting innovation, the Department reacted swiftly and decisively to external crises to support businesses and households.

As part of our response to Russia's invasion of Ukraine, we passed the Economic Crime Act to increase governments ability to enforce sanctions. We provided 500 generators to Ukraine in March to power essential facilities. We also developed the British Energy Security Strategy to deliver a more independent and secure energy system for consumers and businesses.

On wider energy issues, we responded quickly to the shutdown of the UK's main CO_2 supplier, mitigating repercussions across agricultural sectors and food manufacturing. Likewise, together with colleagues at the Department of Transport we got petrol to pumps when HGV driver shortages led to supply issues.

It was a landmark year for net zero, with the publication of the Net Zero, Heat & Buildings, and Hydrogen strategies. The UK hosted a successful COP26 in Glasgow in November and is continuing to drive global climate action.

We delivered on big energy projects, with £210 million for Rolls Royce to develop Small Modular Reactors in the UK. Each reactor could power a million homes, making this a potential game-changer in the net zero challenge. We unveiled 69 projects to improve the energy efficiency of social housing across England through the Social Housing Decarbonisation Fund.

We moved forward at pace to ensure the UK is a world-leader in research and innovation, and announced allocations across a £39.8 billion R&D budget (the UK's largest ever) to bring science and business together and turn great ideas into real-world innovations.

To boost enterprise, we launched the Help to Grow schemes helping small businesses across the UK learn new skills, reach new customers, and boost profits.

Following the passing of the National Security & Investment Act, we created a new Investment Security Unit to screen investments such as mergers and acquisitions, to protect national security and provide transparency for businesses.

We also supported workers, announcing plans to make the right to request flexible working a day one right and increasing the National Living Wage with the threshold moving from 25 to 23 years old, giving young people more earning power.

The year brought important organisational changes. As part of the government's Places for Growth programme, we celebrated opening new offices in Edinburgh and Salford and our third office in Birmingham.

I am proud of everything BEIS achieved this year. We made considerable progress on our missions to tackle climate change, back long-term growth and make the UK a science superpower, while managing unpredictable external events. We enter the new financial year with momentum and confidence.

Performance report

BEIS helped business to reopen and work safely throughout the pandemic by publishing Working Safely guidance

Performance overview

Purpose of the performance overview

The performance overview provides a short summary of the annual report.

Performance overview	Sections of the annual report and accounts
• Our purpose • Performance summary • Principal risks	Performance analysis
• Our business model • Our organisational structure • Our group • Where we spent our money	Accountability report

Our purpose

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

Our collective mission is leading Britain's recovery, which underpins all our work as we move forward to tackle the challenges that lie ahead.

What we set out to achieve

This is set out in the 2021-22 BEIS Outcome Delivery Plan (ODP).

1. **Fight coronavirus** by helping businesses to bounce back from the impacts of COVID-19, supporting a safe return to the workplace and accelerating the development and manufacture of a vaccine
2. **Tackle climate change:** reduce UK greenhouse gas emissions to net zero by 2050. (Cross-cutting outcome also supported by DEFRA, DFT, DLUHC and HMT)
3. **Unleash innovation** and accelerate science and technology throughout the country to increase productivity and UK global influence
4. **Back long-term growth:** boost enterprise by making the UK the best place in the world to start and grow a business.

Performance summary

1. Fight coronavirus by helping businesses to bounce back from the impacts of COVID-19, supporting a safe return to the workplace and accelerating the development and manufacture of a vaccine.

Enabling businesses to reopen and work safely
BEIS published the government's 'Working safely guidance'. It provides public health advice to thousands of businesses on how to keep their workers and customers safe during the pandemic. The Department regularly refreshed this guidance.

COVID-19 commercial rent debts
The Commercial Rent (Coronavirus) Act 2022 and the new Code of Practice was announced in November 2021. It will guide landlords and tenants to negotiate a workable situation for both parties. The changes will help market return to normality post-pandemic.

Delivery of business support grants
The Department continued to deliver business support grants. This includes an extra £737 million for businesses affected by the omicron wave.

2. Tackle climate change: reduce UK greenhouse gas emissions to net zero by 2050. (Cross-cutting outcome also supported by DEFRA, DFT, DLUHC and HMT).

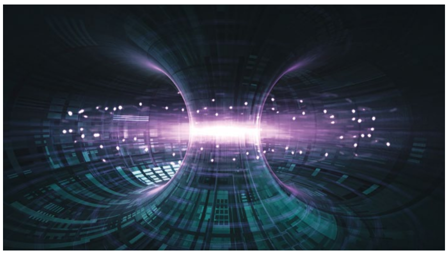
Net zero strategy; heat and buildings strategy
We published the Net Zero Strategy. It outlines policies and proposals to decarbonise all sectors of the UK economy to achieve net zero by 2050. We also published the Heat and Buildings Strategy. It provides further detail on decarbonising our homes, commercial, industrial and public sector buildings.

COP 26
The UK hosted the 26th UN Climate Change Conference of the Parties (COP 26). The resulting Glasgow Climate Pact included a pledge to 'phase down' coal. Countries also reached agreement on the remaining issues relating to the Paris agreement and net emissions targets.

Renewables and low carbon technologies
We invested in clean, domestic energy production. This includes a £60 million boost for floating offshore wind and £20 million a year in Tidal Stream electricity. We published the 'UK hydrogen strategy' to ensure the UK is a world leader in the hydrogen economy.

3. Unleash innovation and accelerate science and technology throughout the country to increase productivity and UK global influence.

R&D budget – largest ever
£39.8 billion of R&D investment was allocated across BEIS partner organisations for 2022-2025. This is the largest ever UK R&D budget. It will support our commitment to ensure total R&D spending reaches 2.4% of GDP by 2027.



Innovation strategy
The Innovation Strategy was published in July 2021. It set out our vision for the UK to be a global hub for innovation by 2035. It supports private sector innovation by making the most of the UK's Research, Development and Innovation (RD&I) system.

Healthcare research and manufacturing
BEIS and DHSC committed up to £200 million to support health research into diagnostics and treatment, led by the NHS. A further £60 million of new government funding will help expand life sciences manufacturing in the UK.

4. Back long-term growth: boost enterprise by making the UK the best place in the world to start and grow a business.

Raising the National Minimum Wage & National Living Wage
From April 1 2021, the National Minimum Wage (NMW) and National Living Wage (NLW) rates rose. NLW increased by 2.2% from £8.72 to £8.91. We also announced further increases from April 1 2022.

New laws to tackle dirty money
The new Economic Crime (Transparency and Enforcement) Act was passed into law on 15 March 2022. Introduced following Russia's invasion of Ukraine, it means the government can move quicker to impose sanctions against oligarchs already designated by our allies and intensify enforcement of sanctions.

Help to Grow programmes
We launched the Help to Grow programmes. They are practical, intensive 12-week programmes designed by some of our top academics. They provide small businesses across all sectors with the skills required to improve the performance and productivity.

Principal risks

The key risks faced by the Department in 2021-22 are provided below.

- **COVID-19:** risk that policies and programmes would be inadequate to effectively support economic recovery and drive productivity growth during the COVID-19 pandemic.
- **Net zero:** risk of failure to secure buy-in from consumers, businesses and international partners to start delivering on our net zero ambitions and meet carbon budgets.
- **Energy market:** risk of the negative impact of rising energy prices and the inflationary pressures affecting consumers and businesses.
- **People:** risk that workforce capacity and capability (including specialist resource) is not effectively prioritised which can impact the workforce's wellbeing.
- **EU transition:** risk of failing to implement responsibilities within the Trade Cooperation Agreement (TCA), Rest of the World trade agreements and balancing with post-transition relations with the EU.

Our business model

Our work

We design, deliver and evaluate policy relating to our top priorities on page 6.

We build strong and collaborative relationships with a wide range of stakeholders. This includes businesses, business representative organisations, workers and unions, and research and academic institutions.

We also work closely with other government departments, regulators, and wider public bodies.

Finally, we consult the public on critical policy decisions.

Government policy

Our people

Our Core Department is made up of 5,625 people with regional offices across the UK. We are organised in 8 groups, each led by a director general. Groups are in turn divided into directorates.

5,625 people

Our funding

Our annual funding is agreed with HM Treasury and Parliament. In 2021-22, we were responsible for the efficient stewardship of £29.7 billion of Departmental funds.

£29.7 billion

Our partner organisations

BEIS has a large number of public bodies collectively referred to as our partner organisations (POs). In 2021-22, BEIS worked with 43 POs.

Our POs are diverse. They span numerous sectors, policy responsibilities and operations. Examples include:

- large organisations – e.g. UK Research and Innovation, and Nuclear Decommissioning Authority
- medium-size organisations working on regulation – e.g. Competition and Markets Authority
- advisory committees – e.g. Committee on Climate Change

43 partner organisations

Our organisational structure

The post holders shown are those in post as at the publication date of this 2021-22 annual report and accounts. (For the full list of postholders during the year and up to publication, see the Directors' report.)

Our ministers

Secretary of State for Business, Energy and Industrial Strategy
Rt Hon Jacob Rees-Mogg MP

Minister of State (Minister for Climate)
Graham Stuart MP

Minister of State (Minister for Industry)
Jackie Doyle-Price MP

Parliamentary Under Secretary of State (Minister for Business, Energy and Corporate responsibility)
Lord Callanan

Minister of State (Minister for Science and Investment Security)
Nusrat Ghani MP

Parliamentary Under Secretary of State (Minister for Enterprise and Markets)
Dean Russell MP

Our management: senior officials

Permanent Secretary and Principal Accounting Officer
Sarah Munby

Implementation and Delivery
Director - Simon Hulme

Chief People Officer
HR Director - Alice Hurrell

Trade, International, the Union and Analysis
Director General - Ashley Ibbett

Energy Supply Taskforce
Director General - Madelaine McTernan

Strategy and Policy
Director - Dan Micklethwaite

BEIS Chief Scientific Adviser
Professor Paul Monks

Science Innovation and Growth
Director General - Jo Shanmugalingam

Chief Financial Officer, Finance Director
Tom Taylor

Energy and Security
Director General - Joanna Whittington

Corporate Services
Director General - Freya Guinness

Net Zero Strategy and International
Director General - Lee McDonough

Net Zero Buildings and Industry
Director General - Ben Rimmington

Business Sectors
Director General - David Bickerton

Communications
Director - Abigail Morris

Market Frameworks
Interim Director General - Gavin Lambert (jobshare)

Market Frameworks
Interim Director General - Caleb Deeks (jobshare)

Energy Supply
Director General - Jonathan Mills

Our management: non-executive directors

Lead Non-Executive (board member)
Ann Cairns

Non-executive (board member)
Vikas Shah

Non-executive (board member)
Stephen Hill

Non-executive (board member)
Peter Mather

Our group

Executive agencies

They act as an arm of the Core Department. They undertake executive functions, rather than policy advice.

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

Consolidated departmental group

These bodies are within our accounting boundary. They include non-departmental public bodies (NDPBs) and other central government bodies not yet classified as NDPBs.

The Department sponsors NDPBs and usually sets their strategic framework. They are a separate legal entity and operate at arm's length from ministers. However, a minister will be accountable to Parliament for them.

The full list of consolidated entities is in note 29. Those excluded below are separate legal entities, but their accountability flows from the entities below.

NDBPs

- 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
- Low Pay Commission
- Nuclear Decommissioning Authority
- Oil and Gas Authority (trading name now North Sea Transition Authority from 21 Mar 2022)
- 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
- 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

They work to achieve BEIS objectives but are not consolidated into group accounts. They include public corporations, non-ministerial departments, and central government funds.

- Bulb Energy Limited[2]
- 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]

Not consolidated into the Departmental Group accounts:

1. Trading Funds
2. Public Corporations
3. Minor Bodies, on the grounds of materiality.
4. Non-ministerial departments
5. Central Government Funds

Where we spent our money

For the year ended 31 March 2022:	
Total DEL spend for the Departmental Group	£29.7 billion[1]
Of which	
Core Department and Agencies	£17.4 billion
Partner organisations and designated bodies	£12.3 billion

Notes:

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 43.

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 2021-22 continues to be through the Core Department. However, in the years prior to the COVID-19 pandemic, the majority of the Department's spend, and policy delivery was through our partner organisations.

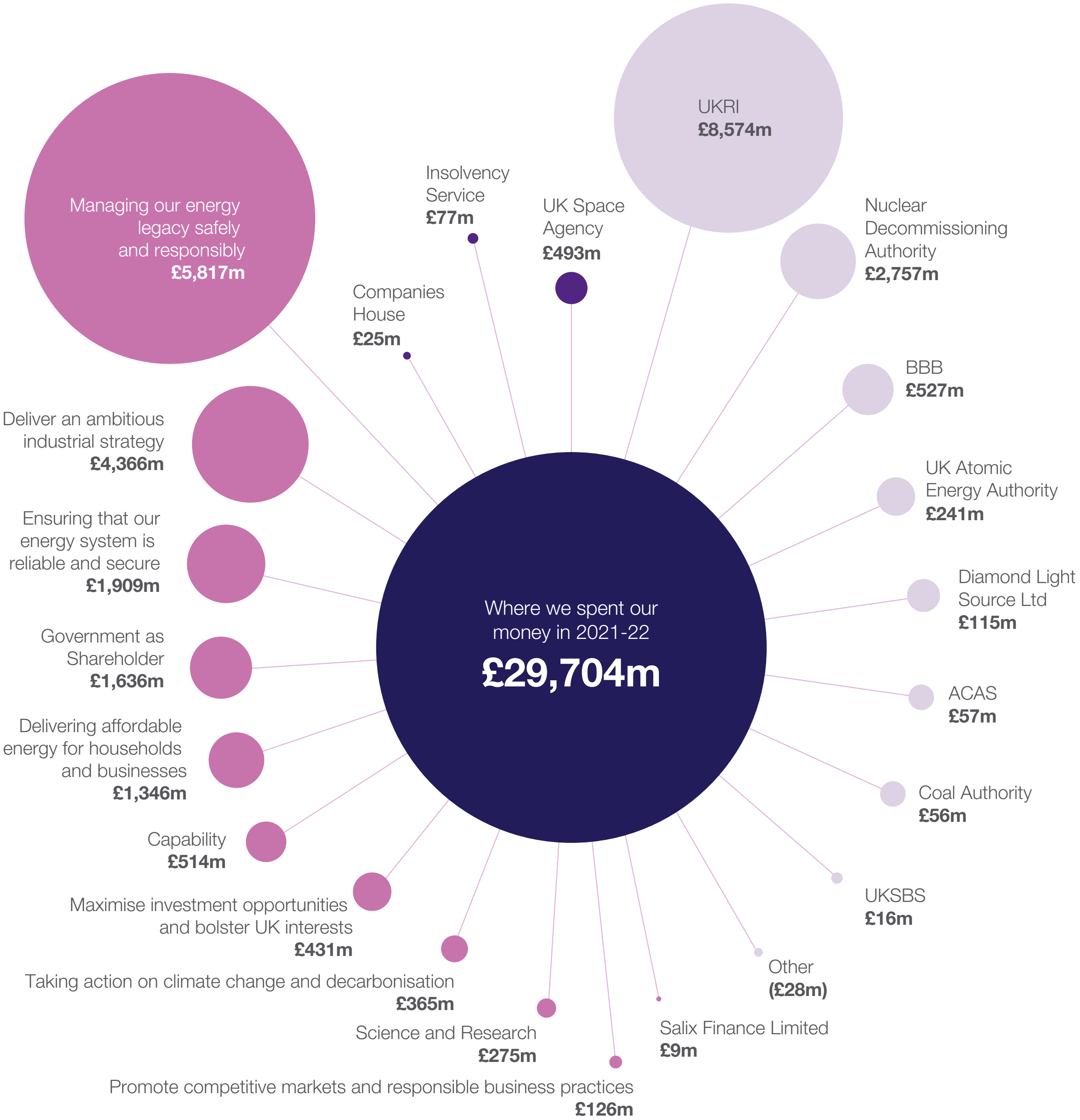
The Core Department has spent:

- **£4.4 billion** on grants to support businesses through the pandemic (included in delivering an ambitious industrial strategy)
- **£1.6 billion** on support to businesses through the CBILS/CLBILS and BBLS loan guarantee schemes (included in government as shareholder)

Agencies and Departmental Group spend includes:

- **£8.6 billion** by **UK Research and Innovation (UKRI)**, on funding for Science and Research.
- **£2.8 billion** by the **Nuclear Decommissioning Authority (NDA)** on managing our energy legacy safely and responsibly.
- **£527 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.
- **£493 million** by **UK Space Agency (UKSA)** on delivering an excellent space programme with the maximum economic, scientific and policy benefit for the UK.

- Core Department
- Executive agencies
- Partner organisations



Performance analysis

Structure of the performance analysis

The performance analysis provides a detailed narrative of our performance in 2021-22. It includes the following sections:

- our performance (against strategic priorities)
- risks affecting delivery of our priorities
- financial review
- sustainability report
- other relevant information in the public interest

Our Performance

This sections provides details of the Department's performance against its strategic priorities in 2021-22.

1. Fight coronavirus: by helping businesses to bounce back from the impacts of COVID-19, supporting a safe return to the workplace and accelerating the development and manufacture of a vaccine.

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

COVID-19 response

Throughout the pandemic, BEIS sought to understand the impact of COVID-19 on businesses and workers, and how government could help address these challenges. BEIS engaged closely with businesses, business representative organisations and trade unions.

BEIS engaged closely with sectors that were most heavily affected including hospitality, personal care and non-essential retail. Minister Scully chaired monthly retail and hospitality roundtables, and attendees discussed key issues related to the pandemic. BEIS officials worked with the Retail Sector Council, retailers and industry experts to explore strategic areas for joint working. These areas included levelling-up, employment, skills and meeting the challenges of net zero in the Build Back Better High Streets Strategy. The Department also released the first ever Hospitality Strategy in July 2021. The Hospitality Sector Council was set up later in the year to co-create solutions to recovery challenges and build resilience in the sector.

During the COVID-19 pandemic, many businesses were closed to prevent the spread of the virus. As a result, in many cases rent on commercial premises went unpaid. This has led to ongoing disputes between tenants and landlords on outstanding pandemic-related rent debt. To help resolve these disputes, the government introduced a new statutory arbitration process as part of The Commercial Rent (Coronavirus) Act 2022, which came into force on 24 March 2022. BEIS took the legislation through Parliament.

Last year, the government published an updated Code of Practice to provide commercial landlords and tenants with a clear process for settling outstanding debts. The Code sets out that tenants who can pay their rent debt in full should do so, and that in the first instance, tenants unable to pay in full should negotiate with their landlord in the expectation that the landlord shares the burden where they are able to do so, and only as far as necessary, by waiving some or all rent arrears or giving time to pay.

COVID-19 grants

Since March 2020, we have provided local authorities with £26.8 billion of COVID-19 grants to allocate to eligible businesses. The breakdown of this total cash paid to local authorities is shown in the table below. The expenditure is shown in note 4.4 grants in the financial statements. The difference between the cash amount paid and the recognised expenditure is a receivable due back to BEIS, shown in note 15.

In addition, the Department provided local authorities with 'New Burdens' funding for all schemes. This is additional funding to help with the administrative burden of working on grants. We have provided £197.3 million to support local authorities to date. This includes £4.5 million still to be paid once work on assurance is completed.

Grant scheme	BEIS payments (£bn)	Closing date
Small Business Grants Fund (SBGF) and the Retail, Hospitality and Leisure Grant Fund (RHLGF)	12.3	Aug-20
Local Restriction Support Grants (LRSG)	7.8	Mar-21
Christmas Support Payment (CSP) to wet-led pubs	0.2	Feb-21
Additional Restrictions Grant (ARG) scheme	2.1	Mar-22
Local Authority Discretionary Grant Funds (LADGF)	0.6	Aug-20
Restart Grant scheme	3.4	Jul-22
Omicron Hospitality and Leisure Grant (OHLG)	0.6	Mar-22

COVID-19 loans

The Recovery Loan Scheme (RLS) was launched in April 2021. It followed the closure of the original COVID-19 loan schemes. It aimed to ensure UK businesses of any size could continue to access loans and other kinds of finance as they grew and recovered from the disruption of the pandemic.

The original COVID-19 loan schemes included the - Coronavirus Business Interruption Loan Scheme (CBILS), Coronavirus Large Business Interruption Loan Scheme (CLBILS), Bounce Back Loan Scheme (BBLS), and Future Fund. We delivered them in partnership with the British Business Bank (BBB). This provided timely financial assistance to over 1.6 million businesses.

CBILS, CLBILS and BBLS closed to new applicants on 31 March 2021. The total number of loans approved and value for each scheme is shown in our performance metrics below. They provided almost £80 billion of finance and reached almost a third of SMEs in the UK. BBB estimate that 0.5 to 2.9 million jobs could have been lost in the absence of these schemes. BBB's early impact evaluation may be found here: http://www.british-business-bank.co.uk/press-release/covid-19-loan-guarantee-schemes-may-have-saved-between-150000-and-500000-businesses-and-between-500000-and-2-9m-jobs-finds-initial-evaluation/.

Future Fund launched on 20 May 2020 and closed to new applicants on 31 January 2021. It provided convertible loans of up to £5 million to companies that had previously raised equity finance.

Government's investment matched the investment by third-party investors, at the minimum. The number of loans approved, and value is shown in our performance metrics below.

1.2 Manage economic shocks, helping to protect businesses and jobs where available

COVID-19 loans

Repayments for the earliest BBLS borrowers was due in April 2021. This was after an initial 12-month period of grace expired. BBLS borrowers have been able to use the repayment flexibilities offered under the 'Pay as You Grow' scheme. This allows businesses to tailor repayments according to their individual circumstances, so provides support to businesses. As of 31 March 2022, 28% of BBLS borrowers have accessed one or more Pay as You Grow option.

The data on early repayment shows signs that businesses are bouncing back. As of 31 March 2022, majority of businesses are meeting monthly repayments for their COVID-19 loan. Over 78% of facilities are meeting monthly repayments as scheduled and 7% of all facilities have been fully repaid. 7% of facilities are in arrears and 8% of facilities have been subject to a default.

Challenges

BBLS suffered a number of fraudulent claims. An estimate of the amount anticipated to be lost to fraud over the life of the guarantees is provided in the regularity section.

The Department is working on identifying instances of loans being obtained fraudulently, penalising those responsible and recovering funds where possible. We have expanded our internal counter-fraud capabilities to help us do more on this front. Further detail is provided in the governance statement.

1.3 Support a safe return to workplaces, restoring jobs and livelihoods and rebuilding consumer confidence

COVID-19 response

BEIS published the government's Working Safely Guidance. The guidance supported businesses, employers and employees to comply with their responsibilities and mitigate risks the from COVID-19. This allowed businesses to reopen safely during the pandemic, to mitigate the risk of business failure. Almost all workplaces were covered by the guidance. BEIS also supported the deployment of workplace testing to businesses. We encouraged uptake of the workplace testing through the Working Safely guidance and engagement with employers.

From 1 April 2022, the guidance was replaced with Principles for Employers. This helps employers and workforce managers understand how to reduce the spread of respiratory infections such as COVID-19 and flu in the workplace. This guidance will be delivered by the UK Health Security Agency (UKHSA).

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

The Vaccine Taskforce (VTF) was first established by BEIS in May 2020 with these 3 objectives:

- secure access to promising COVID-19 vaccines for the UK population as quickly as possible
- make provision for international distribution of vaccines
- strengthen the UK's onshoring capacity and capability in vaccine development, manufacturing and supply chain to provide resilience for future pandemics

From 1 August 2021, VTF became a joint unit of BEIS and the Department for Health and Social Care (DHSC). BEIS remains responsible for the third of the above objectives.

Before August 2021, the VTF secured vaccines for the first booster campaign which started in September 2021. It also launched the international donation of vaccines. This supports the UK government's commitment for equitable access to vaccines worldwide.

Performance metrics

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

		31-Mar-22
	Value (£bn)	**Number approved**
RLS	3.4	15,000
BBLS[1]	47.4	1,560,309
CBILS[1]	26.4	109,877
CLBILS[1]	5.6	753
Future fund[2]	1.1	1,190

Notes

1. Scheme closed to new applicants on 31 March 2021
2. Scheme closed to new applicants on 31 January 2021

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

Release schedule: n/a

2. Number of Advanced Purchase Agreements for vaccine supply signed each year & number of different vaccine modalities in the Vaccine Taskforce portfolio

	Number of Agreements signed for vaccine supply	Number of different vaccine modalities under the Agreements signed
As at 31 Mar 2022	6	3
As at 31 Mar 2021	7	4

Source

1. AstraZeneca https://www.contractsfinder.service.gov.uk/Notice/2ce928f2-0e8b-48cd-b0e7-bccff514d281
2. GSK/Aventis https://www.contractsfinder.service.gov.uk/Notice/9a248232-fe64-4e20-b8b2-e39fadf3163e
3. Pfizer https://www.contractsfinder.service.gov.uk/Notice/13d7b712-2d29-4c10-ba76-3aa7b221c3db
4. Novavax https://www.contractsfinder.service.gov.uk/notice/440445d9-888f-4b09-8fdf-465f913b7ca0
5. Moderna https://www.contractsfinder.service.gov.uk/Notice/8930d6c5-354d-44d0-8540-c134fe59aa0a
6. Janssen https://www.contractsfinder.service.gov.uk/Notice/c97f8992-b918-4973-9e38-9eb42e6f73a8

Release schedule: n/a

2. Tackle climate change: reduce UK greenhouse gas emissions to net zero by 2050. (Cross-cutting outcome also supported by DEFRA, DFT, DLUHC and HMT)

2.1 Deliver net zero carbon emissions

Heat and buildings strategy

In May 2021 we announced over £44 million to enable the supply of clean energy to tens of thousands of UK homes, and also public buildings. The investment will help cut carbon emissions by up to 22% for homes and buildings connected to heat networks. It will also provide potential reductions of up to 15% in energy costs.

In October 2021 we published the Heat and Buildings Strategy. It sets out the government's plan to cut carbon emissions significantly from UK homes and workplaces. Like the transition to electric vehicles, this will be a gradual transition, incentivising consumers and driving down costs.

There are about 30 million buildings in the UK. Heating these buildings contributes to almost a quarter of all UK emissions. Addressing the carbon emissions produced can save money on energy bills and improve lives. It can also support up to 240,000 skilled green jobs by 2035. This will boost the economic recovery, level up across the country and ensure we build back better.

The Heat and Building Strategy aims to phase out the installation of new natural gas boilers from 2035, install 600,000 heat pumps per year by 2028, support households transition with Boiler Upgrade Scheme of £450 million which provides £5,000 capital grants to consumers.

Net zero strategy

We also published the Net Zero Strategy in October 2021. It builds on the foundations the Prime Minister laid last year, in their 10 point plan for a green industrial revolution. The strategy provides our decarbonisation pathways to net zero. It keeps us on track for: UK carbon budgets, our Nationally Determined Contribution by 2030, and net zero by 2050. It includes illustrative scenarios, policies and proposals for each sector and cross-cutting action to support the transition.

The Green Homes Grant – Local Authority Delivery programme includes funding for 5 Local Net Zero Hubs. These hubs would help local authorities to develop net zero projects and attract investment. The programme also develops best practice tools for local governments. For example, the 'Net Zero Go' tool is an online platform to help local government turn ambition on net zero into local action.

We announced our Greening Government Commitments in October. It sets how UK government departments, and their agencies will reduce their impacts on the environment in the period 2021 to 2025. These include reducing water consumption, reducing greenhouse gas emissions, minimising waste and promoting resource efficiency. They also set out commitments for departments to improve sustainable procurement, develop and deliver Nature Recovery Plans, develop and deliver Climate Change Adaptation Strategies, and reduce environmental impacts from ICT and digital services.

2.2 Drive the green industrial revolution

In June 2021, we published proposals to reform and expand the Warm Home Discount in England and Wales until 2026. The aim of the reform is to improve fuel poverty - targeting rate and ensure more fuel poor households can receive automatic rebates on energy bills. This is in line with the commitments announced in the energy white paper in 2020.

In July 2021, we set out the government's approach for an Advanced Modular Reactor (AMR) R&D demonstration programme. AMRs are typically smaller than conventional nuclear power stations, more flexible, and could be built at a fraction of a cost.

More specifically, it will explore High Temperature Gas Reactors (HTGRs) as the most promising technology. Ministers are investing £170 million into delivering this by the early 2030s.

It is hoped that HTGRs will safely create electricity to power homes on the grid and generate low-carbon hydrogen. In addition, because they can generate extremely high temperature heat, they could help decarbonise industry and potentially power district heating networks by the 2040s.

In August 2021 we launched the UK's first-ever Hydrogen Strategy. It drives forward the commitments laid out in the Prime Minister's 10 point plan for a green industrial revolution. It sets the foundation for how the UK government will work with industry to meet its ambition for 5GW of low carbon hydrogen production capacity by 2030. This is the equivalent of replacing natural gas to power around 3 million UK homes each year, and powering transport and businesses, particularly heavy industry. It is set to support over 9,000 UK jobs and unlock £4 billion investment by 2030.

In September 2021, we awarded £3.8 million to 7 projects to develop technologies that support the coexistence of offshore windfarms and UK air defence systems. These will reduce the adverse impact that windfarms can have on Air Defence (AD) and Air Traffic Control (ATC) surveillance systems. It also supports our commitment to scale up offshore wind to 40GW by the end of the decade.

We announced the new £270 million Green Heat Network Fund. It will support low-carbon technologies like heat pumps, solar and geothermal energy in the roll out of the next generation of heat networks. The scheme will play a significant role in kick-starting market demand for heat pumps. This will drive down costs for consumers. It will deliver a mix of low-carbon heating solutions as we incentivise people to transition away from fossil fuel boilers over the next 15 years.

We announced a major expansion of heat networks in December, with an investment of £19 million to go towards setting up 5 new heat networks, 2 in Bristol, and 3 across Liverpool, London and Worthing, providing households and workplaces with more affordable, reliable heating that offers a low-carbon, more cost-effective alternative to installing individual, energy-intensive, heating solutions such as gas boilers.

In October 2021, we announced business rates exemption for green property improvements - including solar panels and heat pumps. It would help businesses to invest to make buildings more energy efficient.

In February 2022, we awarded nearly £7 million to turbocharge UK projects that are developing innovative energy storage technologies. This was the first round of government-backed competition. The intermittent nature of renewables like solar and wind power means that energy can be produced when it is not needed, such as during extended periods of high wind. However, as new technologies are developed, this energy can be stored for longer. It will help to manage variations in helping manage electricity generation, increase resilience, and maximise value for money.

In February 2022. we announced that the frequency of auctions for funding through the Contracts for Difference (CfD) scheme, will change to every year from every 2 years. This will support renewable electricity producers and boost the UK's renewable energy infrastructure.

2.3 Accelerate international climate action

We launched the Visions for a Net Zero Future project. It will bring together academics, business, civil society and citizens to look at the innovations and approaches to deliver a greener, carbon-neutral society. The project will develop six visions, each focusing on a different region around the world - the UK, Jamaica, Brazil, Kenya, United Arab Emirates and Saudi Arabia, and India.

2.4 Support the successful hosting of COP26

In November 2021 we hosted the 26th conference of the United Nations Framework Convention on Climate Change (COP26), in Glasgow. COP decisions went further than ever before in recognising and addressing loss and damage from the existing impacts of climate change. Some achievements of the conference are listed below.

- The Glasgow Climate Pact will speed up the pace of climate action. All countries agreed to revisit and strengthen their current emissions targets to 2030, known as Nationally Determined Contributions (NDCs), in 2022. This will be combined with a yearly political roundtable to consider a global progress report and a Leaders summit in 2023.
- The Paris Rulebook, the guidelines for how the Paris Agreement is delivered, was also completed after 6 years of discussions. This will allow for the full delivery of the landmark accord, after agreement on a transparency process which will hold countries to account as they deliver on their targets. This includes Article 6, which establishes a robust framework for countries to exchange carbon credits through the United Nations Framework Convention on Climate Change (UNFCCC).
- For the first time, the COP agreed action on phasing down fossil fuels. It heeds calls from civil society and countries most vulnerable to climate impacts.
- There were also commitments to significantly increase financial support through the Adaptation Fund as developed countries were urged to double their support to developing countries by 2025.

Challenges

In July 2021, we confirmed that the UK met the obligations of the Energy Efficiency Directive in 2020. However, we missed the 2020 Renewable Energy Directive target of 15% of our energy coming from renewable sources, achieving 13.6%.

Performance metrics

1. Total UK net greenhouse emissions (million tonnes of CO_2 equivalent) (for tracking progress against carbon budgets)

	UK net territorial greenhouse gas emissions ($MtCO_2e$)[1,2,3]	Difference from 1990
2021 (provisional)	424.5	-
2020 (final)[2]	405.5	-400.7
2019	447.9	-

Source: Provisional UK greenhouse gas emissions national statistics 2021 and Final UK greenhouse gas emissions national statistics: 1990 to 2020

Release schedule: annual

Notes

1 Emission estimates exclude international aviation and shipping, consistent with accounting basis for UK greenhouse gas emission reduction targets up to 2032.

2 Total greenhouse gas emissions in 2020 (and, to a lesser extent, 2021) are considered an outlier due to the effect of lockdown measures, introduced during the COVID-19 pandemic, reducing emissions.

3 In 2020, net territorial greenhouse gas emissions in the UK were estimated to be 405.5 million tonnes carbon dioxide equivalent ($MtCO_2e$), a decrease of 9.5% compared to the 2019 figure of 447.9 million tonnes and 49.7% lower than they were in 1990. Total greenhouse gas emissions increased by 4.7% between 2021 and 2020 (provisional estimates).

2. Total UK net greenhouse gas emissions by sector (million tonnes of CO_2 equivalent)

	2020 UK net territorial greenhouse gas emissions by sector[1,2,3]		2019 UK net territorial greenhouse gas emissions by sector	
	$MtCO_2e$	% of total emissions	$MtCO_2e$	% of total emissions
Energy Supply	84.5	21%	95.8	21.1%
Business	72.8	18%	77.9	17.1%
Transport (including domestic aviation and shipping)	98.7	24%	122.2	26.9%
Public	7.4	2%	7.9	1.7%
Residential	66.3	16%	69.2	15.2%
Agriculture	46.2	11%	46.3	10.2%
Industrial processes	9.5	2%	10.4	2.3%
Land use, land use change, forestry	4.0	1%	5.9	1.3%
Waste Management	19.2	5%	19	4.2%

Source: Final UK 1990-2020 greenhouse gas emissions national statistics (2021 data not available by sector)

Release schedule: annual

Notes

1 Greenhouse gas emissions in 2020 are considered an outlier due to the effects of lockdown measures installed during the COVID-19 pandemic. Total emissions were reduced, with transport and business sectors particularly impacted.

2 Emission estimates exclude international aviation and shipping, consistent with accounting basis for UK greenhouse gas emission reduction targets up to 2032.

3 Emission estimates presented are based on 100-year global warming potentials (GWPs) from the IPCC 5th Assessment Report (without climate-carbon feedback), consistent with accounting basis for upcoming UK greenhouse gas emission reduction targets.

3. Total projected greenhouse gas savings from BEIS sectors included in the Energy and Emissions Projections (EEP)

	Total projected greenhouse gas emissions savings in BEIS sectors	1990 emissions	2030 projections
	($MtCO_2e$)[1]	($MtCO_2e$)	($MtCO_2e$)
Energy Supply	237	282	45
Business	49	114	64
Industrial Processes	46	55	9
Residential (joint responsibility with DLUHC)	15	80	66
Public sector	5	13	8

Source: Energy and Emissions Projections

Release schedule: annual

Notes

1 Emission estimates presented are based on 100-year global warming potentials (GWPs) from the IPCC 5th Assessment Report (without climate-carbon feedback), consistent with accounting basis for upcoming UK greenhouse gas emission reduction targets. Differences have been rounded.

4. Low carbon share of electricity generation (percentage)

	Low carbon share of electricity generation (%)[1]
2021 (provisional)	52%
2020	56%
2019	53%

Source: Energy Trends, UK electricity

Release schedule: annual

Notes

1 Low carbon sources include wind, wave, solar, hydro, nuclear, and other renewables, such as bioenergy. Figures cover domestic electricity generation only.

5. Employment in low carbon and renewable energy economy (LCREE) in the UK and constituent countries

2019	Estimated by the ONS to be 202,100 full-time equivalent (FTE) in 2019. Including low carbon businesses and their supply chains, this figure was over 410,000 FTEs.

Source: ONS Publication of the LCREE Survey

Release schedule: annual with an approximately 15 month lag

3. Unleash innovation and accelerate science and technology throughout the country to increase productivity and UK global influence.

3.1 Make the UK a science superpower

In April 2021, we put in place an extra £250 million to support pioneering research and drive the UK's ambitions to become a science superpower. As a result, UK scientists will have access to more public funding than ever before. This takes total government investment in R&D to £14.9 billion in 2021-22. It follows 4 years of significant growth in R&D funding, including a boost of more than £1.5 billion in 2020-21. It will mean UK government R&D spending is now at its highest level in 4 decades.

In July, we published the UK Innovation Strategy. Our vision is for the UK to be a global hub for innovation. In this strategy we set out our plans against 4 key pillars, which will support the achievement of that vision:

- pillar 1: Unleashing business – we will fuel businesses who want to innovate
- pillar 2: People – we will make the UK the most exciting place for innovation talent
- pillar 3: Institutions and places – we will ensure our research, development and innovation institutions serve the needs of businesses and places across the UK
- pillar 4: Missions and technologies – we will stimulate innovation to tackle major challenges faced by the UK and the world and drive capability in key technologies

In September 2021, we published the National Space Strategy. It sets out long-term plans to strengthen the UK's status as a world-class space nation. The new vision will help grow the UK's multibillion-pound space industry, boost private investment and capitalise on UK strengths such as satellite manufacturing. The strategy brings together UK government civil and defence space activities to protect UK interests at home and abroad.

3.2 Double investment in R&D

Our Bill on the Advanced Research and Invention Agency (ARIA) received royal assent in February 2021, in preparation for the establishment of the agency. The creation of ARIA will complement the work of UK Research and Innovation (UKRI). It will build on the government's ambitious R&D Roadmap, published in July 2020. The new agency will be tasked with funding high-risk research that offers the chance of high rewards. It would support ground-breaking discoveries that could transform people's lives for the better.

In March 2021, we confirmed how the £39.8 billion R&D budget for 2022-2025, the largest ever, will be allocated between partner organisations. The allocations will allow the government to deliver on the ambitions set out in the Innovation Strategy. These investments will support our commitment to ensure total R&D spending reaches 2.4% of GDP by 2027.

A further £60 million will support manufacturing investments by companies at the leading-edge of innovation. This will include investments in cell and gene therapies, earlier and better diagnostic technologies and medical devices.

3.3 Improve technology take-up

In March 2021, in conjunction with the Department for Health and Social Care, we invested £260 million to support research and development, and the manufacturing of new drugs, devices and diagnostics.

Up to £200 million of this will enable research to better access NHS data - through Trusted Research Environments and digital clinical trial services. This will make crucial data more secure and quickly available for research. It will also assist the NHS to deliver new life-saving treatments to patients faster. It will support more diverse and inclusive clinical research to tackle health inequalities and improve patient care.

3.4 Foster open and competitive markets

In October 2021 we announced £1.6 billion for new and growing businesses, to be delivered via the government's British Business Bank over the next 3 years. This includes £312 million for 33,000 new Start-Up Loans to business owners across the UK. It also includes £307 million for businesses in the North, Midlands and Southwest via expanding the Regional Funds programme. For the first time, this programme will launch funds in Scotland and Wales and continue to work with the Northern Ireland Executive to maintain the existing fund. The government will also provide £52.5 million for the Regional Angels Programme.

Challenges

OneWeb is a satellite company part owned by the government. Following Russia's invasion of Ukraine, the Board of OneWeb, voted to suspend all launches from Baikonur, Kazakhstan. The company currently has 428 spacecraft in orbit. This is sufficient to provide space-borne internet connections above 50 degrees North (which includes the UK). But close to 650 satellites are required to run a truly global service.

Performance metrics

1. Gross Expenditure Research and Development as percentage of GDP

2019	1.7%
2018	1.7%
2017	1.7%
2016	1.9%
2015	1.6%

Source: ONS Gross Domestic Expenditure on R&D as a percentage of GDP

Release schedule: annually

2. Business Enterprise Research and Development as a % of GDP

2020	1.3%
2019	1.2%
2018	1.2%
2017	1.1%
2016	1.1%

Source: ONS Business Enterprise R&D as percentage of GDP

Release schedule: annually

3. Percentage of businesses that are innovation active, including by region

2018-20	45%
2016-18	38%
2014-16	49%
2012-14	53%
2010-12	44%

Source: UK Innovation Survey

Release schedule: every 2 years

4. Back long-term growth: boost enterprise by making the UK the best place in the world to start and grow a business.

Boost enterprise by making the UK the best place to start and grow a business

We introduced the Subsidy Control Bill in June 2021. It provides the framework for a new, UK-wide subsidy control regime. The regime will enable public authorities, including devolved administrations and local authorities, to deliver subsidies tailored to local needs. This will help to deliver government priorities such as levelling up, achieving net zero carbon and supporting the economy's recovery from COVID-19.

In October 2021, we announced that the government will look to make it easier for enterprising companies to relocate to the UK - to attract investment and jobs. BEIS will launch a consultation on creating a re-domiciliation regime. It proposes to bring the UK into line with peers such as New Zealand and Canada, and strength our position as a global business hub.

We launched the Help to Grow: Digital scheme in December 2021. It provides small businesses with free, impartial online support on how to use digital technology to boost performance. It will also offer them access to discounts up to £5,000 towards the costs of buying approved software.

EU regulations exempt 'vertical agreements' from EU competition law. In February 2022, we announced we will replace these rules with bespoke rules better suited to the UK. Vertical agreements are agreements between companies at different levels of the supply chain, such as farmers and grocers. These vertical agreements benefit consumers by encouraging efficiencies, investment and innovation. The new rules will ensure competition law does not impose unnecessary burdens.

Increase opportunity

In October 2021, we announced a National Living Wage (NLW) increase up to £9.50 an hour to be introduced from April 2022.This gives a £1,000 pay rise to 2 million of the lowest paid workers across the UK. The change will make the new NLW rate the highest ever, as significant progress is made towards ending low pay.

The hospitality, retail and leisure sectors have been hit hard by the pandemic. In October 2021, we announced support for these sectors with a 50% business rates discount capped at a maximum of £110,000. This also applies to high street personal care businesses like hairdressers.

Drive up productivity and create high value, better paid jobs

In July 2021, we introduced new proposals to clamp down on those who promote tax avoidance arrangements. It will make sure promoters face tougher action to discourage them from operating and to disrupt their activities. It will do more to support customers to steer clear of and leave tax avoidance arrangements.

In January 2022, we set out the government's vision to modernise the economic regulation of the utilities sectors. It includes:

- how the government intends to ensure regulators' duties allow them to meet these systemic challenges
- how the government will provide strategic clarity on long-term aims for these sectors – it will publish a letter of strategic guidance to the CEOs of Ofwat, Ofgem and Ofcom
- how it can enhance competition for strategic investment opportunities for the long-term benefit of consumers and investors
- how transparency and consistency in key processes can be improved, e.g. for the weighted average cost of capital when setting price controls

Strengthen our national security regime

The National Security and Investment Act 2021 commenced on 4 January. It introduces new powers for government to investigate and intervene in investments and other acquisitions of entities and assets in the UK, or linked to the UK, where they could harm the UK's national security.

Performance metrics

1. Output per hour growth

2021 Q4	1.3%
2021 Q3	-1.5%
2021 Q2	0.2%
2021 Q1	0.8%
2020 Q4	-3.9%
2020 Q3	8.3%
2020 Q2	-1.7%
2020 Q1	-0.8%
2019 Q4	0.2%
2019 Q3	0.3%
2019 Q2	0.2%
2019 Q1	-0.5%

Source: Output per hour worked % change quarter on previous quarter SA

Release schedule: Quarterly

2. Output per worker growth

2021 Q4	1.4%
2021 Q3	0.2%
2021 Q2	5.2%
2021 Q1	-1.3%
2020 Q4	2.1%
2020 Q3	18.5%
2020 Q2	-18.5%
2020 Q1	-2.7%
2019 Q4	-0.6%
2019 Q3	0.5%
2019 Q2	-0.1%
2019 Q1	0.3%

Source: Output per Worker: Whole Economy: % change quarter on previous quarter SA: UK

Release schedule: Quarterly

3. Business investment as a % of GDP

2021	8.9%
2020	9.5%
2019	10.0%
2021	8.9%

i) Business investment:

Source: Gross Fixed Capital Formation: Business Investment: CP SA: £m

Release schedule: Quarterly

ii) GDP

Source: Gross Domestic Product at market prices: Current price: Seasonally adjusted £m

Release schedule: Quarterly

4. Business birth rate, including by region

	2020	2019	2018
North East	12.3%	12.7%	12.5%
North West	12.9%	13.3%	14.3%
Yorkshire and The Humber	11.7%	12.2%	11.8%
East Midlands	12.1%	12.5%	12.1%
West Midlands	12.2%	15.0%	13.3%
East	10.8%	12.1%	12.3%
London	14.0%	15.7%	15.9%
South East	10.9%	11.9%	11.7%
South West	10.4%	10.7%	10.4%
Wales	11.4%	11.8%	13.3%
Scotland	9.8%	11.8%	11.1%
Northern Ireland	9.9%	10.4%	9.6%
Total	11.9%	13.0%	12.9%

Source: ONS, Business demography, UK: 2020

Release schedule: Annually

Delivery against our strategic enablers

Workforce, skills and location

Reinforce the systems for talent management and performance management to address the personal and professional development needs of staff, and reward performance in line with government and departmental priorities

We had a strong talent offer which combines the central talent programme with our internal talent delivery. Our internal talent delivery has focused on building talent pipelines across all grades. We continued to sponsor 'Crossing Thresholds' and 'Forward Institute' for senior leaders and SCS sponsorship for team leaders. We have a robust performance management system which is supported by the use individual payments which recognises excellent performance.

Ensure that our organisation reflects the country we serve by a more diverse location footprint and relocating roles, including SCS positions, outside of London

We continued to recruit in Aberdeen, Birmingham, Cardiff, Edinburgh, Salford, with some presence in Belfast – our 'places for growth' locations. We also recruited into Darlington economic campus (DEC). DEC is pioneering cross government hub and BEIS is one of the cluster of Departments recruiting into it.

Continue to remove barriers to recruitment, development and promotion of a diverse workforce

We continued to make incremental changes to our attraction materials and advertising channels. We were awarded the Civil Service Commissioners' Mark of Excellence for recruitment - the inaugural Department to win this award. We launched our first social mobility apprenticeships. We successfully attracted the first applicants to our Prison Leavers initiative. We also launched our BEIS alumni network to stay in touch with former members of the Department.

Innovation technology and data

In 2021-22, we delivered a more modern Data Management Service. It has been designed to automate the full end to end lifecycle of managing data. We also introduced colleagues to our agile delivery approach, via Help to Grow: Digital and The National Security Infrastructure projects. It allowed teams to quick test and refine new ideas which sped up our delivery.

Delivery, evaluation and collaboration

In 2021-22, BEIS continued to mature its capabilities in evaluation and collaboration. We delivered a new project lifecycle. We have started to pilot and roll-out a new tool for Portfolio Project and Programme Management (PPPM). It is used by project teams for the day-to-day management of their business. We also set up a Project Assistance Team to support specific high priority projects.

To control project activity, we delivered a Business Case Assurance Tool (BCAT) and made upgrades to the performance monitoring tool (ORB). BCAT is used to manage the assurance process by which business cases are approved. ORB is used for retrospective reporting on the delivery of a project's objectives.

Performance metrics

People survey engagement score

See staff report on page 92.

Representation of female staff, ethnic minority staff and disabled staff

See staff report on page 95.

Greenhouse gas emission

See sustainability report, on page 55.

Impact of COVID-19 on strategic objectives, and priority outcomes for 2021-22

As in 2020-21, the pandemic continued to place significant demands on the Department. However, our business planning and resource allocation from 2020-21 meant it had minimal impact on the delivery of our other strategic priorities.

To deliver our 'Fighting Coronavirus' priority, we delivered business support programmes and the safe workplace guidance. As case rates declined, we provided guidance and support for sectors reopen and recover. This included publishing our Hospitality Strategy in July 2021. Over the year, we also helped sectors manage the emergence of variants.

The Vaccine Taskforce continued to deliver a world-leading vaccination and booster programme – it reduced rates of covid mortality and morbidity across the UK. We are developing an onshoring programme to support vaccine production in the UK. This will ensure a positive legacy for the UK life sciences sector.

From the corporate perspective, BEIS agreed our new hybrid working model. This was done in consultation with staff networks. It aims to maximise the benefits of working both in the office and at home.

Impact of EU Exit on strategic objectives, and priority outcomes for 2021-22

Following the end of the Transition Period on 31st December 2020 the impact of EU Exit on delivering the department's strategic objectives and priority outcomes has reduced significantly.

We have turned our focus to maximise new opportunities from our economic and regulatory independence. We are working to deliver an optimal business environment; boost enterprise and facilitate job creation.

The UK's future participation in the Horizon Europe programme continued to be uncertain. The department is both negotiated with the EU on continuing membership and developed domestic alternatives.

The Subsidy Control Bill was introduced to Parliament. It outlines the UK's domestic alternative to EU State Aid rules. The new system will contribute to meeting the UK's international commitments on subsidy control. This includes international commitments at the World Trade Organization (WTO) and in Free Trade Agreements. The Professional Qualifications Bill was also introduced to Parliament. Its purpose is to replace EU legislation governing how overseas professional qualifications are recognised in the UK.

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.

BEIS priorities	SDGs	Progress in 2021-22
	**Goal 7** – Ensure access to affordable, reliable, sustainable and modern energy for all	• Rising gas prices put significant pressure on the energy retail market. In response we: – implemented a Special Administration Regime for Bulb Energy Ltd - to protect consumers from higher prices and loss of funds held by Bulb and ensure continued energy supply. – implemented the Energy Bills Support Scheme. • BEIS published our Heat & Buildings Strategy. • The Energy Company Obligation (ECO) scheme is an obligation on large energy suppliers to provide energy efficiency and heating measures for fuel poor consumers in Great Britain. ECO has installed over 3 million measures in over 2.2 million homes. The next iteration of ECO will run from 2022 to 2026 with an increase in value from £640 million to £1 billion per year. We have also committed to a four-year, £4 billion successor to ECO.
	**Goal 9** – Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation	• We published the Transitioning to zero emission cars and vans: 2035 delivery plan. It sets out significant milestones towards our phase out dates for petrol and diesel cars and vans. • As part of the Net Zero Strategy, we committed an additional £620 million for targeted vehicle grants and infrastructure to support the transition to electric vehicles. • We announced that Britishvolt has been offered funding through the Automotive Transformation Fund for its planned gigafactory in Northumberland.

BEIS priorities	SDGs	Progress in 2021-22
	Goal 13 – Take urgent action to combat climate change and its impacts	• We supported the successful delivery of COP26 where the Glasgow Climate Pact was signed. • We spent more than £550 million on BEIS climate finance in 2021-22. It provided capital investment, technical assistance and capacity building to drive the transition to low-carbon, development paths. drawing in investment from the private sector and other actors. Overall cumulative total ICF results for 2021 show 51 million tonnes of reduced / avoided GHGs and £8 billion public and private finance mobilised for climate change action. • We introduced regulations to increase the minimum energy performance for a range of domestic and non-domestic electrical appliances. • We published an Energy-related Products Policy Framework. It sets out Government's ambitions to push products to be more energy- and resource-efficient.
	Goal 1 – End poverty in all its forms	• We increased the National Living Wage in April to £8.91 per hour.
	Goal 5 – Achieve gender equality and empower all women and girls	• In 2020 BEIS undertook a review into workplace support for victims of domestic abuse. We published the report in 2021 and committed to hold best practice roundtables for employers.
	Goal 8 – Promote sustained inclusive and sustainable economic growth, full and productive employment and decent work for all	• In April we launched the Recovery Loan Scheme. • We launched the Help to Grow scheme, which offers training to help SME business leaders to increase productivity, seize investment opportunities and grow their business.
	Goal 11 – Make cities and human settlements inclusive, safe, resilient and sustainable	• BEIS International Climate Finance programmes including the Urban Climate Action and Climate Leadership in Cities Programmes are supported cities in developing countries. They helped to deliver ambitious climate actions and mobilise local political and technical leadership on net-zero. • We supported the Market Accelerator for Green Construction programme. This helped to drive the financing and construction of more energy efficient buildings in emerging economies.
	Goal 12 – Ensure sustainable consumption and production patterns	• The Green Gas Support Scheme (GGSS) launched November 2021 to manage waste in an environmentally sound way. It provides subsidy support to produce biomethane via anaerobic digestion (AD) to inject into the gas grid. AD is the preferred treatment route for unavoidable food waste. The GGSS complements Defra's waste policies. The environment bill committed to increase collection of household food waste, leading to more food waste generated. The GGSS provides a sustainable solution.

Forward look

What we are aiming to achieve

In 2022-23, while addressing the risks posed by the wider economic and international context, our focus will be to:

- generate cheaper, cleaner, homegrown energy and deliver on this government's commitment to net zero greenhouse gas emissions by 2050
- unleash innovation to make the UK a science superpower
- boost enterprise to level up the country while supporting families with the cost of living
- drive economic recovery from coronavirus

Ensure energy security and deliver net zero

Energy security will form a core part of the Department's work as we deliver on net zero greenhouse gas emissions by 2050. We will accelerate plans for cheaper, cleaner, home-grown power. We aim to build an independent and secure energy system and support families with bills. We will continue to roll-out our broader net zero strategy and facilitate the creation of highly skilled green jobs. We will use our domestic policy to lead by example on the international climate change agenda, to secure a positive legacy following COP26.

Unleash innovation

Next year will be an exciting time for the Department's work to unleash innovation and accelerate science and technology throughout the country. It will deliver this government's ambitions to be a global science superpower. Over the last 12 months we published the Innovation Strategy, R&D People and Culture Strategy, National Space Strategy, AI Strategy, Fusion Strategy and Life Science Sector Vision. Next year we will continue to focus on the implementation of these strategies. We will continue to set up the Advanced Research and Invention Agency (ARIA). We will also deliver ambitions in the R&D Roadmap. This includes providing a response to the independent reviews of the RDI landscape, Research Bureaucracy and UKRI. Finally, we will lead on the cross-government R&D mission set out in the Levelling Up white paper.

Boost enterprise

We will drive long-term growth and boost enterprise, by making the UK the best place in the world to start, grow and invest in a business. This includes direct support for business through the British Business Bank (BBB), and programmes such as Help to Grow. It also includes our work on investment security and economic crime, to help us swiftly impose and enforce sanctions. At the domestic level, we will support families with the cost of living. We will do this through our work on the National Minimum Wage, and regulatory reform measures to champion the consumer, support workers and tackle fraud.

Help businesses

As we continue to deliver on our Plan for Jobs and Growth, we will drive the UK's recovery from coronavirus, help businesses, facilitate investment, and mitigate supply chain disruption. We will help the UK prepare for potential future pandemics. We will do this by onshoring vaccine production capacity and maximising our comparative advantage in the life science sector.

Risks affecting delivery of our priorities

This section provides further details on risks faced by the Department in 2021-22.

Key:

BEIS priorities

- **Fight coronavirus**
- **Back long-term growth**
- **Unleash innovation**
- **Tackle climate change**

Relative severity

Considers likelihood of risk materialising and impact of risk.

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

1. Risks continuing from 2020-21

Risk	Mapped to BEIS priorities	Mitigating activities	Relative risk severity & direction of risk trend to Mar 2021
Financial constraints could limit our ability to deliver our objectives and ambitions		• We monitored our in-year position. We managed the Supplementary Estimate process, which is fundamental to deliver a balanced in year position. • We discussed financial position, policy funding and emerging issues with HM Treasury. • We had quarterly deep dives into specific budgets to identify risks and levers to manage over/ under spends. We considered commitments, volatility or other data as needed.	M
Unable to lead the global fight to tackle climate change in line with the Paris Agreement		• We worked closely with other governments, multilaterals, and NGOs to set objectives, provide support and make interventions. • We targeted ICF activities that most effectively supports green recovery and country specific needs • We ensured the team was sufficiently resourced - through business planning. • We continued with delivery of COP 26 and worked with other government departments.	M The risk rating has decreased through effective mitigation and delivery of COP 26.
Legal budget and resources are not managed effectively		• We monitored total spend and planned future costs. Where necessary, we will use this 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

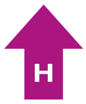
Risk	Mapped to BEIS priorities	Mitigating activities	Relative risk severity & direction of risk trend to Mar 2021
Policies and programmes are inadequate to effectively support economic recovery and drive productivity growth		• We worked with HM Treasury on a plan for growth to support the economy. • 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. • We developed an enterprise strategy and developed investment opportunities	H The risk rating remains high due to longer term impacts of the pandemic and external variables.
Non compliance with the Public Sector Equality Duty		• We developed proposals to drive up compliance with Public Sector Equality Duty. • We developed a report to report progress on equality objectives externally. . We reviewed the processes for internal clearance. • We developed an equalities monitoring & evaluation framework.	M The risk rating decreased to medium due to effective mitigation.
Failure to meet carbon budgets due to measures to mitigate climate change not reducing emissions sufficiently		• We strengthened our cross government and cross-national governance under Climate National Strategy Implementation Group (NSIG). • We developed business models for greenhouse gas removal technologies. • We developed more ambitious policy options for Carbon Budgets 4,5 and 6 (2023-37) and 2030 Nationally Determined Contributions (NDC) for the Climate Action Strategy Committee (CASC).	H The risk rating remains high due to our long-term net zero 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 engaged with the industry to identify vulnerabilities and mitigate cyber risks not addressed through regulation.	L The risk rating remains static due to our commitment to ensuring energy infrastructure is kept secure.

2. Risks that were new in 2021-22

Risks that were newly identified or escalated based on threats the Department has faced during the year. They were added at various points during the year.

Risks	Mapped to BEIS priorities	Mitigating activities	Relative risk severity & direction of risk trend to Mar 2022
Workforce capacity and capability is not prioritised in the right areas		• We monitored emerging issues/risks with a focus on capacity and reprioritise accordingly. • We reviewed workforce capacity against Departmental priorities. • We reported on resourcing priorities.	H The risk rating increased due to BEIS reacting to external factors like the pandemic and energy market.
Staff wellbeing is not supported sufficiently		• We supported wellbeing during the implementation of hybrid working, via workshops and other sessions.	M
Sensitive information is compromised or lost through cyber-attack, eavesdropping, theft, mistakes or leaks		• We increased investment in holistic security, weaving together personnel, physical, cyber, cultural and resilience threads. This helps to counter the expanding threats to our people and information. • We maintained strong, tested cyber defences and invested against emerging threats. We recognise that our people are an equally important defence – so we enhanced security awareness across the Department. • We worked across government to realise the horizon-scanning, centralisation and professionalisation benefits from the maturing Security Function.	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.

Risks	**Mapped to BEIS priorities**	**Mitigating activities**	**Relative risk severity & direction of risk trend to Mar 2022**
A security incident at work harms BEIS officials, ministers or visitors		• We increased investment in holistic security, weaving together personnel, physical, cyber, cultural and resilience threads. This helped to counter the expanding threats to our people and information. • We recognised that our people are an equally important defence and enhanced security awareness across the Department. • We worked across government to realise the horizon-scanning, centralisation and professionalisation benefits from the maturing Security Function.	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.
Delivery of parts of our policy agenda is less effective and impactful due to a deterioration in relationships with one or more of the devolved administrations		• We developed and embedded the BEIS Union strategy and Action Plan 2022. • We ensured effective intelligence was shared with the Centre, including the Cabinet Office, Territorial Offices and other government departments. • We maintained strategic oversight and coordination of DA relationships to support the delivery of objectives. • We upskilled colleagues across BEIS on the Devolution and Union agenda.	H This risk rating is high due to the importance of managing these relationships.
Sharp and sustained rise in gas prices significantly impact business and a range of consumers		• We addressed resourcing issues related to the Gas Price Programme. • We monitored trends and establishing actions to mitigate the risk impacts of high gas prices over the short, medium and long term. • We developed work to protect vulnerable consumers and EIIs work aims to mitigating impacts to the sector.	H The risk rating is high due to the importance of managing the energy market.

Risks	Mapped to BEIS priorities	Mitigating activities	Relative risk severity & direction of risk trend to Mar 2022
Communications budgets aren't managed effectively		• We reviewed business planning activity for unfunded assumptions.	 The risk rating is high due to the importance of having an adequate budget to deliver Communications or Campaign activity.
Onshoring investments become financially unviable or are unable to pivot to respond effectively to future health emergencies		• We made a commitment to sustainable investments for the long-term. • We understood and applied the lessons learned from previous investments. • We ensured monitoring and evaluation plans captured key investment Key Performance Indicators. • We ensured appropriate approvals/ assurance and due diligence processes were followed.	

3. Risks that were closed or de-escalated

Risk	Mapped to BEIS priorities	Mitigating activities	Narrative
We may lack the strategic and cultural flexibility to manage the impacts of a rapid change to priorities		• We maintained an effective reporting system to ensure risks are identified early and considered by senior leaders, to support strategic decision making. • 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. We recruited people with the necessary commercial, technical, and operational skills.	This area remains a high priority. However, this specific risk has been de-escalated and managed at group level.
Inadequate availability, quality, or understanding of evidence base underpinning policy development and delivery		• We produced 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.	This area remains a high priority. However, effective mitigation has led to this risk being de-escalated.
Failure to attract, develop and retain sufficiently skilled staff and support their wellbeing		• We ensured senior leaders maintain oversight of teams. We tracked 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. We improved staff retention with new learning and development packages and the appointment of Wellbeing Champions.	The Department has re-articulated this concern into 2 separate risks for workforce capacity and managing staff wellbeing.
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.	The Department has re-articulated this concern into 2 separate risks for cyber and physical security.

Risk	Mapped to BEIS priorities	Mitigating activities	Narrative
Vaccine nationalism and foreign government intervention: 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.	The risk has been supeceded by 2 new risks related to the Onshoring Programme.

Financial review

Overview

The financial review provides an analysis of our financial performance and position for the year. It is organised under the following headings:

Expenditure

a. How expenditure is presented

b. Our budget framework

c. Comparison of outturn to previous year

d. Comparison of expenditure to previous years recognised in SOPS

Financial position

a. Recognition of COVID-19 business support financial guarantees and grants

b. Impact of changes in discount rates

c. Contracts for difference

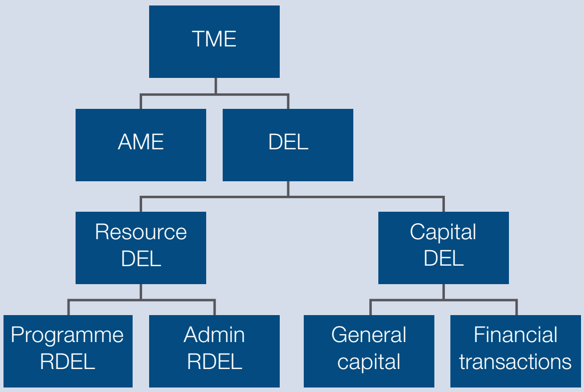
d. Nuclear decommissioning provision

How expenditure is presented

The analysis of expenditure in the financial review is based on the SOPS.

Statement of Outturn against Parliamentary Supply (SOPS)	SOPS is specific to the public sector. It reports the Department's expenditure against the control limits that Parliament has voted on. The Department is held to account on its financial performance/use of taxpayers' funds based on this limit. A reconciliation between IFRS and SOPS is shown in SOPS 2 on page 132.	Departmental Expenditure £141.1 billion Departmental budget £225.6 billion
Statement of Comprehensive Net Expenditure (SoCNE)	The Financial Statements are prepared on a similar basis to the rules generally applied by private sector businesses. It is prepared in accordance with the Financial Reporting Standards (IFRS).	Core Department and agencies net expenditure from operations £26.3 billion Departmental Group net expenditure from operations £138.9 billion

Our budget framework



TME: The total amount a department spends.

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

DEL: They are understood and controllable. HM Treasury set firm budgets during a Spending Review, which occur every 3 to 5 years. DEL budgets are classified into resource and capital.

Resource DEL

Programme RDEL: For frontline service provision.

Admin RDEL:For back-office functions e.g. rent, IT etc.

Capital DEL

General capital: For assets or investments, except financial transactions.

Financial transactions: For loans given or shares purchased.

Comparison of outturn to previous year

	2021-22	2021-22	2020-21
	Budget	**Outturn**	**Outturn**
	£m	**£m**	**£m**
TME[1,2]	**225,597**	**141,065**	**54,338**
Of which			
Total DEL[3]	**31,649**	**29,704**	**42,946**
Resource DEL	9,569	8,712	22,496
Capital DEL	22,080	20,992	20,450
Total AME	**193,948**	**111,361**	**11,392**
Resource AME	189,303	115,150	(8,152)
Capital AME	4,645	(3,790)	19,544

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 13 and 14.

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 movements in the fair value of the Contracts for Difference and the 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 table below shows the Department's key areas of net expenditure recognised in SOPS for the last 5 years.

	2021-22 £m	2020-21 £m	2019-20 £m	2018-19 £m	2017-18 £m
Nuclear Decommissioning Authority	103,362	3,473	6,751	(99,592)	73,218
Science and research	7,690	9,182	7,785	7,511	6,740
Contracts for Difference	10,021	468	3,543	(2,971)	3,558
UK Research & Innovation (Innovate UK)	1,018	1,066	1,077	1,052	973
Coal Authority	3,168	274	58	(1,993)	1,545
Green Infrastructure Platform	(74)	(87)	9	11	24
Renewable Heat Incentive	920	848	846	818	687
International Climate Finance	431	584	339	321	330
Post Office	233	115	92	228	140
Redundancy payment service	261	442	431	319	260
COVID-19 business support grant schemes	3,852	8,050	10,976	-	-
COVID-19 business loan guarantee schemes	(2,566)	21,281	-	-	-
Future Fund	(16)	1,151	-	-	-
Nuclear Liabilities Fund	5,622	5,070	-	-	-
Green Investment Bank sale receipts	-	-	-	-	(1,621)
Other	7,143	2,423	1,937	75	179
Total	**141,065**	**54,340**	**33,844**	**(94,221)**	**86,033**

In 2021-22 the Departmental Group's expenditure recognised in the Department's SoCNE increased to £138.9 billion, an increase of £86.4 billion compared to 2020-21 Departmental Group's expenditure. This increase was primarily driven by the change in discount rates. The provision discount rate in the long term has increased from negative (0.01%) to negative (1.27%).

The impact of the changes in discount rates recognised in the SoCNE for the NDA's nuclear decommissioning provision was 2021-22 was £90.5 billion, higher than £2.1 billion recognised in 2020-21.

The financial instrument discount rate used for valuing the contract for difference (CfD) liabilities has gone from a positive rate of 0.7% to a variable negative discount rate for 2021-22, that varies based on projected inflation in future years, the discount rates for future cashflows in 2022-23 of (5.65%), 2023-24 of (0.47%), 2024-25 of 0.24%, 2025-26 of (0.06%) and 2026-27 onwards of (0.10%). This will result in an increase in the CfD liabilities.

The Contracts for Difference (CfDs) fair value movement recognised in expenditure in 2021-22 was £10.3 billion, lower than £2.7 billion recognised in 2020-21.

COVID-19 related expenditure

In 2020-21 the Department recognised £31 billion for COVID-19 related business support grant, loan and guarantee schemes. 2021-22 saw a decrease in COVID-19 related expenditure.

In 2021-22, £3 billion was paid under the Restart Grant (note 4.4), £0.5 billion was paid under the Omicron Hospitality and Leisure Grant (note 4.4) and £0.5 billion was paid under the Additional Restrictions Grant schemes (note 4.4), a further £46 million was recognised for the Future Fund (note 12.2). £2.2 billion has been recognised as a reduction to expenditure in relation to the business support COVID-19 financial guarantee loan schemes as a result of the ECL remeasurement of the expected claims along with expenditure in relation to business interruption payments and income from lender fees (notes 4.1, 6.1 and 19).

COVID-19 related expenditure

	2021-22 £m	2020-21 £m
Business support - Grant expenditure		
Small Business Grant Fund (SBGF), and Retail Hospitality and Leisure Grant Fund (RHLGF).	-	110
Local Authority Discretionary Grant Fund (LADGF)	-	573
Local Restrictions Support Grant schemes	(224)	7,225
Restart Grant	3,045	-
Omicron Hospitality and Leisure Grant (OHLG)	479	-
Additional Restrictions Grant (ARG)	499	-
New burdens funding	53	142
	3,852	**8,050**
Business support		
Financial Guarantee schemes	(2,567)	21,281
Trade Credit Reinsurance	(10)	85
Future Fund	46	1,090
	(2,531)	**22,456**
Science & Research		
Science & Research support grants	-	540
	-	**540**
Total	**1,321**	**31,046**

Due to the Vaccine Taskforce being transferred to DHSC during 2021-22, expenditure has been restated for 2020-21.

CfDs and Capacity Market Payments

The increase in the estimated discounted value of CfD payments from (£16.9 billion) in 2020-21 to (£26.9 billion) in 2021-22 resulted in a £10.3 billion expense reported in the SoCNE which is offset by payments to CfD generators of (£0.3 billion).

£0.9 billion of Capacity Market payments were made in 2021-22 compared to £1.1 billion in 2020-21. These payments are offset by the recognition of levy income.

Discount rates

Significant changes in HM Treasury's prescribed discount rates have resulted in large impacts on the SoCNE. In 2021-22, the movement on discount rates has resulted in £90.5 billion being recognised in relation to the nuclear decommissioning provision. £2.1 billion was recognised in 2020-21. In addition to the impact of the discount rate change, the nuclear provision liability has increased by £15.3 billion due to changes in cost estimates. Further detail of the movements in provisions can be found in note 20.1 for Nuclear provisions and note 20.2 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	Budget	Variances	
	£m	£m	£m	%
TME	**141,065**	**225,597**	**(84,532)**	**(59.92%)**
Resource DEL	8,712	9,569	(857)	(9.84%)
Capital DEL	20,992	22,080	(1,088)	(5.18%)
Total DEL	**29,704**	**31,649**	**(1,945)**	**(6.55%)**
Resource AME	115,150	189,303	(74,153)	(64.40%)
Capital AME	(3,790)	4,645	(8,435)	222.56%
Total AME	**111,360**	**193,948**	**(82,588)**	**(74.16%)**

Total Managed Expenditure (TME)

Our TME budget was £225.6 billion; against this the Department had an Outturn of £141.1 billion. The Department underspent by £84.5 billion in comparison to its Estimate.

This was primarily as a result of,

- a provision for grant funding that was not required of £17.4 billion in Resource AME,
- uncertainties at the time of budgeting for the CfD valuation of £14.7 billion in Resource AME,
- uncertainties at the time of budgeting for the nuclear decommissioning provision of £34.2 billion in Resource AME

Resource DEL

The Estimate was £9.6 billion. Outturn against the Estimate was £8.7 billion; £857 million lower than budget. This is primarily due to an underspend against COVID-19 business support grants.

Capital DEL

The Estimate was £22.1 billion. Outturn against the Estimate was £21.0 billion, £1.1 billion lower than budget. The majority of the underspend is in relation to unused budget for the Energy Special Administration Regime.

Resource AME

The Estimate was £189.3 billion, and Outturn was £115.2 billion, an underspend of £74.1 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 £17.4 billion of the underspend.

In addition to this, the NDA's nuclear decommissioning provision was £34.2 billion lower than the Estimate which reflects uncertainties when budgeting for the Outturn. The CfD liabilities were £15 billion lower than the Estimate due to contingency in the forecast of the wholesale electricity prices.

Capital AME

The Estimate was £4.6 billion, and Outturn was (£3.8 billion), an underspend of £8.4 billion.

£2.9 billion of the underspend was due to 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, and £4.1 billion underspend is in relation 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 £m	Budget £m	Saving £m
TME		**141,065**	**225,597**	**(84,532)**
RDEL	**EU Exit**	34	36	(2)
RDEL	**COVID-19**	5,082	5,902	(820)
RDEL	**Other**	3,595	3,631	(36)
Total RDEL		**8,712**	**9,569**	**(858)**
CDEL	EU Exit	-	-	-
CDEL	COVID-19	111	189	(78)
CDEL	Other	20,882	21,891	(1,009)
Total CDEL		**20,993**	**22,080**	**(1,087)**
Total DEL		**29,704**	**31,649**	**(1,945)**
RAME	EU Exit	-	-	-
RAME	COVID-19	(296)	(2)	(294)
RAME	Other	115,446	189,305	(73,859)
Total RAME		**115,150**	**189,303**	**(74,153)**
CAME	EU Exit	-	-	-
CAME	COVID-19	(3,525)	-	(3,525)
CAME	Other	(265)	4,645	(4,910)
Total CAME		**(3,790)**	**4,645**	**(8,435)**
Total AME		**111,360**	**193,948**	**82,588**

The Vaccine Taskforce costs have been restated in 2021-22, as the taskforce has transferred to the Department for Health and Social Care.

EU Exit expenditure

The majority of the £34 million of expenditure relating to EU Exit recognised in Resource DEL, related to staff and related costs.

COVID-19 expenditure

As detailed in the table COVID-19 related expenditure, the £5 billion recognised in Resource DEL, included:

- £3.8 billion to business support grant expenditure paid and recognised in the year,
- £2.1 billion relating to business support financial guarantee – Business Interruption Payments.

The £110 million recognised in Capital DEL, relates primarily to Grants paid in year to support the Vaccine Taskforce.

The £296 million recognised in Revenue AME, primarily relates to receipts from the CBILS, CLBILS and RLS Loan scheme.

The £3.5 billion recognised in Capital AME, primarily relates to the business support – financial guarantee expenditure recognised in 2021-22 under the CBILS/CLBILS and BBLS financial guarantee business schemes.

All of this spending was funded by HM Treasury during the 2021-22 Main and Supplementary Estimate processes.

Official Development Assistance

The UK's Official Development Assistance (ODA) refers to the overseas aid budget. BEIS ODA is used in 2 main ways - on research and innovation (R&I) and tackling climate change.

ODA spend is reported for the calendar year, on a cash basis. In 2021, BEIS' total spend was £928 million. This comprised R&I: £368 million and tackling climate change: £560 million.

Activities supported on R&I

- Research studies, both basic and applied;
- International partnerships between UK institutions and partners in low- and middle-income countries;
- Innovation and technology accelerators;
- Building research capacity through fellowships and PhDs;
- Commercialisations of R&I.

Activities supported on tackling climate change

- Adapting to the impacts of climate change, low carbon growth and addressing deforestation;
- Mobilisation of private sector capital in South Africa to promote cleaner, greener growth;
- Expansion of UK PACT, to supply technical expertise to Kenya, Nigeria, Indonesia, Colombia, South Africa;
- Technical assistance to partner countries to increase and implement their Paris Agreement;
- Coal transitions and integration of renewable energy technologies.

BEIS ODA spend by sector[1]

Sector	Sector code[2]	R&I £m	ICF £m	Total £m
Education, Level Unspecified	111	13.9		13.9
Secondary Education	113	0.1		0.1
Post-Secondary Education	114	8.0		8.0
Health, General	121	89.8		89.8
Basic Health	122	17.2		17.2
Non-communicable diseases (NCDs)	123	0.9		0.9
Population Policies/Programmes & Reproductive Health	130	2.3		2.3
Water Supply & Sanitation	140	1.6		1.6
Government & Civil Society-general	151	6.8		6.8
Conflict, Peace & Security	152	1.5		1.5
Other Social Infrastructure & Services	160	1.8		1.8
Transport & Storage	210	0.0		0.0
Communications	220	0.1		0.1
Energy	230	1.0		1.0
Energy Policy	231	0.4	6.5	6.9
Energy generation, renewable sources	232	12.7	120.1	132.8
Energy distribution	236	0.3		0.3
Banking & Financial Services	240	0.1	2.0	2.1
Business & Other Services	250	0.4	0.2	0.6
Agriculture	311	27.5		27.5
Forestry	312	0.1	69.7	69.8
Fishing	313	1.3		1.3
Industry	321	6.6		6.6
Mineral Resources & Mining	322	0.3		0.3
Construction	323	0.0		0.0
General Environment Protection	410	37.1	34.5	71.6
Other Multisector	430	115.5	24.6	140.1
Emergency Response	720	0.1		0.1
Disaster Prevention & Preparedness	740	0.9		0.9
Administrative Costs of Donors	910	19.0	10.7	29.7
Unallocated / Unspecified	998	0.3	291.9	292.2
	Total	**367.6**	**560.2**	**927.8**

Notes

1. These figures are provisional. The final 2021 Statistics on International Development is due to be published by the Foreign, Commonwealth and Development Office in late September 2022.
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 2022. The Department's liabilities have increased from (£163.8 billion) at 31 March 2021 to (£273.4 billion) at 31 March 2022. 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
d. Nuclear Decommissioning provision

(a) Recognition of COVID-19 Business support - Financial guarantees and Business support grant

In 2021-22, the impact of the government's response to COVID-19 can be seen on the Statement of Financial Position through the financial guarantee loan schemes and Trade Credit Reinsurance Scheme. The liabilities in relation to these schemes total £15.8 billion at 31 March 2022 in comparison to £19.8 billion at 31 March 2021. This is reflective of companies drawing down guarantees associated with these schemes, as well as the updated model. Further information can be seen in note 21. 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 decreased in 2021-22. £0.6 billion of this decrease represents the decrease in money due back to the Department from local authorities and reflects the decrease in COVID-19 grant support provided in 2021-22. Further details are given in note 15.

(b) Impact of changes in discount rates

Discount rates

Some of the Department's priorities carry very long-term obligations that will involve expenditure for decades to come. Their eventual costs are uncertain, but the Department is required to present a single value in the accounts. This value is based on our best estimate of costs, technology, and other relevant factors. It is also adjusted from the future value to the present-day value using discount rates - the time value of money. The accounts use several discount rates depending on the nature of the transaction and the regulation applicable. These rates are in line with the appropriate accounting standards.

In the past discount rates have usually been positive. This means money invested in the present would give a future return 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 investment, so they have a lower rate of return than other investments. They also pay a fixed cash amount when they mature. Therefore, the higher the price paid for bonds now, the lower the rate of return in the future. 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 2021-22, the long-term discount rate remained negative and was more negative than the rates used in 2020-21. This change has driven the change in the reported value of the Department's long-term obligations. Even when the cash the Department expects to pay has not changed substantially. An increase in liabilities due to the discount rate changes has been reflected in the 2021-22 accounts.

The short-term and medium-term discount rates have also been revised. Discount rates being 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.

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 1.9% nominal, or the rate of return implicit in the contract if higher. For Repayable Launch investments, the Department assessed the implicit rate to be 3.50% plus CPI of 2.90% (2020-21: 3.50% plus 2.22%).

Impact on liabilities

Liabilities in 2021-22 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, in line with the HM Treasury Public Expenditure System (PES) paper issued on 13 December 2021. Provisions from the NDA and the Coal Authority relate to the expected future cost of managing the nation's energy legacy.

	2021-22	2020-21	Rationale
Nuclear decommissioning provision			
Short term < 1 years	(3.53%)	(1.22%)	Set by HM Treasury Public Expenditure System (PES) paper issued on 13 December 2021
Short term 1 – 2 years	(2.13%)	(1.62%)	
Short term 3 – 5 years	(1.53%)	(2.02%)	
Medium-term 6 – 10 years	(1.30%)	(1.82%)	
Long-term 11 – 40 years	(1.05%)	(0.01%)	
Long-term > 40 years	(1.34%)	(0.01%)	
CfD financial instruments			
2022/23:	(5.65%)	0.70%	1.9% adjusted for the latest CPI forecasts for each modelled year
2023/24:	(0.47%)	0.70%	
2024/25:	0.24%	0.70%	
2025/26:	(0.06%)	0.70%	
2026/27 and thereafter:	(0.10%)	0.70%	
Coal pension receivable			
Real rate + 3% RPI (as contractual figures are in nominal values)	3.7%	3.7%	Financial instruments discount rate as at initial recognition (non-indexed)
COVID-19 schemes			
Financial Guarantees	1.9%	3.7%	Set by HM Treasury Public Expenditure System (PES) paper issued on 13 December 2021
Future Fund	8%	8%	The rate of return implicit in the contract
Trade Credit Reinsurance	1.9%	3.7%	Set by HM Treasury Public Expenditure System (PES) paper issued on 13 December 2021
Repayable Launch Investments			
Higher of the implicit rate of return or the financial instrument's rate	3.50% CPI 2.90%	3.50% CPI 2.22%	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 2021-22 and 2020-21 taking into account the nominal and inflation rates for 2021-22 and 2020-21. They are derived from HM Treasury's rates. Further details of the nominal and inflation rates are given in the Departmental Group Accounting Policies note 1.23.

The impact of discounting

	2021-22 With discounting £m	2021-22 Without discounting £m	2021-22 Impact of discounting £m	2020-21 With discounting £m	2020-21 Without discounting £m	2020-21 Impact of discounting £m
Assets – Financial assets						
Repayable Launch Investments	463	545	(82)	485	732	(247)
Coal pension receivable	575	631	(56)	695	773	(78)
Liabilities – provisions, financial guarantees and insurance contracts						
NDA nuclear provision	236,766	148,893	87,873	135,118	131,454	3,664
Coal Authority provision	5,618	8,459	(2,841)	2,529	2,508	21
COVID-19 Financial Guarantees	15,806	10,066	(260)	19,773	20,477	(704)
Trade Credit Reinsurance	31	32	(1)	69	73	(4)
Liabilities – Financial instruments						
CfD liabilities (recognised and deferred liabilities)	97,591	93,225	4,366	88,930	100,086	(11,156)

(c) Contacts for Difference

Contracts for difference (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

Difference payments under the CfDs are funded through a levy paid by licensed energy suppliers. The Low Carbon Contracts Company (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 69 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 2022, the cumulative value of the deferred differences of the CfDs was (£70.7 billion) (31 March 2021: (£72.0 billion)).
- The Department will in future accounting periods recognise all subsequent movements of fair value CfD contracts through the SoCNE, whose cumulative value was (£97.6 billion) at 31 March 2022 (31 March 2021: (£88.9 billion)).
- The Department has recognised a liability of (£26.9 billion) as at 31 March 2022 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 2021 (£16.9 billion)) on the Statement of Financial Position. Further information on this can be seen in note 10 to the Financial Statements.

The tables below show movements in the year. Further details on the CfDs are in the note 10 to the financial statements.

Effect on the Statement of Financial Position

	2021-22 £bn	2020-21 £bn
01-Apr	16.9	16.5
Changes in FV on existing recognised contracts	8.9	1.6
Payments made to generators	(0.2)	(2.3)
Deferred differences recognised	1.3	1.1
31-Mar	**26.9**	**16.9**

Movements in fair value

	2021-22 £bn	2020-21 £bn
01-Apr	88.9	89.6
Changes in fair value on existing recognised contracts	8.9	1.6
Additions	-	-
Payments made to generators	(0.2)	(2.3)
31-Mar	**97.6**	**88.9**

Effect on the Statement of Comprehensive Net Expenditure

	2021-22 £bn	2020-21 £bn
Contract for difference derivatives	**10.2**	**2.7**
comprising		
Changes in FV on existing recognised contracts	8.9	1.6
Deferred differences recognised	1.3	1.1

(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.

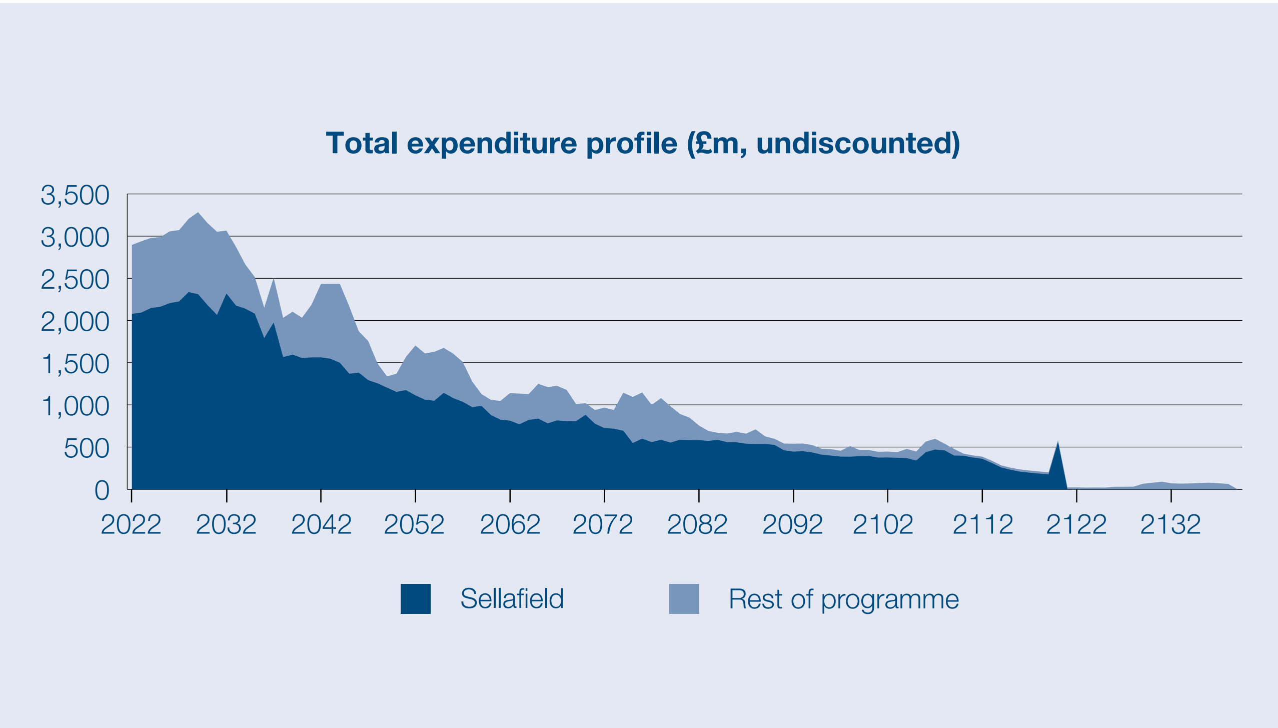
Decommissioning of sites will take many decades. In part, this is because plans often include periods of ‘care and maintenance’, where sites are made safe and put into an interim state, allowing residual amounts of radioactive material to decay over time. By doing this, the final stages of decommissioning 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 £148.7 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 £126 billion to £273 billion.

NDA provision: forecast undiscounted expenditure



Sustainability report

About GGCs

BEIS is the lead department for setting policies for UK to become net zero by 2050. So, we are committed to incorporating sustainability into our own operations to align with this target. We are doing this through the Greening Government Commitments (GGCs) - a framework for government departments to improve their sustainability across a range of targets. The current framework is for 2021-25. Targets are measured against a 2017-18 baseline,[1] to be achieved by March 2025.

The targets for BEIS are for the BEIS GGC family, made up of the Core Department and our partner organisations that fall within the scope of the GGCs. This scope is set by Defra who own the GGC policy. The 16 BEIS POs reporting into the GGCs are listed in the footnotes.[2] We have collected sustainability information for each of these entities, and we report the combined data below.

Before 2021-22, the BEIS family was made up of a smaller number of partner organisations. This data has not been included in the tables below, as it is not directly comparable to the entities in 2021-22. However, it can be found in previous years' annual reports.

GGC targets and outcomes

The following table shows a summary of our performance in 2021-22. BEIS has made positive progress against the GGC targets. It should be noted that COVID-19 has been a factor in the rate of reduction across these measures for 2021-22.

1 Where data for the baseline year 2017-18 has not been available for an organisation or a specific target, the next available year's data or a suitable estimation was used.

2 BEIS GGC family includes: i) Advisory, Conciliation and Arbitration Service (ACAS), ii. Coal Authority, iii. Companies House, iv. Competition and Markets Authority (CMA), v. Financial Reporting Council, vi. Insolvency Service (INSS), vii. Intellectual Property Office, viii. HM Land Registry, ix. Met Office, x. North Sea Transition Authority (NSTA), xi. National Physical Laboratory, xii. National Nuclear Laboratory, xiii. Nuclear Decommissioning Authority (NDA), xiv. Ordnance Survey, xv. UK Research and Innovation (UKRI), xvi. UK Space Agency

GGC targets by March 2025	Outcomes 2021-22	Comments
GHG emissions		
Overall emissions – 62% reduction	43% reduction	We were on track to reach the target of a 62% reduction in overall emissions.
Direct emissions – 30% reduction	14% reduction	
ULEV[1] – 25% of fleet by 31 Dec 2022	13% of fleet	BEIS is currently not on track to achieving the ULEV target by the end of 2022 due to global supply issues with these vehicles.
Domestic flights - reduce emissions by 30%	88% reduction	COVID-19 restrictions had a large impact on air travel resulting in an 88% reduction in domestic flight emissions.
Waste		
Overall waste – 15% reduction	46% reduction	We exceeded the overall waste reduction target.
Landfill – reduce to less than 5% of overall waste	9% of overall waste	We are on track to achieve the landfill and recycling rate targets by 2025.
Recycling – increase to 70% of overall waste	67% of overall waste	
Paper use – reduce by 50%	64% reduction	
Water		
Usage – reduce by 8%	34% reduction	

Notes

1. Ultra-low Emission Vehicle: less than 50g CO_2 per km

Greenhouse gas emissions

	Emissions	2021-22	2017-18
Tonnes CO_2e	Scope 1[1]	21,200	24,965
	Scope 2[2]	64,053	131,030
	Scope 3 (Official business travel)[3, 4]	8,093	12,773
	Total GHG emissions	93,346	168,768

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 due to BEIS' operations, but not directly owned or controlled by BEIS
4. Includes domestic and international travel emissions. But only domestic business travel is measured in GGC emissions reduction target, in the GGC targets and outcomes above. For a breakdown of domestic and international travel, see travel data below.

Energy use

Office closures due to the pandemic continued to have an impact on our energy usage during the year. However, we have also continued to make significant progress in reducing our GHG emissions through implementing energy efficiency improvements and moving towards greener or renewable sources of energy where possible.

		2021-22	2017-18
mWh	Gas	109,381	109,328
	Electricity: renewable[1]	214,359	2,710
	Electricity: mains standard	79,479	325,142
	Other energy sources	25,810	28,974
	Total related energy use	429,028	466,154
£000	Expenditure - gas[2]	–	–
	Expenditure - electricity: renewable[2]	–	–
	Expenditure - electricity: mains standard[2]	–	–
	Expenditure - other energy sources[2]	–	–
	Gross expenditure on the purchase of energy	48,229	37,527
	Expenditure on accredited offset purchases	n/a	–
	Total related expenditure[3]	48,229	37,527

Notes

1. Total of any electricity generated on site (e.g. PV) and electricity purchased via a green tariff
2. A breakdown of total energy expenditure is currently unavailable
3. INSS excluded from total energy expenditure due to unavailable data

Travel

Official business travel was significantly reduced by travel restrictions due to the covid pandemic across all categories. This has also resulted in greatly reduced official business travel expenditure.

		2021-22	2017-18
Tonnes CO_2e	International Travel	973	7,274
	- Long haul air travel	794	6,031
	- Short haul air travel	178	1,223
	- International rail (Eurostar)	–	20
	Domestic Travel	1,448	5,499
	- Domestic air travel	124	999
	- Rail[1]	227	1,512
	- Bus/Coach	1	91
	- Taxi	26	88
	- Private vehicle (staff owned or hire vehicles)	1,070	2,812
	Total emissions from travel	2,421	12,773
£000	Expenditure on official business travel	7,358	21,662

Notes

1. Rail refers to all rail types, including trams and London Underground.

Waste

BEIS continues to support colleagues in finding ways to reduce the amount of waste we produce and ensure that we provide a full range of recycling facilities across our sites.

		2021-22	2017-18
	Total waste arising	2,926	5,378
Tonnes	Recycled (excluding ICT waste)	1,753	3,514
	Reused (excluding ICT waste)	1	1
	ICT waste recycled, reused, and recovered (externally)	92	73
	Composted/ food waste	118	176
	Incinerated with energy recovery	674	1,006
	Incinerated without energy recovery	29	2
	Waste to landfill	259	606
	Of which: deemed hazardous	135	318
£000	Total waste disposal cost[1]	1,767	1,284

Notes

1. ACAS, CMA and INSS not included in waste expenditure data as this is included in overall service charge

Paper use

We have significantly reduced our paper usage from our baseline year and will look to maintain and improve this in future years. We purchase only recycled paper which we also recycle after use.

		2021-22	2017-18
A4 ream equivalent	Paper procured	46,214	129,255

Consumer single use plastic and re-use schemes

We have eliminated a wide range of consumer single use plastics from our estate, including items such as plastic cutlery and cups, and are continually looking for opportunities to remove more.

We are in the process of implementing a reuse scheme for our project waste, in line with moving towards a circular economy approach, to reduce our impact on the environment and to add social value where we can.

Water

We have continued to reduce our water usage and have installed automatic sensor water taps across various sites to minimise wastage. We will consider newer technologies as they become available and encourage the efficient use of water amongst colleagues to continue this downward trend in the coming years.

		2021-22	2017-18
m^3	Water consumption[1]	309,009	464,999
£000	Water supply and sewage costs[2]	1,191	1,089

Notes

1. Nesta is not included in water consumption data
2. ACAS, INSS, Nesta not included in water expenditure data

Sustainable procurement

We have compared our procurement practices to the sustainable procurement standard ISO20400, which supersedes BS8903, and have identified areas to improve.

Government Buying Standards provide product specifications, and we have followed these standards.

To manage supply chain impacts, we continued to follow the relevant methodologies:

- we assess the risk of modern slavery in the supply chain
- we evaluate suppliers' commitment to deliver social value beyond the contract
- we evaluate suppliers' ability to deliver the environmental requirements in a tender.

We did not undertake significant procurement that required any other methodologies.

BEIS' food and catering services was with Aramark, who were responsible for the responsible sourcing of food.

Prompt payments

The government's policy is to pay 80% of undisputed invoices (and 90% of SME invoices) within 5 days, with the remainder paid within 30 days. The impact of COVID-19 on the spending mix has continued to affect the performance levels. We publish our prompt payment performance on gov.uk, quarterly, with a lag, in line with Cabinet Office publication requirements.

	2021-22	2020-21	2019-20
Invoices paid within 5 days	87.24%	83.07%	94.3%
Invoices paid within 30 days	98.87%	98.34%	99.1%

Spend with SMEs

The share of direct SME procurement has been substantially affected by the COVID-19 vaccination programme which is centred on major pharmaceutical companies. This trend continued through the past year. Overall, our spend with SMEs has stayed substantially above our pre-pandemic levels. We publish our SME spend performance on gov.uk, annually, with a lag, in line with Cabinet Office publication requirements.

	2021-22	2020-21	2019-20
Share of direct procurement placed with SMEs	10.5%	16.0%	30.3%
SME procurement	£496m	£504m	£410m

Nature Recovery Plan

BEIS will work with its partner organisations on developing a Nature Recovery Plan and implementing biodiversity improvements across our sites. The aim is to protect, and where possible enhance, the biodiversity on our estate. This plan will be completed, and implementation started by April 2025.

BEIS climate change adaptation strategy

A climate change adaptation strategy will prepare the Department for the impacts of climate change on our buildings and operations. We will produce an adaptation strategy by the end of the current GGC framework in 2025. The first step of this will be to conduct a climate change risk assessment which will be carried out in 2022-23.

Climate change adaptation

For our policies, projects, or programmes, we prepare business cases for spend approvals and impact assessments for regulation approvals. In these documents, we address how the policy will contribute to wider government priorities including net zero. We quantify the change in greenhouse gas emissions from the policy. This is done in line with the Green Book guidance. The Department does not have a specific learning and development offer on climate change adaptation. However, directorates can submit their plans for specialised training.

Rural proofing

In policy appraisals, we embed place-based analysis. This essentially covers rural proofing. Place-based analysis considers the impacts on different regions, including rural areas. This is done even where policy proposals have no geographically defined objectives, but appear to have different implications, positive or negative, for different parts of the UK. Our analysts have access to guidance and training on place-based analysis.

Performance management on policy appraisals include quality assurance (QA) of analytical models, impact assessments and policy evaluations. QA of analytical models ensure models use sound evidence effectively – and reviews any placed based analysis used in models. Impact assessments assess the social, economic, and environmental effects of public policy. But under 'wider impacts', they monitor the potential impact on regions, where relevant. Policy evaluations are carried out on all policies and include place-based analysis. Post implementation reviews (PIR) are carried out for relevant policies and include place-based analysis where relevant.

Our project control activities include the Gateway Assurance Review. Rural proofing is not addressed in this review. For projects that are £20 million or over, risky, or contentious, a business case is prepared and reviewed by Project Investment Committee (PIC) for approval. If rural proofing forms part of the business case, PIC may consider how rural proofing will be achieved, and the value for money.

The Cities and Local Growth Unit (CLGU) is a joint unit between BEIS and the Department for Levelling Up, Housing and Communities (DLHUC). CLGU work on delivering the local growth and the levelling up agenda. It supports government's ambition to ensure the whole of the UK benefit from the same access to opportunities. The team based across the UK maintain close relationships with local stakeholders to inform and challenge policy development as well as delivery.

On learning and development, the Department does not have a specific offer on rural proofing. However, directorates can submit their learning plans for technical and specialised training.

In the performance management process, individuals set work and development objectives and directorates set business improvement goals. This is a key opportunity to consider policy impacts, potentially including rural proofing.

Reducing environmental impacts from ICT and digital

BEIS reports on ICT waste as part of the GGCs, above. We are discussing further ICT measures and KPIs with Defra. The Core Department has an ICT and digital policy in place. The Core Department plans to switch to suppliers of cloud services who are committed to becoming net zero by 2030. We already use some of these cloud suppliers. The remaining part of the Core Department are due to move to these cloud suppliers by 2025.

Sustainable construction

BEIS had no significant construction or refurbishment projects during 2021-22.

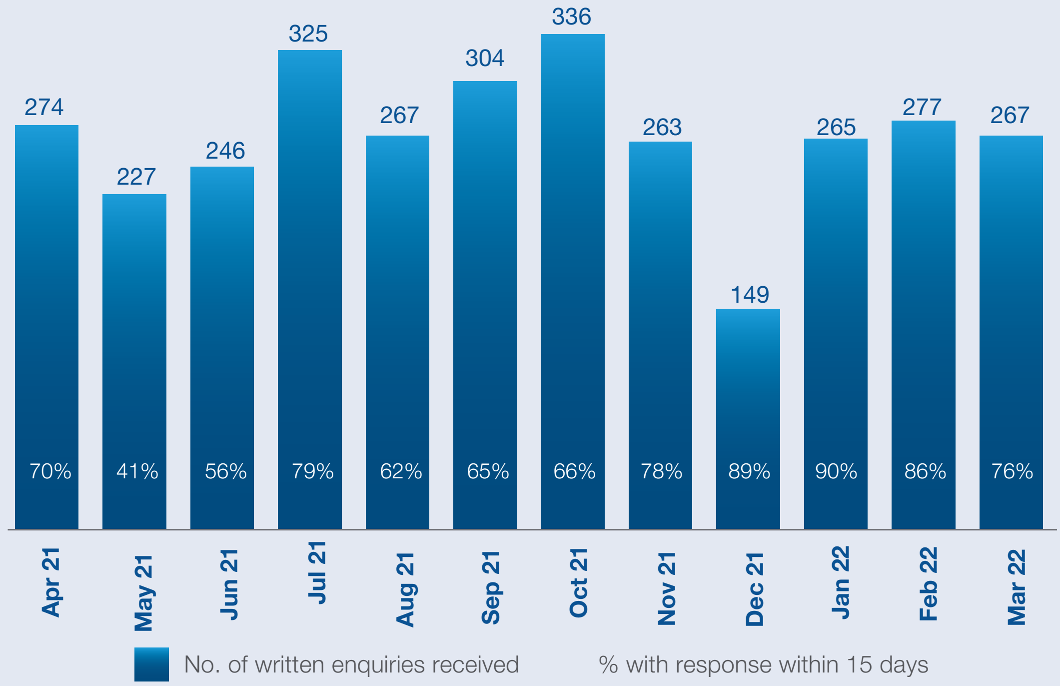
Performance in other areas

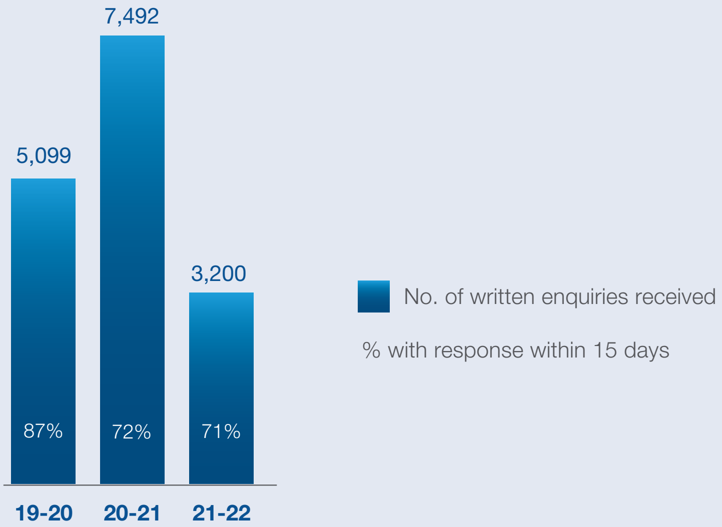
Performance on public correspondence

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

In 2021-22, we received 3,200 written enquiries from members of the public, and responded to 71% of cases within 15 working days.

Performance fluctuated during this period. This was due to a higher proportion of complex enquiries, which required more time to resolve, on issues such as the coronavirus pandemic, and energy and climate change. The tables below show our monthly performance and annual trend.





Respect for human rights and social matters

In November 2021, we published the first BEIS Modern Slavery statement. It sets our commitments to tackle Modern Slavery in our supply chains. The statement will be produced annually and contains key performance indicators to track progress against our commitments. The Statement is available here: https://www.gov.uk/government/publications/beis-modern-slavery-statement-2020-to-2021.

Anti-bribery and anti-corruption

No cases of bribery or corruption were identified within BEIS core in 2021-22.

BEIS has a Gifts, Hospitality and Bribery and Corruption policy. This guards against the risk of allegations of impropriety against staff and non-executive directors. 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. In 2021-22, 10 items were placed on the gifts and hospitality register; 8 were accepted and 2 declined.

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

Our counter fraud team promote awareness of fraud including, bribery, and corruption. Mandatory training must be completed by all staff. More in-depth training is required to be completed by staff within specific areas, including finance and those with financial responsibility.

Advertising

The government communications plan has oversight for communications in all government departments. Our communications team supports the delivery of major policy areas in BEIS.

We deliver communications through a range of channels - marketing, press and public relations, digital, internal. We also work with partners to 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. Key areas of paid advertising in 2021-22 are listed below.

National Living Wage / National Minimum Wage

The National Living Wage / National Minimum Wage campaign informed workers of the increase rates and changes in age eligibility. It encouraged eligible workers to check their payslips after 1 April 2021. The campaign also targeted those from black and minority ethnic backgrounds or working in at risk sectors. Our community radio campaign was translated into Somali, Punjabi, Hindi, Bengali and Urdu, to reach people whose first language is not English. We also reached 1.7 million 18 to 24-year-olds through influencers on Fanbytes.

Help to Grow (business support campaigns)

The Help to Grow campaign encouraged SME senior decision makers to boost their business success by signing up to management courses across the UK, and to apply for vouchers to access discounted software. A combination of paid channels, such as radio, social media, and print, combined with a comprehensive PR, influencer and stakeholder approach, was used to drive interested individuals online to find out more and apply. Scheme uptake stats will be published in due course.

Together for our planet

The campaign encouraged businesses to sign up to reduce their emissions to net zero by 2050. It drove over 519,000 visits to the Small Business Climate hub, with more than 2,000 SMEs committing to become net zero before COP26. We achieved high awareness of government's ambition to reach net zero by 2050. Highlights included BT Tower branding, Google workshops and a Royal Mail postmark on all mail to businesses for 2 months. We also worked with partners to run the 'Heroes of Net Zero' small businesses competition.

COVID-19

We worked with other government departments to communicate support available for businesses and workers during COVID-19.

Complaints to the Parliamentary Ombudsman

Number of complaints accepted for investigation by the Parliamentary Ombudsman in 2020-21	0
Number of investigations reported on in 2020-21[1]	0
(a) Investigations fully upheld	0
(b) Investigations partly upheld	0
(c) Investigations not upheld	0
Number of Ombudsman recommendations in 2020-21	
Complied with	0
Not complied with	0

Notes:

1 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 2020-21.

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

Sarah Munby
Permanent Secretary and Principal Accounting Officer

18 October 2022

Accountability Report

BEIS published the Net Zero and Heat and Buildings Strategies. Providing detail on decarbonisation proposals to achieve net zero

Purpose of the Accountability report

The Accountability report sets out how the Department meets the key accountability requirement to Parliament. It comprises of the 3 reports below.

The Corporate Governance report

- provides names of ministers and directors with oversight for the Department
- explains the governance structures in place and activities during the year

The Staff and Remuneration report

- presents staff numbers and costs, and other employee matters
- discloses the remuneration of our ministers and directors

Parliamentary Accountability and Audit Report

- presents the Department's expenditure against the budgets set by Parliament
- presents the auditor's report and 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 2021 No. 1441** (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.

I also confirm that this annual report and accounts is fair, balanced and understandable.

Sarah Munby

Permanent Secretary and Principal Accounting Officer

18 October 2022

Report of the lead non-executive director

Ann Cairns
Lead Non-Executive Director

Since my appointment in January 2021 as the lead non-executive board member for BEIS, I continue to be impressed by the breadth of the Department's wide-ranging portfolio. After managing a highly successful vaccine acquisition programme, the Department produced a high-level net zero plan which was delivered ahead of COP26. In addition, BEIS played a key role in the successful Global Investment Summit designed to attract international players to invest in Britain. This continues to ensure that billions are invested in British innovation through UK Research and Innovation.

The challenges faced as the country recovered from the pandemic took resilience from colleagues. The Department pushed ahead with its levelling up agenda, recruiting a director general in Salford and an additional 410 roles outside London since January 2020. The Department had some success with Green Home Grants through local authorities. However, it decided to limit further expenditure on this project due to challenges around supply chain capacity and capability. The programme was closed swiftly and cleanly in a matter of months saving the taxpayer significant expense. At the same time the war in the Ukraine introduced fresh challenges to energy supply and security. The new Investment Security Unit, set up by BEIS to ensure that threats introduced through acquisitions of UK companies are being properly managed, has proved to be an early success.

The Secretary of State has recognised the need for the Department to put its best foot forward in delivering on the national mission to ensure the UK's clean energy independence. In March 2022 Peter Mather was appointed as the non-executive board member to lead on this portfolio. I am delighted to welcome Peter to the board and look forward to working with him as we deliver on this essential goal.

The non-executive board members and I want to thank colleagues across BEIS for their continued hard work and dedication over the last 12 months and congratulate them for their achievements during such as difficult time. We are committed to working together as a board, as well as individually providing advice to policy teams, to support the Department as it begins to deliver on its diverse portfolio.

Directors' Report

The Directors' report provides names and ministerial titles of all our ministers in the year. It also lists names of senior officials, (which refers to members of the executive committee), and non-executive directors (NEDs).

Joiners and leavers are those who left the relevant posts. In the case of senior officials, they may not have left the Department, particularly if they held interim posts.

The report also includes joiners and leavers after year-end 31 March 2022, and up to the date of publication of the annual report and accounts.

Conflicts of interest

Board members are required to declare personal or business interests which may influence their judgement, or be perceived to, when performing their duties.

BEIS has an established conflicts of interest procedure, including declaring interests at the start of board meetings. No conflicts of interests were declared during board meetings in 2021-22.

A register of board members interests is available here: https://www.gov.uk/government/publications/beis-register-of-board-members-interests/register-of-board-members-interests.

Ministers

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

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

Lord Grimstone
Minister of State
Minister for Investment

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

Rt Hon Greg Hands MP
Joiner in-year
15 Sep 2021

Minister of State
Minister for Energy, Clean Growth and Climate Change

George Freeman MP
Joiner in-year
17 Sep 2021

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

Lee Rowley MP
Joiner in-year
17 Sep 2021

Parliamentary Under Secretary of State
Minister for Industry

Amanda Solloway MP
Leaver in-year
15 Sep 2021

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

Nadhim Zahawi MP
Leaver in-year
14 Sep 2021

Parliamentary Under Secretary of State
Minister for Business and Industry

Rt Hon Anne-Marie Trevelyan MP
Leaver in-year
14 Sep 2021

Minister of State
Minister for Business, Energy and Clean Growth

Joiners post year-end

Rt Hon Jacob Rees-Mogg MP
06 Sep 2022

Graham Stuart MP
06 Sep 2022

Jackie Doyle-Price MP
07 Sep 2022

Nusrat Ghani MP
07 Sep 2022

Dean Russell MP
20 Sep 2022

Leavers post year-end

Paul Scully
06 Jul 2022

Lee Rowley
06 Jul 2022

George Freeman
07 Jul 2022

Lord Grimstone
07 Jul 2022

Rt Hon Kwasi Kwarteng MP
05 Sep 2022

Rt Hon Greg Hands MP
06 Sep 2022

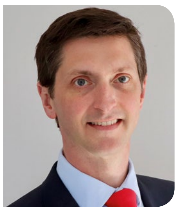
Jane Hunt MP
08 Jul 2022 to 08 Sep 2022

Senior officials

Sarah Munby
Permanent Secretary

Simon Hulme

Alice Hurrell



Ashley Ibbett

Madelaine McTernan

Dan Micklethwaite

Paul Monks

Jo Shanmugalin-gam

Tom Taylor

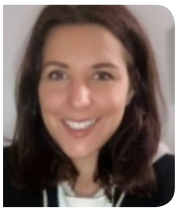
Joanna Whittington

Freya Guinness
Joiner in-year
19 Apr 2021

Lee McDonough
Joiner in-year
7 Jun 2021

Ben Rimmington
Joiner in-year
28 Jun 2021

David Bickerton
Joiner in-year
2 Aug 2021



Abigail Morris
Joiner in-year
1 Aug 2021

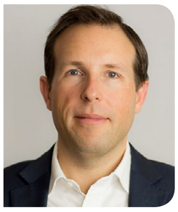
Gavin Lambert
Joiner in-year
13 Dec 2021

Caleb Deeks
Joiner in-year
13 Dec 2021

Doug Watkins
Leaver in-year
31 Mar 2022

Mike Keoghan
Leaver in-year
16 Jan 2022

Jaee Samant
Leaver in-year
31 Oct 2021



Craig Woodhouse
Leaver in-year
14 Jul 2021

Ben Golding
Leaver in-year
28 Jun 2021

Cath Bremner
Leaver in-year
1 Jun 2021

Joiners post year-end

Jonathan Mills
06 Jun 2022

Leavers post year-end

Non-executive directors

Ann Cairns
Lead NED, Board, NGC Chair

Nigel Boardman
Board,
ARAC Chair

Elaine Clements
ARAC

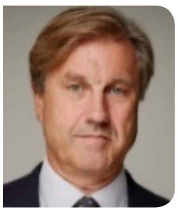
Bryan Ingleby
ARAC

Alison Rodwell
ARAC

Jane Whittaker
ARAC

Vikas Shah
Joiner in-year
4 May 2021
Board, ARAC

Stephen Hill
Joiner in-year
6 May 2021
Board



Peter Mather
Joiner in-year
30 Mar 2022
Board, ARAC

Catherine Pridham
Leaver in-year
19 Feb 2022 PIC

Joiners post year-end

Andrew Jamieson
01 May 2022

Vikas Shah
ARAC Chair from 24 Jun 2022

Leavers post year-end

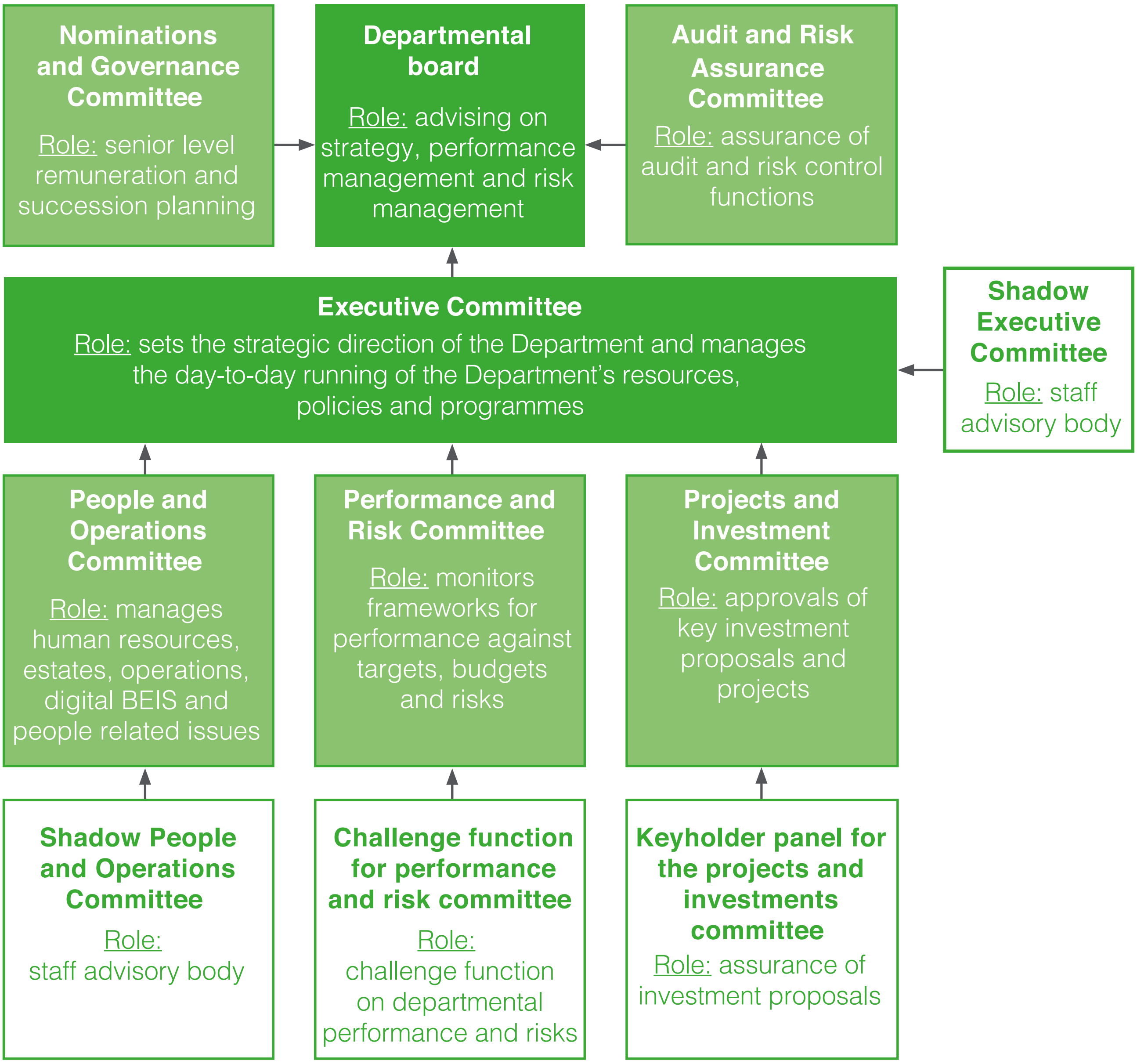
Nigel Boardman
23 Jun 2022

Governance Statement

Overview

The governance statement sets out how the Department was governed by management during the year. It provides an outline of our governance structure, a summary of the board and committee activities, and a risk assessment. It ends with a conclusion by the Accounting Officer.

Our governance structure



Departmental board

Rt Hon Kwasi Kwarteng MP
Secretary of State and Chair, Departmental Board

Meeting attendance

Total number of meetings held	**4**
x/x = number attended /number eligible to attend	
Ministers	
Rt Hon Kwasi Kwarteng MP	4/4
Lord Grimstone of Boscobel Kt	3/4
Rt Hon Ann-Marie Trevelyan MP	0/1
Rt Hon Greg Hands MP	1/3
Senior officials / executive directors	
Sarah Munby	4/4
Joanna Whittington	4/4
Tom Taylor	4/4
Non-executive directors	
Ann Cairns	4/4
Stephen Hill (from 6 May 2021)	4/4
Vikas Shah (from 1 May 2021)	3/4
Nigel Boardman (on secondment from Apr to Sep 2021)	2/3

Role and discussions during the year

The departmental board (the board) provides strategic and operational leadership of the Department, from which ExCo derives its vision to deliver. The board has been integral to the Departments response to COVID-19 and other challenges such as winter preparedness. The board met 4 times. Where members were unable to attend meetings in person, they were able to share their views in advance with the chair.

Key areas of discussion were:

- crisis management, lessons learnt
- Outcome Delivery Plan
- enterprise Strategy
- strategic planning post the Spending Review
- global energy markets
- major projects deep-dives

Board appointments

The board was refreshed with 3 new non-executive (Ned) board members appointed in 2021-22. Stephen Hill and Vikas Shah joined the departmental board in May 2021 and took on the Union and science portfolios respectively. At the end of 2021-22, Peter Mather was appointed to focus on climate and energy security.

Quality of data used by the board

The papers received by the Board have been of high quality. Meetings were held either virtually or as hybrid meetings and were efficiently chaired. Challenge and discussion were encouraged.

BEIS's governance team provided a comprehensive secretariat service to the board and committees. This ensured 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. We were partially compliant in one area - carrying out an annual board effectiveness evaluation.

Due to the effects of the pandemic on the functioning of the board in 2020-21, and the number of new appointments to the board at the start of 2021-22, BEIS decided that an external board evaluation would be more valuable in 2022-23 when the new board and its members would be more established. Instead, an informal and light touch evaluation of the board and its committees (including ExCo and its sub-committees) took place in 2021-22. This resulted in small changes to their format and content, and an overhaul of the format of ExCo.

The Department is responsible for corporate governance and champions women on boards and wants to lead by example in this area. At end of the 2020-21, the board's gender diversity was at 30% and BAME members at 20%.

Biographies of board members

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

Nominations and Governance Committee

Ann Cairns
Lead Non-executive and Chair, Nominations and Governance Committee

Meeting attendance

Total number of meetings held	**2**
x/x = number attended /number eligible to attend	
Senior officials / executive directors	
Sarah Munby	2/2
Alice Hurrell	2/2
Non-executive directors	
Ann Cairns	2/2

Role and discussions during the year

The Nominations and Governance Committee (NomCo) is an advisory committee of the departmental board. It provides assurance on the Department's strategies and plans for talent, succession and capability management of senior staff. It also considers whether the people related processes are effective in helping BEIS achieve its goals.

Following a hiatus for NomCo in 2020-21, with most decisions being taken by correspondence, the committee was refreshed in membership and scope. This was to ensure that it was delivering on its remit and could effectively advise the board. The committee met twice in 2021-22. Where members were unable to attend meetings in person, they were able to share their views in advance with the chair.

Key areas of discussion were:

- senior talent pipeline
- capability strategy
- rewards strategy
- senior performance and remuneration

Audit and Risk Assurance Committee

Vikas Shah
Non-executive and Chair, Audit and Risk Assurance Committee

Meeting attendance

Total number of meetings held	6
x/x = number attended /number eligible to attend	
Senior officials / executive directors	
Sarah Munby	6/6
Kim Humberstone	5/6
Freya Guinness	6/6
Simon Hulme	2/6
Non-executive directors	
Vikas Shah (from 1 May 2021)	6/6
Nigel Boardman (on secondment from April to Sep 2021 and to 23 June 2022)	3/3
Bryan Ingleby	6/6
Elaine Clements	6/6
Alison Rodwell	6/6
Jane Whittaker	6/6

Role and discussions during the year

The Audit and Risk Assurance Committee (ARAC) is an advisory committee of the departmental board. It provides advice and assurance to the board and Accounting Officer on matters of financial accountability, assurance, and governance. It provided expert challenge to the Department, helping to focus on what was important, and how best to manage risk. The committee met 6 times in 2021-22. Where members were unable to attend meetings in person, they were able to share their views in advance with the chair.

Key areas of discussion were:

- the management of departmental risk and the risk management framework
- improvement to assurance processes, including the roll out of the Controls and Assurance Framework, alignment with risk and assurance mapping
- director generals' group management of risk and assurance
- cyber security and security risk management and behaviours
- the work of internal and external audit
- the preparation of the annual report and accounts including on the treatment for COVID-19 loan and grant schemes
- anti-fraud policies and practices
- compliance including with the Business Appointment Rules
- partner organisation risk assurance. Including continued engagement with partner organisations (POs) by attending their ARAC meetings and welcoming observers to BEIS ARAC meetings

Executive Committee

Sarah Munby
Permanent Secretary and Chair, Executive Committeee

Meeting attendance

Total number of meetings held	24
x/x = number attended /number eligible to attend	
Senior officials / executive directors	
Sarah Munby	22/24
Joanna Whittington	21/24
Tom Taylor	20/24
Freya Guinness	23/24
Simon Hulme	20/24
David Bickerton	9/15
Cath Bremner	3/3
Ben Golding	5/5
Alice Hurrell	23/24
Ashley Ibbett	22/24
Craig Woodhouse	7/9
Dan Micklethwaite	20/24
Doug Watkins	16/23
Jaee Samant	14/15
Jo Shanmugalingam	21/24
Mike Keoghan	13/19
Paul Monks	19/24
Lee McDonough	16/21
Ben Rimmington	17/19
Abigail Morris	12/17
Caleb Deeks/Gavin Lambert	3/3
Madelaine McTernan*	0/0

Notes

*0/0 is with agreement of the Permanent Secretary.

Role and discussions during the year

The Executive Committee (ExCo) is responsible the day-to-day management of BEIS and the delivery of the its strategic objectives. ExCo sits at the heart of the Department and is the forum to discuss key cross cutting issues impacting the entire organisation.

Following the increased frequency of ExCo last year, in response to the COVID-19 pandemic, ExCo has resumed its more regular rhythm to respond to high profile challenges and deliver key government priorities. This included coordinating the business response to COVID-19 variants of concern, winter preparedness and most recently the Russia-Ukraine war.

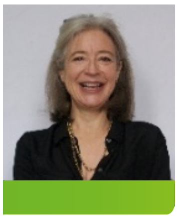
Emerging from the COVID-19 response, the executive team recognised that ExCo needed to grow into a forum which can catalyse the Department's pivot from policy to delivery and set the strategy to deliver government priorities such as energy security. In March 2022 ExCo underwent a reform which saw changes to rhythm and structure to home in on issues with a more strategic lens whilst remaining agile to evolving challenges. Where members were unable to attend meetings in person, they were able to share their views in advance with the Chair.

Key areas of discussion were:

- key departmental risks and mitigation
- response to COVID-19, its emerging variants of interest and recovery
- financial implications of Places for Growth
- the Department's delivery on the net zero and Innovation strategies
- COP26 delivery and legacy
- winter preparedness and the impact of storms
- implementation of the government Science Plan
- increased living costs and the impact of inflation
- business planning

Executive Committee sub-committees

Performance and Risk Committee



Freya Guinness
Co-chair, Performance and Risk committee

Lee McDonough
Co-chair, Performance and Risk committee

Role and discussions during the year

Performance & Risk Committee (P&R) is a delegated committee of ExCo. It reviews the overall performance of the department. It also monitors emerging risks through the monthly Performance & Risk report. Following a review in summer 2021, the committee has sought to maintain focus on overarching issues facing the Department, identifying the common threads between emerging risks identified in monthly reporting. This more holistic approach will enable P&R to support the ExCo more effectively. The committee met 11 times in 2021-22.

Key areas of discussion were:

- providing assurance over the updated risk framework
- agreeing to a coordinated process of reporting by partner organisations
- continuing to monitor departmental responses to ongoing issues such as Public Sector Equality Duty Monitoring and response to the COVID-19 pandemic
- continuing to monitor departmental risks and agreeing to escalations of risks from group level and updating existing risks

Projects and Investments Committee

Joanna Whittington
Co-chair, Projects and Investments Committee

David Bickerton
Co-chair, Projects and Investments Committee

Role and discussions during the year

Project and Investment Committee (PIC) is a delegated committee of ExCo. It considers investment proposals over £20 million or those deemed novel, contentious or repercussive. The committee has ensured all investment proposals are aligned with BEIS' strategic priorities. Lessons learnt are being used to drive improvement across the Department and across government. It also ensures the departmental assurance framework and assurance plans are robust and effective. PIC has continued to provide a high standard of support to the Accounting Officer, BEIS and its partner organisations through its governance process.

PIC has focused on:

- supporting long terms business growth through enterprise projects and programmes
- enabling science advances through innovation projects and programmes such as the Fusion Industry Programme and Diamond Light Source
- tackling delivery of the net zero strategy through projects and programmes such as the Green Heat Network Fund and the Net Zero Hydrogen Fund
- continued COVID-19 response and recovery through the COVID-19 Vaccine Taskforce

People and Operations Committee

Ashely Ibbett
Co-chair, People and Operations Committee

Jo Shanmugalingam
Co-chair, People and Operations Committee

Role and discussions during the year

People and Operations Committee (POpCo) is a delegated committee of ExCo and considers matters relating to human resources, accommodation, security, diversity and inclusion, and IT.

POpCo has developed into a strong decision-making body and the authority on people and operations topics within the Department. It has been pivotal in delivering the Department's ambition to grow a presence in all areas of the UK. It also set the strategy and guided delivery of staff returning to the office after a prolonged period of working from home due to COVID-19.

Key areas of discussion were:

- 'Places for Growth'
- return to the office following COVID-19
- people survey results and actions
- development and tracking of the Corporate scorecard
- ensuring BEIS remains an inclusive place to work
- career progression and staff retention

Net zero governance

The Climate Change Integrated Review Implementation Group (IRIG) provides a whole of government approach to domestic and international climate policy with oversight at DG level and reports into three Cabinet committees – Climate Action Implementation Committee, Climate Action Strategy Committee and Government Priorities Delivery Committee.

Within BEIS, the permanent secretary chairs two boards. The Net Zero Delivery Board which oversees the department's portfolio of initiatives that contribute to the 2050 net zero goal, and the Net Zero Strategy Board which discusses the policy actions BEIS should bring forward to meet our ambitions. Both boards are supported by a number of portfolio, programme and project boards, which also report to PIC and P&R. If needed, the two Boards have ExCo as a point of escalation. Both net zero boards manage climate-related risks, with the former focussing on delivery risks within BEIS, and the latter, strategic risks relevant to net zero as a whole.

Management of outside interests

Register of interests for directors

See directors' report on page 70.

Process for managing outside interests

The Department has a policy in place for the declaration and management of interests for all staff.

It provides a framework to deal with any conflicts of interest. between staff, suppliers and other stakeholders. This includes actual, potential, or perceived conflicts of interest. It provides a guide to identify, monitor and manage conflicts of interest that could arise.

All staff must ensure 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 they review all declarations and agree any mitigating actions if required. The Conflicts of Interest policy and declaration form are available to all staff on the departmental intranet pages.

All director generals (SCS3) and directors (SCS2) are required to fill out a Conflicts of Interest declaration form annually. This is the case whether they are or are not engaged in activities that might create a conflict of interest or not. Nil returns should also be declared. In addition, Deputy Directors (SCS1) are required to at least annually discuss with their line managers whether they have any conflicts of interest. They must complete a return to HR confirming that they have done so and provide any declarations. SCS Conflict of Interest declaration forms are reviewed by the BEIS Conflicts Officer where an interest has been declared.

The policy also provides guidance on employees holding paid positions external to BEIS. From the latest return in 2021-22, no SCS in BEIS holds a remunerated position or has other interests outside government which might conflict with their obligations under the Civil Service Code.

Special advisers

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 has considered these returns and there are no relevant interests to be published.

Application of Business Appointment Rules

The Business Appointment Rules apply to civil servants who intend to take up an appointment or employment after leaving the Civil Service. It is important that when a former civil servant takes up an outside appointment or employment there should be no cause for justified public concern, criticism or misinterpretation.

For members of the Senior Civil Service (SCS) and equivalents, including special advisers of equivalent standing, the Rules continue to apply for 2 years after the last day of paid Civil Service employment. For those below the SCS and equivalents, including special advisers of equivalent standing, the Rules continue to apply for one year after leaving the Civil Service, unless, exceptionally, the role has been designated as one where a longer period of up to two years will apply.

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. Applications that have been signed by an appropriate person within the individual's line management chain 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 (ACOBA) which is a non-departmental public body that consider applications under the business appointment rules about new jobs for former ministers, senior civil servants and other Crown servant. 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.

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, address, 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 2021-22 are disclosed in the Performance report under Risks affecting delivery of our objectives on page 34. The process to identify these risks involves horizon scanning by ExCo 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 2021-22.

Monitoring and assurance

The output from the online reporting system is reported monthly 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.

Effectiveness reviews

P&R review and monitor the Departmental risks. 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. In Q4 we commenced a more targeted review of project capability and compliance.

Compliance

During the year, we updated our Risk Management Framework and Risk Appetite Statement to ensure consistency with government best practice in the Orange Book. Improvements have been made to both guidance documents to make them more accessible in terms of layout and language. Screen-reader accessible versions have also been produced.

Internal controls mechanism

During 2021-22 the Department continued to improve the efficiency and effectiveness of internal controls environment. The internal audit review noted well-designed processes and controls were in place during the year.

We established the Future Workplace programme to oversee the Department's response to Places for Growth, which is the Government's strategy to grow Civil Service presence outside London. This programme also oversaw the implementation of hybrid working during 2021-22. We have recently closed the formal Future Workplace programme governance and manage the discrete work packages as business-as-usual work across Corporate Services.

In the past year, the Department has been able to respond in a very effective and timely manner to volatility in the energy sector. At the onset of the fuel crisis in autumn 2021, the Department initiated its contingency plans to successfully deploy its reserve tanker fleet and military personnel to support fuel deliveries around the country. When rising global wholesale energy prices pushed the major energy supplier Bulb into administration, BEIS initiated its Special Administration Regime. This was a pre-planned response that was successfully delivered to ensure continuity of supply to consumers (note 4.1).

Progress also continued to ensure audit actions were implemented in a timely fashion. By the end of March 2022, 91% of actions from 2020-21 internal audits were completed. In addition, 75% of 2021-22 audit actions were completed.

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 BEIS Partnership Assurance Framework is now in its second year and continues to provide a systematic assurance assessment of all BEIS's 43 partner organisations.

There remain corporate challenges regarding compliance and contingent labour. This includes leavers offboarding and the volumes of contingent labour engaged in the Department. To incentivise compliance, new management information is being put in place to help senior management act, including charging for equipment that is not returned on time. To reduce spend on contingent labour, a target-based strategy is being considered.

Government Internal Audit Agency

The Government Internal Audit Agency (GIAA) provides the internal audit service for BEIS. For 2021-22, the Group Chief Internal Auditor provided a "Moderate" opinion.

GIAA concluded that BEIS had maintained an adequate system of governance, risk management and internal control, taking the opportunity to build on and enhance processes through a system of continuous improvement and in response to audit recommendations. This is commendable during another year of significant pressure on resources in response to the continued COVID-19 pandemic and more recently the war in Ukraine. At the same time, the Department has pressed ahead with delivering key government policies.

However, GIAA highlighted that the increasing shift towards delivery work (for what has traditionally been a policy Department) is adding to the pressures on Departmental capability and capacity. This has resulted in a tension between operationalising promptly new schemes, grants and loans and putting in place robust processes and controls to mitigate the risk of loss through fraud and error. While GIAA has not reported any significant errors to date, there is an elevated level of inherent risk that needs appropriate action to ensure losses are minimised in future years.

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 continued increase in the quantity and pace of the National Audit Office's BEIS non-financial audit activity. This also resulted in more frequent attendance at the Public Accounts Committee (PAC) to provide further evidence. There were five PAC hearings involving BEIS witnesses between January and March 2022.

BEIS provides responses to the PAC after each 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.

BEIS also provided responses to NAO recommendations, which are published on the NAO website – https://www.nao.org.uk/nao-recommendations-tracker/.

Project assurance

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

In 2021-22, programmes and projects continued to follow the Department's 'Integrated Assurance and Approvals Framework'. This provided the right level of assurance on internal programmes and projects, and those within the Government Major Projects Portfolio (GMPP), overseen by the Infrastructure and Projects Authority (IPA). In 2021-22, the Department had 23 projects on GMPP (an increase of 13 from last year). During 2021-22 there were 69 assurance reviews held.

The Department remains in a strong position to continue to embed project assurance across projects. A refresh and review of the Integrated Assurance Framework has taken place which will be launched in 2022-23. To support better data sharing we have developed a PowerBI Assurance and Approvals report which will show live data.

We are 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, evaluation and operations. We quality assure our models to ensure they are fit for purpose and comply with the government's AQuA (Analytical Quality Assurance) Book. The '2022 NAO Value for Money Report Financial Modelling in Government' cited BEIS' processes as good practice. In 2021-22, ~90% of the 119 registered analytical models had the required level of assurance. Teams with non-compliant models have plans to achieve the required level of assurance in 2022-23.

We require partner organisations undertaking modelling to assure us that they have AQuA Book compliant QA processes.

Data protection

BEIS notified the Information Commission's Office (ICO) of 2 personal data breaches assessed to have met the ICO's reporting guidelines. The ICO determined that regulatory action was not appropriate in both cases.

This figure represents the total for the BEIS data Controllership, made up of the Core Department and 5 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).

No significant cyber breaches were reported in 2021-22. Our centrally managed IT services continued to meet government cyber security standards. We evolved 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 developed our approach to personnel security to meet the demands of new ways of working. We took on responsibility from another government department for aspects of the National Security Vetting process for our staff.

All our staff play their part in ensuring strong security. The contract for online commercially developed and hosted training in place for most of the year will be replaced in 2022-23 by training to supplement that available from Civil Service Learning.

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 4 Accounting Officer standards cannot be met - regularity, propriety, value for money and feasibility.

There were no ministerial directions during 2021-22.

Effectiveness of our whistle blowing arrangements

Internal whistle blowing

We encourage our employees to speak up and raise a concern where something does not feel, look or sound right. Our procedures for raising concerns are accessible to all BEIS employees. We continue to offer 6 different routes to do this, including via an external whistleblowing hotline.

In 2021-22 we had no whistleblowing concerns raised by BEIS employees. The 2021 People Survey once again showed that most staff had confidence that any concerns raised under the Civil Service Code would be properly investigated.

External whistle blowing

In the 2020-21 annual report, we noted that we had received nearly 2,000 reports from members of the public relating 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. BEIS did not receive any reports in 2021-22 but the Cabinet Office now coordinates the triage process of the COVID-19 reports and disseminates them to the most appropriate organisation to consider them. In 2021-22, NATIS were sent 1768 reports by the Cabinet Office.

On non-COVID-19 related issues we did not receive any reports during 2021-22. We are confident our current whistleblowing policies and procedures are adequate. However we are undertaking a review to ensure we continue to provide suitable ways to report potential wrong doing and malpractice.

Governance of BEIS' public bodies

BEIS has a large number and diverse range of public bodies. In 2021-22, BEIS worked with 43 public bodies, which covered various sectors, policy and operational responsibilities. These public bodies are uniquely known within BEIS as partner organisations (POs).

Most of our POs are governed by their own independent boards and have their own governance and internal assurance structures. Details of this can be found in their individual annual reports and accounts. The management agreement for each PO requires them to have an annual assessment of their board performance. It also informs the process of the potential reappointment of board members. 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 2021-22, the Core Department received assurance on risks and delivery within the POs in the following ways:

- policy colleagues via a sponsorship model
- POs governance statements
- BEIS Partnership Assurance Framework
- advice and challenge from ARAC on assurance processes
- non-executive directors of the Core Department's ARAC attended ARAC meetings of significant partner organisations - chairs from partner organisation ARACs are invited to observe the Core Department's ARAC in return
- providing assurance to the Executive Board on the Core Department's relationship with its bodies

Some POs have carried additional risks in terms of board appointments. The Core Department is looking at improvements which can be made to the process to mitigate this risk.

BEIS is also implementing the new Cabinet Office review programme across its arm's length bodies. This replaces the former tailored review process.

POs continued to provide data to the Partnerships team in the Core Department on the operational impacts on COVID-19 until February 2022, when the government guidance changed. This data provided information on operational impacts, absence rates and return to the office statistics. It was shared with directors general and used in response to commissions for information.

Fraud and error analysis in the COVID-19 business support schemes

Background

The counter fraud strategy within BEIS gained momentum due the launch of the COVID-19 business support loans and grants. BEIS has developed the counter fraud policy and strategy for its internal and external partners. The standards set by the Cabinet Office fraud profession are implemented and complied with. The department's counter fraud function are experts that are brought in across different policies to be consulted with and feed into scheme design.

To assess the risks of fraud and error on the schemes, we completed fraud risk assessments (FRAs). These assessments have been embedded within the department and the launch of new schemes. FRAs have been completed for new schemes including the Post Office Historical Shortfall, the Energy Rebate scheme and Green Home Grants schemes.

Counter fraud strategies on the COVID-19 support schemes

In May 2020, BEIS submitted an action plan for the COVID-19 support schemes, which the Ministerial Implementation Group requested from all departments. The action plan was made up of separate assurance plans for each type of scheme (e.g. grants, loans). The plan included details of how we would identify, measure and recover irregular payments (payments from fraud and error). The schemes differ in size, scope and the nature of the fraud and error risks to be managed. The action plan focussed on common themes and issues – governance, responsibilities, timescales and information to be collected, tested and analysed. They also included work to develop guidance, tools, monitor and report arrangements.

In 2020-21, BEIS provided a progress update on the action plans, and a summary of the testing plans for the highest risk schemes. BEIS is completing a post-award assurance. This is quality assurance done after a grant has been given, to check for fraud and error. The Counter-Fraud Strategy board and programme support boards will oversee this work

Fraud and error estimates

The estimates for fraud and error have been refined as further intelligence across the COVID-19 schemes has been completed. The fraud and error estimates, methodology and data limitations to the data can be seen in the regularity section on page 145.

Recovery of irregular loan payments

The Bounce Back Loan (BBLS) counter fraud strategy will be published shortly to gov.uk and will highlight the importance the department is placing on recovery of fraudulent loans paid.

BEIS objectives include to:

- Deter and disrupt crime, including by prosecuting those committing fraud and financial crime and
- Minimise loss and maximise recoveries related to fraud and take a fair and appropriate approach to ensure borrowers fulfil financial covenants.

BEIS is therefore working with lenders and its enforcement partners to achieve these objectives.

Lenders are responsible for undertaking recovery action once it becomes due in the first instance, assisted by data analytics provided by the

Cabinet Office. Where evidence of fraud exists borrowers are liable to further action brought by BEIS's enforcement arm, the National Investigation Service (NATIS), other law enforcement or the Insolvency Service (INSS) the impact of which is to achieve recoveries in those cases but also encourage repayment by those who intend to default.

Further details are provided in the "Working With Others" section below.

Recovery of irregular grant payments

As at 31 March 2022, when the business support grants closed, £22.6 billion had been made to local authorities across all COVID-19 business support grant schemes since March 2020. (The allocation of expenditure was £26.9 billion. The difference is due back to the department with the receivable due back disclosed in note 15). Based on a Post-Payment Assurance Process for the Cohort 1 schemes (Small Business Grant Fund, Retail, Hospitality, Leisure Grant Fund and the Local Authority Discretionary Grant Fund), the central estimate irregular grant payments is £990 million. Further information on this and the limitations to this can be seen in regularity statement.

The department's debt recovery policy has been published and is available online: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1046036/covid-grants-debt-recovery-reclaimed-grants-outstanding-debts-rev.pdf.

The first line of recovery are the local authorities, and we are at the start of this process. Work is ongoing within local authorities and BEIS to identify and recover irregular grant payments. Local authorities must take all reasonable and practicable steps to recover all irregular grant payments. Unsuccessful recoveries are referred to BEIS to consider appropriate next steps. A summary of the total findings so far is below:

Grant payments notified by local authorities as irregular (identified as coming from fraud or error)	£5.4m	BEIS expects the value irregular grants, which local authorities notify to BEIS to increase. An increase will reflect the forecast error and fraud rate.
Of which		
Recovered by local authorties	£4.2m	Local authorities have repaid £3.2m of this to HM Treasury. The outstanding amount to be repaid in the next few months.
Attempted to recover by local authorities but unsuccessful	£1.2m	Referred to BEIS as debt.

The debt recovery work stream within the department is gaining momentum with further recoveries expected throughout 2022-23. As erroneous payments are identified by local authorities and recovered, the gap between the estimate and recoveries will decrease. However, due to prioritisation of getting money out of the door the majority of payments made in error are unlikely to be recovered by the Department.

Working with others

The Department works closely with various stakeholders. These include partner organisations, Cabinet Office, lenders, local authorities and others. NATIS investigate fraud on behalf of BEIS and National Anti-fraud Network (NAFN) provide local authority intelligence to BEIS and NATIS for investigation.

NATIS

NATIS supplements our capacity to investigate the most serious cases of fraud. They are a law enforcement agency that specialise in fraud and financial crime. They have been partnered with BEIS since September 2020. NATIS provides intelligence gathering, investigation, and prosecution capabilities. In 2021-22, they made 81 arrests (49 BBLs, 32 grants) and over 62 investigations (43 BBLs, 19 grants). The amount they recovered is shown below.

Recovered by NATIS	£5.4m	£3.8m on BBLs £1.1m on grants £2.6m of BBLs has been returned direct to lenders and £1.2m returned to HM Treasury.

National anti-fraud network

BEIS has invested in the National Anti-fraud Network (NAFN). NAFN send rapid intelligence alerts to all local authorities as part of the prevent strategy for grants support the recovery of money. This has prevented at least £17 million in attempted fraud in 20/21.

Cabinet Office

A key tool used by BEIS and local authorities in conjunction with the Cabinet Office is Spotlight, which is software used to support prepayment checks.

The Cabinet Office data analytics programme on the COVID-19 loans has analysed various data sets to highlight potentially fraudulent cases. The data sets include - Companies' House data, HMRC records, information via the informant hotline and links to serious organised fraud. In line with the FRAs, some examples of businesses they identified were – businesses incorporated after the inception of the schemes, businesses that were dormant prior to the schemes' opening, business that fabricate turnover figures.

INSS

We used Insolvency Service's (INSS) resource to investigate misconduct in relation to insolvency and corporate abuse. INSS publish their enforcement outcomes. The 2021-22 report shows there were 802 director disqualifications. Of those 751 were disqualifications on the grounds the director was unfit to be concerned with the management of a company (s6 Company Directors Disqualification Act 1986) including 140 where an allegation of Covid 19 abuse was made. These were predominantly BBLs but also Eat out To Help Out.

The report for is available here: https://www.gov.uk/government/statistics/insolvency-service-enforcement-outcomes-monthly-data-tables-202122/commentary-insolvency-service-enforcement-outcomes-202122.

We also took steps to prevent companies from dissolving with an outstanding BBL. This included blocking such applications, forcing companies to use legitimate liquidation processes, thus improving recovery prospects.

Accounting Officer's conclusion

I have considered the evidence provided regarding the annual governance statement and the independent assurance provided by ARAC. BEIS received a "moderate" opinion on the framework of governance, risk management and control within the Department for 2021-22 from GIAA which was the same as the previous year.

It has been a challenging year for the Department, which has focussed on supporting businesses and households to manage the consequences and recover from COVID-19; boosting enterprise and innovation; continuing to make progress on BEIS' net zero ambitions and energy security as well as responding to Russia's invasion of Ukraine. The Department has demonstrated its adaptability and agility through successful redeployment of staff and prioritisation of effort and resources.

The Department has continued to maintain and develop strong and effective executive governance arrangements, supporting the Department's priorities and increasing delivery focus. Following the hiatus of some Non-executive governance processes during the COVID-19 pandemic, these were re-established and strengthened through the introduction of fresh skills to align with the Department's focus, and renewed enthusiasm.

The Department made improvements in the control environment as noted by the GIAA. However, there are some areas for development, namely continuing to:

- improve the culture of compliance and work on better aligning the values of the organisation with compliance values
- adapt to the Department's shift towards delivery, including strengthening and developing capability to support such objectives
- ensure there is good net zero governance across relevant parts of government to deliver a co-ordinated and effective effort in delivering increasingly challenging targets
- develop and embed reporting to support risk, governance and performance oversight arrangements and assurances
- strengthen cyber security to minimise risk in an increasing area of threat
- continue to develop strong and effective relationships with BEIS POs through a programme of reviews and adaption to the new Cabinet Office Sponsorship Code
- focus on debt recovery and prosecutions for fraud in relation to the COVID-19 grant and loan schemes

Overall, 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

18 October 2022

Staff Report

Overview

The staff report includes staff numbers, workforce cost and composition, consultancy expenditure, off-payroll engagements and exit packages.

Introduction

Our key people focus this year has been on supporting our workforce returning to the office and hybrid working and implementing the government's living with COVID-19 plan. In addition, during the latter part of 2021-22, prioritising resourcing BEIS work on Ukraine and challenges in the energy market. We continue to strive for an inclusive and high-performing culture and our people engagement score continues to show improvement. We achieved a score of 87% for 'Inclusion and Fair Treatment' making BEIS, the joint highest scoring department across the Civil Service.

COVID-19 adjustments

We have continued to adapt the Department's workplace to the latest government COVID-19 guidance during 2021-22. As restrictions have allowed, we have encouraged more of our staff to work in a hybrid way, with 40-60% of time spent in an office setting, making the most of face-to-face collaboration with colleagues and stakeholders.

Health, safety, and wellbeing

The Health, Safety and wellbeing of our people is paramount to BEIS. We have a strong record in providing a safe and supportive work environment.

The department strives to ensure staff offices are safe, offer suitable equipment are accessible and enhance wellbeing. Staff activities requiring risk assessments have appropriate, proportionate controls and risk management.

In 2021-22, there were no reported accidents within 'Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013'.

The Wellbeing Strategy covers culture, leadership, support and ownership. The strategy launched with follow up events to ensure it has been embedded within the Department.

The Wellbeing offer includes training in resilience, stress management, mental health, health campaigns and disability awareness. Staff have access to the Employee Assistance Programme for confidential counselling and advice for work and life issues. Additionally, 341 Mental Health First Aiders providing first support to those who seek help.

Shared parental leave

During 2021-22, 64 of our employees took advantage of our internal HR Shared Parental Leave (SPL) policy and the flexibilities it offers - just under a 94% rise on last year. 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 profile to previous years.

	2021-22	2020-21	2019-20	2018-19
No. of BEIS employees who took SPL under our internal HR 'Shared Parental Leave Policy'	64	33	35	35

Gender pay gap

The gender gap for the Department has reduced from 2020. Our analysis suggests that the increase in the proportion of women in higher grades and a growth in the number of men at more junior grades (e.g., EO) was the main driver reducing the Department's pay gap figures in 2021. For the full background please see our full Gender Pay Gap Report for 2021 – available at: https://www.gov.uk/government/publications/beis-gender-pay-gap-report-and-data-2021

Gender pay gap (mean)	The mean pay of male employees vs mean pay of female employees had a difference of 8.8%.
Gender pay gap (median)	The median gender pay gap was 7.1%.
Bonus gap (mean)	The mean bonus pay to relevant male employees vs mean bonus pay to relevant female employees had a difference of 14.7%.
Bonus gap (median)	The median bonus gap was 13.9%.
Bonus proportions	Men who received a bonus: 85.9% Women who received a bonus: 84.6%.
Quartile pay bands	Lower Quartile: Women 61% Men 39% Upper Quartile: Women 43% Men 57%

The Department has undertaken several activities to focus on closing the Gender Pay Gap since first reporting in 2017. We continue to analyse salary, talent, and recruitment data, monitoring progress to identify trends early. BEIS is committed to developing and embedding a truly inclusive culture where diversity and inclusion are a core part of the Department's working environment.

Staff policies applied for disabled staff

BEIS has a disability leave policy under which paid leave may be granted to employees if they are fit for work but need time off to attend appointments for treatment, rehabilitation, assessment, or in exceptional circumstances, if an individual is not able to work safely or effectively until workplace adjustments are put in place.

Applications

Supporting disabled people at recruitment and throughout their employment is important to BEIS – we are accredited under the Disability Confident Leader scheme.

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 work closely with our 'Capability Action' staff network.

Training and development

Disabled participants of the Future Leaders Scheme (FLS) are offered additional support through the DELTA scheme. DELTA is an accelerated development programme aimed at supporting disabled participants.

Staff engagement

	Engagement score
2021	67%
2020	65%
2019	62%

Source: Civil Service People Survey

Release schedule: annual

In the People Survey 2021, BEIS achieved a response rate of 87%.

We had an engagement index of 67%, an improvement to the People Survey 2020, up by 2 percentage points. The outcomes for all 9 themes that underpin our engagement index were maintained or improved, notably Inclusion and Fair Treatment (up by 2 percentage points, making BEIS the joint highest scoring department across the Civil Service). BEIS is focused on improving the lowest scoring area, which is Learning and Development (60%, maintained from 2020).

This is a positive result given the context the Department continues to operate in, supporting the response to the Ukraine Crisis and COVID-19, and considering that in most areas BEIS scores well above the Civil Service average. The Department has put in place People Survey action plans aligned with the new BEIS Vision to drive forward engagement work over the remainder of the year.

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.

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 staff
- become a Beacon for the Employers Initiative on Domestic Abuse, supporting and encouraging other government departments and business to join us
- launched a new module as part of BEIS Camp to develop D&I skills for line managers
- completed delivery of our race and disability action plans in partnership with our diversity networks
- in the 2021 People Survey, increased to a score of 87% for 'Inclusion and Fair Treatment' – 'see staff engagement'.

Staff resource on EU Exit and COVID-19

EU Exit

	2021-22	2020-21	2019-20
Average approximate FTE staff engaged on activities relating to EU Exit	500	1,090	1,130

COVID-19

	2021-22	2020-21
Average approximate FTE staff redeployed onto activities relating to the COVID-19 pandemic response	380	1,290

Trade union facility time

Facility time is time off for employees who are trade union (TU) representatives to carry out their TU roles. TU roles may be duties or activities.

Reps are entitled to paid time off to carry out trade union duties. They are not entitled to paid time off for trade union activities. However, an employer can choose to pay for time off for activities.

	Core Department and Agencies	Other agencies not consolidated in the accounts[1]	Total
Relevant union officials			
Number of trade union representatives employed	57	40	**97**
Full-time equivalent	53	37	**90**
Percentage of time spent on facility time			
Working hours each representative spent on facility time			
0% of working hours	2	3	**5**
1 - 50% of working hours	55	37	**92**
Percentage of pay bill spent on facility time			
Pay bill refers to the total for all employees, not union representatives only.			
Total cost of facility time (£)	£129,037	£100,328	**£229,365**
Total pay bill (£)	£531,720,417	£203,892,000	**£735,612,417**
Facility time as a % of pay bill	0%	0.1%	**0%**
Paid trade union activities			
(Hours spent on paid trade union activities ÷ total paid facility time hours) * 100	0%	3.8%	**1.4%**

Notes

1 UK Intellectual Property Office (IPO) and Met Office.

2 Only IPO permitted paid trade union activities (i.e. internal Union business). This was 123 hours of their total facility time of 1345 hours (9.14%). Activities overlapped with TU duties (i.e. work directly supporting workforce).

3 Figure is 0% in BEIS and all other agencies, who permitted paid facility time for trade union duties only.

Staff turnover percentage

The table below shows the staff turnover percentage in 2021-22 for BEIS core and relevant agencies.

Departmental turnover refers to employees who either left the department or the civil service. Turnover refers only to employees who left 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.

	2021-22		2020-21	
	Departmental turnover	Turnover	Departmental turnover	Turnover
Core Department	14.9%	6.1%	11.5%	4.5%
ACAS	10.7%	6.1%	5.3%	9.3%
Companies House	11.3%	7.4%	5.3%	3.8%
Insolvency service	10.4%	5.4%	7.0%	4.3%
UK Intellectual Property Office	6.5%	4.4%	4.3%	2.8%
Met Office	10.2%	10.2%	4.5%	4.5%
UK Space Agency	26.9%	13.8%	21.0%	3.8%

Notes

1 The list of BEIS partner organisations above are consistent with those in the Annual Civil Service Employee Survey (ASCES), as determined by the Cabinet Office.

Sickness absence data

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

	2021-22	2020-21
Core Department	3.4	2.4
Companies House	7.2	4.2
Insolvency Service	6.6	5.6
UK Space Agency	7.0	7.4

Staff composition

The table below shows staff composition as at 31 March 2022.[1, 2]

The figures reflect the criteria below.

- Headcount as at 31 March 2022.
- Permanent and fixed term contracts.
- Active and inactive workers - inactive workers were those on maternity leave, outward loans, etc.
- Civil Service fast streamers on BEIS payroll.

Gender	2021-22	2020-21	2019-20
All employees	6,009	5,210	4,309
Men	50%	51%	53%
Women	50%	49%	47%
Senior civil servants	336	313	242
Men	51%	56%	55%
Women	49%	44%	45%
Executive Committee[3]	19	16	16
Men	58%	63%	63%
Women	42%	38%	38%

Disability	2021-22	2020-21	2019-20
Declaration rate	87%	83%	75%
representation for staff who have declared:			
no	83%	83%	84%
yes	11%	11%	10%
prefer not to say	6%	6%	6%

Ethnicity	2021-22	2020-21	2019-20
Declaration rate	92%	89%	79%
representation for staff who have declared:			
white	71%	73%	78%
BAME	24%	22%	18%
prefer not to say	5%	5%	4%

Sexual orientation	2021-22	2020-21	2019-20
Declaration rate	92%	89%	80%
representation for staff who have declared:			
straight	81%	80%	84%
LGBT+	9%	10%	8%
prefer not to say	10%	10%	8%

Notes

1 The figures differ from staff numbers on page 97. They align with staff numbers in the Annual Civil Service Employee Survey (ACSES), based on ONS definitions.

2 2019-20 figures excluded inactive employees

3 For the gender table only, prior year figures were FTE, and from 2021-22 changed to headcount. This does not have a significant impact on the overall % splits.

Number of senior civil servants by salary band

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

Salary bands represent actual salary rates; bonuses are not included. The figures reflect the criteria below.

- FTE as at 31 March 2022.
- Permanent and fixed term contracts.
- Active workers only - inactive workers were those on maternity leave, outward loans etc.

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 2022	Number of SCS staff as at 31 March 2021
Below £55,000	-	2
£60,000 - £64,999	1	12
£65,000 - £69,999	1	8
£70,000 - £74,999	137	135
£75,000 - £79,999	57	49
£80,000 - £84,999	24	18
£85,000 - £89,999	11	6
£90,000 - £94,999	39	27
£95,000 - £99,999	11	14
£100,000 - £104,999	8	7
£105,000 - £109,999	4	3
£110,000 - £114,999	3	2
£115,000 - £119,999	1	1
£120,000 - £124,999	6	3
£125,000 - £129,999	1	3
£130,000 - £134,999	3	4
£135,000 - £139,999	3	1
£140,000 - £144,999	1	1
£145,000 - £149,999	1	-
£150,000 - £154,999	1	2
£160,000 - £164,999	2	2
£180,000 - £184,999	2	2
Total	**317**	**302**

Permanent secretary

Sarah Munby

Director general

David Bickerton
(from 2 Aug 2021)

Caleb Deeks
(to 13 Dec 2021)

Freya Guinness
(Chief Operating Officer, from 19 Apr 2021)

Ashley Ibbett

Gavin Lambert
(from 13 Dec 2021)

Lee McDonough
(from 7 Jun 2021)

Madelaine McTernan

Professor Paul Monks
(Chief Scientific Adviser)

Ben Rimmington
(from 28 Jun 2021)

Jo Shanmugalingam

Joanna Whittington

Cath Bremner
(acting to 1 Jun 2021)

Ben Golding
(acting to 28 Jun 2021)

Jaee Samant
(to 31 Oct 2021)

Staff numbers (audited information)

The table below shows staff numbers in 2021-22. The figures reflect the criteria below.

- FTE average for 2021-22.
- Permanent and fixed term contracts.
- Active workers only – inactive workers are excluded such as those on maternity leave, outward loans etc.
- Civil Service fast streamers on BEIS payroll.

	2021-22					2020-21
	Permanent employed staff	Others	Ministers	Special advisers	Total	Total
Core Department	5,625	230	7	3	**5,865**	**4,884**
Agencies	2,978	50			**3,028**	**3,026**
Sub total	**8,603**	**280**	**7**	**3**	**8,893**	**7,910**
NDPBs and other designated bodies	14,011	2,282	-	-	**16,293**	**15,701**
Total	**22,614**	**2,562**	**7**	**3**	**25,186**	**23,611**

Staff costs (audited information)

During the year, £23,831,552 of staff costs were capitalised (2020-21: £15,972,717) and 510 employees (2020-21: 338 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 99.

Included within the total net costs of other staff shown below are ministers' total net costs of £280,833 (2020-21: £284,739).

			2021-22	2020-21 restated
	Permanent employed staff	Others	Total	Total
	£m	£m	£m	£m
Wages and salaries	1,098	123	**1,221**	1,111
Social security costs	158	-	**158**	108
Other pension costs	280	-	**280**	242
Sub total	**1,536**	**123**	**1,659**	**1,461**
Less recoveries in respect of outward secondments	(10)	(17)	**(27)**	(7)
Total net costs	**1,526**	**106**	**1,632**	**1,454**
Of which:				
Core Department and Agencies	522	38	**560**	**497**
NDPBs and other designated bodies	1,004	68	**1,072**	**957**
Total net costs	**1,526**	**106**	**1,632**	**1,454**

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 2021-22, employer contributions of £155,482,772 were payable to the PCSPS (2020-21: £140,041,099) at one of four rates in the range 26.6% to 30.3% (2020-21: 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 2021-22 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 £1,387,160 (2020-21: £1,390,271) 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 £22,482 (2020-21: £19,066), 0.5% (2020-21: 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/ (from) the partnership pension providers at 31 March 2022 were (£1,589) (2020-21: £26,147). Contributions prepaid at that date were £nil (2020-21: £nil).

Ill-health retirement

In 2021-22, 30 persons (2020-21: 31 persons) across the Departmental Group retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £1,094,226 (2020-21: £1,962,034).

Other pension schemes

Employer contributions to other pension schemes in 31 March 2022, amounted to £295,072,090 (2020-21: £254,056,970). 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 29.

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.

			2021-22	2020-21 (restated)
	Permanent employed staff	Others	Total	Total
Number of staff (full time equivalent)	**14,481**	**1,108**	**15,589**	**15,194**
Costs				
Wages and salaries (£m)	802	67	**869**	**871**
Social security costs (£m)	91	-	**91**	**89**
Other pension costs (£m)	172	-	**172**	**144**
Total costs (£m)	**1,065**	**67**	**1,132**	**1,104**

Exit packages - Civil Service and other compensation schemes (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 2021-22. £5,436,515 exit costs were paid in 2021-22, the year of departure (2020-21: £7,976,011).

	2021-22	2021-22	2021-22	2020-21	2020-21	2020-21
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
Less than £10,000	3	16	19	12	22	34
£10,000 – £25,000	6	33	39	19	27	46
£25,000 – £50,000	3	17	20	13	40	53
£50,000 – £100,000	3	17	20	3	38	41
£100,000 – £150,000	-	-	-	-	7	7
£150,000 – £200,000	-	1	1	-	-	-
Total number	**15**	**84**	**99**	**47**	**134**	**181**

	2021-22	2021-22	2021-22	2020-21	2020-21	2020-21
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
Of which:						
Core Department and Agencies	-	8	8	-	1	1
NDPBs and other designated bodies	15	76	91	47	133	180
Total number	**15**	**84**	**99**	**47**	**134**	**181**
Total cost (£)	**416,253**	**2,765,946**	**3,182,199**	**1,035,715**	**6,120,516**	**7,156,231**
Of which:						
Core Department and Agencies	-	452,940	452,940	-	69,000	69,000
NDPBs and other designated bodies	416,253	2,313,006	2,729,259	1,035,715	6,051,516	7,087,231
Total cost (£)	**416,253**	**2,765,946**	**3,182,199**	**1,035,715**	**6,120,516**	**7,156,231**

Staff redeployments

The table below shows the number of outward and inward staff loans as at 31 March 2022.

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

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

As the home department, costs that related 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, were charged to the administration budget if the Core Department did pay the cost.

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

Loans into the Core Department

				Short term		Long term
Staff grade	**Short term**	**Long term**	**Non-payroll**	**Payroll**	**Non-payroll**	**Payroll**
AO	-	1	-	-	1	-
EO	-	8	-	-	7	1
FAST	1	-	-	1	-	-
HEO	1	14	-	1	8	6
SEO	1	19	1	-	7	12
G6	1	17	1	-	9	8
G7	-	35	-	-	14	21
SCS1	-	6	-	-	2	4
SCS2	-	5	-	-	3	2
Total	**4**	**105**	**2**	**2**	**51**	**54**

Loans out of the Core Department

			Short term		Long term	
Staff grade	**Short term**	**Long term**	**Non-payroll**	**Payroll**	**Non-payroll**	**Payroll**
AO	-	1	-	-	1	-
EO	1	11	1	-	11	-
FAST	2	5	2	-	4	1
HEO	1	36	-	1	35	1
SEO	-	21	-	-	21	-
G6	-	15	-	-	15	-
G7	3	48	1	2	48	-
SCS1	-	12	-	-	12	-
SCS2	-	2	-	-	2	-
Total	**7**	**151**	**4**	**3**	**149**	**2**

Consultancy and temporary staff expenditure

The Departmental Group's expenditure on consultancy in 2021-22 was £174.3 million (2020-21: £137.3 million). The consultancy expenditure of executive agencies was £8.2 million (2020-21: £8.4 million) and the consultancy expenditure relating to arm's length bodies was £67.2 million (2020-21: £46.9 million) of which £27.5 million (2020-21: £32.2 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 2021-22 was £106.3 million (2020-21: £100.5 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

Off-payroll engagements refer to workers paid off-payroll, without deducting tax and national insurance at source, typically contractors.

The tables below show the number of off-payroll engagements which earned £245 per day or more.

Table 1a: Highly paid off-payroll worker engagements as at 31 March 2022, earning £245 per day or greater

	Total number	Of which, no. that existed for:				
		less than 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 years or more
Core Department and Agencies						
Core Department[1]	**129**	66	33	2	28	-
Companies House	**57**	37	11	6	0	3
Insolvency Service	**23**	14	8	-	1	-
UK Space Agency	**20**	16	3	1	0	0
Consolidated in the Departmental Group accounts, (excluding nuclear site licence companies)						
Advisory, Conciliation and Arbitration Service	**9**	8	1	-	-	-
British Business Bank plc	**23**	19	4	-	-	-
British Business Financial Services Ltd	**23**	19	4	-	-	-
Civil Nuclear Police Authority	**10**	4	3	-	1	2
Coal Authority	**5**	4	-	1	-	-
Competition Appeal Tribunal and Competition Service	**2**	-	-	-	1	1
Diamond Light Source Ltd	**6**	4	1	1	-	-
Low Carbon Contracts Company Ltd	**-**	-	-	-	-	-
Nuclear Decommissioning Authority	**22**	18	2	1	1	-
Oil and Gas Authority	**3**	2	-	-	-	1
Salix Finance Limited	**3**	3	-	-	-	
UK Atomic Energy Authority	**287**	119	54	42	27	45
UK Research and Innovation	**184**	118	47	9	3	7
UK Shared Business Services Ltd	**9**	3	5	1	-	-
Not consolidated in Departmental Group accounts						
Groceries Code Adjudicator	**1**	-	-	-	1	-
Pubs Code Adjudicator	**1**	-	-	-	-	1
Small Business Commissioner	**3**	-	-	-	3	-
Total	**820**	**454**	**176**	**64**	**66**	**60**

1 The number of highly paid off-payroll contingent worker engagements in the Core Department decreased between 2020-21 and 2021-22 due to the changing resource requirements in managing the COVID-19 emergency response and Vaccine Taskforce. The basis of calculation for the length of off-payroll contingent worker engagements was revised in 2021-22. This results in nil workers within the 4 or more years category for 2021-22.

Table 2a: All highly paid off-payroll workers engaged at any point during the year ended 31 March 2022, earning £245 per day or greater

	No. of temporary off-payroll workers engaged during the year ended 31 March 2022	Of which:			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
		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		
Core Department and Agencies						
Core Department[1]	**304**	157	18	129	-	-
Companies House	**130**	69	-	61	-	-
Insolvency Service	**109**	-	100	9	109	-
UK Space Agency	**37**	0	20	17	0	0
Consolidated in the Departmental Group accounts, (excluding nuclear site licence companies)						
Advisory, Conciliation and Arbitration Service	**14**	10	-	4	-	-
British Business Bank plc	**63**	-	59	4	3	-
British Business Financial Services Ltd	**60**	-	57	3	3	-
The Start-up Loans Company	**3**	-	2	1	-	-
Civil Nuclear Police Authority	**10**	-	2	8	5	-
Coal Authority	**10**	10	-	-	-	-
Competition Appeal Tribunal and Competition Service	**2**	2	-	-	-	-
Diamond Light Source Ltd	**6**	-	6	-	1	-
Low Carbon Contracts Company Ltd	**1**	-	1	-	-	-
Nuclear Decommissioning Authority	**37**	25	12	-	12	-
Oil and Gas Authority	**5**	-	-	5	-	-
Salix Finance Limited	**3**	-	3	-	-	-
UK Atomic Energy Authority	**329**	313	-	16	5	-
UK Research and Innovation	**350**	-	285	65	161	2
UK Shared Business Services Ltd	**9**	-	-	9	9	-
Not consolidated in Departmental Group accounts						
Groceries Code Adjudicator	**1**	-	-	1	1	-
Pubs Code Adjudicator	**1**	-	-	1	-	-
Small Business Commissioner	**3**	-	-	3	-	-
Total	**1,487**	**586**	**565**	**336**	**309**	**2**

1 The number of highly paid off-payroll contingent worker engagements in the Core Department decreased between 2020-21 and 2021-22 due to the changing resource requirements in managing the COVID-19 emergency response and Vaccine Taskforce.

Table 3a: For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2021 and 31 March 2022

	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	-	22
Companies House	-	7
Insolvency Service	-	11
UK Space Agency	-	15
Consolidated in the Departmental Group accounts, (excluding nuclear site licence companies)		
Advisory, Conciliation and Arbitration Service	-	8
Central Arbitration Committee	-	1
Certification Office for Trade Union and Employers' Associations	-	1
British Business Bank plc	-	10
British Business Aspire Holdco Ltd	-	2
British Business Finance Ltd	-	10
British Business Financial Services Ltd	-	10
British Business Investments Ltd	-	5
BBB Patient Capital Holdings Ltd	-	2
British Patient Capital Limited	-	4
Capital for Enterprise Fund Managers Ltd	-	3
Capital for Enterprise (GP) Ltd	-	2
Capital for Enterprise Limited	-	2
The Start-up Loans Company	-	2
Civil Nuclear Police Authority	9	14
Coal Authority	-	14
Competition Appeal Tribunal and Competition Service	2	6
Diamond Light Source Ltd	-	6
The Financial Reporting Council Ltd	-	2
UK Accounting Standards Endorsement Board Limited	-	2
Low Carbon Contracts Company Ltd	-	10
Nuclear Decommissioning Authority	-	16
Nuclear Decommissioning Authority Archives Ltd	-	3
Radioactive Waste Management Ltd	-	-
Oil and Gas Authority	-	9
Salix Finance Limited	-	5
UK Atomic Energy Authority	-	14
AEA Insurance Ltd	3	4

	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.
UK Research and Innovation	–	25
UK Shared Business Services Ltd	–	2
Not consolidated in Departmental Group accounts		
British Hallmarking Council	–	1
Committee on Climate Change	–	12
Groceries Code Adjudicator	–	2
Pubs Code Adjudicator	–	1
Small Business Commissioner	3	4
Total	**17**	**266**

Details of the exceptional circumstances that led to the off-payroll engagement of board members/ senior officials with significant financial responsibility.

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.

The second off-payroll member assists the first member in preparing training and is planned to succeed the first member on their departure. The individual was appointed in 2019, and their contract runs to January 2024.

AEA Insurance Ltd

From 2002 and 2005 respectively:

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

From October 2019:

A quarter off-payroll director of AEAIL is a director of UKAEA and on UKAEA payroll and included in the UKAEA line.

Civil Nuclear Police Authority

The figures represent board members who sit on the board as part of the required governance process. They are remunerated by the parent company, hence why they are not part of the payroll within the Civil Nuclear Police Authority.

One individual's contract ended in December 2021. One was interim Chair from 01 January 2022 to 12 October 2022 - they are now on payroll. Two were in post for the final 3 months of the 2021-22 financial year. The remaining 5 were on appointment for the full 12 months.

LLW Repository Ltd

The 1 off-payroll post holder was supplied by the parent body organisation as required by contractual arrangements with NDA (since 1 Dec 2015). This arrangement stopped on 12th July 2021 due to LLWR becoming a subsidiary of the NDA.

Small Business Commissioner

The Office of the Small Business Commissioner has 3 non-executive directors (NED) for the Audit & Risk Assurance Committee (ARAC) & OSBC Board Meetings. They are contracted to work with the Small Business Commissioner for 8 days a year and paid a daily rate. All 3 NEDs started in 2019 and are contracted up to 2023.

SLCs: off-payroll engagements

SLCs fall within the Departmental accounting boundary and are subsidiaries of the NDA – they deliver work for NDA but operate with a high degree of autonomy.

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

Table 1b: Highly paid off-payroll worker engagements as at 31 March 2022, 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	**2**	2	-	-	-	-
LLW Repository Ltd	**19**	8	4	1	4	2
Magnox Ltd	**43**	3	8	5	11	16
Sellafield Ltd	**192**	59	24	15	31	63
Total	**256**	**72**	**36**	**21**	**46**	**81**

Table 2b: All highly paid off-payroll workers engaged at any point during the year ended 31 March 2022, earning £245 per day or greater

	No. of off-payroll workers engaged during the year ended 31 March 2022	Of which:			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
		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		
Dounreay Site Restoration Ltd	**2**	-	-	2	-	-
LLW Repository Ltd	**26**	26	-	-	-	-
Magnox Ltd	**65**	-	48	17	43	4
Sellafield Ltd	**279**	27	174	78	-	-
Total	**372**	**53**	**222**	**97**	**43**	**4**

Table 3b: For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2021 and 31 March 2022

	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	0	9
LLW Repository Ltd	1	16
Magnox Ltd	-	2
Sellafield Ltd	-	1
Total	**1**	**28**

LLW Repository Ltd

Details of the exceptional circumstances that led to the off-payroll engagement of board members/ senior officials with significant financial responsibility.

The one off-payroll post holder was supplied by the parent body organisation as required by contractual arrangements with NDA - since 1 Dec 2015. This arrangement stopped on 12 July 2021 due to LLWR becoming a subsidiary of the NDA.

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://www.civilservicecommission.org.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 2021-22.

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.

	2021-22				2020-21			
	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[8]	67,505	-	17,000	**85,000**	39,962	67,505	10,000	**50,000**
Ministers of State								
Lord Grimstone	–	–	–	**–**	–	–	–	**–**
Rt Hon Greg Hands MP (from 15 Sep 2021)[3]	15,840	31,680	5,000	**21,000**	-	-	-	**-**
Anne-Marie Trevelyan MP (to 14 Sep 2021)	15,840	31,680	3,000	**19,000**	7,324	31,680	2,000	**9,000**
Parliamentary Under-Secretaries of State								
Lord Callanan[4]	107,335	-	18,000	**125,000**	107,335	-	17,000	**125,000**
Paul Scully MP[5]	22,375	-	6,000	**28,000**	22,375	-	5,000	**28,000**
Lee Rowley MP (from 16 Sep 2021)[6]	–	–	–	**–**	–	–	–	**–**
George Freeman MP (from 17 Sep 2021)	12,058	22,375	3,000	**15,000**	-	-	-	**-**
Amanda Solloway MP (to 15 Sep 2021)	11,187	22,375	2,000	**13,000**	22,375	-	5,000	**28,000**
Nadhim Zahawi MP (to 14 Sep 2021)[7]	–	–	–	**–**	–	–	–	**–**

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 Trade for the Department for International Trade.

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

5 Jointly Parliamentary Under Secretary of State in the BEIS and Minister for London.

6 Parliamentary Under-Secretary for the BEIS and Government Whip, Lord Commissioner of HM Treasury; paid by HM Treasury.

7 Jointly Parliamentary Under-Secretary for the Department of Health and Social Care and BEIS; does not draw salary or pension benefits.

8 Secretary of State from 8 January 2021, therefore 2020-21 salary received was not reflective of a full year.

Ministers - pension benefits (audited information)

The table below shows the pension entitlements for each minister.

	Pension benefits at age 65 as at 31 March 2022	Real increase in pension at age 65	CETV at 31 March 2022[1]	CETV at 31 March 2021[1]	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Secretary of State					
Rt Hon Kwasi Kwarteng MP	0-5	0-2.5	32	16	7
Ministers of State					
Lord Grimstone[2]	–	–	–	–	–
Rt Hon Greg Hands MP (from 15 Sep 2021)	5-10	0-2.5	93	85	3
Anne-Marie Trevelyan MP (to 14 Sep 2021)	0-5	0-2.5	17	14	2
Parliamentary Under-Secretaries of State					
Lord Callanan	15-20	0-2.5	109	84	13
Paul Scully MP	5-10	0-2.5	12	6	3
Lee Rowley MP (from 16 Sep 2021)[3]	-	-	-	-	-
George Freeman (from 17 Sep 2021)	0-5	0-2.5	23	20	1
Amanda Solloway MP (to 15 Sep 2021)	0-5	0-2.5	10	7	2
Nadhim Zahawi MP (to 14 Sep 2021)[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.

4 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 2021-22. 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.

	2021-22					2020-21				
	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) [3]	160-165	–	–	62	**220-225**	150-155	160-165	–	53	205-210
Director general										
David Bickerton (from 2 Aug 2021) [4]	85-90	130-135	-	-	**85-90**	-	-	-	-	-
Caleb Deeks (from 13 Dec 2021) [5 6]	25-30	80-85	-	18	**40-45**	0-5	100-105	5-10	9	20-25
Freya Guinness (from 19 Apr 2021) [7]	140-145	145-150	-	58	**195-200**	-	-	-	-	-
Ashley Ibbett	120-125	-	-	54	**170-175**	130-135	120-125	5-10	133	270-275
Gavin Lambert (from 13 Dec 2021) [5 6]	25-30	85-90	-	24	**45-50**	-	-	-	-	-
Lee McDonough (from 7 Jun 2021)[8]	105-110	130-135	-	13	**120-125**	-	-	-	-	-
Madelaine McTernan[9]	180-185	-	-	-	**180-185**	45-50	180-185	-	-	45-50
Paul Monks[10]	105-110	-	-	41	**145-150**	50-55	105-110	-	21	70-75
Ben Rimmington (to 28 Jun 2021)[11]	90-95	120-125	-	89	**175-180**	-	-	-	-	-
Jo Shanmugalingam[12]	110-115	-	5-10	30	**145-150**	110-115	110-115	-	91	200-205
Joanna Whittington	160-165	-	5-10	44	**210-215**	160-165	-	5-10	67	235-240
Jaee Samant (to 31 Oct 2021)	80-85	130-135	5-10	14	**100-105**	130-135	-	5-10	69	205-210
Cath Bremner (to 6 Jun 2021)[13]	20-25	135-140	-	9	**30-35**	10-15	125-130	-	5	15-20
Ben Golding (from 30 Jun 2021)	30-35	120-125	5-10	28	**65-70**	10-15	120-125	-	13	20-25
Director										
Simon Hulme	180-185	-	-	69	**245-250**	80-85	180-185	-	31	110-115
Alice Hurrell	120-125	-	5-10	23	**150-155**	80-85	105-110	10-15	73	175-180
Dan Micklethwaite	100-105	-	0-5	33	**135-140**	40-45	100-105	-	16	55-60
Abigail Morris (from 1 Aug 2021)[14]	70-75	110-115	0-5	-	**75-80**	-	-	-	-	-
Tom Taylor	130-135	-	5-10	27	**165-170**	130-135	-	5-10	48	185-190

	2021-22					2020-21				
	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
Doug Watkins (to 31 Mar 2022)[15]	140-145	-	-	-	**140-145**	135-140	-	0-5	-	140-145
Mike Keoghan (to 16 Jan 2022)[16]	100-105	130-135	-	24	**125-130**	70-75	130-135	5-10	109	185-190
Craig Woodhouse (to 14 Jul 2021)	35-40	130-135	-	15	**50-55**	130-135	-	5-10	69	205-210

Notes

1 Salary information excludes employers' national insurance contributions. Departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. 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 Sarah Munby was Director General until 19 July 2020 contracted and remunerated at 85% of full time equivalent. Her Full Year Equivalent salary was £125-130k. From 20 July 2020, Sarah became Permanent Secretary on full time basis and her FYE is £160-165k. The prior year disclosure has been restated to reflect the actual entitlement during the year, although some of this was received as backdated pay during 2021-22.

4 Appointed as Director General of Business Sectors from 2 August 2021.

5 Joined BEIS 13 December, 2021 from a Jobshare role at the Cabinet Office, as Directors for Civil Service Modernisation and Reform. Now Interim DG Jobshare for Market Frameworks.

6 Remunerated at 70% of Full Time Equivalent, Full time Equivalent of full year equivalent salary is £120-125k.

7 Appointed as Director General, Chief Operating Officer from 19 April, 2021 - previously Director at the Office of Rail and Road (ORR).

8 Appointed as Director General of Net Zero Strategy and International from 7 June 2021 - previously Director General at the Department of Health and Social Care (DHSC).

9 On secondment from UK Government Investments (UKGI). BEIS pay Ms McTernan's remuneration by Invoice so the figures are now disclosed for both 2020-21 and 2021-22.

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

11 Appointed as Director General of Net Zero Buildings and Industry from 28 June 2021 - previously Director at the Department for Transport (DfT)

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

13 Restated prior year salary benefits to 10-15 (125-130).

14 Appointed as Director of Communications from 9 August 2021 - previously Deputy Director at Department for Transport (DfT).

15 Left under Voluntary Exit terms on 31 March 2022. They received a compensation payment of £95k.

16 Temporarily appointed as Director General of Business Sectors.

Senior officials - pension benefits (audited information)

The table below shows the pension entitlements for each senior official for the year ending 31 March 2022. 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 2022[1]	CETV at 31 March 2021[1]	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Permanent secretary						
Sarah Munby	5-10	2.5-5	84	48	21	-
Director general						
David Bickerton (from 2 Aug 2021)[2]	-	-	-	-	-	-
Caleb Deeks (from 13 Dec 2021)	35-40	0-2.5	454	440	9	-
Freya Guinness (from 19 Apr 2021)	45-50	2.5-5	683	617	36	-
Ashley Ibbett	40-45 plus a lump sum of 80-85	2.5-5 plus a lump sum of 0-2.5	720	649	31	-
Gavin Lambert (from 13 Dec 2021)	30-35 plus a lump sum of 55-60	0-2.5 plus a lump sum of 0-2.5	491	471	15	-
Lee McDonough (from 7 Jun 2021)	50-55 plus a lump sum of 145-150	0-2.5 plus a lump sum of 0	1,251	1,186	(1)	-
Madelaine McTernan[3]	-	-	-	-	-	9,000 (20-21: 2,300 (9,000 FYE)
Paul Monks	0-5	0-2.5	48	16	24	-
Ben Rimmington (from 28 Jun 2021)	45-50 plus a lump sum of 85-90	2.5-5 plus a lump sum of 5-7.5	761	661	64	-
Jo Shanmugalingam	30-35 plus a lump sum of 55-60	0-2.5 plus a lump sum of 0	443	408	7	-
Joanna Whittington	50-55 plus a lump sum of 75-80	2.5-5 plus a lump sum of 0	893	822	20	-
Jaee Samant (to 31 Oct 2021)	55-60 plus a lump sum of 115-120	0-2.5 plus a lump sum of 0	1,062	1,041	2	-
Cath Bremner (to 6 Jun 2021)	10-15	0-2.5	149	146	4	-
Ben Golding (to 30 Jun 2021)	35-40	0-2.5	437	418	16	-
Director						

	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 2022[1]	CETV at 31 March 2021[1]	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Simon Hulme	5-10	2.5-5	78	24	39	-
Alice Hurrell	45-50	0-2.5	671	627	5	-
Dan Micklethwaite	25-30	0-2.5	312	292	11	-
Abigail Morris (from 1 Aug 2021)[2]	-	-	-	-	-	-
Tom Taylor	55-60 plus a lump sum of 100-105	0-2.5 plus a lump sum of 0	915	858	7	-
Doug Watkins (to 31 March 2022)[3]	-	-	-	-	-	19,600 (20-21: 22,000)
Mike Keoghan (to 16 January 2022)	45-50 plus a lump sum of 80-85	0-2.5 plus a lump sum of 0	739	695	7	-
Craig Woodhouse (to 14 Jul 2021)	5-10	0-2.5	62	53	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 Not a member of Civil Service pension arrangements during the year.

3 Member of partnership pension schemes.

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 2022.

	2021-22		2020-21	
	Fee entitlement	Full year equivalent if different	Fee entitlement	Full year equivalent if different
	£'000	£'000	£'000	£'000
Ann Cairns	20-25	-	5-10	20-25
Nigel Boardman[1]	5-10	20-25	20-25	-
Vikas Shah (from 4 May 2021)	10-15	15-20	-	-
Stephen Hill (from 6 May 2021)	10-15	15-20	-	-
Peter Mather (from 30 March 2022)	0-5	20-25	-	-

Notes

1 On secondment to Cabinet Office from April to September 2021.

Fair pay disclosure (audited information)

The table below shows the relationship during the year ending 31 March 2022 between the remuneration of the highest-paid director and the median remuneration of the workforce across the Core Department and 3 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.

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

The banded remuneration of the highest-paid director in BEIS in the financial year 2021-22 was £200k-£205k (2020-21: £180k-£185k). This was 4.98 times (2020-21: 4.52) the median remuneration of the workforce, which was £40,650 (2020-21: £40,350).

In 2021-22, 45 (2020-21: 3) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £20,025 to £408,595 (2020-21 £18,542-£251,665).

The median pay ratio for the relevant financial year is consistent with the pay, reward and progression policies for the entity's employees taken as a whole. The minor increase in median remuneration of the workforce is due to a pay increase in year for employees in the lowest pay scale.

	2021-22	2020-21
Remuneration band of highest paid director	£200,000-£205,000	£180,000-£185,000
Median remuneration of workforce	£40,650	£40,350
Ratio of highest paid director to median	4.98	4.52
Remuneration range of workforce including directors	£20,025-£408,595	£18,542-£251,665
Number of people remunerated in excess of highest paid director	45	3

The number of people remunerated in excess of the highest paid director has increased in 2021-22 as a result of an increase in agency staff in implementation work and IT projects.

The table below shows the percentage change from previous year in total salary & allowances and performance pay & bonuses for the highest paid director and for staff average.

	Highest paid director	Staff average
Salary & Allowances	0%	2%
Performance pay & bonuses	100%[1]	-33%

1 Highest paid director did not receive a bonus in 2020-21.

The below table shows the ratio between the highest paid directors' total remuneration and the lower quartile, median and upper quartile for staff total pay and benefits for 2021-22. The slight increase in ratio results from the remuneration band of the highest paid director increasing in year.

	2021-22			2020-21		
	Lower quartile	Median	Upper quartile	Lower quartile	Median	Upper quartile
Total pay & benefits	31,392	40,650	54,675	29,575	40,350	54,675
Ratio	6.45:1	4.98:1	3.70:1	6.17:1	4.52:1	3.34:1
Salary	31,000	40,050	53,600	29,240	40,050	53,600
Ratio	5.89:1	4.56:1	3.40:1	6.24:1	4.56:1	3.40:1

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 2021) 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 2021-22 relate to performance in 2020-21 and the comparative bonuses reported for 2020-21 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.

Parliamentary accountability and audit report

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 124 to 134 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 43, 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 2021-22

Figures in the areas outlined in thick line cover the voted control limits voted by Parliament. Refer to the Supply Estimates guidance manual, available on gov.uk, for details. Significant variances between Outturn and the Estimate are explained in the Financial Review on pages 42 to 54.

		Outturn			Estimate			Outturn vs Estimate: saving/ (excess)		2020-21 Outturn Restated
		Voted	Non-voted	Total	Voted	Non-voted	Total	Voted	Total	Total
SOPS note	Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Departmental Expenditure Limit										
Resource	1.1	9,407,915	(695,862)	**8,712,053**	10,170,148	(601,510)	**9,568,638**	762,233	856,585	**22,496,431**
Capital	1.2	21,007,816	(15,424)	**20,992,392**	22,095,399	(15,424)	**22,079,975**	1,087,583	1,087,583	**20,449,976**
Total DEL		**30,415,731**	**(711,286)**	**29,704,445**	**32,265,547**	**(616,934)**	**31,648,613**	**1,849,816**	**1,944,168**	**42,946,407**
Annually Managed Expenditure										
Resource	1.1	114,889,364	260,991	**115,150,355**	188,853,432	450,000	**189,303,432**	73,964,068	74,153,077	**(8,152,114)**
Capital	1.2	(3,647,242)	(142,400)	**(3,789,642)**	4,787,217	(142,400)	**4,644,817**	8,434,459	8,434,459	**19,543,887**
Total AME		**111,242,122**	**118,591**	**111,360,713**	**193,640,649**	**307,600**	**193,948,249**	**82,398,527**	**82,587,536**	**11,391,773**
Total Budget										
Resource	1.1	124,297,279	(434,871)	**123,862,408**	199,023,580	(151,510)	**198,872,070**	74,726,301	75,009,662	**14,344,317**
Capital	1.2	17,360,574	(157,824)	**17,202,750**	26,882,616	(157,824)	**26,724,792**	9,522,042	9,522,042	**39,993,863**
Total Budget Expenditure		**141,657,853**	**(592,695)**	**141,065,158**	**225,906,196**	**(309,334)**	**225,596,862**	**84,248,343**	**84,531,704**	**54,338,180**
Non-budget expenditure		-	-	**-**	-	-	**-**	-	-	**7,983**
Total Budget and non-budget		**141,657,853**	**(592,695)**	**141,065,158**	**225,906,196**	**(309,334)**	**225,596,862**	**84,248,343**	**84,531,704**	**54,346,163**

These tables and the following SOPS notes have been restated as explained in note 28.

Net cash requirement 2021-22

				2021-22	2020-21 restated
	SOPS note	Outturn	Estimate	Outturn vs Estimate: saving/(excess)	Outturn total
		£'000	£'000	£'000	£'000
Net cash requirements	3	29,470,720	43,510,287	14,039,567	46,657,216

Administration costs 2021-22

				2021-22	2020-21
	SOPS note	Outturn	Estimate	Outturn vs Estimate: saving/(excess)	Outturn total Restated
		£'000	£'000	£'000	£'000
Administration costs	1.1	534,916	593,741	58,825	542,843

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

Notes to the SOPS, 2021-22

Audited information

SOPS note 1. Outturn detail, by Estimate Line

SOPS 1.1 Analysis of Resource Outturn by Estimate Line

Significant variances between Outturn and Estimate are explained in the financial review on pages 42 to 54.

												2021-22	2020-21
		Resource Outturn							Estimate			Outturn vs Estimate: saving/ (excess)	Resource Outturn Restated
		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
Spending in Departmental Expenditure Limits (DEL) Voted expenditure													
A	Deliver an ambitious industrial strategy	-	-	**-**	4,223,480	(83,024)	**4,140,456**	**4,140,456**	4,944,899	(214,277)	**4,730,622**	590,166	18,822,515
B	Maximise investment opportunities and bolster UK interests	-	-	**-**	133,566	(1,914)	**131,652**	**131,652**	131,575	77	**131,652**	-	90,816
C	Promote competitive markets and responsible business practices	4,123	(40)	**4,083**	345,980	(141,228)	**204,752**	**208,835**	227,106	-	**227,106**	18,271	123,553
D	Delivering affordable energy for households and businesses	-	-	**-**	90,261	(144)	**90,117**	**90,117**	134,072	-	**134,072**	43,955	83,933
E	Ensuring that our energy system is reliable and secure	-	-	**-**	911,093	(7,840)	**903,253**	**903,253**	688,976	214,277	**903,253**	-	5,789
F	Taking action on climate change and decarbonisation	-	-	**-**	85,219	(2,043)	**83,176**	**83,176**	68,822	14,354	**83,176**	-	53,099
G	Managing our energy legacy safely and responsibly	-	-	**-**	195,797	-	**195,797**	**195,797**	203,869	(1,795)	**202,074**	6,277	216,909
H	Science and Research	-	-	**-**	43,792	(295)	**43,497**	**43,497**	40,989	2,508	**43,497**	-	29,390
I	Capability	500,276	(41,106)	**459,170**	26,967	125	**27,092**	**486,262**	581,019	(90,941)	**490,078**	3,816	482,229

													2021-22	2020-21
		Resource Outturn							Estimate			Outturn vs Estimate: saving/ (excess)	Resource Outturn Restated
		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
J	Government as Shareholder	-	-	**-**	1,334,442	(20,289)	**1,314,153**	**1,314,153**	1,399,641	(932)	**1,398,709**	84,556	1,595,733
K	Promote competitive markets and responsible business practices (ALB) net	8,989	-	**8,989**	50,319	-	**50,319**	**59,308**	61,455	-	**61,455**	2,147	61,407
L	Ensuring that our energy system is reliable and secure (ALB) net	-	-	**-**	(3,039)	-	**(3,039)**	**(3,039)**	1	-	**1**	3,040	(2,297)
M	Taking action on climate change and decarbonisation (ALB) net	4,098	-	**4,098**	11,635	-	**11,635**	**15,733**	14,658	1,075	**15,733**	-	11,217
N	Managing our energy legacy safely and responsibly (ALB) net	4,485	-	**4,485**	35,183	-	**35,183**	**39,668**	37,873	1,795	**39,668**	-	32,055
O	Science and Research (ALB) net	6,182	-	**6,182**	232,316	-	**232,316**	**238,498**	248,503	-	**248,503**	10,005	227,334
P	Capability (ALB) net	12,379	-	**12,379**	-	-	**-**	**12,379**	1,585	10,794	**12,379**	-	11,103
Q	Government as Shareholder (ALB) net	74	-	**74**	20,192	-	**20,192**	**20,266**	19,334	932	**20,266**	-	(7,246)
R	NDA and SLC expenditure (ALB) net	35,456	-	**35,456**	1,392,448	-	**1,392,448**	**1,427,904**	1,365,771	62,133	**1,427,904**	-	1,245,231
	Deliver an ambitious industrial strategy (ALB) net	-	-	**-**	-	-	**-**	**-**	-	-	**-**	-	13,127
Total voted DEL		**576,062**	**(41,146)**	**534,916**	**9,129,651**	**(256,652)**	**8,872,999**	**9,407,915**	**10,170,148**	**-**	**10,170,148**	**762,233**	**23,095,897**
Non-voted expenditure													
S	Deliver an ambitious industrial strategy (CFER)	-	-	**-**	(155)	(1,299)	**(1,454)**	**(1,454)**	(1,391)	-	**(1,391)**	63	-
T	Science and Research (CFER)	-	-	**-**	-	(555)	**(555)**	**(555)**	(119)	-	**(119)**	436	-

		Resource Outturn							Estimate			2021-22	2020-21
		Administration			Programme			Total	Total	Virements	Total inc. virements	Outturn vs Estimate: saving/ (excess)	Resource Outturn Restated Total
		Gross	Income	Net	Gross	Income	Net						
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
U	Nuclear Decommissioning Authority Income (CFER)	-	-	**-**	(781)	(693,072)	**(693,853)**	**(693,853)**	(600,000)	-	**(600,000)**	93,853	(599,466)
Total non-voted DEL		**-**	**-**	**-**	**(936)**	**(694,926)**	**(695,862)**	**(695,862)**	**(601,510)**	**-**	**(601,510)**	**94,352**	**(599,466)**
Total spending in DEL		**576,062**	**(41,146)**	**534,916**	**9,128,715**	**(951,578)**	**8,177,137**	**8,712,053**	**9,568,638**	**-**	**9,568,638**	**856,585**	**22,496,431**
Spending in Annually Managed Expenditure (AME)													
Voted expenditure													
V	Deliver an ambitious industrial strategy	-	-	**-**	(47,251)	(15,274)	**(62,525)**	**(62,525)**	172,316	-	**172,316**	234,841	(10,747,128)
W	Promote competitive markets and responsible business practices	-	-	**-**	73,653	(713)	**72,940**	**72,940**	74,150	-	**74,150**	1,210	89,422
X	Delivering affordable energy for households and businesses	-	-	**-**	-	-	**-**	**-**	5,409,000	-	**5,409,000**	5,409,000	-
Y	Ensuring that our energy system is reliable and secure	-	-	**-**	352,055	(13,206)	**338,849**	**338,849**	530,900	-	**530,900**	192,051	(4,108)
Z	Taking action on climate change and decarbonisation	-	-	**-**	241	-	**241**	**241**	591	-	**591**	350	667
AA	Managing our energy legacy safely and responsibly	-	-	**-**	(55,760)	(23,091)	**(78,851)**	**(78,851)**	(85,671)	6,820	**(78,851)**	-	(208,322)
AB	Science and Research	-	-	**-**	109,627	-	**109,627**	**109,627**	17,496,601	-	**17,496,601**	17,386,974	86,053
AC	Capability	-	-	**-**	5,305	-	**5,305**	**5,305**	22,845	(15,684)	**7,161**	1,856	(41,033)
AD	Government as Shareholder	-	-	**-**	478,552	(299,612)	**178,940**	**178,940**	992,976	-	**992,976**	814,036	17,150
AE	Renewable Heat Incentive	-	-	**-**	919,555	-	**919,555**	**919,555**	1,026,000	-	**1,026,000**	106,445	848,139
AF	Deliver an ambitious industrial strategy (ALB) net	-	-	**-**	473	-	**473**	**473**	19,800	-	**19,800**	19,327	(71,456)
AG	Promote competitive markets and responsible business practices (ALB) net	-	-	**-**	375	-	**375**	**375**	960	-	**960**	585	(221)

		Resource Outturn							Estimate			2021-22	2020-21
		Administration			Programme			Total	Total	Virements	Total inc. virements	Outturn vs Estimate: saving/ (excess)	Resource Outturn Restated Total
		Gross	Income	Net	Gross	Income	Net						
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
AH	Taking action on climate change and decarbonisation (ALB) net	-	-	**-**	10,015,257	-	**10,015,257**	**10,015,257**	25,000,000	-	**25,000,000**	14,984,743	468,485
AI	Managing our energy legacy safely and responsibly (ALB) net	-	-	**-**	3,112,786	-	**3,112,786**	**3,112,786**	3,103,928	8,858	**3,112,786**	-	231,227
AJ	Science and Research (ALB) net	-	-	**-**	192,049	-	**192,049**	**192,049**	203,479	-	**203,479**	11,430	64,982
AK	Capability (ALB) net	-	-	**-**	10	-	**10**	**10**	4	6	**10**	-	-
AL	Government as Shareholder (ALB) net	-	-	**-**	(520,071)	-	**(520,071)**	**(520,071)**	9,553	-	**9,553**	529,624	(354,185)
AM	Nuclear Decommissioning Authority (ALB) net	-	-	**-**	100,605,107	-	**100,605,107**	**100,605,107**	134,876,000	-	**134,876,000**	34,270,893	1,027,590
	Maximise investment opportunities and bolster UK interests	-	-	**-**	(703)	-	**(703)**	**(703)**	-	-	**-**	703	(1,217)
Total voted AME		**-**	**-**	**-**	**115,241,260**	**(351,896)**	**114,889,364**	**114,889,364**	**188,853,432**	**-**	**188,853,432**	**73,964,068**	**(8,593,955)**
Non-voted expenditure													
AO	Promote competitive markets and responsible business practices	-	-	**-**	271,102	(10,111)	**260,991**	**260,991**	450,000	-	**450,000**	189,009	441,841
Total non-voted AME		**-**	**-**	**-**	**271,102**	**(10,111)**	**260,991**	**260,991**	**450,000**	**-**	**450,000**	**189,009**	**441,841**
Total spending in AME		**-**	**-**	**-**	**115,512,362**	**(362,007)**	**115,150,355**	**115,150,355**	**189,303,432**	**-**	**189,303,432**	**74,153,077**	**(8,152,114)**
Total resource		**576,062**	**(41,146)**	**534,916**	**124,641,077**	**(1,313,585)**	**123,327,492**	**123,862,408**	**198,872,070**	**-**	**198,872,070**	**75,009,662**	**14,344,317**
Non-budget: voted													
	Prior Period Adjustments	-	-	**-**	-	-	**-**	**-**	**-**	-	**-**	**-**	**7,983**
Total Resource and non-budget spending		**576,062**	**(41,146)**	**534,916**	**124,641,077**	**(1,313,585)**	**123,327,492**	**123,862,408**	**198,872,070**	**-**	**198,872,070**	**75,009,662**	**14,352,300**

SOPS 1.2. Analysis of capital Outturn by Estimate line

		Capital Outturn			Estimate			Outturn vs Estimate, savings/ (excess)	2020-21 Capital Outturn Restated
		Gross	Income	Net total	Total	Virements	Total inc. virements		Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Spending in Departmental Expenditure Limit (DEL)									
Voted expenditure									
A	Deliver an ambitious industrial strategy	304,895	(64,317)	**240,578**	245,347	-	**245,347**	4,769	**227,102**
B	Maximise investment opportunities and bolster UK interests	330,670	(30,988)	**299,682**	303,780	-	**303,780**	4,098	**492,700**
C	Promote competitive markets and responsible business practices	22,230	(2,274)	**19,956**	51,599	-	**51,599**	31,643	**23,159**
D	Delivering affordable energy for households and businesses	1,306,296	(50,093)	**1,256,203**	1,346,100	-	**1,346,100**	89,897	**1,184,722**
E	Ensuring that our energy system is reliable and secure	1,005,678	-	**1,005,678**	1,363,950	(9,962)	**1,353,988**	348,310	**277**
F	Taking action on climate change and decarbonisation	281,851	9	**281,860**	324,140	-	**324,140**	42,280	**239,432**
G	Managing our energy legacy safely and responsibly	5,620,909	-	**5,620,909**	5,633,578	-	**5,633,578**	12,669	**5,074,050**
H	Science and Research	785,379	(58,206)	**727,173**	917,081	(59,075)	**858,006**	130,833	**787,076**
I	Capability	28,155	(143)	**28,012**	21,608	6,404	**28,012**	-	**35,399**
J	Government as Shareholder	413,159	(90,818)	**322,341**	276,375	45,966	**322,341**	-	**1,069,581**
K	Promote competitive markets and responsible business practices (ALB) net	2,010	-	**2,010**	7,753	-	**7,753**	5,743	**1,682**

		Capital Outturn			Estimate			Outturn vs Estimate, savings/ (excess)	2020-21 Capital Outturn Restated
		Gross	Income	Net total	Total	Virements	Total inc. virements		Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
M	Taking action on climate change and decarbonisation (ALB) net	2,500	-	**2,500**	5,165	-	**5,165**	2,665	**284**
N	Managing our energy legacy safely and responsibly (ALB) net	25,769	-	**25,769**	45,351	-	**45,351**	19,582	**17,915**
O	Science and Research (ALB) net	8,691,692	-	**8,691,692**	8,632,617	59,075	**8,691,692**	-	**9,125,825**
P	Capability (ALB) net	3,558	-	**3,558**	-	3,558	**3,558**	-	**2,298**
Q	Government as Shareholder (ALB) net	456,799	-	**456,799**	890,296	(45,996)	**844,330**	387,531	**368,759**
R	NDA and SLC expenditure (ALB) net	2,023,096	-	**2,023,096**	2,030,659	-	**2,030,659**	7,563	**1,799,723**
	Deliver an ambitious industrial strategy (ALB) net	-	-	**-**	-	-	**-**	-	**(8)**
Total voted DEL		**21,304,646**	**(296,830)**	**21,007,816**	**22,095,399**	**-**	**22,095,399**	**1,087,583**	**20,449,976**
Non-voted expenditure									
S	Deliver an ambitious industrial strategy (CFER)	-	(13,333)	(13,333)	(13,333)	-	**(13,333)**	-	**-**
T	Science and Research (CFER)	-	(2,091)	(2,091)	(2,091)	-	**(2,091)**	-	**-**
Total non-voted DEL		**-**	**(15,424)**	**(15,424)**	**(15,424)**	**-**	**(15,424)**	**-**	**-**
Total spending in DEL		**21,304,646**	**(312,254)**	**20,992,392**	**22,079,975**	**-**	**22,079,975**	**1,087,583**	**20,449,976**
Spending in Annually Managed Expenditure (AME) Voted expenditure									
W	Promote competitive markets and responsible business practices	151	-	**151**	-	151	**151**	-	**-**

		Capital Outturn			Estimate			Outturn vs Estimate, savings/ (excess)	2020-21 Capital Outturn Restated
		Gross	Income	Net total	Total	Virements	Total inc. virements		Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
AA	Managing our energy legacy safely and responsibly	23,091	-	**23,091**	23,091	-	**23,091**	-	**29,382**
AB	Science and Research	1,271	-	**1,271**	2,934,000	-	**2,934,000**	2,932,729	**1,247**
AC	Capability	144	-	**144**	30,000	(205)	**29,795**	29,651	**-**
AD	Government as Shareholder	(831,201)	(2,765,000)	**(3,596,201)**	1,788,460	-	**1,788,460**	5,384,661	**19,718,443**
AF	Deliver an ambitious industrial strategy (ALB) net	(13,310)	-	**(13,310)**	10,000	-	**10,000**	23,310	**(8,954)**
AH	Taking action on climate change and decarbonisation (ALB) net	54	-	**54**	-	54	**54**	-	**-**
AI	Managing our energy legacy safely and responsibly (ALB) net	-	-	**-**	1,866	-	**1,866**	1,866	**-**
AJ	Science and Research (ALB) net	(57,467)	-	**(57,467)**	-	-	**-**	57,467	**(53,610)**
AL	Government as Shareholder (ALB) net	(4,975)	-	**(4,975)**	(200)	-	**(200)**	4,775	**(221)**
Total voted AME		**(882,242)**	**(2,765,000)**	**(3,647,242)**	**4,787,217**	**-**	**4,787,217**	**8,434,459**	**19,686,287**
Non-voted expenditure									
AN	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)**

	Capital Outturn			Estimate			Outturn vs Estimate, savings/ (excess)	2020-21 Capital Outturn Restated
	Gross	Income	Net total	Total	Virements	Total inc. virements		Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Total spending in AME	(882,242)	(2,907,400)	(3,789,642)	4,644,817	-	4,644,817	8,434,459	19,543,887
Total capital	20,442,404	(3,219,654)	17,202,750	26,724,792	-	26,724,792	9,522,042	39,993,863
Non-budget								
Total capital and non-budget spending	20,442,404	(3,219,654)	17,202,750	26,724,792	-	26,724,792	9,522,042	39,993,863

The total Estimate columns include virements. Virements are the re-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 42 to 54.

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 2021.

		2021-22	2020-21 Restated
		Outturn total	Outturn total
	SOPS note	£'000	£'000
Total resource Outturn in Statement of Outturn against Parliamentary Supply	**SOPS 1.1**	**123,862,408**	**14,352,300**
Add:			
NDA remedial decommissioning costs which are capital in budgets but taken through the SoCNE		2,010,568	1,769,474
Capital Grants		8,040,251	8,114,313
Share of profit/loss of joint ventures and associates		(158,633)	(129,641)
Other non-budget		71,583	60,505
Financial Guarantees		(3,480,509)	19,781,449
Research and Development costs		9,080,276	9,092,499
Total		**15,563,536**	**38,688,599**
Less:			
Non-budget, non voted items in respect of BIS (Postal Services Act 2011) Company Limited and B Company Limited		-	11
Expected return on pension scheme assets		(37,878)	(35,699)
NDA income scored in SOPS only		43,387	32,132
Capital Income in SoCNE		(50,522)	(108,548)
Research and Development income		(495,781)	(473,771)
Prior period adjustments		-	(7,983)
Other:			
Impact of intra group transactions		65,996	66,427
Total		**(474,798)**	**(527,431)**
Net Operating Expenditure for the period in Consolidated Statement of Comprehensive Net Expenditure	**SoCNE**	**138,951,146**	**52,513,468**

Some NDA decommissioning utilisations are capital in nature and therefore not included in resource outturn, this results in them being a reconciling item.

Capital Grants are budgeted for as CDEL but accounted for as expenditure and income in the SoCNE, and therefore function as a reconciling item between Resource and Net Operating Expenditure.

Share of profit/loss of joint ventures and associates is accounted for in the SoCNE as a non-budget item and therefore function as a reconciling item.

Other non-budget includes intra group transactions where the cash payment is eliminated and the budget impact is therefore recognised as a reconciling item.

Financial guarantees are budgeted for as CAME. They are recognised as expenditure in the SoCNE and relate to the Covid-19 and recovery business loan schemes.

Research and Development is budgeted for as CDEL but accounted for as income and expenditure in the SoCNE and therefore function as a reconciling item.

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

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

	SOPS note	Outturn	Estimate	Outturn vs Estimate: saving/ (excess)
		£'000	£'000	£'000
Total Resource Outturn	**SOPS 1.1**	**123,862,408**	**198,872,070**	**75,009,662**
Total Capital Outturn	**SOPS 1.2**	**17,202,750**	**26,724,792**	**9,522,042**
Adjustments for ALBs				
Remove voted resource and capital		(126,346,429)	(176,586,411)	(50,239,982)
Removal of intra-group transactions		82,485	-	(82,485)
Add cash in grant-in-aid		12,220,487	13,878,872	1,658,385
Add share purchase and loans		382,224	-	(382,224)
Less share capital repayment		(106,041)	-	106,041
Adjustments to remove non-cash items				
Depreciation		(28,832)	(412,680)	(383,848)
New provisions and adjustments to previous provisions		(717,762)	(25,258,814)	(24,541,052)
Other non-cash items		(902,650)	23,166	925,816
Financial Guarantees and Loan Commitment Liabilities		3,680,211	-	(3,680,211)
Adjustments to reflect movements in working balances				
Increase/(decrease) in receivables		(971,212)	(556,125)	415,087
(Increase)/decrease in payables		299,765	6,293,100	5,993,335
Use of provisions		189,597	222,983	33,386
IFRS 16 adjustment		31,024		(31,024)
Total		**(112,187,133)**	**(182,395,909)**	**(70,208,776)**
Removal of non-voted budget items				
Other non-voted budget items		592,695	309,334	(283,361)
Total		**592,695**	**309,334**	**(283,361)**
Net cash requirement		**29,470,720**	**43,510,287**	**14,039,567**

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 income 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, receipts arising from 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.

	2021-22		2020-21	
	Outturn total		Outturn total	
	accruals	*cash basis*	accruals	*cash basis*
	£'000	£'000	£'000	£'000
Operating income of the NDA within the Ambit	480,925	*493,000*	716,007	*736,000*
Income outside the ambit of the Estimate	205,129	*205,129*	100,333	*127,753*
[Excess] cash surrenderable to the Consolidated Fund	142,400	*142,400*	142,400	*142,400*
Total amount payable to the Consolidated Fund	**828,454**	***840,529***	**958,740**	***1,006,153***

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 310 to 334, 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.

Other parliamentary accountability disclosures

Losses statement (audited information)

	2021-22		2020-21	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
Total number of losses	**5,765**	**53,512**	**7,383**	**7,749**
Value of losses				
RPS receivable impairment - £m	262	262	447	447
COVID-19 business support grant schemes - £m	30	30	1,038	1,038
COVID-19 loan guarantee schemes - £m	154	154	98	98
Other losses - £m	10	35	304	307
Total value of losses - £m	**456**	**481**	**1,887**	**1,890**

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 paid in the 2021-22 year, included in the 'Grants' note (note 4.4) is immaterial to the accounts and falls within the range of £63 million and £3 million, the midpoint of the estimate being £30 million which is the value included in the losses table above.

The estimate of irregular payments on the grants made in 2020-21 has been updated and is detailed in the Regularity Statement on page 145. The refined estimate is slightly lower than the estimate included in last year's annual report and accounts.

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 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 2021-22, the Core Department paid £327 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 and error occurrence at year end within the scheme is 8% and as such an estimate of £26.16 million relates to suspected fraudulent BIPs. Further information regarding the fraud rate estimate is included within note 21 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.

Lenders have notified the Core Department of suspected borrower fraud in relation to 2,997 guarantee claims totalling £128 million which were paid out by the Core Department under the Bounce Back Loan Scheme, Coronavirus Business Interruption Loan Scheme and Recovery Loan Scheme (note 21) during 2021-22 (31 March 2021: £4.8 million).

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

The Core Department recognised £9 million in relation to 13 suspected fraudulent payments within the Future Fund Scheme.

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

£0.3 million of employees' income tax and national insurance contributions and late payment interest were paid to HM Revenue and Customs for members of staff reclassified for tax purposes from self-employed to employees of the Department.

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%) 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 31 March 2022 is £262 million (31 March 2021: £447 million).

Details of cases over £300,000: administrative write-off: Departmental Group

£0.6 million loss arose when UKRI impaired and retired equipment damaged beyond use in a fire at a facility that forms part of the ISIS Neutron and Muon Source at Rutherford Appleton Laboratory, part of UKRI's owned scientific estate.

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

Store losses reported by NDA in 2022 includes the write off of inventory previously purchased for use by electricity generating sites, and no longer required following the conclusion of generation activity (value £17,324,973) of which one item was valued at £791,655 and another at £789,736.

Special payments (audited information)

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

	2021-22		2020-21	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
Total number of special payments	97	104	86	91
Total value of special payments - £m	21	21	-	1

Special severance payments

Five special severance payments were made in year. The amounts paid are not disclosed as doing so would conflict with BEIS' legal obligation under the Data Protection Act 2018.

Details of cases over £300,000

Settlement of legal claim

The Core Department and Met Office entered into a settlement agreement with Atos IT Services UK Ltd for joint payment of £24.0 million to Atos, without admission of liability, in relation to a procurement exercise undertaken by the Met Office, an executive agency (trading fund) of the Department. In a separate agreement with the Met Office, the Department undertook to contribute £20.7 million to this settlement with the balance of £3.3 million being paid by the Met Office.

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 2021-22, 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 Core Department has fees generated from the Coronavirus Business Interruption Loan Scheme, Coronavirus Large Business Interruption Loan Scheme, and the Recovery Loan Scheme, further details can be found in note 6.1.
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

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

Remote contingent liabilities (audited information)

Remote contingent liabilities are not included within the contingent liabilities in the financial statements, as they do not meet the threshold given in IAS 37.

Remote contingent liabilities have a small, remote likelihood of resulting in a transfer of economic benefit by the department.

The department has entered the following remote contingent liabilities by offering guarantees, indemnities or letters of comfort.

Quantifiable remote contingent liabilities

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 2021	Increase / (Decrease) in year	Liabilities crystallised in year	Obligations expired in year	31 March 2022	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**	-

	1 April 2021	Increase / (Decrease) in year	Liabilities crystallised in year	Obligations expired in year	31 March 2022	Amount reported to Parliament by Departmental Minute
	£m	£m	£m	£m	£m	£m
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	**24**	**-**	**-**	**-**	**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 (as amended by the Nuclear Installations (Liability for Damage) Order 2016) for third-party claims in excess of the operator’s liability in the event of a nuclear accident in the UK.
- Indemnities have been provided to certain nuclear site companies and the Nuclear Decommissioning Authority in respect of personal injury claims in the event of a nuclear incident.
- 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.

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 certain insolvency administrators, including the Official Receiver, relating to actions undertaken in respect of administration of specified companies.
- Indemnities have been provided to the Oil and Gas Authority (OGA) who operate as the North Sea Transition Authority (NSTA), 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 2022 of £24.7 billion (31 March 2021: £23.5 billion) has a present value of £51.9 billion (31 March 2021: £23.8 billion) which includes an allowance for future inflation. The value of the Fund as at 31 March 2022 is £20.4 billion (31 March 2021: £14.7 billion). It is not possible to quantify the extent to which the government may be obliged to contribute to the Fund, nor of any surplus that may arise, 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.

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 31 March 2023.

Other potential or expected liabilities

The Department has entered the following arrangements, details of which are provided in the interests of transparency. They are not contingent liabilities which require disclosure under IAS 37 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*:

*Does not include the 2022 T4 and T1 auctions as awaiting data

	As at 31 March 2022				As at 31 March 2021			
	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	745	4,093	5,327	**10,165**	957	2,763	4,022	**7,742**
Income from levy – ESC	(745)	(4,093)	(5,327)	**(10,165)**	(957)	(2,763)	(4,022)	**(7,742)**
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.

In 2020-21 annual report and accounts, the Department published estimates of fraud and error in relation to the COVID-19 loan guarantees and the COVID-19 business support grants, for expenditure that was recognised in the 2020-21 financial year. The Department has refined these estimates as more information has become available.

For grant expenditure recognised in 2021-22 the Department has calculated initial estimates of the level of fraud and error across the schemes.

The below provides an update on the estimated levels of fraud and error in the COVID-19 loan guarantees and the COVID-19 business support grants.

COVID-19 loan guarantees

As a result of the COVID-19 pandemic, the Department entered into loan guarantee agreements with accredited lenders, providing support to businesses under:

- the Bounce Back Loan Scheme (BBLS)
- the Coronavirus Business Interruption Loan Scheme (CBILS)
- the Coronavirus Large Business Interruption Loan Scheme (CLBILS)
- the Recovery Loan Scheme (RLS) - launched in 2021-22 to help support business recover from the pandemic

BBLS

Due to the imperative to deliver rapid support to businesses impacted by the pandemic, Ministers Directed officials to implement a scheme design which would facilitate faster lending. This mean that BBLS relied on self-certification of eligibility and included and changes to lender's usual controls. It was expected that there would consequently be a heightened risk of fraudulent borrowing and loans being issued in error. A statistical sampling exercise was undertaken during the 2020-21 financial year, to provide an estimate of the level of fraud and error in the BBLS.

During the 2020-21 year, a sample of 1,067 loans were examined and placed into differing categories based on the likelihood of fraud. This resulted in a central estimate for the incidence of fraud in the portfolio of 11.15% of facilities, which was included in the expected credit loss (ECL) calculation at 31 March 2021. Additional work was completed following further engagement with lenders on post year end information which enabled a conclusion to be drawn on loans which had previously been classified as 'possibly fraud'. This resulted in the central estimate of 7.5% being disclosed in 2020-21 as a non-adjusting post balance sheet event.

During 2021-22 further work to refine the fraud and error estimate was undertaken to consider other fraud risks not captured within the sample exercise (which was designed while the scheme was still live), and to make use of repayments data that was not previously available. Taken together, this new information indicates that the 7.5% is likely understating the fraud incidence in the scheme. However, there is currently insufficient evidence to support a quantified uplift to the estimate on the basis of these additional fraud risk indicators (this is detailed and discussed further in note 21). Therefore, the Department has maintained the fraud estimate in the scheme at 7.50%, adjusted for additional claims identified by lenders as fraudulent within the sampled population. This increases the rate to 8.00%, although it acknowledges that the actual rate is likely to be higher and future measurement work will attempt to reflect this.

As well as refining the fraud incidence estimate, the Department assessed the information that is available on repayments for the loans identified as probable fraud in the above sample, in order to estimate the losses resulting from estimated fraud incidence. The fraud estimate has been reduced to 52.94% to take into account the potential rate of loss that could occur as a result of those loans identified as probable fraud. The rate has been adjusted to account for the number suspected fraud that has already been observed within the portfolio as suspected fraud cases have been claimed and settled. This equates to 0.75% of portfolio lending, which when deducted from the lifetime fraud and error rate gives rise to a 3.49% fraud and error rate loss estimate for the outstanding exposure at the year-end, which has been used as an input in the expected credit loss modelling.

The table below shows the progress to date of the estimated levels of fraud and error loss in the BBLS:

	31 Mar 2022	Nov 2021	31 Mar 2021 ECL valuation
Central estimate	3.49% £1,120m	7.5%	11.15% £4,944m
Lower range	1.49% £481m	4.5%	8.15% £3,615m
Upper range	7.24% £2,320m	10.5%	14.15% £6,275m
Sample size	1,067 [1]	1,067	1,067

Notes

1. While the results of the testing on the sample of 1,067 the fraud occurrence estimate for 2021-22, information on materialised fraud also forms part of the final estimate.

Significant uncertainties remain around the estimate, and it is widely acknowledged that there are additional risk indicators (not included in the sampling exercise which underpins the current estimate) which will increase the estimate of the incidence of fraud and error in the scheme. The challenge is quantifying these risks in a way that is sufficiently robust and allows the estimate to be updated based on verifiable evidence. Further information in relation to the uncertainties associated with the fraud estimate are included in note 21. The estimate is based on three components:

- The work carried out on the sample of loans resulting in an 8.0% estimate of fraud within the sample, and identification of any other loans in the sample subsequently flagged as fraudulent by lenders.
- An estimated conversion to loss factor of 52.94%, reducing the overall fraud estimate.
- This estimate is based on the performance of the 85 loans identified as 'probably fraudulent' from the initial sample of 1,067. The performance of these 85 loans have been monitored as an indicator of how fraudulent loans will perform throughout their lifetime.
- Removal of the known fraud losses, which amount to 0.75% of the portfolio.

For further details on the fraud estimate and the related data limitations, see note 21.

Eventual losses of public funds due to fraud and error could, and are expected to, vary from the range noted above. Further details regarding 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 re-insurance contracts, note 21'.

The Department will continue to refine its estimate of fraud and error and report on this in future annual reports.

CBILS, CLBILS, RLS

Unlike BBLS which relied on self-certification of eligibility and did not have credit checks, for CBILS, CLBILS and RLS, 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, CLBILS and RLS as detailed further in note 21.

Repayments data which is available to date supports this assessment as there are currently low levels of claims and defaults across these three schemes, and low levels of payments in arrears. The table below shows the level of repayments data as at 31 March 2022 for CBILS and RLS, the only schemes of these three which have a liability that is material to the accounts.

Scheme	Outstanding facilities	Outstanding facilities paying on time	Outstanding facilities - Repayments in arrears	Outstanding facilities - Repayments in default	Facilities fully repaid
CBILS	£18.5 bn	78.7%	1.3%	<1%	18.1%
RLS	£2.6 bn	97.4%	<1%	<1%	<1%

The Department will continue to monitor fraud and error on these schemes, along with continued monitoring of repayments as further information becomes available. This will support any adjustments required to our assumptions on fraud and error.

Further information on these schemes can be found in note 21 to the financial statements and the actual losses for 2021-22 can be found in 'Losses and special payments' disclosure.

The Department is also undertaking a range of other counter fraud activities to pursue fraudsters and recover monies. Further information on this is outlined in the Governance Statement on page 86.

COVID-19 business support grants

The following COVID-19 business support grants schemes were provided in urgent response to the financial difficulties faced by businesses during the pandemic as a result of both regional and national lockdowns:

- Small Business Grant Fund (SBGF)
- Retail, Hospitality and Leisure Grant Fund (RHLGF)
- Local Authority Discretionary Grant Fund (LADGF)
- Various Local Restrictions Support Grants (LRSG)
- Christmas Support Package (CSP)
- Restart Grant
- Additional Restrictions Grants and various top-ups (ARG)
- Omicron Hospitality and Leisure Grant (OHLG)

The various LRSG schemes comprise:

- LRSG Addendum (November)
- LRSG (Open)
- LRSG (Closed) Pre-November 2020
- LRSG (Closed) Post 2 December
- Closed Business Lockdown Payment
- LRSG (Closed) Addendum
- LRSG Sectors

- LRSG (Closed) Addendum - Tier 4

Due to the rapid turnaround in making funding available for businesses, it was expected there would be a degree of fraudulent claims, opportunistic behaviour and payments made in error outside of the scheme criteria, especially in the earlier schemes.

For the 2020-21 accounts, the Department produced an initial estimate of irregular spend in the first three schemes (SBGF, RHLGF and LADGF). In 2021-22 work over these three schemes has continued, resulting in a final refined estimate. The Department has also produced initial estimates of irregular expenditure in the remaining grant schemes.

For all schemes, the checks performed involved assessing each sampled payment for eligibility against the grant scheme criteria. The estimates below represent irregularity overall and it is not possible to break them down into separate fraud and error figures. The level of irregularity is expected to vary by scheme. The checks performed are not fully comprehensive as they cannot identify instances of complex fraud. This is why the Department is undertaking a range of other counter fraud activities – described in the Governance Statement on page 86.

Further information on each scheme is detailed below.

Grant expenditure recognised in 2020-21

Small Business Grant Fund (SBGF); Retail Hospitality and Leisure Grant Fund (RHLGF); Local Authority Discretionary Grant Fund (LADGF)

The estimated level of fraud and error in the COVID-19 grant schemes, for the 2020-21 accounts, was based on work carried out over the initial three schemes: SBGF, RHLGF and LADGF. Payments were deemed either ‘not eligible’, ‘eligible’ or ‘possibly eligible’.

The estimated level of fraud and error was based on those payments categorised as ‘not eligible’. This resulted in a central estimate of irregular payments that was material to the 2020-21 accounts, at 8.9% (£1,038 million). There were uncertainties in the estimate as a result of data limitations and time constraints.

This year, the Department has refined the estimated level of fraud and error in the first three schemes (SBGF, RHLGF, LADGF). The central estimate of 8.4% (£985 million) shown in the table below is the Department’s final estimate. The table also shows the initial 2020-21 estimate for comparison.

SBGF, RHLGF and LADGF

	2021-22 final estimate	2020-21 initial estimate
Department expenditure	£11,659m (2020-21)	£11,659m (2020-21)
Sample size	4,476	476
Estimates		
Central estimate	8.4% (£985m)	8.9% (£1,038m)
Lower bound (95% confidence interval)	7.6% (£890m)	4.4% (£514m)
Upper bound (95% confidence interval)	9.3% (£1,079m)	13.4% (£1,562m)

The level of fraud and error in relation to the initial three schemes is estimated to be 8.4%. The confidence intervals are shown in the table above. This is the central estimate of statistical anal-ysis and a refinement of the earlier estimate published in the Department’s Annual Report and Accounts 2020-21.

The initial estimate was based on a sample of 476 payments, drawing only on publicly available information. The Department has now had more time to carry out testing. The refined estimate is based on a much larger, statistically representative sample of 4,476 payments, resulting in a narrower range. It also uses evidence from the local authorities making the payments, in addition to publicly available information.

This approach was discussed with the Office for National Statistics (ONS). They concluded that the number and stratification of checks was suitable for reporting an irregular payment value at a national level.

The testing in 2020-21 classified the 476 payments as, 'not eligible' 'eligible' or 'possibly eligible'. The estimate was based on the 'not eligible' payments. The Department has now had more time to request further evidence from local authorities for these 'possibly eligible' payments. Therefore, where the Department has still been unable to firmly determine eligibility, 'possibly eligible' items have been included in the final estimate (8.4%) of irregular payments for SBGF, RHLG and LADGF.

If these 'possibly eligible' items were excluded from the estimate, the level of irregular payments would drop to 0.5% (£60 million). This represents the payments in the sample identified as 'not eligible'. Had it been possible to conclude on these 'possibly eligible' items, some would likely have been classified as 'eligible'. Therefore, it is not possible to determine exactly what the irregular spend percentage would have been – although this prudent approach may overestimate the level of fraud and error.

The above results conclude the Department's work to determine its estimate of irregular payments in the SBGF, RHLG and LADGF schemes. They therefore provide the Department's final estimate over the level of fraud and error in these schemes. Work has already begun to recover those payments which have been identified as 'not eligible'. Further details of this can be found on page 86 of the annual report.

Various Local Restrictions Support Grants (LRSG); Christmas Support Package (CSP)

The initial estimate included in the 2020-21 annual report and accounts for the level of fraud and error in the SBGF, RHLGF and LADGF schemes was extrapolated across the LRSG, CSP, CBLP, ARG, and the first ARG top-up schemes. This is because there was insufficient time to develop a separate estimate for these schemes in time for the 2020-21 accounts.

As reported in BEIS' 2020-21 accounts, the Department expected to find lower levels of irregular payments in the later schemes compared to the first three – lower than the initial sample's central estimate of 8.9%. This was because the Department provided increased guidance and support to local authorities administering these schemes. Local authorities also had the opportunity to learn from experience administering the initial schemes.

During 2021-22, the Department started work to estimate the level of fraud and error in the later schemes. As with the earlier schemes, the work involved reviewing a random sample of payments from each scheme for eligibility under the scheme criteria. The Department used evidence from local authorities, publicly available information and lessons learned from the work on the earlier schemes. These estimates will continue to be refined.

Various LRSG

The table below sets out the initial estimates of fraud and error in the LRSG schemes. The results presented here provide a guide to the levels of irregularity in these schemes. The checks concluded to date are not expected to change further and the analysis that has been conducted assumes no changes will take place. These results are an indication of what BEIS expects to hold true if the checks processed to date are confirmed to be representative of the larger, final sample.

	2021-22
Department expenditure	£5,349m (2020-21)[1]
Sample size	587
Estimates	
Central estimate	0.5% (£27m)
Lower bound (95% confidence interval)	0.0% (£0m)[2]
Upper bound (95% confidence interval)	1.2% (£63m)

Notes

1. Total estimated expenditure recognised in 2020-21 was £5,571 million. Final expenditure figure is £5,349 million, as detailed in note 1.26.
2. The number of checks found to be irregular, and small sample size processed to date, mean that it has been necessary to adjust the lower bound presented here to reflect the already observed irregularity. The value of the lower bound is expected to rise as more checks are performed, even if the percentage remains the same.

Each payment has been categorised as ‘eligible’, ‘not eligible’ or ‘ongoing’. Payments categorised as ‘not eligible’ have been included in the estimate.

There are uncertainties in the above estimates, due to data limitations and time constraints. Significant data limitations are detailed below.

Due to time and data constraints, checks on some payments are not yet concluded and further investigation is required to determine their eligibility. For LRSG, the Department has processed one or more checks from data received from 56 local authorities (18% of all authorities). 42% of the checks have been processed from the statistically valid sub-sample group meaning there is a possibility of bias in the results.

The not-yet-concluded items are termed ‘ongoing’ because further time and investigation is required to determine whether the payments were made within the scheme criteria. There is no information to suggest that these payments are any more likely than average to be irregular, although the estimated value of irregular spend could increase once these samples are concluded.

The Department will continue to investigate the ongoing samples. Work carried out this year over the first three schemes found that payments categorised last year as ‘possibly eligible’ have, on further investigation, mainly been categorised as ‘eligible’. This supports the Department’s decision to exclude the ‘ongoing’ items from the estimate in the table above, until further work is completed.

In 2020-21, expenditure recognised for the CSP scheme was £22.9 million. This was immaterial to the accounts and expenditure on the other schemes was significantly higher. Therefore, the Department has focussed its efforts on the estimates for the more material schemes, where irregular payments are likely to have a higher total value. For CSP, data from 42 authorities (13% of all authorities) has been processed to date. The small sample size means a statistically valid estimate is not yet available.

A total of c. 2.2 million grant payments were made for the LRSG and CSP grant schemes; the sample of 629 payments analysed represents 0.03% of all payments. The Department has agreed with the

ONS that a larger sample size will need to be concluded to form a fully representative estimate. The Department will continue this work over the next financial year

Grant schemes with expenditure recognised in 2021-22

Restart, ARG and OHLG

Expenditure is recognised in 2021-22 for the following grant schemes:

- Restart
- ARG including various top-up schemes
- OHLG

Below are the Department's initial estimates of the level of fraud and error in these grant schemes. The results presented here provide a guide to the levels of irregularity in these schemes. The checks concluded to date are not expected to change further and the analysis that has been conducted assumes no changes will take place. These results are an indication of what BEIS expects to hold true if the checks processed to date are confirmed to be representative of the larger, final sample.

				2021-22
	Restart	ARG	OHLG	Total
Department expenditure on the scheme	£3,045m	2021-22: £499m 2020-21: £1,631m	£479m	**£4,023m**
Sample size	555	626	392	-
Estimates				
Central estimate	0.5% (£16m)	1.6% (2021-22: £8m) (2020-21: £26m)	1.3% (£6m)	**£30m**
Lower bound (95% confidence interval)	0.0% (£0m) [1]	0.6% (2021-22: £3m) (2020-21: £9m)	0.1% (£0m)	**£3m**
Upper bound (95% confidence interval)	1.2% (£38m)	2.6% (2021-22: £13m) (2020-21: £43m)	2.5% (£12m)	**£63m**

Notes

1. The number of checks found to be irregular, and small sample size processed to date, mean that it has been necessary to adjust the lower bound presented here to reflect the already observed irregularity. The value of the lower bound is expected to rise as more checks are performed, even if the percentage remains the same.

For each scheme, BEIS reviewed a random sample of payments, and each was categorised as 'eligible', 'not eligible' or 'ongoing'. Due to time constraints, checks on some payments are not yet concluded and further investigation is required to determine their eligibility. Other significant data limitations and assumptions are detailed below.

As with the LRSG and CSP schemes, payments for which a conclusion has not yet been reached are termed 'ongoing'. These have not been included in the estimate for Restart, ARG or OHLG, for the same reasons detailed above.

Local authorities continued to distribute funds for OHLG, ARG and Restart until the end of March 2022. The Department worked with local authorities to collect data for the reconciliations faster than for the earlier schemes. However, the late scheme closure reduced the time available to review the payments and form the fraud and error estimate.

Where the local authority reconciliation was not yet complete, monitoring and evaluation data was instead used to select the sample. This data was collected through the year and represented around 80% of payments. There is a possibility that this biases the results, although the Department has no evidence to believe this is the case.

ARG expenditure was recognised in 2020-21 and in 2021-22 because several top-ups of the scheme were issued. The scheme guidance for each top-up was very similar and local authorities retained high levels of discretion for the businesses that would receive the funding. As the estimate of fraud and error is for the scheme in totality, the scheme is included in full in the table above. The funding was provided across two years. This period is sufficiently short that the Department has assumed that the rate of fraud and error across the two years would not vary significantly. Therefore, the same percentage has been applied to the spend in two years.

The ARG scheme gave local authorities high levels of discretion to set their own eligibility criteria to fit local circumstances. This estimate is based only on eligibility against criteria mandated by BEIS. Local authorities will have also set their own additional criteria for eligibility, which the Department has not reviewed.

A total of around 1.3 million grant payments were made for the OHLG, ARG and Restart grant schemes. The sample of 1,573 payments analysed represents 0.1% of all payments. The Department has agreed with the ONS that a larger sample size will need to be concluded for a fully representative estimate to be formed. The total final sample for these schemes is expected to exceed 3,000 payments. The Department will continue this work over the next financial year.

The results show a significant decrease in the estimated levels of fraud and error in the later grant schemes, compared to the initial three grant schemes (SBGF, LADGF, RHLGF). This may be a result of clearer scheme guidance, articulating more clearly who is eligible to receive the payments; stronger requirements for local authorities to perform pre-payment checks; and better clarity on the information the Department would require from local authorities to evidence that a payment was eligible.

Forward Look

The Department is continuing its assurance exercises to refine the fraud and error estimates for the LRSG, CSP, Restart, ARG and OHLG schemes. These exercises will test larger samples of payments based on the sampling methodology agreed with the ONS. It will also give local authorities the opportunity to respond to enable a conclusion to be drawn on those payments currently classified as 'ongoing'. The work will provide statistically valid results using similar methodology to the Cohort 1 refinement above.

The Department is also undertaking a range of other counter fraud activities to prevent and detect fraud, pursue fraudsters, and recover monies. This activity helps to continue to build up the Department's understanding of irregular payments across the different schemes.

Renewable heat incentive grant scheme

The value of payments made in error during 2021-22 under the Core Department GB Renewable Heat Incentive Scheme is estimated at £10.4 million (1.1% of total payments) within a 95% confidence interval of £6.2 million to £14.6 million. Applied to the expenditure total of £919.6 million (which represents the value of payments made in 2021-22, adjusted for net movements on accrued amounts payable) this would give an estimate of potential error of £10.1 million within a 95% confidence interval of £6.0 million to £14.2 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

18 October 2022

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 2022 under the Government Resources and Accounts Act 2000. 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 2021. The financial statements comprise: the Department's and the Departmental Group's

- Statement of Financial Position as at 31 March 2022;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards.

In my opinion the financial statements:

- give a true and fair view of the state of the Department and the Departmental Group's affairs as at 31 March 2022 and its 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

Without qualifying my opinion, I draw attention to the disclosures made in notes 1.27 and 20.1 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 by the Nuclear Decommissioning Authority.

Contracts for Difference (CfD) derivatives

I also draw attention to the disclosures made in notes 1.20 and 10 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. The fair valuation estimate is particularly sensitive to other assumptions, including the rate applied to discount projected future difference payments. Significant changes to the liability could occur as a result of subsequent information and events which are different from the current assumptions adopted.

Financial guarantee liabilities

Furthermore, I draw attention to the disclosures made in notes 1.27 and 21 to the financial statements concerning the measurement of the Department's liability under the Bounce Back Loan guarantee scheme. As described in note 21, the guarantee liability recognised in these financial statements is the present value of the 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 adaptation per the Government Financial Reporting Manual (FReM). As note 21 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 and error occurrence and associated loss. The Department has taken into account all reasonable and supportable information at the reporting date in estimating the guarantee liability recognised in the financial statements, however, as disclosed in note 21, there are a number of additional risk indicators for which the Department is unable to quantify the impact on the liability due to current data limitations.

The sensitivity also applies to the associated credit losses recognised in the Statement of Comprehensive Net Expenditure.

My opinion is not modified in respect of these matters.

Opinion on regularity

In my opinion, 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 2022 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 opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity 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 its 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 and its 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 or its 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 its 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 financial statements nor my auditor's certificate and report. 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 the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000.

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit 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 and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Department and the 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:

- I have not received all of the information and explanations required for my audit; or
- adequate accounting records have not been kept by the Department 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 subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; 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:

- maintaining proper accounting records;
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable;
- internal controls as the Accounting Officer determines are necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error; and
- assessing the Department and its 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 its 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.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of the Department and its Group's accounting policies, key performance indicators and performance incentives.
- 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 its 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 its Group's controls relating to the Department's compliance with the Government Resources and Accounts Act

2000, Managing Public Money and the Supply and Appropriation (Main Estimates) Act 2021.

- discussing among the engagement team, including significant component audit teams, and involving relevant internal and external specialists, including modelling and economics specialists regarding complex expected credit loss models and statistics experts regarding the adequacy of the Department's fraud assessment in COVID-19 support schemes and regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Department and its Group for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates, including in the valuation of the Department's liability for loan guarantee schemes. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override.

I also obtained an understanding of the Department and Group's framework of authority as well as other legal and regulatory frameworks in which the Department and Group operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Department and its Group. The key laws and regulations I considered in this context included the Government Resources and Accounts Act 2000, Managing Public Money, the Supply and Appropriation (Main Estimates) Act 2021, employment law, tax and pension legislation, the Industrial Development Act 1982, the Local Government Act 2003, the Coronavirus Act 2020, the Higher Education and Research Act 2017, the Energy Act 2004, the Energy Act 2013, the Contracts for Difference (Counterparty Designation) Order 2014 and the Contracts for Difference (Electricity Supplier Obligations) Regulations 2014.

In addition, I considered the Department's assessment of the level of fraud and error in COVID-19 support schemes and the regularity of grant expenditure.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports;
- 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.

Other auditor's responsibilities

I am required to obtain appropriate 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.

Gareth Davies
Comptroller and Auditor General

19 October 2022

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

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

Introduction

The Department for Business, Energy & 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.

Last year I qualified my regularity opinion of the Department's and Departmental Group's 2020-21 financial statements. This qualification was due to:

- the estimated material level of fraud in the COVID-19 business loan schemes for which the Department provided financial guarantees; and
- the estimated material level of fraud and error in the COVID-19 business support grants funded by the Department.

I also committed to review the Department's updated estimates and activities in recovering irregular payments as part of my audit of the Department's and Departmental Group's 2021-22 financial statements. This report sets out:

- The Department's progress on refining the fraud and error estimates in the COVID-19 business loan schemes and COVID-19 business support grants at 31 March 2022;
- The limitations in the Department's estimate of the level of fraud and error present in the Bounce Back Loans Scheme and the associated implications for the financial statements; and
- The progress the Department has made in recovering irregular payments in the COVID-19 business loan scheme guarantees and COVID-19 business support grants.

Key findings

- **The Department has refined its fraud and error estimate for the Bounce Back Loans Scheme (BBLS) in 2021-22.** The Department has refined its central estimate of fraud and error in BBLS, with 3.49% (£1.12 billion) estimated to be the Department's outstanding exposure to fraud loss that will arise from claims against the BBLS guarantee. The Department has identified limitations in its estimate which continue to limit its precision, however I am satisfied that the Department has made reasonable use of supportable information available at the reporting date.
- **The Department has refined its assessment of the level of fraud and error present in the other loan guarantee schemes in 2021-22.** As repayment and loan performance data became available for the other loan guarantee schemes, the Department concluded there are immaterial levels of fraud and error in the Coronavirus Business Interruption Loan Scheme (CBILS) and the Coronavirus Large Business Interruption Loan Scheme (CLBILS).

- **The Department has refined the fraud and error estimates for early business support grants in 2021-22. The full assurance exercise that it planned to complete by spring 2022 is ongoing and the Department now expects to conclude this in 2022-23.** BEIS' central estimate is that the first three schemes include irregular payments of £985 million. Its estimates for the later schemes show significantly lower rates of fraud and error, with a combined central estimate of £57 million.
- **Delays in the Department's planned assurance exercises contributed to slower progress in activity to recover irregular payments.** At 31 March 2022, local authorities have recovered £4.2 million in irregular payments on business support grant schemes (which is 0.4% of estimated irregular payments[1]), with a further £1.2 million identified and referred to the Department for recovery. The Department did not complete its planned assurance exercises to its original spring 2022 timetable and revised its completion date to 2022-23. This delay has slowed the progress it has been able to make in supporting local authorities in identifying and recovering irregular grant payments.

2021-22 refinement of fraud and error estimates for business loan schemes

In its 2020-21 financial statements, the Department committed to refine its estimates of the levels of fraud present in the business loan scheme guarantees (BBLS, CBILS and CLBILS) as more reliable information, for example through loan repayment data, became available. This information allowed the Department to expand its analysis to also consider error in loan payments, both on the part of the lender and the borrower. The different characteristics of fraud and error in the business loan schemes will have varying implications for the losses faced by the Department as guarantees are called. For example, where a loan has been issued as a result of lender fraud or error, the BBLS guarantee will be invalidated, reducing the loss exposure to the Department.

Robust and timely measurement of fraud is key to developing a cost-effective control environment. Consideration of this additional information will help the Department to develop more reliable fraud and error estimates. Refined estimates provide vital transparency for taxpayers and Parliament, and will help the Department make better decisions about where to deploy its counter fraud resources to achieve the best return on investment.

Bounce Back Loans Scheme *fraud and error estimate refinement*

During 2020-21, the Department commissioned experts to produce a statistical estimate of the rate of occurrence of fraud in BBLS which was based on a sample of 1,067 loans. It used this work to estimate the level of fraud present within the scheme at 11.15% to a 95% confidence interval[2]. The Department acknowledged in its 2020-21 financial statements limitations associated with their estimate:

- the estimate included all items flagged as 'possible' and 'probable' fraud occurrence, resulting in a likely overestimate of the rate of fraud present in the scheme;
- the Department had been unable to estimate the level of fraud occurrence that was likely to result in a loss through a claim on the loan guarantee, instead assuming that all fraud occurrences would result in loss, resulting in an overestimate of the fraud loss; and
- the estimate did not include a number of known fraud risk factors (for example businesses not adversely impacted by the pandemic taking out BBLS thus reducing the amount of money available for other public service delivery) because risk indicators could not be built into the estimation approach.

1 This is calculated based on the 2021-22 combined central estimates of irregular payments for all business support grant schemes of £1.04billion per pages 147 to 151 of the Department's Annual Report and Accounts.
2 i.e. the Department could 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%, with 11.15% representing the central point of this range in 2020-21.

As part of my audit of the Department's 2020-21 financial statements, I examined its rationale for these limitations and was satisfied that its justification was reasonable.

The Department continued to refine its estimate of the level of fraud and error during 2021-22, with three significant revisions to its central estimate:

- **Refinement of the Department's central estimate of fraud and error from 11.15% to 8.0%.** The Department has disclosed in Note 21 of the financial statements that it refined its central estimate of fraud and error from 11.15% to 8.0%, This was possible as the sampling exercise undertaken by its experts was completed, combined with continued analysis of the status of sampled loans up to the reporting date of 31 March 2022. The reduction in estimated fraud and error arose as the Department's experts obtained additional information in order to classify all identified 'possible fraud' cases as either 'probable fraud' or 'no fraud suspected', reducing the suspected overstatement that was disclosed in the 2020-21 financial statements.
- **Estimation of the level of suspected fraud cases that are likely to result in a loss to the Department.** The Department, through engagement with lenders, analysis of repayment data and monitoring of performance of the sampled loan facilities, has been able to estimate the level of suspected fraud cases that are expected to result in a claim against the BBLS guarantee (and therefore a loss to the Department). As disclosed in note 21 to the financial statements, the Department currently estimates a loss conversion rate of 52.9% with remaining loans expected to be repaid. This reduces the uncertainty over this element of the Department's estimate compared to the position in 2020-21, where the Department had to assume 100% loss in the absence of information to conclude otherwise.
- **An adjustment to remove the fraud that has already been observed in the Scheme.** The Department has adjusted its fraud and error estimate to remove the fraud that has already been observed, through claimed and settled loan status of 0.75% (11,511 suspected fraud cases claimed or settled out of the 1.54 million BBLS loans provided).

The impact of these refinements is to reduce the Department's central estimate of fraud and error which is expected to result in a loss within BBLS to 3.49%. The Department's estimated outstanding exposure of this fraud and error at 31 March 2022 is £1.12 billion and 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 21.

Despite these refinements of the fraud and error estimate, significant limitations remain which the Department anticipates will result in an understatement of the level of fraud and error present within the scheme. The Department estimates that an uplift of 4% to its fraud occurrence estimate would be a reasonable representation of these limitations, but acknowledges that it does not have sufficiently supportable information to make an adjustment to the guarantee liability and meet the requirements of International Financial Reporting Standards. These limitations arise from fraud risk indicators which the Department has identified but which have not been considered in the sampling work performed. Details of these indicators are included in note 21 to the financial statements, along with the Department's assessment as to why it has been unable to obtain reliable information to support an adjustment to its fraud and error estimate at this stage.

I have considered the rationale set out by the Department, including its explanations as to why it has not been able to obtain reliable information to produce a supportable estimate for inclusion in its financial statements. Given the significance of the Department's fraud and error estimate to its expected credit loss calculations (and therefore the guarantee liability disclosed within the financial statements) I am of the opinion that it would not be appropriate for the Department to apply an uplift to its fraud and error estimate at 31 March 2022 due to the lack of reliable and supportable information available to quantify the impact of the omitted risk indicators. These limitations are sufficiently disclosed by the Department.

As the Department notes, the data limitations in the estimate could result in both increases and decreases to the fraud and error estimate. Furthermore, there is no evidence available to determine the extent to which any fraud associated with the additional risk indicators outlined by the Department would result in a default on the BBLS loan and a loss to the Department.

The significance of the fraud and error estimate to the expected credit loss calculation underpinning the Department's guarantee liability estimate is likely to decrease in future years as fraud losses crystalise and scheme lenders make claims against the BBLS guarantee. Fraudulent cases are unlikely to start repayments, and therefore will become apparent at an early stage due to default. The Department therefore expects to see the majority of fraud losses crystalising during 2022-23, following the end of the BBLS repayment holiday period.

Other business support guarantee scheme fraud and error estimate refinement

During 2021-22, the Department obtained repayment and loan performance data from lenders to support its fraud and error assessment for CBILS, CLBILS and RLS. This data showed that there were low levels of claims and defaults across the schemes and low levels of payments in arrears. Out of these three schemes, CBILS and RLS[3] had material amounts outstanding at 31 March 2022 which are disclosed as liabilities within the Department's financial statements[4]. The Department's engagement with lenders has shown that the levels of default arising from fraudulent or erroneous loans on these schemes is not material. I am satisfied with the Department's assessment of the levels of fraud and error expected to be present in these schemes.

2021-22 refinement of fraud and error estimates for business support grants

Initial three 2020-21 grant schemes

The Department calculated an initial estimate of the fraud and error for the first three business support grant schemes in 2020-21[5] of 8.9% (£1.04 billion). In those financial statements, the Department explained how this estimate contained uncertainties because of data limitations and time constraints. During 2021-22, the Department set out to obtain more data from local authorities to finalise the testing that was inconclusive in 2020-21. This would allow it to increase reliability and narrow the range of the estimate to give more precision as to where the actual level may be. The Department has managed to do so, calculating a revised central estimate of 8.4% (£985 million); however significant uncertainties remained in its finalised estimate due to the inconclusion of items where the Department has been unable to firmly determine eligibility. The Regularity of Expenditure disclosures on page 145 of the Annual Report and Accounts set out how the range of the estimate has narrowed since 2020-21.

Remaining 2020-21 grant schemes

In 2020-21, the Department recognised the estimated expenditure for 'other' 2020-21 business support grant schemes however, the Department was unable to carry out a fraud and error assessment for these schemes due to time

3 Recovery Loan Scheme (RLS) is a new business support guarantee scheme in 2021-22, see note 21 of the financial statements for scheme details. The fraud and error estimate was calculated for the first time using CBILS data due to similarities in the schemes, see page 146 of the Annual Report and Accounts for estimate calculation details.

4 Page 147 of the Annual Report and Accounts shows that outstanding facilities at 31 March 2022 are £18.5 billion and £2.6 billion for CBILS and RLS respectively. This page also provides further repayment data for these schemes.

5 The initial three grant schemes were: Small Business Grant Fund (SBGF); Retail, Hospitality and Leisure Grant Fund (RHLGF); and Local Authority Discretionary Grand Fund (LADGF).

and data constraints[6]. The Department has since undertaken assurance work for these grant schemes and produced an estimate of the fraud and error for inclusion in its 2021-22 financial statements. The Department's central estimate of fraud and error in these schemes is £27.3 million (0.5% of associated grant payments) as disclosed on page 150 of the Annual Report and Accounts.

2021-22 COVID-19 business support grants schemes

In 2021-22, the Department provided a further £4 billion of COVID-19 business support grant through three new schemes[7]. As with the 2020-21 grant schemes, the Department has carried out a programme of assurance work to estimate the level of fraud and error on these schemes. The Department's central estimate of fraud and error in these schemes is £30 million (0.75% of associated grant payments), with further details (including individual scheme estimates) disclosed on page 151 of the Annual Report and Accounts.

The Department originally planned to complete the assurance work for business support grants (excluding the Omicron Hospitality and Leisure Grant and Additional Restrictions Grant schemes) by spring 2022. This was to determine a more reliable fraud and error estimate to allow it to help local authorities to identify irregular payments in the non-sampled population to support the recovery of irregular payments. The Department has been unable to complete this exercise for the 'other' 2020-21 grant schemes or the new 2021-22 schemes and now expects to do so in 2022-23.

My audit sought to obtain assurance over the precision of the estimated range of fraud and error in the COVID 19 business support grant schemes which have been estimated or refined by the Department in 2021-22. I am satisfied the estimated level of fraud and error in the expenditure associated with 2021-22 grant schemes is not material.

Progress recovering irregular payments for COVID-19 business support loans and grants

The Department is working with the National Investigation Service (NATIS), the Insolvency Service and other law enforcement agencies to pursue investigations into fraud in the Bounce Back Loans Scheme[8].

By 31 March 2022, NATIS had recovered £3.8 million on BBLS (0.34% of estimated irregular payments expected to result in a loss at 31 March 2022[9]), of which £2.6 million has been returned to the commercial lenders and partners and £1.2 million has been returned to HM Treasury. In relation to BBLS, NATIS had made 49 arrests and had 43 ongoing investigations as at 31 March 2022. The Department's recovery efforts for BBLS remain ongoing and it has committed to the Public Accounts Committee to set out further details on how it is working to maximise recovery efforts and reduce exposure to taxpayers by December 2022.

The Department is also working with local authorities to recover irregular grant payments made as a result of fraud or error in the various business support grant schemes[10]. At 31 March 2022, a total of £4.2 million irregular payments have been recovered (which is 0.4% of estimated irregular payments[11]) with 32 arrests and 19 ongoing investigations with NATIS.

The Department has not made the progress it planned in recovering irregular grant payments

6 The 'other' 2020-21 grant schemes were: Closed Business Lockdown Payment; Christmas Support Package; and Local Restrictions Support Grants (various iterations).

7 The three new grant schemes were: Restart Grant; Omicron Hospitality and Leisure Grant (OHLG); and Additional Restrictions Grant (ARG).

8 House of Commons Committee of Public Accounts, Thirty-Third Report of Session 2019–21 Department for Business, Energy and Industrial Strategy Covid-19: Bounce Back Loan Scheme, HC 687, March 2021

9 This is calculated based on the Department's 2021-22 central estimate of the outstanding exposure to irregular payments expected to result in a loss for BBLS of £1.12 billion per page 146 of the Department's Annual Report and Accounts.

10 House of Commons Committee of Public Accounts, First Report of Session 2022–23 Department for Business, Energy & Industrial Strategy Annual Report and Accounts 2020–21 inquiry, HC 59, September 2022

11 This is calculated based on the 2021-22 combined central estimates of irregular payments for all business support grant schemes of £1.04 billion per pages 148 to 152 of the Department's Annual Report and Accounts.

due to delays in the assurance exercise. The Department's recovery activity, in conjunction with local authorities, has so far focussed on recovering irregular payments that have been identified as part of its assurance work or notified to the Department by local authorities. The Department is yet to apply its findings to the rest of the population of payments to help local authorities identify those non-sample tested payments with a higher risk of being irregular. The Department has therefore deferred the wider recovery of irregular payments until this exercise has concluded. For the initial three grant schemes (which have the estimated material levels of fraud and error), this means wider recovery action is not starting until 2-3 years after the businesses received the irregular payments. The longer the Department takes to start the recovery process, the lower the likelihood of successful recovery and potentially the greater the losses to the public purse.

Gareth Davies
Comptroller and Auditor General

19 October 2022

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

Financial Statements

The UK led the provision of the MIRI Optical System through European Space Agency. MIRI is the instrument on the James Webb Space Telescope that can see mid-infrared light

Consolidated Statement of Comprehensive Net Expenditure

for the period ended 31 March 2022

		31 March 2022		31 March 2021 restated	
	Note	Core Department and Agencies £m	Departmental Group £m	Core Department and Agencies £m	Departmental Group £m
Income from sale of goods and services	6.1	(650)	(3,040)	(890)	(5,401)
Total operating income		**(650)**	**(3,040)**	**(890)**	**(5,401)**
Staff costs	3	560	1,632	497	1,454
Purchase of goods and services	4.1	4,249	6,894	3,528	5,780
Depreciation and impairment charges	4.2	122	534	91	514
Provision, financial guarantee and other liabilities expenses	4.3	(2,832)	103,540	19,926	23,761
Grants	4.4	25,133	20,237	29,177	24,426
Other operating expenditure		-	(9)	(52)	(72)
Total operating expenditure		**27,232**	**132,828**	**53,167**	**55,863**
Net operating expenditure		**26,582**	**129,788**	**52,277**	**50,462**
Finance income	6.2	(178)	(320)	(215)	(332)
Finance expense	5	(43)	(646)	50	(235)
Contracts for difference derivatives	10	-	10,286	-	2,746
Share of post-tax loss/(profits) of associates and joint ventures	14	(29)	(159)	26	(130)
(Gain)/loss on net assets transferred		-	-	-	2
Net expenditure for the year from operations		**26,332**	**138,949**	**52,138**	**52,513**
Net expenditure for the year		**26,332**	**138,949**	**52,138**	**52,513**
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		(78)	(285)	3	(22)
- revaluation of intangible assets		-	14	-	(54)
Items that may be reclassified subsequently to net operating costs:					
- revaluation of investments		124	91	109	76
- other revaluation movements		(7)	(7)	16	20
- actuarial (gains)/losses		-	(194)	-	(150)
Total other comprehensive net income and expenditure		**39**	**(381)**	**128**	**(130)**
Comprehensive net expenditure for the year		**26,371**	**138,568**	**52,266**	**52,383**

The Consolidated Statement of Comprehensive Net Expenditure has been restated as explained in note 28.

All operations are continuing.

Further analysis of staff costs can be found in the Staff note in the Accountability Report on page 97.

The notes on pages 176 to 307 form part of these accounts.

Consolidated Statement of Financial Position

as at 31 March 2022

		31 March 2022		31 March 2021 restated		1 April 2020	
		Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	Note	£m	£m	£m	£m	£m	£m
Non-current assets:							
Property, plant and equipment	7	405	4,156	328	3,833	333	3,632
Right of use assets	8	106	316	-	-	-	-
Investment properties		1	124	2	122	2	121
Intangible assets	9	58	163	44	190	119	248
Investment and loans in public bodies	11	4,672	1,867	4,101	1,725	3,392	1,706
Other financial assets	12	1,744	6,876	1,769	5,641	967	4,120
Recoverable contract costs	13	-	3,071	-	1,447	-	1,425
Investment in joint ventures and associates	14	376	1,504	348	1,395	-	967
Trade and other receivables	15	504	598	634	739	740	848
Retirement benefit obligations	22	-	223	-	-	-	-
Total non-current assets		**7,866**	**18,898**	**7,226**	**15,092**	**5,553**	**13,067**
Current assets:							
Inventories		-	20	-	18	-	51
Non-current assets held for sale		-	7	-	6	-	6
Trade and other receivables	15	2,667	3,889	3,514	4,885	535	2,255
Investments and loans in public bodies	16	562	561	588	572	687	672
Other financial assets	12	223	223	-	72	-	-
Derivative financial instruments	24	-	-	-	-	9	9
Cash and cash equivalents	17	4,412	5,821	1,952	3,444	1,069	2,189
Total current assets		**7,864**	**10,521**	**6,054**	**8,997**	**2,300**	**5,182**
Total assets		**15,730**	**29,419**	**13,280**	**24,089**	**7,853**	**18,249**
Current liabilities:							
Trade payables and other liabilities	18	(6,355)	(10,060)	(4,291)	(7,759)	(2,823)	(6,524)
Lease liabilities		(31)	(49)	-	-	-	-
Provisions for liabilities and charges	20	(269)	(3,598)	(226)	(3,426)	(11,047)	(14,065)

	Note	31 March 2022 Core Department and Agencies £m	31 March 2022 Departmental Group £m	31 March 2021 restated Core Department and Agencies £m	31 March 2021 restated Departmental Group £m	1 April 2020 Core Department and Agencies £m	1 April 2020 Departmental Group £m
Financial guarantees, loan commitment liabilities and re-insurance contracts	21	(16,195)	(16,234)	(19,837)	(19,880)	(17)	(17)
Derivative financial instruments	24	-	-	(7)	(7)	-	-
Total current liabilities		**(22,850)**	**(29,941)**	**(24,361)**	**(31,072)**	**(13,887)**	**(20,606)**
Non-current assets plus/less net current assets/ liabilities		**(7,120)**	**(522)**	**(11,081)**	**(6,983)**	**(6,034)**	**(2,357)**
Non-current liabilities:							
Trade payables and other liabilities	18	(1,650)	(3,637)	(1,324)	(3,003)	(883)	(2,467)
Lease liabilities		(73)	(198)	-	-	-	-
Provisions for liabilities and charges	20	(2,016)	(241,889)	(1,540)	(136,301)	(1,704)	(136,037)
Financial guarantees, loan commitment liabilities and re-insurance contracts	21	(18)	(172)	(65)	(168)	(74)	(221)
Derivative financial instruments	10, 24	-	(26,948)	-	(16,933)	-	(16,464)
Retirement benefit obligations	22	-	-	-	(392)	-	(87)
Total non-current liabilities		**(3,757)**	**(272,844)**	**(2,929)**	**(156,797)**	**(2,661)**	**(155,276)**
Total assets less liabilities		**(10,877)**	**(273,366)**	**(14,010)**	**(163,780)**	**(8,695)**	**(157,633)**
Taxpayers' equity and other reserves:							
General fund		(11,255)	(275,994)	(14,423)	(166,451)	(9,246)	(160,272)
Revaluation reserve		378	2,011	413	1,900	551	2,008
Charitable funds		-	469	-	472	-	402
Non-controlling interests		-	148	-	299	-	229
Total equity		**(10,877)**	**(273,366)**	**(14,010)**	**(163,780)**	**(8,695)**	**(157,633)**

The Consolidated Statement of Financial Position has been restated as explained in note 28.

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

The notes on pages 176 to 307 form part of these accounts.

Sarah Munby
Permanent Secretary and Principal Accounting Officer

18 October 2022

Consolidated Statement of Cash Flows

for the period ended 31 March 2022

	Note	2021-22 Core Department and Agencies £m	2021-22 Departmental Group £m	2020-21 restated Core Department and Agencies £m	2020-21 restated Departmental Group £m
Cash flows from operating activities					
Net operating cost		(26,332)	(138,949)	(52,138)	(52,513)
Adjustment for non-cash expenditure		(2,462)	113,999	19,974	26,483
(Increase)/decrease in inventories		-	(2)	-	33
Less movements in inventories relating to items not passing through the Consolidated Statement of Comprehensive Net Expenditure		-	-	-	-
(Increase)/decrease in trade and other receivables	15	977	1,137	(2,873)	(2,521)
Less movements in receivables relating to items not passing through the Consolidated Statement of Comprehensive Net Expenditure		(5)	(5)	7	292
Increase/(decrease) in trade payables and other liabilities	18	2,390	2,935	1,909	1,771
Less movements in payables relating to items not passing through the Consolidated Statement of Comprehensive Net Expenditure		(2,690)	(3,239)	(1,192)	(2,092)
Use of provisions	20	(189)	(3,311)	(11,048)	(13,922)
Interest on lease liabilities		1	4	-	-
Financial guarantees called in	21	(483)	(483)	(41)	(41)
Expenditure funded by the National Insurance Fund (RPS)	4.1	261	261	443	443
Payments to retirement benefit obligations		-	(231)	-	(139)
Net cash outflow from operating activities		***(28,532)***	***(27,884)***	***(44,959)***	***(42,206)***
Cash flows from investing activities					
Purchase of property, plant and equipment		(35)	(415)	(51)	(486)
Purchase of intangible assets		(20)	(33)	(17)	(26)
Proceeds of disposal of property, plant and equipment		-	4	-	4
Proceeds of disposal of investment property		2	2	-	-
Proceeds of disposal of intangible assets		-	-	87	87
Proceeds of disposal of assets held for sale		-	5	-	5
Current loans redeemed	16	2,812	2,812	3,146	3,146
Current loans made to Post Office Limited	16	(2,693)	(2,693)	(3,038)	(3,038)

	Note	2021-22 Core Department and Agencies £m	2021-22 Departmental Group £m	2020-21 restated Core Department and Agencies £m	2020-21 restated Departmental Group £m
Repayments of loans and investments		179	513	125	930
Payments to the Contracts for Difference generators	10	-	(271)	-	(2,277)
Other investments and loans made		(850)	(1,360)	(1,691)	(2,305)
Launch investment receipts	12.1	49	49	336	336
Venture capital fund redemptions		4	459	-	75
Venture capital fund investments		(2)	(614)	(4)	(322)
Dividends from Joint ventures and associates	14	1	85	-	88
Disposal of Joint venture and associates		-	30	-	6
Dividends from subsidiaries		-	-	23	-
Investment in Joint ventures and associates	14	-	(55)	(250)	(254)
Investment in shares		(420)	(125)	(364)	-
Repayment of shares		65	-	-	-
Net cash outflow from investing activities		***(908)***	***(1,607)***	***(1,698)***	***(4,031)***
Cash flows from financing activities					
From Consolidated Fund (supply) – current year		31,815	31,815	47,518	47,518
Payment of lease liabilities		(31)	(50)	-	-
From the National Insurance Fund		261	261	443	443
Payments in respect of the National Insurance Fund	4.1	(261)	(261)	(443)	(443)
Net financing		***31,784***	***31,765***	***47,518***	***47,518***
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**2,344**	**2,274**	**861**	**1,281**
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		841	828	1,006	958
Payments of amounts due to the Consolidated Fund		(725)	(725)	(984)	(984)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**2,460**	**2,377**	**883**	**1,255**
Cash and cash equivalents opening balance		**1,952**	**3,444**	**1,069**	**2,189**
Cash and cash equivalents at the end of the period	**17**	**4,412**	**5,821**	**1,952**	**3,444**

The Consolidated Statement of Cash Flows has been restated as explained in note 28.

The notes on pages 176 to 307 form part of these accounts.

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

for the period ended 31 March 2022

	Note	General Fund £m	Revaluation Reserve £m	Taxpayers' equity £m	Total Reserves £m
Balance at 1 April 2020		**(9,246)**	**551**	**(8,695)**	**(8,695)**
Net parliamentary funding – drawn down		47,518	-	**47,518**	**47,518**
Net parliamentary funding – deemed		1,067	-	**1,067**	**1,067**
National Insurance Fund - RPS		456	-	**456**	**456**
Supply (payable)/receivable adjustment	18	(1,928)	-	**(1,928)**	**(1,928)**
Income payable to the Consolidated Fund		(141)	-	**(141)**	**(141)**
Net expenditure for the year		(52,138)	-	**(52,138)**	**(52,138)**
Amounts paid from distributable reserves		(20)	-	**(20)**	**(20)**
Non-Cash Adjustments:					
Auditors' remuneration	4.1	1	-	**1**	**1**
Movements in Reserves:					
Other comprehensive net expenditure for the year		-	(128)	**(128)**	**(128)**
Transfers between reserves		9	(9)	**-**	**-**
Other movements		(1)	(1)	**(2)**	**(2)**
Restated Balance at 31 March 2021		**(14,423)**	**413**	**(14,010)**	**(14,010)**
IFRS 16 opening balance adjustments		-	6	**6**	**6**
Revised balance at 1 April 2021		**(14,423)**	**419**	**(14,004)**	**(14,004)**
Net parliamentary funding – drawn down		31,815	-	**31,815**	**31,815**
Net parliamentary funding – deemed		1,928	-	**1,928**	**1,928**
National Insurance Fund - RPS		256	-	**256**	**256**
Supply (payable)/receivable adjustment	18	(4,273)	-	**(4,273)**	**(4,273)**
Income payable to the Consolidated Fund		(230)	-	**(230)**	**(230)**
Net expenditure for the year		(26,332)	-	**(26,332)**	**(26,332)**
Non-Cash Adjustments:					
Auditors' remuneration	4.1	2	-	**2**	**2**
Movements in Reserves:					
Other comprehensive net income for the year		-	(39)	**(39)**	**(39)**
Transfers between reserves		2	(2)	**-**	**-**
Other movements		-	-	**-**	**-**
Balance at 31 March 2022		**(11,255)**	**378**	**(10,877)**	**(10,877)**

The Statement of Changes in Taxpayers' Equity (Core Department and Agencies) has been restated as explained in note 28.

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

for the period ended 31 March 2022

	Note	General Fund £m	Revaluation Reserve £m	Taxpayers' Equity £m	Charitable Funds - Unrestricted/ Restricted £m	Non controlling interest £m	Total Reserves £m
Balance at 1 April 2020		**(160,272)**	**2,008**	**(158,264)**	**402**	**229**	**(157,633)**
Net parliamentary funding – drawn down		47,518	-	**47,518**	-	-	**47,518**
Net parliamentary funding – deemed		1,067	-	**1,067**	-	-	**1,067**
National Insurance Fund - RPS		456	-	**456**	-	-	**456**
Supply (payable)/ receivable adjustment	18	(1,928)	-	**(1,928)**	-	-	**(1,928)**
Income payable to the Consolidated Fund		(829)	-	**(829)**	-	-	**(829)**
Net expenditure for the year		(52,513)	-	**(52,513)**	-	-	**(52,513)**
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**
Restated Balance at 31 March 2021		**(166,451)**	**1,900**	**(164,551)**	**472**	**299**	**(163,780)**
IFRS 16 opening balance adjustment		2	7	**9**	-	-	**9**
Revised Balance at 1 April 2021		**(166,449)**	**1,907**	**(164,542)**	**472**	**299**	**(163,771)**
Net parliamentary funding – drawn down		31,815	-	**31,815**	-	-	**31,815**
Net parliamentary funding – deemed		1,928	-	**1,928**	-	-	**1,928**
National Insurance Fund - RPS		256	-	**256**	-	-	**256**
Supply (payable)/ receivable adjustment	18	(4,273)	-	**(4,273)**	-	-	**(4,273)**

	Note	General Fund £m	Revaluation Reserve £m	Taxpayers' Equity £m	Charitable Funds - Unrestricted/ Restricted £m	Non controlling interest £m	Total Reserves £m
Income payable to the Consolidated Fund		(711)	-	(711)	-	-	(711)
Net expenditure for the year		(138,949)	-	(138,949)	-	-	(138,949)
Amounts paid from distributable reserves		(81)	-	(81)	-	-	(81)
Non-Cash Adjustments:							
Auditors' remuneration	4.1	2	-	2	-	-	2
Movements in Reserves:							
Other comprehensive net (expenditure)/ income for the year		194	187	381	-	-	381
Transfers between reserves		259	(76)	183	(3)	(180)	-
Minority interest		-	-	-	-	29	29
Other movements		15	(7)	8	-	-	8
Balance at 31 March 2022		**(275,994)**	**2,011**	**(273,983)**	**469**	**148**	**(273,366)**

The Statement of Changes in Taxpayers' Equity (Departmental Group) has been restated as explained in note 28.

The notes on pages 176 to 307 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 2021-22 *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*.

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 29, 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

Implementation of IFRS 16 in the public sector is required from 1 April 2022 in accordance with the *FReM*, however departments can elect to early adopt with approval from HM Treasury. The Departmental Group has adopted IFRS 16 'Leases' from 1 April 2021, with agreement from HM Treasury. IFRS 16 'Leases' supersedes IAS 17 'Leases'. Further details of the Departmental Group accounting policy is in note 1.18 below.

All other accounting policies are unchanged compared to those in the 2020-21 Departmental Group financial statements.

1.6 New accounting standards adopted in the year and *FReM* changes

The Department has adopted IFRS 16 during the 2021-22 financial year. See note 1.18 for further details.

During the year, the *FReM* was updated to require the COVID-19 financial guarantee liabilities to be recognised at a value equal to the guaranteed proportion of lifetime expected credit losses on the underlying loan facilities, this has not resulted in a change in accounting treatment for the Department. There have been no other significant amendments to *FReM* for 2021-22.

No new additional accounting standards have been adopted in these financial statements.

1.7 Applicable accounting standards issued but not yet adopted

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 the earliest of 1 April 2023. The Financial Reporting Advisory Board (FRAB) has since agreed a further two-year deferral to require adoption on 1 April 2025.

The Departmental Group is currently assessing the impact of the adoption of IFRS 17.

The Core Department recognises a reinsurance liability in relation to the Trade Credit Reinsurance Scheme. Please see note 1.24 and note 21 for further details of the accounting policy and current valuation.

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 coal pension schemes.

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 as determined by the Government Actuary's Department. 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 1.20) 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
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
Office machinery (included in plant and machinery), furniture, fixtures and fittings	2 – 11 years
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 – prior to 1 April 2021

The Departmental Group applied IAS 17 'Leases' up to 1 April 2021, recognising leases assets as either operating or finance leases. Leases were classified as finance leases when the risks and rewards of ownership were transferred substantially to the lessee; all other leases were classified as operating leases.

Finance leases

Departmental Group as lessor

Amounts due from lessees under finance leases were recognised as receivables at the amount of the Departmental Group's net investment in the lease. Finance lease income was 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 were recognised in the SoFP.

Operating leases

Departmental Group as lessor

Assets subject to operating leases were 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 were expensed on a straight-line basis over the term of the lease.

1.18 Leases – from 1 April 2021

The Departmental Group adopted IFRS 16 'Leases' from 1 April 2021, in agreement with HM Treasury.

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 recognition of assets and liabilities for all leases in the Statement of Financial Position (SoFP), with exemption given to low value leases and short-term leases, i.e. those with lease terms of less than

12 months. The adoption of the standard results in the recognition of a right-of-use asset, representing a right to use the underlying leased asset and a lease liability, representing an obligation to make lease payments.

Departmental Group as lessee

Leases previously classified as operating leases: transition to IFRS 16

The Departmental Group has adopted IFRS 16 on the cumulative catch-up basis as mandated in the *FReM*, and therefore the cumulative impact on previous years' results has been recognised within reserves at the beginning of the period. As such, the prior year comparative information has not been restated and note 1.17 applies for the prior year. Under the 'grandfathering' rules mandated in the *FReM* for the initial transition to IFRS 16, a right-of-use asset and lease liability has been recognised for all relevant leases not previously recognised as finance leases for accounting purposes under IAS 17.

Practical expedients on transition

The Departmental Group has elected to adopt the following practical expedients mandated in the *FReM*:

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics
- Not reassess whether contracts are or contain a lease or not at the date of initial application
- Apply the 'cumulative catch-up' approach for adopting IFRS 16
- Not make adjustments for leases for which the underlying asset is of a low value. The Departmental Group has used a de minimis threshold of £10,000, consistent with the Departmental Group's capitalisation threshold
- Rely on onerous lease provision for impairment assessments rather than conducting an impairment review
- Recognise all short-term leases through the Statement of Comprehensive Net Expenditure, and not recognise the lease as a right-of-use asset and lease liability. Short-term leases those where the Departmental Group has determined the lease term is expected to be less than 12 months from the date of adoption of IFRS 16
- Exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Use hindsight to determine lease terms in contracts which contain options to extend or terminate or are rolling

The definition of a contract is expanded under the *FReM* definition to include intra-UK government agreements where non-performance may not be enforceable by law. This includes, for example, Memorandum of Understanding (MOU) agreements.

As mandated by the *FReM*, the definition of a lease is expanded 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. On initial recognition, these assets are measured at fair value. On transition, any differences between the discounted lease liability and the right-of-use asset are included as part of the adjustment to the opening balance of taxpayers' equity. Any differences between the lease liability and right-of-use asset for new leases after implementation of IFRS 16 are recorded in income as required by IAS 20 as interpreted by the *FReM*.

Measurement of right-of-use asset on transition

On initial application, the right-of-use asset is measured at 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 Consolidated Statement of Financial Position immediately before the date of initial application.

Measurement of lease liability on transition

On initial application, the lease liability is measured at the present value of the remaining lease payments using the incremental borrowing rate at the date of initial application. The incremental borrowing rate is either:

- The interest rate implicit in the lease
- HM Treasury discount rate where interest rates implicit in the lease cannot be readily determined

Another discount rate where the Departmental Group can demonstrate that this would more accurately represent the incremental borrowing rate.

Impact on transition

The table below reconciles the operating lease commitments under IAS 17 as presented in the Departmental Group Annual Report and Accounts 2020-21 to the lease liability calculated under IFRS 16 on 1 April 2021:

	Core Department and Agencies £m	Departmental Group £m
Operating lease commitments at 31 March 2021	148	295
Discounted using discount rates	(4)	(29)
Finance lease liabilities at 31 March 2021	-	-
Exemptions for:		
Short term leases	(2)	(10)
Leases of low value assets	-	-
Intangible assets	-	-
Extension and termination options not reasonably certain to be exercised	-	27
Variable lease payments based on an index or a rate	-	-
Residual value guarantees	-	-
Advance payments	-	2
Excluding previously non-lease components	-	-
Re-assessment for IFRS 16	8	-
Service charges and other elements outside of the scope of IFRS 16	-	(2)
Adjustment for irrecoverable VAT reported within IAS 17	(20)	(22)
Lease liability recognised at 1 April 2021	**130**	**261**

Leases previously classified as finance leases: transition to IFRS 16

The carrying amount of the right-of-use asset and the lease liability on adoption of IFRS 16 is the same as the carrying amount of the lease asset and lease liability as the asset and liability measured by applying IAS 17.

Recognition

For contracts entered into, or changed, on or after 1 April 2021, at inception of a contract, the Departmental Group assesses whether the contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. This includes contracts for which there is no consideration. Where the contract has or contains a lease, the Departmental Group recognises a right-of-use asset and a lease liability at the commencement date.

To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Departmental Group assesses whether, throughout the period of use, the Departmental Group has both:

- The right to obtain substantially all of the economic benefits from the use of the identified asset
- The right to direct the use of the identified asset.

Lease term

The lease term is the non-cancellable period of the lease, together with both periods covered by an option to:

- Extend the lease if the Departmental Group is reasonably certain to exercise that option
- Terminate the lease if the Departmental Group is reasonably certain not to exercise that option

The Departmental Group considers all relevant facts and circumstances that create an economic incentive for the Departmental Group to exercise the option to extend the lease or not to exercise the option to terminate the lease.

Measurement of right-of-use assets

Initial measurement

At the commencement date, the Departmental Group measures the right-of-use asset at cost, which comprises:

- The amount of the initial measurement of the lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs incurred
- An estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the lease terms and conditions.

Subsequent measurement

Right-of-use assets are subsequently measured in line with the class of PPE asset to which the lease relates. The cost model for IFRS 16 is used as a proxy for valuation except where:

- A longer-term contract that has no provisions to assess lease payments for market conditions
- There is a significant period of time between these assessments
- The valuation of the underlying asset is likely to fluctuate significantly due to changes in market prices.

Depreciation of right-of-use assets

Right-of-use assets are depreciated on a straight-line basis from commencement date to the earlier of the end of:

- Useful life of the right-of-use asset, assessed as the same as the class of PPE asset to which the lease relates
- Lease term.

Impairment of right-of-use assets

The Departmental Group applies IAS 36 ‘Impairment of Assets’ to determine whether a right-of-use asset is impaired and to account for any impairment loss identified.

Measurement of lease liabilities

Initial measurement

At the commencement date, the Departmental Group measures the lease liability at the present value of the lease payments that are not paid at that date. Lease payments are discounted using either:

- The interest rate implicit in the lease
- HM Treasury discount rate where interest rates implicit in the lease cannot be readily determined
- Another discount rate where the Departmental Group determines it more accurately represents the interest rate

The weighted average discount rate applied to the lease liabilities is 1.19%. The majority of the Departmental Group has applied the HM Treasury discount rate prevailing at the time of adoption (1.99% from 1 April 2019 to 31 December 2019, 1.27% from 1 January 2020 to 31 December 2020, 0.91% from 1 January 2021 to 31 December 2021 and 0.95% for leases that commence or are remeasured between 1 January 2022 to 31 March 2022).

At the commencement date, lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the term not paid at the commencement date:

- Fixed payments, including any in-substance fixed payments less any lease incentives receivable
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date, for example, payments linked to a consumer price index or a benchmark interest rate
- Amounts expected to be payable by the Departmental Group under residual value guarantees
- The exercise price of a purchase option if the Departmental Group is reasonably certain to exercise that option
- Payments of penalties for terminating the lease if the lease term reflects the Departmental Group exercising the option to terminate the lease and the Departmental Group is reasonably certain to exercise this option.

Subsequent measurement

The lease liability is remeasured to reflect changes to the lease payments. The Departmental Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate if there is a change in:

- Lease term
- The Departmental Group's assessment of an option to purchase the underlying asset, assessed considering events and circumstances in the context of a purchase option. The Departmental Group determines the revised lease payments to reflect the change in amounts payable under the purchase option
- Amounts expected to be payable under a residual value guarantee
- Future lease payments resulting from a change in the index or rate used to determine these future lease payments, including a change to reflect changes in market rental rates following a market rent review. The Departmental Group remeasures the lease liability to reflect those revised lease payments only when there is a change in the cash flows (this will be when the adjustment to the lease payments takes effect)

The amount of remeasurement of the lease liability is recognised as an adjustment to the right-of-use asset, where there is a balance on the right-of-use asset. However, if the carrying amount of the right-of-use asset is £nil and there is a further reduction in the measurement of the lease liability, the Departmental Group recognises the remaining amount of the remeasurement of the lease liability in the Statement of Comprehensive Net Expenditure.

Departmental Group as lessor

The Departmental Group's accounting policies as lessor are materially unchanged on adoption of IFRS 16.

Classification

The Departmental Group classifies leases where it is lessor as either an operating lease or a finance lease. The Departmental Group classifies a lease as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. If it does not, then the lease is classified as an operating lease.

Finance leases: recognition and measurement

At the commencement date, the Departmental Group recognises assets held under a finance lease within the Statement of Financial Position and presents them as a receivable at an amount equal to the net investment in the lease using the interest rate implicit in the lease to measure the net investment in the lease. Initial direct costs are included in the net investment in the lease. Finance lease income is allocated over the lease term so as to reflect a constant periodic rate of return on the Departmental Group's net investment outstanding in respect of the leases.

Operating leases: recognition and measurement

The Departmental Group recognises lease payments from operating leases as income on a straight-line basis. The Departmental Group recognises costs, including depreciation incurred in earning the lease income as an expense. Initial direct costs incurred in obtaining the operating lease are added to the carrying amount of the underlying asset and these are expensed over the lease term on the same straight-line basis as the lease income.

1.19 Subsidiaries, associates and joint ventures

Subsidiaries and public sector joint ventures are consolidated where designated within the Departmental Group boundary (note 29); those subsidiaries, joint ventures and associates that are outside the Departmental Group boundary are measured in accordance with IFRS 9 'Financial Instruments' or IAS 28 'Investments in Associates and Joint Ventures' as relevant. 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.

1.20 Financial instruments

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 1.21 and note 1.27.

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 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 solely payments of principal and interest 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 'Leases' up to 31 March 2021 and IFRS 16 'Leases' from 1 April 2021 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' up to 31 March 2021 and IFRS 16 'Leases' from 1 April 2021, 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 24.

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 Contracts for Difference (CfDs) contracts 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 10).

1.21 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 the 2021-22 *FReM* IFRS 9 adaptation, where the Department issues a financial guarantee below fair value and where no active market or observable equivalent exists such that an estimate of fair value can be made that would require recognition under IFRS 9, the guarantee is measured, at initial recognition and at reporting period end, at an amount equal to lifetime expected credit loss (ECL) in accordance with the requirements of IFRS 9. As the rate intrinsic to the financial guarantee cannot be reliably determined, the HM Treasury Financial Instrument Rate has been used to calculate the present value of expected credit losses.

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.

1.22 Pensions

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

Funded defined-benefit pension schemes

The Departmental Group has nine funded defined-benefit pension schemes, the Medical Research Council Pension Scheme, two schemes through the Nuclear Decommissioning Authority (NDA) and six schemes 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.

1.23 Provisions

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

			31 March 2022			31 March 2021
	Nominal discount rate	Inflation rate	Equivalent real discount rate	Nominal discount rate	Inflation rate	Equivalent real discount rate
Cash outflows expected within two years	0.47%	4.00%	(3.39%)	(0.02%)	1.20%	(1.21%)
Cash outflows expected between two and five years	0.47%	2.15%	(1.64%)	(0.02%)	1.90%	(1.88%)
Cash outflows expected between five and ten years	0.70%	2.00%	(1.27%)	0.18%	2.00%	(1.78%)
Cash outflows expected after ten years	0.71%	2.00%	(1.27%)	1.99%	2.00%	(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 13). Provision charges in the SoCNE are shown net of changes in these recoverable amounts.

1.24 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 21).

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 are 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 1.9% 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, when 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.

1.25 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.

1.26 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.

1.27 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

Funding to Bulb Energy Ltd (in administration) (notes 4.1 and 16)

This funding is potentially repayable by Bulb but, given the low likelihood of repayment, the resulting potential financial asset has been measured at £nil at initial recognition and at the reporting date, consistent with the IFRS 9 treatment for purchased or originated credit-impaired assets, as described in note 16. Expenditure relating to this funding has been recognised as a subsidy expense, as described in note 4.1.

Future Fund (note 12.2)

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 12.2.

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 amount of equity owned post-conversion is known, and the equity value estimate is informed based on information provided as part of the conversion. The Future Fund was valued at £1,036 million as at 31 March 2022.

Fair value measurement of Hinkley Point C CfD

Significant judgements in relation to the fair value measurement of Hinkley Point C CfD are set out in note 10.

Deferral of differences between fair value and transaction price for CfDs

Judgements for deferral of differences between fair value and transaction prices for CfDs are set out in note 10.

IFRS 16: determining whether a contract contains a lease

The Departmental Group exercises judgement in determining whether a contract is, or contains, a lease and whether the contract conveys the right to control the use of an identified asset in exchange for a consideration. In making this judgement, the Departmental Group assesses whether the contract, in substance, grants the Departmental Group the right to direct the use of the identified asset and allows the Departmental Group to receive substantially all of the economic benefits associated with the use of the identified asset for the lease term.

IFRS 16: determining the lease term

The Departmental Group uses judgement in determining the lease term, as detailed in note 1.18.

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)

Whilst the majority of reconciliations that support the value of the grants paid out by local authorities to businesses have been completed, a small amount are outstanding. As a result, an estimate of the expenditure has been made in relation to those schemes that have not been fully reconciled.

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. The Department has carried out statistical analysis to show that there is no correlation between late responders and over/underspend, the analysis was carried out over the first three grant schemes (Local Authority Discretionary Grant Fund, Small Business Grant fund and Retail, Hospitality and Leisure Grant Fund). The results of the analysis show that the correlation coefficient is zero and as such there is no correlation or trend between the time it takes LAs to provide information, and whether they spend more or less funding than the Department provided them. We have assumed that the LRSG, Omicron Hospitality and Leisure Grant and Restart grant will behave in the same way, with a zero correlation, given we have no information to believe otherwise.

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.

Restart Grant and Omicron Hospitality and Leisure Grant

Grant scheme	Reconciled percentage (value)	Central estimate £ m*	Confidence interval
Restart	90%	3,044.9	99%
OHLG	80%	478.9	99%

*As the confidence interval is at 99%, there is little expected variation in the final expenditure for this scheme, noting the assumptions discussed above. The upper and lower bounds of the estimate of both schemes round to the central estimate value.

Given the low variance between the upper and lower bounds of each estimate, the Department is comfortable that the central estimate of spend will not change significantly once the remainder of the reconciliations are complete.

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 15.

The ARG scheme expenditure recognised in 2021-22 is not included in the estimate because the local authorities act as principal for the scheme and so payments are recognised when the Department provides the funding to the local authorities.

COVID-19 Local Restriction Support Grants (Various)

Included in the 2020-21 accounts was an estimate of spend for the following grant schemes, due to not all reconciliations supporting the value of grants paid by LAs being completed as at 31 March 2021: Local Restrictions Support Grant (Closed) and (Closed) Addendum Schemes, Local Restrictions Support Grant (Open) and Closed Business Lockdown Payment schemes.

Since then, the reconciliation process has continued and almost all reconciliations are now complete. The Department has revised the estimate of the spend in these schemes based on the completed reconciliations, and the difference between the expenditure recognised in the 2020-21 accounts, and the current estimate of expenditure is reduction of £223.4 million as reflected in note 4.4. We have reconciled ~90% (in value) of the scheme's funding and so a 99% confidence interval shows little expected variation in the final expenditure for this scheme.

For the estimate included in the 2020-21 accounts, the Department was unable to provide evidence that the sample was statistically random, and therefore a confidence interval could not be calculated. The maximum cost to the Department was reported as the total cash paid to LAs, and the minimum possible estimate was calculated based on the lowest percentage difference between the final reconciled value compared to the payment allocation across all schemes.

The estimate included in the 2020-21 accounts was based on the best information available at the time. The change in the value of expenditure for the COVID-19 grant schemes in 2021-22 is a result of information that has become available after the certification of the 2020-21 accounts and thus does not meet the definition of a prior period error which would require restatement.

The table below shows the value of the expenditure estimate had the value been at the lower or higher bounds of the estimates. The table also includes the estimate of spend included in the 2020-21 accounts for comparison.

	Central Estimate	Lower estimate range	Upper estimate range
Current estimate	£5,345.5 million	£5,345.4 million – 99% CI	£5,345.6 million – 95% CI
2020-21 estimate	£5,569 million	£2,189 million – estimate on lowest percentage	£6,235 million – total cash paid

Useful lives of non-current assets (note 4.2, 7, 9, 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, 9, 11, 12, 14, 15, 16, and 24)

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 12.1)

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 12.2)

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

Redundancy Payments Service receivable (note 15)

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 10)

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 21)

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 2022 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 21)

The note describes the uncertainties relating to the Trade Credit Reinsurance Scheme liabilities which are measured using modelling techniques.

Provisions (note 20)

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 20, in particular in relation to future decommissioning costs to be incurred by the NDA, UKAEA and Coal Authority, which are described in the note.

1.28 Prior Period Adjustments

Prior period adjustments are required for:

- Changes in accounting policies (unless impracticable or another standard sets specific transitional provisions) and material errors in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*
- Machinery of Government Changes

Changes in accounting policies

In accordance with IAS 8, where a prior period adjustment is identified due to a change in accounting policy, the Departmental Group accounts for the change in accounting policy, on initial application of the new accounting policy:

- In accordance with the specific transitional provisions included within the relevant accounting standard from which the new accounting policy is determined (as interpreted or adapted by requirements of the *FReM*)
- Retrospectively, where the accounting standard from which the new accounting policy is determined (as interpreted or adapted by requirements of the *FReM*) does not contain specific transitional provisions

Where the Departmental Group accounts for the change in accounting policy retrospectively, the Departmental Group will restate the opening balances of assets, liabilities and equity for the earliest prior period presented.

If it is impracticable to determine the impact of the change in accounting policy 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, in line with requirements of IAS 8.

Errors

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 the Departmental Group determines 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.

Machinery of Government Changes

The Departmental Group accounts for Machinery of Government changes as either a transfer by merger or transfer by absorption, depending on the transfer of functions or combination of public sector bodies that has taken place.

Transfer by merger:

In accordance with the *FReM*, the Departmental Group accounts for transfer by mergers by:

- Not adjusting carrying values of assets and liabilities of the combining bodies to fair value on consolidation
- Bringing in results and cashflows of combining bodies (or functions) into the accounts from the beginning of the financial year in which the combination occurred, adjusted to achieve uniformity in accounting policies
- Restating the prior year comparatives, adjusted as necessary to achieve uniformity in accounting policies

Transfer by absorption:

In accordance with the *FReM*, the Departmental Group accounts for transfer by absorption by:

- Not adjusting carrying values of assets and liabilities of the combining bodies to fair value on consolidation
- Not recognising goodwill or restating prior year comparatives in the primary financial statements on transfer
- Bringing in the net assets (or net liabilities) of the transferee into the Departmental Group's financial statements from the date of transfer. The carrying value of the net asset is recognised as a non-operating gain or loss through net expenditure on the Consolidated Statement of Comprehensive Net Expenditure
- Transferring revaluation reserves in full on transfer, with remaining balances transferred to the general fund
- Recognising the other side to achieve uniformity in accounting policies through the general fund on transfer

Prior period adjustments and their impact on the comparative amounts for the prior periods represented in which the error occurred are detailed in note 28.

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:

			2021-22	2020-21 restated
	Permanently employed staff	**Others**	**Total**	**Total**
	£m	**£m**	**£m**	**£m**
Wages and salaries	1,098	123	1,221	1,111
Social security costs	158	-	158	108
Other pension costs	280	-	280	242
Sub total	**1,536**	**123**	**1,659**	**1,461**
Less recoveries in respect of outward secondments	(10)	(17)	(27)	(7)
Total net costs	**1,526**	**106**	**1,632**	**1,454**
Of which:				
Core Department and Agencies	**522**	**38**	**560**	**497**
NDPBs and other designated bodies	**1,004**	**68**	**1,072**	**957**
Total net costs	**1,526**	**106**	**1,632**	**1,454**

Included within 'recoveries in respect of outward secondments' for 2021-22 for the Core Department is £23.7 million (2020-21 associated restatement: £5.8 million) recovered from the Department of Health and Social Care (DHSC). This does not relate to formal secondments but to the cost of staff resources supplied by the Department to support DHSC outcomes of the Vaccine Taskforce which operates as a joint unit on behalf of both departments (note 28).

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 20.

4. Operating expenditure

4.1 Purchase of goods and services

	2021-22		2020-21 restated	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Rentals under operating leases	-	5	42	60
Accommodation and office equipment costs	48	268	26	211
Legal, professional and consultancy costs	181	406	208	428
Finance, HR, IT and support costs	143	189	160	205
Training and other staff costs	9	33	15	31
Travel and subsistence costs	2	18	4	15
Advertising and publicity	6	22	4	20
Programme management and administration of grants and awards	113	587	177	250
Capacity Market payments	-	856	-	1,095
Professional and international subscriptions	414	743	413	720
Enforcement costs of employment related policies	29	29	38	38
Donations	-	38	-	28
Funding Paternity, Adoption and Shared Parental Leave policy	73	73	90	90
Purchase of geographical and scientific equipment	23	91	-	37
Purchase of weather information and weather related services	120	120	113	113
Redundancy payments service	261	261	443	443
Payment of taxes and levies	-	182	-	53
Subsidy to Post Office Limited	50	50	50	50
Coronavirus Business Interruption Loan Scheme (CBILS)	917	917	701	701
Bounce Back Loan Scheme (BBLS)	327	327	832	832
Energy intensive industries and other subsidies	1,445	1,445	129	129
Other purchase of goods and services cost	88	234	83	231
Total	**4,249**	**6,894**	**3,528**	**5,780**

'Other purchase of goods and services cost' has been restated for 2020-21 for the Core Department to reflect the transfer during 2021-22 of the majority of its functions in the Vaccine Taskforce to the Department of Health and Social Care (note 28).

Core Department

CBILS and BBLS

The Core Department has provided assistance to borrowers under the CBILS and BBLS loan guarantee schemes (note 21) 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.

Energy intensive industries and other subsidies

The Core Department has provided support to energy intensive industries and for other energy-related purposes including funding to Bulb Energy Ltd which entered energy supply company administration during 2021-22. Bulb administrators continue to operate the company to ensure continuity of energy supply to customers, with financial support for this purpose from the Department. While the funding to Bulb is potentially repayable, it has been reported as a subsidy above for the reason given in note 16. The Department continues to work closely with Ofgem and the administrators to ensure exit from administration achieves the best outcome practicable for energy customers, taxpayers, and the industry.

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 £1,415,000 (2020-21: £1,500,000) comprises £1,345,000 (2020-21: £1,430,000) for the cost of the audit of the Departmental Group, £20,000 (2020-21: £20,000) for the Trust Statement, £5,000 for the Nuclear Decommissioning Funding Account (2020-21: £5,000) and £45,000 (2020-21: £45,000) for the audit of the UK Atomic Energy Authority Pension Scheme Accounts.

Agencies

During the year the Agencies did not purchase any non-audit services from their auditor, the National Audit Office. Details of the non-cash auditors' remuneration of £288,000 (2020-21: £274,000) can be found in the accounts of the individual Agencies.

NDPBs and other designated bodies

The cash remuneration of £3,088,873 (2020-21: £2,830,780) relates to the statutory audit of NDPBs and other designated bodies. Of this amount, £2,433,523 (2020-21: £2,313,900) was payable to the NAO and £655,350 (2020-21: £516,880) was payable to auditors other than the NAO.

In 2021-22, £nil was payable to the NAO (2020-21: £nil) and £78,585 was payable to auditors other than the NAO (2020-21: £119,574) 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 2021-22 totalled £285 million (2020-21: £485 million) against income of £24 million (2020-21: £42 million). The net amount totalled £261 million (2020-21: £443 million).

Capacity market payments

Capacity Market payments of £856 million were recognised in 2021-22 (2020-21: £1,095 million).

4.2 Depreciation and impairment charges

		2021-22		2020-21
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Amortisation of recoverable contract costs	-	111	-	102
Depreciation	57	295	28	237
Amortisation	6	42	5	50
Impairment of property, plant and equipment	9	43	-	19
Impairment of intangible assets	-	-	-	1
Impairment of investments and remeasurement of expected credit losses	50	43	58	105
Total	**122**	**534**	**91**	**514**

4.3 Provision, financial guarantee and other liabilities expenses

		2021-22		2020-21
	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	43	90,512	2	2,087
Increase/(decrease) in other provisions due to changes in discount rate	35	2,818	3	(12)
Other provision movements relating to nuclear provisions	83	12,770	24	1,012
Other provision movements excluding bad debt provisions and financial guarantee liabilities	559	944	48	825
Total increase/(decrease) in provisions excluding bad debt provisions and financial guarantee liabilities	**720**	**107,044**	**77**	**3,912**
Total increase/(decrease) in bad debt provisions	-	-	-	-
Loss on inception of financial guarantees	(16)	(16)	(17)	(17)
Total increase/(decrease) in loan commitment liabilities	-	48	(1)	(1)
Trade Credit Reinsurance	(11)	(11)	85	85
Total increase/(decrease) in CLBILS	(235)	(235)	357	357
Total increase/(decrease) in BBLS	(2,893)	(2,893)	17,227	17,227
Total increase/(decrease) in CBILS	(697)	(697)	2,198	2,198
Total increase/(decrease) in Recovery Loan Scheme	300	300	-	-
Total	**(2,832)**	**103,540**	**19,926**	**23,761**

Provision, financial guarantee and other liabilities expenses for 2020-21 have been re-presented, the overall total is unchanged.

The significant increase in the provision, financial guarantees and other liabilities expenses was primarily driven by the change in provision discount rates. The real discount rate for cash outflows expected after ten years, prescribed by HM Treasury decreased from (0.01%) in 2020-2021 to (1.27%) in 2021-22. The change in discount rate has the impact of increasing the expected future costs of settling the Department's liabilities, the actual costs of settling the Department's liabilities could be different.

Further detail of the movements in the nuclear decommissioning provision can be found in note 20.1 for Nuclear Provisions.

The Increase/(decrease) in other provisions due to changes in discount rate is also primarily driven by changes in the HM Treasury discount rate for Coal Authority's Mine water schemes provision.

Further detail of movements in other provisions can be found in note 20.2 for Other Provisions.

4.4 Grants

	2021-22		2020-21 restated	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Grant in aid	12,220	-	12,499	-
Market frameworks	73	73	83	83
Science and Research	578	7,416	618	7,315
International Climate Fund	312	311	515	518
Renewable Heat Incentive	920	920	848	848
Heat Infrastructure team	64	64	60	60
Innovation programmes	174	643	112	593
Social Housing and Public Sector Decarbonisation Grant schemes	599	599	670	670
Green Homes Grant scheme	465	465	539	539
Home Upgrade Grant scheme	152	152	-	-
Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund and Local Authority Discretionary Grant Fund	-	-	683	683
Local Restriction Support Grant schemes	(223)	(223)	7,225	7,225
New burdens funding	53	53	142	142
Science and Research support grants	-	-	-	540
Grants to central government bodies	5,632	5,632	5,086	5,086
Transfer of freehold property assets to the Government Property Agency	-	-	23	42
Restart Grant	3,045	3,045	-	-
Omicron Hospitality and Leisure Grant scheme	479	479	-	-
Additional Restrictions Support Grant	499	499	-	-
Other grants	91	109	74	82
Total	**25,133**	**20,237**	**29,177**	**24,426**

Grant in kind reported against 'Vaccine Taskforce: vaccines transferred to DHSC' in 2020-21 has been restated to £nil for the Core Department to reflect the transfer during 2021-22 of the majority of its functions in the Vaccine Taskforce to the Department of Health and Social Care (note 28).

Core Department

The total of £5,632 million of 'Grants to central government bodies' in 2021-22 includes:

- £5,610 million to the Nuclear Liabilities Fund (2020-21: £5,070 million), under an existing agreement between the Department, the Fund and HM Treasury, to take account of reduced future net investment returns for the Fund following increases in UK corporation tax rates announced in March 2021. The contribution will be held by the Fund as a deposit in the Exchequer and was made to ensure Fund sufficiency while avoiding any change to the Fund's investment strategy which would have necessitated withdrawal of funds from its existing Exchequer deposits, and
- £22 million to the Official Receiver to discharge their statutory duties in relation to the insolvency of British Steel Limited (2020-21: £16 million).

The Green Homes Grant Scheme has been administered through the voucher scheme and the Local Authority Delivery Scheme (LADs). Voucher expenditure is £196.3 million (31 March 2021 £35.9 million) being vouchers paid out by the scheme provider to 11 March 2022 when the scheme closed. The final stage of voucher payments is being carried out by BEIS which resulted in a further accrual at 31 March 2022 of £27 million. The Local Authority Delivery Scheme (LADs) scheme has a spend of £268.6 million (31 March 2021: £502.8 million). The Green Homes Grant Scheme closed to new applications on 31 March 2021.

The Homes Upgrade Grant (HUG) Scheme was a newly administered scheme in 2021-22, with expenditure at 31 March 2022 of £152.2 million. It was jointly offered as part of the "Sustainable Warmth" competition along with Phase 3 of the Local Authority Delivery Scheme.

Included within 'Social Housing and Public Sector Decarbonisation' £599 million (2020-21: £670 million), is £180 million (31 March 2021: £62 million) in relation to the Social Housing scheme and £419 million (31 March 2021: £608 million) in relation to the Public Sector Decarbonisation Scheme.

In 2021-22, the Core Department provided £619 million to local authorities under Section 31 of Local Government Act 2003 (31 March 2021: £533.6 million). 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 £419 million was paid out via Salix Finance Limited in 2021-22 (31 March 2021: £74.4 million) in relation to the Social Housing and Public Sector Decarbonisation Scheme.

COVID-19 Business Support Grants

The Core Department has continued to provide COVID-19 support to businesses through several new grant schemes.

Two grant schemes were announced towards the end of the 2020-21 financial year, to launch and be recognised in the 2021-22 financial year. These were a second extension to the Additional Restrictions Grant Scheme (ARG) and the Restart Grant. In December 2021 the Department announced two further Business Support Grant schemes, to help support business effected by the Omicron variant of COVID-19. These were the third top-up of the ARG scheme, and the Omicron Hospitality and Leisure (OHL) scheme.

Further information on the COVID-19 Business Support Grants recognised in 2021-22 is below:

COVID-19 Business Support Grant	2021-22 £m	2020-21 £m	Paragraph
Small Business Grant Fund (SBGF) and the Retail, Hospitality and Leisure Grant Fund (RHLGF)	-	110.3	
Local Authority Discretionary Grant Fund (LADGF)	-	573.0	
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	(306.8)	3,404.0	a
Local Restrictions Support Grant (Sector)	-	3.0	
Local Restrictions Support Grant (Open)	6.2	198.1	a
Additional Restrictions Grant	499.1	1,631.0	b
Christmas Support Package	-	22.9	
Closed Business Lockdown Payment	77.2	1,965.9	a
Restart Grant	3,044.9	-	c
Omicron Hospitality and Leisure Grant	478.9	-	d
Total: COVID-19 Business Support Grant	**3,799.5**	**7,908.2**	

a. In 2020-21 the Department recognised grant expenditure in relation to the Local Restrictions Support Grants (Closed), (Closed) Addendum schemes, Local Restrictions Support Grant (Open) and Closed Business Lockdown Payment of £5,569 million. This was based on an estimate. During the 2021-22 financial year, this estimate has been refined as more information has become available, which has resulted in a reduction of spend of £223.4 million being recognised in 2021-22. See note 1.27 for further information on the expenditure estimates in both years.

b. In March 2021, the second top-up to the ARG scheme was announced, totaling £425 million. In December 2021, in response to the impact of the Omicron variant, Government announced a further £102 million would be made available for Local Authorities through a third top-up to the ARG scheme.

   Expenditure recognised for ARG of £499.1 million reflects actual funding transferred 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.

c. As part of the Budget announced on 3 March 2021 the Government announced the Restart Grant. The grant provided support for non-essential retail, hospitality, accommodation, leisure, personal care and gym businesses in England. This support took the form of a one-off grant funding scheme which is recognised in 2021-22. The Department has recognised expenditure of £3,044.9 million in relation to the Restart Grant scheme. The Restart Grant scheme closed to new applications on 30 June 2021.

d. On 21 December 2021, in response to the impact of the Omicron variant, Government announced the introduction of grant support for hospitality and leisure businesses in England. The support took the form of a one-off grant funding scheme, with local authorities receiving a proportion of up to £635 million. The Department's current estimate of spend from the total allocation is £478.9 million. See note 1.27 for further information on the expenditure estimate. This scheme closed on 31 March 2022.

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, Omicron Hospitality and Leisure scheme and Restart Grant scheme can be found in note 1.27.

5. Finance expense

	2021-22		2020-21 restated	
	Core Department and Agencies £m	Departmental Group £m	Core Department and Agencies £m	Departmental Group £m
Change in fair value - financial assets	(34)	(640)	63	(302)
Net loss/(gain) on foreign exchange	-	1	2	2
Unrealised foreign exchange rate losses/(gains)	1	(6)	(1)	8
Bank charges and interest payable	-	57	-	47
FX Gains - unsettled financial assets	-	-	-	-
Interest charges under finance leases	1	3	-	-
Expected return on funded pension scheme assets	-	(38)	-	(36)
Interest on pension liabilities	-	33	-	33
Borrowing costs on provisions	(11)	(56)	(14)	13
Total	**(43)**	**(646)**	**50**	**(235)**

'Net loss/(gain) on foreign exchange' has been restated for 2020-21 for the Core Department to reflect the transfer during 2021-22 of the majority of its functions in the Vaccine Taskforce to the Department of Health and Social Care (note 28).

In 2021-22, HM Treasury's prescribed equivalent real discount rates remained negative and increased. Further detail of the movements in provisions can be found in note 20.1 for Nuclear provisions and note 20.2 for Other provisions.

6. Income

6.1 Operating income

	2021-22 Core Department and Agencies £m	2021-22 Departmental Group £m	2020-21 Core Department and Agencies £m	2020-21 Departmental Group £m
Income from sales of goods and services:				
Income from contracts with customers				
Fees, charges and recharges to/from external customers and central Government organisations	549	812	699	885
Levy income	13	1,204	11	3,449
Sales of goods and services	8	727	7	657
Miscellaneous income	7	59	10	66
Other income				
European Union funding	-	9	1	12
Current grants and capital grants	73	229	162	332
Total	**650**	**3,040**	**890**	**5,401**

Core Department and Agencies

'Fees, charges and recharges to/from external customers and central government organisations' for the Core Department and Agencies of £549 million (2020-21: £699 million) includes premium fee income of £373 million (2020-21: £378 million) relating to schemes implemented by the Core Department in response to the COVID-19 pandemic. The premium fee income of £373 million includes £77 million from the Trade Credit Reinsurance Scheme (2020-21 £335 million) (note 21), £250 million (2020-21 £40 million) from the Coronavirus Business Interruption Loan Scheme, £31 million (2020-21 £3 million) from the Coronavirus Large Business Interruption Loan Scheme and £15 million from the Recovery Loan Scheme.

Departmental Group

Within 'Levy Income', Capacity Market supplier charge income of £856 million has been recognised in 2021-22 (2020-21: £1,095 million).

Included in the 'Sales of goods and services' line above is £640 million of income from the NDA (2020-21: £555 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]	[B]	Of which £m:		
		£m	£m	2021 -2026	2027-2039	2040-2087
Spent fuel reprocessing and associated waste management	Spent fuel storage	26	747	57	126	564
	Interim storage of waste	81	292	292	-	-
	Treatment of wastes	60	218	218	-	-
	Storage of treated wastes	8	179	22	48	109
	Storage of products	37	876	92	201	583
Spent fuel receipts	Receipt of spent fuel	252	3,468	2,434	1,034	-
Other storage contracts	Storage of materials	72	906	281	431	194
Storage and destorage of residues	Storage	7	56	56	-	-
	Destorage	-	35	11	24	-
Waste substitution	Destorage	-	55	55	-	-
Legacy waste management	Waste management	-	157	157	-	-
Total		**543**	**6,989**	**3,675**	**1,864**	**1,450**

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

	2021-22 Core Department and Agencies £m	2021-22 Departmental Group £m	2020-21 Core Department and Agencies £m	2020-21 Departmental Group £m
Effective Interest from FVTPL assets	16	17	18	18
Effective Interest from amortised cost assets	39	39	33	33
Interest income from amortised cost assets	9	111	7	84
Interest income from FVTPL assets	16	65	12	69
Dividend income from FVTPL assets held at the period end	-	72	-	95
Dividend income from investments in joint ventures, associates and public dividend capital	98	14	145	33
Dividend income for joint venture and associates	-	2	-	-
Total	**178**	**320**	**215**	**332**

Core Department and Agencies

In 2021-22 Core Department and Agencies recognised dividend income of £98 million (2020-21: £145 million). This includes a dividend of £84 million from Enrichment Holdings Limited (EHL) (2020-21: £88 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 2021-22 the Departmental Group received dividend income of £88 million (2020-21: £128 million), comprising distributions from investment funds and dividend income of £67 million (2020-21: £88 million) recognised from BIS (Postal Services Act 2011) Company.

7. Property, plant and equipment

Departmental Group 2021-22	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										
At 31 March 2021	**300**	**2,657**	**-**	**83**	**213**	**6,278**	**26**	**296**	**824**	**10,677**
IFRS 16 adoption adjustment	(79)	(51)	-	-	-	-	-	-	-	(130)
Balance at 1 April 2021	**221**	**2,606**	**-**	**83**	**213**	**6,278**	**26**	**296**	**824**	**10,547**
Additions	1	6	-	-	32	28	1	9	338	415
Disposals	-	(3)	-	(1)	(14)	(27)	(2)	(80)	-	(127)
(Impairments)/impairment reversals	-	(15)	-	-	-	(1)	-	-	(8)	(24)
Transfers	(6)	(1)	-	-	2	-	-	-	-	(5)
Reclassifications	-	13	-	16	50	62	-	201	(342)	-
Revaluations	34	320	-	-	(2)	99	1	2	-	454
At 31 March 2022	**250**	**2,926**	**-**	**98**	**281**	**6,439**	**26**	**428**	**812**	**11,260**
Depreciation										
At 31 March 2021	**(28)**	**(1,055)**	**-**	**(41)**	**(154)**	**(5,362)**	**(14)**	**(190)**	**-**	**(6,844)**
IFRS 16 adoption adjustment	28	19	-	-	-	-	-	-	-	47
Balance at 1 April 2021	**-**	**(1,036)**	**-**	**(41)**	**(154)**	**(5,362)**	**(14)**	**(190)**	**-**	**(6,797)**
Charged in year	-	(60)	-	(7)	(32)	(133)	(3)	(16)	-	(251)
Disposals	-	3	-	1	14	25	2	76	-	121
(Impairments)/impairment reversals	-	-	-	-	-	(8)	-	-	-	(8)
Revaluations	-	(111)	-	-	1	(59)	-	-	-	(169)
At 31 March 2022	**-**	**(1,204)**	**-**	**(47)**	**(171)**	**(5,537)**	**(15)**	**(130)**	**-**	**(7,104)**
Carrying amount at 31 March 2022	**250**	**1,722**	**-**	**51**	**110**	**902**	**11**	**298**	**812**	**4,156**
Carrying amount at 1 April 2021	**221**	**1,570**	**-**	**42**	**59**	**916**	**12**	**106**	**824**	**3,750**
Asset financing:										
Owned	250	1,722	-	51	110	902	11	298	812	4,156
Carrying amount at 31 March 2022	**250**	**1,722**	**-**	**51**	**110**	**902**	**11**	**298**	**812**	**4,156**
Of the total:										
Core Department and Agencies	32	181	-	40	9	74	4	-	65	405
NDPBs and other designated bodies	218	1,541	-	11	101	828	7	298	747	3,751
Carrying amount at 31 March 2022	**250**	**1,722**	**-**	**51**	**110**	**902**	**11**	**298**	**812**	**4,156**

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)/impairment reversals	-	-	-	-	-	(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**

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

The professional valuations of land and buildings undertaken within the Departmental Group were prepared in accordance with the Royal Institute of Chartered Surveyors (RICS) Valuation Standards (6th Edition), the 'Red Book'. Unless otherwise stated, land and buildings are professionally revalued every 5 years and where appropriate in the intervening period, relevant indices are used. The most significant land and buildings at 31 March 2022 were held by Nuclear Decommissioning Authority (NDA) and UK Research and Innovation (UKRI). Revaluations were conducted in 2021-22 for some of the UKRI Property, plant and equipment (valuation increased by £186 million), by Carter Jonas and Powis Hughes.

Included in Transport Equipment reclassifications is £196.8 million for the bringing into service of the Antarctic research vessel RRS Sir David Attenborough.

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.

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

8. Right of Use Assets

Departmental Group	Land	Buildings	Plant and Machinery	Transport Equipment	Total
	£m	£m	£m	£m	£m
Cost or valuation					
At 31 March 2021	**-**	**-**	**-**	**-**	**-**
IFRS 16 - adjustment on adoption	94	281	2	10	387
Balance at 1 April 2021	**94**	**281**	**2**	**10**	**387**
Additions	5	27	2	2	36
Disposals	(1)	(1)	-	(1)	(3)
(Impairments)/ impairment reversals	-	(11)	-	-	(11)
Remeasurements	-	(2)	-	-	(2)
Revaluations	1	16	4	2	23
At 31 March 2022	**99**	**310**	**8**	**13**	**430**
Depreciation					
At 31 March 2021	**-**	**-**	**-**	**-**	**-**
IFRS 16 - adjustment on adoption	(28)	(19)	-	-	(47)
Balance at 1 April 2021	**(28)**	**(19)**	**-**	**-**	**(47)**
Charged in year	(2)	(40)	(2)	(6)	(50)
Disposals	-	2	-	1	3
Revaluations	(1)	(13)	(4)	(2)	(20)
At 31 March 2022	**(31)**	**(70)**	**(6)**	**(7)**	**(114)**
Carrying amount at 31 March 2022	**68**	**240**	**2**	**6**	**316**
Of the total:					
Core Department and Agencies	1	102	-	3	106
NDPBs and other designated bodies	67	138	2	3	210
Carrying amount at 31 March 2022	**68**	**240**	**2**	**6**	**316**

The Departmental Group adopted IFRS 16 ‘Leases’ from 1 April 2021, in agreement with HM Treasury. Please see note 1 for further information on the adoption of IFRS 16 ‘Leases’.

9. Intangible assets

Departmental Group 2021-22	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 2021	**190**	**168**	**1**	**385**	**-**	**24**	**768**
Additions	4	1	-	-	-	28	33
Disposals	(2)	(12)	-	-	-	-	(14)
Reclassifications	70	(60)	-	-	-	(10)	-
Transfers	(2)	-	-	-	-	-	(2)
Revaluations	-	-	-	(14)	-	-	(14)
At 31 March 2022	**260**	**97**	**1**	**371**	**-**	**42**	**771**
Amortisation							
Balance at 1 April 2021	**(143)**	**(156)**	**(1)**	**(278)**	**-**	**-**	**(578)**
Charged in year	(17)	(4)	-	(21)	-	-	(42)
Disposals	1	11	-	-	-	-	12
Reclassifications	(61)	61	-	-	-	-	-
At 31 March 2022	**(220)**	**(88)**	**(1)**	**(299)**	**-**	**-**	**(608)**
Carrying amount at 31 March 2022	**40**	**9**	**-**	**72**	**-**	**42**	**163**
Carrying amount at 1 April 2021	**47**	**12**	**-**	**107**	**-**	**24**	**190**
Asset financing:							
Owned	40	9	-	72	-	42	163
Carrying amount at 31 March 2022	**40**	**9**	**-**	**72**	**-**	**42**	**163**
Of the total:							
Core Department and Agen-cies	22	2	-	-	-	34	58
NDPBs and other designat-ed bodies	18	7	-	72	-	8	105
Carrying amount at 31 March 2022	**40**	**9**	**-**	**72**	**-**	**42**	**163**

Departmental Group 2020-21	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 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							
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	-	-	-	-	-

Departmental Group 2020-21	Information Technology	Software Licences	Websites	Patents	Licences & Others	Assets under Construction	Total restated
	£m	£m	£m	£m	£m	£m	£m
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**

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.

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 2022 is £72 million (2020-21: £107 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.

10. Derivative financial instruments

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

CfDs

CfDs are a mechanism introduced to support new investment in 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 Departmental Group accounts.

CfDs have been classified as derivatives in accordance with IFRS 9 'Financial Instruments', designated as FVTPL and are stated at their 'fair value' by deferring the difference between fair value and transaction price at initial recognition. Any resultant gain or loss in fair value is recognised in the Consolidated 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 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. To calculate future cash flows, LCCC makes its best estimate of the payments which it will be committed to make, if and when the generators supply low carbon electricity in accordance with the contractual terms of the CfD. LCCC does this by selecting the discounted cash flow model, and also applying inputs and assumptions, to obtain a reliable estimate of future electricity prices which LCCC concludes results in the fair value measurement. The fair value measurement reflects what a market participant would take into account when establishing the price, and assumes an orderly transaction between market participants, at the measurement date.

The difference between the fair value of the liability at initial recognition (day one) and the transaction price, is deferred unless the calculation can be based on observable inputs which at this point in time is not the case for CfDs.

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, although contracts relating to biomass conversion have an expiration date in 2027 and the bespoke Hinkley Point C (HPC) contract has a contract payment period of 35 years. 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.

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, LCCC 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 Consolidated Statement of Comprehensive Net Expenditure and in the Consolidated 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.

Valuation of CfDs: estimates

The fair value of the unquoted CfD contracts is calculated using the income approach (discounted cash flow model) and represents LCCC's best estimate of the payments which LCCC will be committed to make, if and when the generators supply low carbon electricity in accordance with their contractual terms. Annual cash flow is estimated as strike price minus forecast reference price, multiplied by estimated eligible generation volume. The series of periodic net operating expense is then discounted using a real discount rate based on the HM Treasury nominal rate of 1.9% adjusted by the latest OBR CPI inflation forecasts for each modelled year (2020-21: real 0.7% rate for all periods).

The valuation requires LCCC's management to make certain assumptions about the model inputs, including cash flows, the discount rate, credit risk and volatility. Significant inputs are disclosed below.

One of the key inputs into the cash flow model is the estimate of future electricity prices which is derived by applying certain inputs and assumptions such as overall electricity demand, commodity prices, carbon prices, government policy, technology, and deployment of new generating capacity. Most commercial and public sector modelling of the electricity system for long term forecasting takes a very similar approach, but the detailed assumptions and methodology may differ. Given the complexity, range of possible inputs, and long-term nature of the modelling, and also to some extent the iterative relationship between the expectations of overall system cost and long-term demand (especially industrial demand), long-term system forecasts are not generally seen as a single “most likely” outcome with degrees of uncertainty either side. In fact, there are multiple sets of inputs that are internally consistent, and credible. Often a set of these inputs will be used as a “scenario,” and multiple deliberately different scenarios are used to illustrate different possible futures when undertaking long-term forecasting. The range of uncertainty can be significant when forecasting (as illustrated below) but does not necessarily mean that an individual scenario is not reasonable. LCCC continues to use the Dynamic Despatch Model (DDM), unless there is evidence that it is not a reliable proxy for the price series that a third party might use to estimate the payments they would need to make under the terms of the CfD contracts.

Valuation of CfDs: significant judgements

Fair value measurement of HPC CfD

LCCC entered into the Hinkley Point C CfD on 29 September 2016. This project has a maximum lifetime generation cap of 910,000,000 MWh. 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 HPC CfD duration is more than double (35 years) the length of other CfDs (15 years) entered into by the Departmental Group. This has made it considerably more challenging for LCCC's management to provide a reliable single point fair value estimate for HPC CfD.

However, the Department's DDM model forecasts pricing out to 2060 and therefore in line with the recognition criteria for the other CfDs, the recognition criteria for HPC CfD was deemed to have been met and the CfD is recognised in the financial statements since 2019-20.

As in the previous year third party forecasts have been used 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 LCCC's management deem the valuation of the HPC CfD as a reliable estimate that is complete, neutral and free from error.

Deferral of differences between fair value and transaction price for CfD

The fair value of the CfDs, disclosed below, 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 Consolidated 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 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 and the right to receive monies from suppliers to make those 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.

CfDs

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 2022 LCCC was counterparty to 69 contracts, including HPC (at 31 March 2021: 72 contracts).

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. As explained above, 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:

	LCCC CfDs (exc. HPC) £m	LCCC HPC £m	Departmental Group Total £m
CfD liability as at 31 March 2020 recognised on the Consolidated Statement of Financial Position	**16,464**	**-**	**16,464**
Other non-CfD liabilities as at 31 March 2020	-	-	-
Carrying value of non-current derivative liabilities as at 31 March 2020	**16,464**	**-**	**16,464**
Re-measurement 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**
Other non-CfD liabilities as at 31 March 2021	-	-	-
Carrying value of non-current derivative liabilities as at 31 March 2021	**15,731**	**1,202**	**16,933**
Remeasurement of the CfD liability	(449)	9,396	8,947
Payments to the CfD generators	(271)		(271)
Deferred difference recognised during the year	1,339		1,339
CfD liability as at 31 March 2022 recognised on the Consolidated Statement of Financial Position	**16,350**	**10,598**	**26,948**
Other non-CfD liabilities as at 31 March 2022	-	-	-
Carrying value of non-current derivative liabilities as at 31 March 2022	**16,350**	**10,598**	**26,948**

During the year, the net movement of £10,286 million (2020-21: £2,746 million) in the fair value of CfDs is recognised in the Consolidated Statement of Comprehensive Net Expenditure.

Movement in deferred measurement differences

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

	LCCC CfDs exc. HPC £m	LCCC HPC £m	Departmental Group Total £m
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**
Measurement differences recognised relating to terminated CfDs	(15)	-	(15)
Deferred measurement differences recognised during the year	(1,324)	-	(1,324)
Deferred measurement differences as at 31 March 2022	**19,832**	**50,826**	**70,658**

Fair value measurement of CfDs

The fair value of CfDs represents LCCC's best estimate of the payments which 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 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 2021	-	-	88,930	88,930
Balance at 31 March 2022	-	-	97,591	97,591

Reconciliation of CfDs

The following table shows the impact of the fair values of the CfDs, classified under level 3, by using the assumptions described below:

	LCCC CfDs exc. HPC £m	LCCC HPC £m	Departmental Group Total £m
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**
Change in fair value during the year	(449)	9,396	8,947
CfDs terminated during the year	(15)	-	(15)
Payments to the CfD generators	(271)	-	(271)
Balance at 31 March 2022	**36,167**	**61,424**	**97,591**

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 are uncertain and volatile. In the valuation, LCCC's management has used the 2021 DDM reference case to calculate the fair value of the CfD portfolio. 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 next two financial years. For the remainder of the CfDs contract life the DDM forecast has been incorporated into the valuation. 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 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 changes in law. The strike price used in the valuation of the CfDs is the 2022-23 strike price and reflects the CPI rate for January 2022, in line with the requirements of the CfD contract.

The announcement made by OFGEM in April 2022 stating that from the 1st April 2023 generators will no longer pay BSUoS charges confirmed the market view at the reporting date which LCCC has already incorporated into the strike price forecast as at the 31st March 2022.

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 charges, the event of certain qualifying changes in law, or the additional factors discussed below. If a government scheme 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 management's assumption with regards to Sizewell C has not changed since last year as there is still no certainty that Sizewell C will enter into a low carbon government scheme, hence the fair value of HPC CfD continues to be £92.50/MWh.

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 above have been met or are currently forecast to be 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 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 hasn't been any construction gain share during the year and none is currently forecast.

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 been reached yet and there is no evidence of operating costs materially differing from initial projections.

Sensitivity Analysis

As explained above, 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 LCCC would describe as the 'universe of reasonableness'.

In order to value the CfD liabilities LCCC's management has 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's management and used for the valuation produces a forecast price of £54.04 per MWh in 2040 and £48.09 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 these Department high/low fossil fuel prices scenarios the forecast price is £58.07/£49.36 per MWh in 2040 and £52.43/£46.67 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's 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, higher positive discount rate places less weight on increasingly more uncertain years of a present value calculation.

In previous years LCCC has used the HM Treasury real discount rate of 0.7% for valuing financial instruments such as CfDs, and as a modelling enhancement, LCCC has this year derived a real discount rate from the HM Treasury nominal discount rate of 1.9% adjusted by the latest CPI inflation forecasts for each modelled year, given that the strike price is indexed to CPI, resulting in the following real discount rates:

2022-23	(5.65%)
2023-24	(0.47%)
2024-25	0.24%
2025-26	(0.06%)
2026-27 and thereafter	(0.10%)

Given that HM Treasury now has an intention to vary their discount rate guidance on an annual basis, for future year-on-year comparability LCCC now include an undiscounted valuation of the CfDs to compare with the table on Reconciliation of CfDs above:

Undiscounted valuation of CfDs

	LCCC CfDs exc. HPC	LCCC HPC CfD	Departmental Group Total
	£m	£m	£m
As at 31 March 2020	40,903	60,000	100,903
As at 31 March 2021	38,865	61,221	100,086
As at 31 March 2022	34,844	58,381	93,225

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) has 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	4,752	(1,112)	3,640
DDM Low Case	(3,376)	(13,463)	(16,839)
Discount rate of 3.5%	32,461	10,236	42,697
Discount rate of 0.7%	11,315	3,378	14,693
Undiscounted	3,044	1,323	4,367
Specific to CfDs exc. HPC:			
10% more load factor	-	(3,617)	(3,617)
10% less load factor	-	3,617	3,617
Estimated Commissioning Date moves backward by one year	-	(1,359)	(1,359)
Generation starts at the earliest possible date	-	3,172	3,172
Specific to HPC CfD:			
10% less load factor	6,142	-	6,142
Generation starts at the earliest possible date	207	-	207
Generation start date delayed one year from estimated start date	(113)	-	(113)
Sizewell C strike price adjustment	3,649	-	3,649

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

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 actual values used in the preparation of the financial statements.

	Fair value of CfDs £m	Valuation technique	Significant unobservable input	Market Price Range Min – Max	Units
2021	88,930	DCF	Electricity prices	24.62-77.77	£/MWh
2022	97,951	DCF	Electricity prices	37.84-244.00	£/MWh

11. Investments and loans in other public sector bodies

	Ordinary shares	Public Dividend Capital	Other investments and loans	Core Department and Agencies Total	Elimination of shares and other investments and loans held in NDPBs	NDPBs Ordinary Shares	Departmental Group Total
	£m	£m	£m	£m	£m	£m	£m
Balance at 1 April 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**
Additions	420	-	584	**1,004**	(629)	-	**375**
Disposals	(65)	-	-	**(65)**	65		**-**
Redemptions	-	-	(131)	**(131)**	91	-	**(40)**
(Impairments) / Impairment reversal	(6)	-	(23)	**(29)**	23	-	**(6)**
Revaluations	(129)	-	-	**(129)**	-	37	**(92)**
Unwinding of discount	-	-	14	**14**	-	-	**14**
Loans repayable within 12 months transferred to current assets	-	-	(93)	**(93)**	(16)	-	**(109)**
Balance at 31 March 2022	**2,829**	**65**	**1,778**	**4,672**	**(3,416)**	**611**	**1,867**

11.1 Ordinary Shares in other public sector bodies

		31 March 2022		31 March 2021
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Balance at 1 April	**2,609**	**1,244**	**2,297**	**1,305**
Additions	420	125	364	-
Disposals	(65)	-	-	-
(Impairments) / Impairment reversal	(6)	-	51	-
Revaluations	(129)	(92)	(103)	(61)
Balance at 31 March	**2,829**	**1,277**	**2,609**	**1,244**
Comprising				
Ordinary Shares held within the Departmental boundary - held at cost	2,163	-	1,939	-
Ordinary Shares held outside the Departmental boundary - held at fair value	666	1,277	670	1,244
Balance at 31 March	**2,829**	**1,277**	**2,609**	**1,244**

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 2,155,711,265 ordinary shares (31 March 2021: 1,860,711,265), each with a nominal value of £1. The Core Department invested in additional share capital during the year of £295 million (31 March 2021: £364 million). The Core Department's holding had a cost of £2,156 million at 31 March 2022 (31 March 2021: £1,861 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 2021: 900), each with a nominal value of £1.

UKGIP's share capital was acquired for £93 million and £65 million was repaid during the year. The Core Department's holding had a cost less provision for impairment of £5 million at 31 March 2022 (31 March 2021: £76 million).

UKGIP was established to enable Government to retain an interest in five existing Green Investment Bank (GIB) investments. The Green Investment Group is the remaining 10% shareholder. Following Special Resolutions passed on 06 April 2022 UKGIP is being wound up, via a Members' Voluntary Liquidation, having fulfilled its objectives to manage Government's interests in the unsold assets from the Green Investment Bank.

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 2022 (31 March 2021: £2 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).

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 2022 (31 March 2021: £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 2022 (31 March 2021: £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 50,005 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 Core Department invested in additional share capital during the year of £125 million (31 March 2021: £nil million). The fair value of the investments, held by the Core Department, as at 31 March 2022 was £nil (31 March 2021: £nil).

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 2022 was £327 million (31 March 2021: £327 million).

BNFL exists to settle historic liabilities including those arising from BNFLs disposal programmes.

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 2022 was £127 million (31 March 2021: £158 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 2022 was £104 million (31 March 2021: £87 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 2022 was £108 million (31 March 2021: £98 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 £611 million as at 31 March 2022 (31 March 2021: £574 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.

11.2 Public Dividend Capital (PDC)

	UK Intellectual Property Office £m	Met Office £m	Total £m
Balance at 1 April 2020	6	59	65
Additions	-	-	-
Redemptions	-	-	-
Impairments	-	-	-
Balance at 31 March 2021	6	59	65
Additions	-	-	-
Redemptions	-	-	-
Impairments	-	-	-
Balance at 31 March 2022	6	59	65

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

11.2.1 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 £m	Met Office £m
Net Assets/(Liabilities) at 31 March 2021	96	270
Turnover	122	259
Surplus/profit (deficit/loss) for the year before financing	7	7
Net Assets/(Liabilities) at 31 March 2022	123	287
Turnover	164	258
Surplus/profit (deficit/loss) for the year before financing	33	12

The information presented related to the UK IPO was derived from their audited accounts for both reporting periods. The information related to the Met Office for 2021-22 was derived from their draft unaudited accounts. The information for 2020-21 was derived from their audited accounts. The accounts were prepared on an IFRS basis, in accordance with the requirements of the FReM.

11.3 Loans in public sector bodies

	31 March 2022		31 March 2021	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Balance at 1 April	**1,427**	**416**	**1,030**	**336**
Additions	584	249	499	142
Repayments	(131)	(40)	(68)	(57)
Unwind of discount	14	14	5	4
Impairments	(23)	(6)	(30)	(1)
Loans repayable within 12 months transferred to current assets	(93)	(108)	(9)	(8)
Balance at 31 March	**1,778**	**525**	**1,427**	**416**

Loans in other public sector bodies

Core Department

The most significant loans 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.

The total carrying amount at 31 March 2022 is £281 million (31 March 2021: £234 million), of which the non-current element, reported in the table above, is £219 million (31 March 2021: £189 million) and the current element, reported in note 16, £62 million (31 March 2021: £46 million). All outstanding loans are to public sector organisations and are reported at amortised cost under IFRS 9.

The loans are to non-consolidated bodies and not eliminated on consolidation.

Fleetbank Funding Limited Loan (Enable Funding programme)

The Core Department's loan to Fleetbank Funding Limited supports the Enable Funding programme, managed by the British Business Bank. This was launched in November 2014 to improve the provision of asset and lease finance to smaller UK businesses.

The carrying amount at 31 March 2022 is £632 million (31 March 2021: £493 million). The loans are reported at amortised cost under IFRS 9.

The loan is to a consolidated body and 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 provide commercially-focused finance to help small and medium sized enterprises start up and grow.

The total carrying amount at 31 March 2022 is £292 million (31 March 2021: £241 million). The loans are reported at cost under IAS 27.

The loans are to consolidated bodies and 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 at 31 March 2022 is £230 million (31 March 2021: £153 million), of which the non-current element, reported in the table above, is £202 million (31 March 2021: £152 million) and current element, reported in note 16, £28 million (31 March 2021: £1 million). The loans are reported at amortised cost under IFRS 9.

The loans are to a non-consolidated body and not eliminated on consolidation.

11.4 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 – 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 £50 million

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.

Body in which Share is held and type and value of Share	Significant terms of Shareholding
EDF Energy Nuclear Generation Limited (formerly British Energy Generation Ltd) *£1 Special Share*	• British Energy Generation Ltd Special Share created in 1996 is held solely by the Secretary of State for Business, Energy and Industrial Strategy. • The consent of the Special Shareholder, which can only be refused on grounds of national security (except in relation to an amendment to the company's Articles of Association), is required in respect of: – various amendments to the company's Articles of Association; – the disposal of any of the nuclear power stations owned by the company; and – prior to the permanent closure of such a station, the disposal of any asset which is necessary for the station to generate electricity.
British Energy Ltd (formerly British Energy plc) *£1 Special Share*	• British Energy plc Special Share created in 1996 is held solely by the Secretary of State for Business, Energy and Industrial Strategy. • The consent of the Special Shareholder, which can only be refused on grounds of national security (except in relation to an amendment to the company's Articles of Association), is required in respect of: – various amendments to the company's Articles of Association; and – the giving of consent in respect of the issue of shares by, the sale of shares in or amendments to the Articles of Association of various subsidiaries in certain cases. • The company has no significant assets or liabilities as a result of the restructuring scheme, which came into effect on 14 January 2005.
Nuclear Liabilities Fund Ltd *£1 Special Rights Redeemable Preference Share*	• Created in 1996. • The Secretary of State for Business, Energy and Industrial Strategy has a Special 'A' Share (there is also a 'B' Share held by British Energy). • The consent of the Special Shareholder is required for any of the following: – to change any of the provisions in the Memorandum of Association or Articles of Association; – to alter the share capital or the rights attached thereto; – the company to create or issue share options; – the 'B' Special Shareholder or any of the Ordinary shareholders to dispose or transfer any of their rights in their shares; – the company to pass a members voluntary winding-up resolution; – the company to recommend, declare or pay a dividend; – the company to create, issue or commit to give any loan capital; – the company to issue a debenture; or – the company to change its accounting reference date.

<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>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>

12. Other financial assets

	Note	31 March 2022 Core Department and Agencies £m	31 March 2022 Departmental Group £m	31 March 2021 Core Department and Agencies £m	31 March 2021 Departmental Group £m
Balance at 1 April		**1,769**	**5,713**	**967**	**4,120**
Additions		269	1,724	1,196	2,483
Repayments		(102)	(1,024)	(341)	(1,215)
Effective interest		15	15	17	17
Unwinding of discount		3	3	-	-
Amortisation		-	4	-	2
Revaluations		38	703	(70)	336
Impairments		(25)	(39)	-	(30)
Balance at 31 March		**1,967**	**7,099**	**1,769**	**5,713**
Comprising:					
Repayable launch investments	12.1	463	463	485	485
Other loans and investments	12.2	1,504	6,636	1,284	5,228
Balance at 31 March		**1,967**	**7,099**	**1,769**	**5,713**

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

	31 March 2022 Core Department and Agencies £m	31 March 2022 Departmental Group £m	31 March 2021 Core Department and Agencies £m	31 March 2021 Departmental Group £m
Due within twelve months	223	223	-	72
Due after twelve months	1,744	6,876	1,769	5,641
Total	**1,967**	**7,099**	**1,769**	**5,713**

12.1 Repayable launch investments

	31 March 2022 Core Department and Agencies £m	31 March 2022 Departmental Group £m	31 March 2021 Core Department and Agencies £m	31 March 2021 Departmental Group £m
Balance at 1 April	**485**	**485**	**833**	**833**
Repayments	(49)	(49)	(336)	(336)
Effective interest	15	15	17	17
Revaluations	12	12	(29)	(29)
Balance at 31 March	**463**	**463**	**485**	**485**

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. For any contracts where applicable, the fair value measurement is based on agreed sale price. 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 2.9% 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 2022 was £463 million (31 March 2021: £485 million). The historic cost, including repayments to date and excluding accrued income, of the portfolio at 31 March 2022 was £229 million (31 March 2021: £250 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 £457 million and £470 million respectively, at 31 March 2022 (2020-21: £390 million and £531 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.

12.2 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 2020	**41**	**6**	**877**	**161**	**2,202**	**-**	**3,287**
Additions	5	-	1,769	14	685	10	**2,483**
Redemptions	(4)	(1)	(489)	(75)	(298)	(12)	**(879)**
Revaluations	-	-	(89)	37	345	72	**365**
Impairments	-	-	(30)	-	-	-	**(30)**
Amortisation	-	-	2	-	-	-	**2**
Transfers	-	-	(28)	-	28	-	**-**
Reclassifications	-	-	(60)	61	(1)	-	**-**
Balance at 1 April 2021	**42**	**5**	**1,952**	**198**	**2,961**	**70**	**5,228**
Additions	4	-	770	112	836	2	**1,724**
Redemptions	(4)	(5)	(281)	(36)	(577)	(72)	**(975)**
Revaluations	-	-	(181)	202	670	-	**691**
Unwinding of discount	-	-	3	-	-	**-**	**3**
Impairments	-	-	(39)	-	-	**-**	**(39)**
Amortisation	-	-	4	-	-	**-**	**4**
Reclassifications	-	-	(274)	286	(12)	**-**	**-**
Balance at 31 March 2022	**42**	**-**	**1,954**	**762**	**3,878**	**-**	**6,636**
Of the total:							
Core Department and Agencies	-	-	711	561	232	-	**1,504**
NDPBs and other designated bodies	42	-	1,243	201	3,646	-	**5,132**
Balance at 31 March 2022	**42**	**-**	**1,954**	**762**	**3,878**	**-**	**6,636**

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 was open to new applicants till 31 January 2021. The scheme 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	**943**	**87**	**1,030**
Additions	46	-	**46**
Transfers (conversions to equity)	(274)	274	**-**
Fair value gains/(losses)	(178)	184	**6**
Exits	**(21)**	(25)	**(46)**
Balance at 31 March	**516**	**520**	**1,036**

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 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 post-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 listed below.

- 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 2022 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.

The individual loans were drawn down by businesses over a 11-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 fair value of the Future Fund at the reporting date, 31 March 2022, was £1,036 million (31 March 2021: £1,030 million).

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.

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%	(25)	(4.9%)
	-1%	27	5.3%
Exit probability	+1%	21	4.1%
	-1%	(21)	(4.1%)
Spot equity value	x130%	40	7.7%
	x70%	(30)	(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 2022, £1,243 million of loans were held by NDPBs and other designated bodies (31 March 2021: £956 million).

The value of loans held by BBB as at 31 March 2022 was £527 million (31 March 2021: £462 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 £62 million (31 March 2021: £18 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 £176 million at 31 March 2022 (31 March 2021: £177 million). BBB provides loans to start ups and small businesses via The Start Up Loans Company which were valued at £179 million at 31 March 2022 (31 March 2021: £157 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 24.

During 2021-22, FFL made loans of £126 million (31 March 2021: £251 million) to private companies through the Enable Loan Programme scheme. The value of loans held by FFL as at 31 March 2022 was £569 million (31 March 2021: £442 million).

Private sector shares

At 31 March 2022 £180 million of private sector shares were held by NDPBs and other designated bodies (31 March 2021: £74 million). These were held by, BBB, BIS (Postal Services Act 2011) Company Ltd, Nesta Trust, and UKRI. These are measured at ‘fair value through profit or loss’, with fair value movements going directly to the SoCNE.

The fair values are estimated based on a variety of valuation techniques, adopted by the investment managers that comply with the International Private Equity and Venture Capital Valuation (IPEV) Guidelines or the valuation guidelines produced by the British Venture Capital Association (BVCA). Valuation techniques used include the use of earnings multiples, discounted cash flows analysis, and net asset values.

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 2022 was £3,646 million (31 March 2021: £2,797 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 £2,788 million at 31 March 2022 (31 March 2021: £1,980 million). The most significant investment is a long-term venture and growth capital investment fund in British Patient Capital valued at £1,169 million at 31 March 2022 (31 March 2021: £653 million). BBB also has investments as part of their Non-Peer to Peer Investment Programme which were valued at £542 million at 31 March 2022 (31 March 2021: £442 million), the Business Finance Partnership valued at £248 million at 31 March 2022 (31 March 2021: £312 million), and the Enterprise Capital Fund valued at £426 million at 31 March 2022 (31 March 2021: £335 million).

The fair value of the investments in BIS (Postal Services Act 2011) Company Limited (BPSA) as at 31 March 2022 was £140 million (31 March 2021: £190 million). These investments primarily comprised investments in European and North American unquoted shares.

13. 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 2022 were £3,071 million (31 March 2021: £1,447 million). Further details can be found in NDA's annual report and accounts.

Recoverable contract costs relating to nuclear provisions	Departmental Group 31 March 2022	Departmental Group 31 March 2021
	£m	£m
Gross recoverable contract costs	**6,626**	**4,895**
Less applicable payments received on account	(3,152)	(3,246)
Less associated contract loss provisions	(403)	(202)
Balance at 31 March	**3,071**	**1,447**

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 2022	Departmental Group 31 March 2021
	£m	£m
Gross recoverable contract costs at 1 April	**4,895**	**5,087**
Increase/(decrease) in year	2,051	117
Unwinding of discount	(6)	(8)
Release in year - continuing operations	(203)	(199)
Amortisation of recoverable contract costs	(111)	(102)
Balance at 31 March	**6,626**	**4,895**

The gross balance of recoverable contract costs of £6,626 million (31 March 2021: £4,895 million) comprises £1,303 million (31 March 2021: £1,414 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 £5,323 million (31 March 2021: £3,481 million) of probable future costs which form part of the nuclear decommissioning provision (note 20.1) 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 2022			Departmental Group 31 March 2021		
	Historic costs	Future costs	Total costs	Historic costs	Future costs	Total costs
	£m	£m	£m	£m	£m	£m
Balance at 1 April	**1,414**	**3,481**	**4,895**	**1,516**	**3,571**	**5,087**
Increase/(decrease) in the year	-	2,051	2,051	-	117	117
Unwinding of discount	-	(6)	(6)	-	(8)	(8)
Amortisation	(111)	-	(111)	(102)	-	(102)
Release in year	-	(203)	(203)	-	(199)	(199)
Balance at 31 March	**1,303**	**5,323**	**6,626**	**1,414**	**3,481**	**4,895**

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 2022			Departmental Group 31 March 2021		
	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	**883**	**531**	**1,414**	**955**	**561**	**1,516**
Amortisation	(75)	(36)	(111)	(72)	(30)	(102)
Balance at 31 March	**808**	**495**	**1,303**	**883**	**531**	**1,414**

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.

14. Investments in joint ventures and associates

	31 March 2022		31 March 2021	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Balance at 1 April	**348**	**1,395**	**-**	**967**
Additions	-	55	374	378
Dividends	(1)	(85)	-	(88)
Disposals	-	(30)	-	(6)
Profit/(Loss)	29	159	(26)	130
Impairments	-	(15)	-	-
Revaluations	-	25	-	14
Balance at 31 March	**376.00**	**1,504**	**348**	**1,395**

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 2022 17.6% (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 2022 is £376 million (31 March 2021: £348 million), reflecting the Core Department's share of post-acquisition net profit or (loss) of the associate.

OneWeb's group financial statements are prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements are prepared to 31 March and are presented in US dollars.

The principal place of business is West Works Building, 195 Wood Lane, London.

Summarised financial information	2021-22 £m	2020-21 (Restated[1]) £m
Current assets	880	267
Non-current assets	1,541	1,150
Current liabilities	(82)	(160)
Non-current liabilities	(216)	(94)
Revenue	7	-
Profit/(loss) from continuing activities	(285)	(283)

Other financial information	2021-22 £m	2020-21 (Restated[1]) £m
Cash and cash equivalents	366	32
Current financial liabilities (excl trade and other payables and provisions)	(53)	(44)
Non-current financial liabilities (excl. trade and other payables and provisions)	(204)	(88)
Finance costs and interest expense	(9)	(2)

Notes

1. restated to include full consolidated figures

NDPBs and other designated bodies

The Francis Crick Institute Limited

The Francis Crick Institute (the Crick) was established in 2010 to deliver a world class interdisciplinary biomedical research centre. UKRI holds 42% (31 March 2021: 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 2022 is £301 million (31 March 2021: £292 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	2021-22 £m	2020-21 £m
Non-current assets	532	544
Current assets	73	79
Current liabilities	(43)	(49)
Revenue	178	167
Profit/(loss) from continuing activities	(14)	(9)

Other financial information	2021-22 £m	2020-21 £m
Cash and cash equivalents	46	39
Depreciation and amortisation	(38)	(39)
Capital commitments	5	1

Urenco

Urenco is an international supplier of enrichment services. The Department holds 33% (31 March 2021: 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 2022, the Departmental Group's holding is valued at £549 million (31 March 2021: £525 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	**2021-22** **£m**	**2020-21** **£m**
Non-current assets	4,017	4,152
Current assets	1,701	1,816
Current liabilities	(657)	(832)
Non-current liabilities	(3,288)	(3,433)
Revenue	(1,435)	(1,511)
(Profit)/loss from continuing activities	(313)	(449)

Other financial information	**2021-22** **£m**	**2020-21** **£m**
Cash and cash equivalents	470	567
Current financial liabilities (excl trade and other payables and provisions)	(461)	(608)
Non-current financial liabilities (excl trade and other payables and provisions)	(970)	(1,289)
Depreciation and amortisation	285	292
Interest income	(60)	(76)
Interest expense	115	149

15. Trade and other receivables

	31 March 2022		31 March 2021 restated	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Amounts falling due within one year:				
Trade receivables	84	537	147	698
Other receivables:				
VAT and other taxation	30	199	24	176
Staff receivables	1	1	-	1
RPS receivables	30	30	34	34
Other	2,156	2,193	2,729	2,771
Contract Assets	-	63	10	50
Prepayments and accrued income	366	866	570	1,155
	2,667	**3,889**	**3,514**	**4,885**
Amounts falling due after more than one year:				
Trade receivables	18	74	21	76
RPS receivables	43	43	49	49
Other receivables	440	445	564	568
Contract Assets	-	5	-	5
Prepayments and accrued income	3	31	-	41
	504	**598**	**634**	**739**
Total receivables at 31 March	**3,171**	**4,487**	**4,148**	**5,624**

Prepayments and accrued income falling due within one year has been restated for 2020-21 for the Core Department to reflect the transfer during 2021-22 of the majority of its functions in the Vaccine Taskforce to the Department of Health and Social Care (note 28).

Core Department

Other receivables due within 1 year held by the Core Department includes £1.9 billion (2020-21: £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.

Other receivables for the Core Department include amounts of £140 million (31 March 2021: £140 million) due within one year and £435 million (31 March 2021: £555 million) due after more than one year relating to receipts due from the Mineworkers' Pension Scheme. Certain benefits payable to members and beneficiaries of the Scheme were guaranteed by the government after privatisation of the British Coal Corporation in 1994. The agreement relating to the guarantee entitles the government to a portion of any periodic valuation surpluses as determined by the Government Actuary's Department, most recently as at September 2017. Amounts receivable have been measured initially at fair value, estimated by discounting future receipts at the nominal rate of 3.7% as prescribed by HM Treasury, and subsequently at amortised cost. The total (undiscounted) amount in cash terms due to the Department as at 31 March 2022 is £631 million (31 March 2021: £773 million) as annual receipts up to 2027. A contingent asset in relation to a similar financial guarantee for the British Coal Staff Superannuation Scheme is disclosed in note 26.

Prepayments and accrued income falling due within one year as at 31 March 2022 includes £201 million (31 March 2021: £335 million) of premium income receivable from insurers under the Trade Credit Reinsurance scheme (note 21).

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 £73 million as at 31 March 2022 (31 March 2021: £83 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 34.6% for preferential (31 March 2021: 6.2% for non-preferential and 35.9% for preferential).

16. Investments and loans in public sector bodies: current

		31 March 2022		31 March 2021
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Balance at 1 April	**588**	**572**	**687**	**672**
Additions	2,693	2,693	3,038	3,038
Repayments	(2,812)	(2,812)	(3,146)	(3,146)
Loans repayable within 12 months transferred from non-current assets	93	108	9	8
Balance at 31 March	**562**	**561**	**588**	**572**

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. An additional short-term facility of up to £50 million to fund its same day liquidity requirements has been made available if required. These facilities will expire on 31 March 2024. The outstanding balance on these facilities at 31 March 2022 was £467 million (31 March 2021: £539 million) which is included in the £562 million total above (31 March 2021: £588 million).

Payments by the Department to Bulb Energy Ltd (in administration) to ensure continuity of energy supply to its customers are repayable by the company to the extent that it has the financial resources to do so. Repayment is not considered probable and therefore the potential asset has been measured at £nil, both at origination and at the reporting date. Payments made during 2021-22 have been expensed, along with expense relating to the estimated amount likely to be paid out under the agreement with Bulb and its administrators after 31 March 2022 with a similar probability of recovery (note 4.1).

17. Cash and cash equivalents

	31 March 2022		31 March 2021	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Balance at 1 April	**1,952**	**3,444**	**1,069**	**2,189**
Net change in cash and cash equivalent balances	2,460	2,377	883	1,255
Balance at 31 March	**4,412**	**5,821**	**1,952**	**3,444**
The following balances were held at:				
The Government Banking Service (GBS)	4,411	5,503	1,909	3,093
Commercial banks and cash in hand	1	318	43	351
Balance at 31 March	**4,412**	**5,821**	**1,952**	**3,444**

18. Trade payables and other liabilities

	31 March 2022		31 March 2021 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	12	119	11	105
Trade payables	50	391	36	357
Other payables	101	883	244	742
Contract liabilities (see note 18.1)	1	648	1	455
Other accruals and deferred income	1,778	3,598	2,047	4,128
Amounts issued from the Consolidated Fund for supply but not spent at year end	4,273	4,273	1,928	1,928
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund:				
Received	140	148	24	44
	6,355	**10,060**	**4,291**	**7,759**
Amounts falling due after more than one year:				
Trade Payables	-	5	-	6
Contract liabilities (see note 18.1)	-	1,626	-	1,503
Other payables, accruals and deferred income	1,650	2,006	1,324	1,494
	1,650	**3,637**	**1,324**	**3,003**
Total payables at 31 March	**8,005**	**13,697**	**5,615**	**10,762**

18.1 Contract liabilities

	31 March 2022		31 March 2021	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Balance at 1 April	**1**	**1,958**	**6**	**1,993**
Additions	1	12	-	71
Change in measurement	-	123	(5)	(5)
Release to SOCNE	(1)	181	-	(66)
Payment	-	-	-	(35)
Balance at 31 March	**1**	**2,274**	**1**	**1,958**
Of the total				
Due within 1 year	1	648	1	455
Due in over 1 year	-	1,626	-	1,503
Balance at 31 March	**1**	**2,274**	**1**	**1,958**

Other accruals and deferred income falling due within one year has been restated for 2020-21 for the Core Department to reflect the transfer during 2021-22 of the majority of its functions in the Vaccine Taskforce to the Department of Health and Social Care (note 28).

Included under Other payables, accruals and deferred income are:

Core Department

Promissory note liabilities with maturities of less than one year of £63 million (31 March 2021: £220 million) and with maturities greater than one year of £1,649 million (31 March 2021: £1,323 million) which relate to various ODA (Official Development Assistance) programmes to which the Department has contributed.

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 £637 million (31 March 2021: £447 million) and after one year of £1,625 million (31 March 2021: £1,503 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 2022 was £88 million (31 March 2021: £136 million).

19. Lease Liabilities

	31 March 2022 £m		31 March 2021 £m	
	Core and Agencies	Departmental Group	Core and Agencies	Departmental Group
Obligations for the following periods comprise				
Land				
Not later than one year	-	1	-	-
Later than one year and not later than 5 years	-	3	-	-
Later than 5 years	-	15	-	-
Less interest element	-	(5)	-	-
Present value of obligations	**-**	**14**	**-**	**-**
Buildings				
Not later than one year	28	42	-	-
Later than one year and not later than 5 years	45	87	-	-
Later than 5 years	31	132	-	-
Less interest element	(3)	(35)	-	-
Present value of obligations	**101**	**226**	**-**	**-**
Other				
Not later than one year	3	6	-	-
Later than one year and not later than 5 years	-	1	-	-
Later than 5 years	-	-	-	-
Less interest element	-	-	-	-
Present value of obligations	**3**	**7**	**-**	**-**
Total present value of obligations	**104**	**247**	**-**	**-**
Current	31	49	-	-
Non-Current	73	198		

	31 March 2022 £m		31 March 2021 £m	
Lease Liability - additional analysis	Core and Agencies	Departmental Group	Core and Agencies	Departmental Group
Interest on lease liabilities	1	4	-	-
Income of sub-leasing right-of-use assets	(2)	(2)	-	-
Expenses relating to short term liabilities	-	3	-	-
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	1	4	-	-
Gains or losses arising from sale and leaseback transactions	-	-	-	-

20. Provisions for liabilities and charges

		31 March 2022		31 March 2021	
		Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	Note	£m	£m	£m	£m
Current liabilities:					
Not later than one year		269	3,598	226	3,426
Total current liabilities		**269**	**3,598**	**226**	**3,426**
Non-current liabilities:					
Later than one year and not later than five years		1,310	16,990	654	15,136
Later than five years		706	224,899	886	121,165
Total non-current liabilities		**2,016**	**241,889**	**1,540**	**136,301**
Total at 31 March		**2,285**	**245,487**	**1,766**	**139,727**
Total provisions					
Nuclear	20.1	1,058	238,256	1,075	136,193
Other	20.2	1,227	7,231	691	3,534
Total at 31 March		**2,285**	**245,487**	**1,766**	**139,727**

The provision liabilities in tables 20.1 and 20.2 below have been discounted to present value using discount rates as provided by HM Treasury. Discounting as at 31 March 2021 and 31 March 2022 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 2022			31 March 2021		
	Nominal discount rate	Inflation rate	Equivalent real discount rate	Nominal discount rate	Inflation rate	Equivalent real discount rate
Cash outflows expected within two years	0.47%	4.00%	(3.39%)	(0.02%)	1.2%	(1.21%)
Cash outflows expected between two and five years	0.47%	2.15%	(1.64%)	(0.02%)	1.9%	(1.88%)
Cash outflows expected between five and ten years	0.70%	2.00%	(1.27%)	0.18%	2.0%	(1.78%)
Cash outflows expected after ten years	0.71%	2.00%	(1.27%)	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.

20.1 Nuclear provisions

	British Energy	UK Atomic Energy Authority Decommissioning	Core Department and Agencies Total	NDA Decommissioning	Contract loss	Departmental Group Total
	£m	£m	£m	£m	£m	£m
Balance at 1 April 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**
Net amount deducted from recoverable contract costs	-	-	-	-	(201)	(201)
Unwinding of discount	(12)	-	(12)	(87)	(4)	(103)
Change in discount rate	29	14	43	90,462	7	90,512
Provided in the year	51	32	83	14,469	702	15,254
Provisions not required written back	-	-	-	-	-	-
Recoverable contract costs - release in year	-	-	-	(203)	-	(203)
Provisions utilised in the year	(131)	-	(131)	(2,993)	(72)	(3,196)
Balance at 31 March 2022	**569**	**489**	**1,058**	**236,766**	**432**	**238,256**
Estimated forward discounted cash flows as at 31 March 2022						
Not later than one year	114	12	126	3,265	-	3,391
Later than one year and not later than five years	340	237	577	15,192	237	16,006
Later than five years	115	240	355	218,309	195	218,859
Total forward cash flows as at 31 March 2022	**569**	**489**	**1,058**	**236,766**	**432**	**238,256**

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 2022 is £569 million (31 March 2021: £632 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 2022, at prices as at the reporting date so excluding the impact of future inflation, is £508 million (31 March 2021: £591 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, expected to be the end of 2023. The discounted liability at 31 March 2022 is £489 million (31 March 2021: £443 million); the undiscounted liability at 31 March 2022, at prices as at the reporting date so excluding the impact of future inflation, is £447 million (31 March 2021: £414 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 £73 billion out of the total £237 billion provision (31 March 2021: £60 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 £237 billion at 31 March 2022 (31 March 2021: £135 billion). The undiscounted equivalent of this reported liability is £149 billion at 31 March 2022 (31 March 2021: £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 13).

Sensitivity analysis

The change in discount rates (see page 50) in the current financial year produced an increase of £84 billion (2021: £697 million increase). This figure excludes the change relating to inflation plus the recoverable contract costs off-setting balance which otherwise result in an increase of £6 billion.

An increase of 0.5% in the discount rate would reduce the provision to £195 billion, whilst a decrease in discount rate of 0.5% would increase the provision to £293 billion.

Analysis of expected timing of discounted cash flows for the NDA Nuclear Provision is as follows:

	Sellafield £m	Magnox £m	Nuclear Waste Services £m	Nuclear Transport Services £m	2021-22 Total £m	2020-21 Total £m
Up to 1 year	2,340	758	167	-	3,265	3,142
2 to 5 years	11,149	3,289	754	-	15,192	14,256
6 to 20 years	38,275	10,925	5,093	73	54,366	42,933
21 to 50 years	56,718	14,870	5,792	-	77,380	44,918
50 years +	68,112	4,522	14,140	-	86,774	30,515
	176,594	**34,364**	**25,946**	**73**	**236,977**	**135,764**
Deduction in respect of Site Licence Companies pension receivable from NDA					(211)	(646)
Total NDA Decommissioning Provisions					**236,766**	**135,118**

Sensitivity	Waste £m	Research £m	Sellafield £m	Fuel M&G £m	2021-22 Total £m	2020-21 Total £m
Increase	187,245	3,387	55,059	4	245,695	109,329
Reduction	(31,208)	(3,604)	(9,075)	(7)	(43,894)	(19,973)

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 £9,075 million to an increase of £55,059 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 £51,732 million higher (or £8,662 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.
- 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 £31,208 million reduction against the current estimate, to a £187,245 million increase.

- The programme of work at the Magnox sites and Dounreay includes preparing for interim care and maintenance followed by final site clearance. The main cost risk is in the decommissioning of the Magnox sites for which a 10% variation would increase or decrease costs by £3,170 million. A one year acceleration or deceleration in the interim end state date for Dounreay would decrease or increase costs by £217 million.

Further details are reported in the Financial Review on page 54 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 13). 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 2022 is £432 million (31 March 2021: £nil million). Further detail, including movement on the gross provision, can be found in the accounts of the NDA.

20.2 Other provisions

	Post Office Limited	Concessionary fuel	Legacy ailments	Business support grant	Other	Core and Agencies Total	Coal Authority	Early departure costs and restructuring	Other	Departmental Group Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 April 2020	**-**	**339**	**269**	**10,824**	**111**	**11,543**	**2,306**	**90**	**238**	**14,177**
Change in discount rate	-	1	1	-	1	3	(15)	-	-	(12)
Provided in the year	-	-	10	-	80	90	230	6	21	347
Provisions not required written back	-	(2)	-	-	(40)	(42)	-	(2)	(5)	(49)
Provisions utilised in the year	-	(34)	(25)	(10,824)	(21)	(10,904)	(33)	(14)	(19)	(10,970)
Unwinding of discount	-	(1)	2	-	-	1	41	-	(1)	41
Balance at 31 March 2021	**-**	**303**	**257**	**-**	**131**	**691**	**2,529**	**80**	**234**	**3,534**
IFRS16 transfer to lease liabilities	-	-	-	-	-	-	(13)	-	-	(13)
Balance at 1 April 2021	**-**	**303**	**257**	**-**	**131**	**691**	**2,516**	**80**	**234**	**3,521**
Reclassifications	65	-	-	-	(65)	-	-	-	-	-
Change in discount rate	-	16	18	-	1	35	2,759	2	22	2,818
Provided in the year	514	-	20	-	33	567	347	1	70	985
Provisions not required written back	-	(5)	-	-	(5)	(10)	-	(3)	(9)	(22)
Provisions utilised in the year	-	(31)	(20)	-	(7)	(58)	(46)	(8)	(3)	(115)
Unwinding of discount	-	(1)	1	-	2	2	42	(1)	1	44
Balance at 31 March 2022	**579**	**282**	**276**	**-**	**90**	**1,227**	**5,618**	**71**	**315**	**7,231**
Estimated forward discounted cash flows as at 31 March 2022										
Not later than one year	57	30	25	-	31	143	44	10	10	207
Later than one year and not later than five years	522	100	74	-	37	733	191	34	26	984
Later than five years	-	152	177	-	22	351	5,383	27	279	6,040
Total forward cash flows as at 31 March 2022	**579**	**282**	**276**	**-**	**90**	**1,227**	**5,618**	**71**	**315**	**7,231**

Core Department

Post Office Limited

Post Office Limited has undertaken to make payments to individuals (postmasters and former postmasters) in two schemes to compensate a) those that had been wrongly convicted of fraud, theft and false accounting, later overturned by the court (the Overturned Historical Convictions Scheme (OHC)) and b) those that were affected by financial discrepancies related to previous versions of Post Office's Horizon IT system (the Historical Shortfall Scheme (HSS)). The company will be unable to fund the full amount of compensation estimated to be payable and still continue to maintain levels of public service provision deemed necessary by the Department. As the sole shareholder in the company, the Secretary of State has undertaken to provide an amount of funding to the Post Office to support compensation payments for approved claims to the extent that the company is unable to fund them without adverse impact on its services to the public.

The liability estimate is based on information provided by the Post Office and is uncertain both in relation to total amount and timing of payments. The main uncertainties will be described in the Post Office accounts for 2021-22 and relate principally to estimates of the number of claimants to whom payment will be made and potential payment amounts for OHC and estimates of potential payment amounts for HSS, this scheme having closed to claim applications in August 2020.

The total discounted liability as at 31 March 2022 is estimated at £579 million (31 March 2021, reported under 'Other' provisions: £65 million); the undiscounted liability as at 31 March 2022 is £584 million (31 March 2021: £65 million). The increase during 2021-22 relates primarily to support for the OHC scheme for which the Department did not have a liability as at 31 March 2021.

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 33,400 current beneficiaries at 31 March 2022, 29,300 have opted for the cash alternative at an average cost per beneficiary of £786 per annum; the average annual cost of solid fuel for the remainder is £1,227 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 as at 31 March 2022 is £282 million (31 March 2021: £303 million); the undiscounted liability as at 31 March 2022, at prices as at the reporting date so excluding the impact of future inflation, is £255 million (31 March 2021: £290 million).

Legacy ailments

The provision is an estimate of the cost to the Core Department of future personal injury compensation claims relating to:

a. Former employees of British Shipbuilders and its subsidiaries arising primarily from exposure to asbestos. The Department assumed responsibility for the liabilities of the former Corporation on its abolition in March 2013. The discounted liability as at 31 March 2022 is £132 million (31 March 2021: £129 million). The estimated liability 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.

b. Former British Coal mineworkers who suffered personal injuries between 1947 and 1994. Responsibility for payment of compensation transferred to the Department on 1 January 1998 by a restructuring scheme under the Coal Industry Act 1994. The discounted liability as at 31 March 2022 is £144 million (31 March 2021: £128 million). The undiscounted liability, at prices as at the reporting date so excluding the impact of future inflation, is £129 million (31 March 2021: £123 million). The estimate is based on forecasts of settlement of claims, taking account of discussion with the Department's legal advisors and claim handlers and recent actuarial estimates. The current estimate is that liabilities will extend up to 2050.

The estimates include legal and administrative costs and are subject to some uncertainty.

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 2022 is £5,618 million (31 March 2021: £2,529 million).
The undiscounted liability at 31 March 2022 is £8,459 million (31 March 2021: £2,508 million).
Further details are reported in the Coal Authority Annual Report and Accounts.

Early departure costs and restructuring

£57 million (31 March 2021: £68 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 2022 and will continue at least until the date at which the individual would have reached normal retirement age.
The undiscounted equivalent is 31 March 2022 is £55 million (31 March 2021: £64 million).

21. Financial guarantee, loan commitment liabilities and reinsurance contracts

		31 March 2022		31 March 2021
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Balance at 1 April	**19,902**	**20,048**	**91**	**238**
Additions	2,440	2,546	21,603	21,645
Net remeasurement	(4,653)	(4,712)	(1,751)	(1,794)
Repayment	(993)	(993)	-	-
Called	(483)	(483)	(41)	(41)
Balance at 31 March	**16,213**	**16,406**	**19,902**	**20,048**
Comprising:				
Financial guarantee liabilities	15,837	15,837	19,833	19,833
Loan commitment liabilities	346	538	-	146
Reinsurance contracts	30	31	69	69
Balance at 31 March	**16,213**	**16,406**	**19,902**	**20,048**
Of which:				
Current liability	16,195	16,234	19,837	19,880
Non-current liability	18	172	65	168
Balance at 31 March	**16,213**	**16,406**	**19,902**	**20,048**

Core Department

Financial guarantees

The total estimated liability for financial guarantees of £15,837 million as at 31 March 2022 for the Core Department (31 March 2021: £19,833 million) relates to the following schemes:

Scheme	31 March 2022	31 March 2021
	£m	£m
Bounce Back Loans Scheme (BBLS)	13,953	17,222
Coronavirus Business Interruption Loan Scheme (CBILS)	1,439	2,194
Coronavirus Large Business Inter-ruption Loan Scheme (CLBILS)	115	357
Recovery Loan Scheme (RLS)	299	0
Other guarantee schemes	31	60
Total	**15,837**	**19,833**

Guarantee schemes established in response to the COVID-19 pandemic

The Core Department invited UK commercial finance providers to participate in four 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. The Recovery Loan Scheme (RLS) opened in April 2021 and is reported for the first time in the 2021-22 accounts.

	BBLS	CBILS	CLBILS	RLS
Scheme opened to borrower ap-plications	4 May 2020	23 Mar 2020	20 Apr 2020	6 April 2021
Scheme closed to borrower ap-plications	31 Mar 2021	31 Mar 2021	31 Mar 2021	30 June 2022
(extended from 1 August to 30 June 2024 per announcement on 20 July 2022)	Six years, extendable to ten years at borrower discretion under 'Pay As You Grow' option	Three and 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	Three and six years depending on the type of the facility
Facility longest maximum dura-tion	6 years, extend-able to 10 years at borrower discretion under 'Pay As You Grow' option	3 and 6 years, extendable to up to 10 years for forbearance purposes in line with usual lender for-bearance policy	3 years, extend-able to up to 6 years for forbearance purposes in line with usual lender forbear-ance policy	Three and six years depend-ing on the type of the facility
Facility type	Term loans	Term loans	£200m	£10 million for applications approved prior to 1 January 2022 £2 million for applications approved after 1 January 2022
Overdrafts	100%	80%	80%	80% for applications approved prior to 1 January 2022 70% for applications approved after 1 January 2022
Number of loan facilities ap-proved as at 31 March 2022[1]	1,548.1 thou-sand	99.4 thousand	0.7 thousand	15.8 thousand
Value of loan facilities ap-proved as at 31 March 2022	£38,734 million	£18,631 million	£3,411 million	£3,438 million
Total guaranteed as at 31 March 2022	£38,734 million	£14,905 million	£2,728 million	£2,698 million

Notes

[1] CBILS, CLBILS and BBLS closed to new applications on the 31 March 2021. The figures in the table rows for 31 March 2022 represent the final set of data with all applications received by end-March 2021 which have now been processed.

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 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 a guarantee claim.

The liabilities are estimated using IFRS 9 compliant ECL models developed by a third party specialist in conjunction with BBB specifically for these schemes. The models are operated by BBB 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 an estimate of the outstanding exposure at default (taking account of the contractual repayment profile and estimates of the outstanding balances at default) 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, CBILS, and RLS

Whilst all schemes are subject to significant estimation uncertainty, the liabilities for BBLS, CBILS and RLS are material to the Department's financial position and therefore estimation uncertainty 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 based on data from lenders and other sources. Key data includes: a) the amount guaranteed at origination in the scheme for each loan and its contractual repayment profile and status (whether performing, past due 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 may have been contracted fraudulently by the borrower, that is in deliberate contravention of borrower eligibility criteria.

Uncertainty risk in the modelled liability relates primarily to estimates of a) probability of default of individual loans which is materially impacted by b) the effect of current and future macroeconomic conditions on borrowers' ability to repay and c) recoveries from borrowers post claim, additionally for BBLS, d) levels of borrowing in breach of scheme rules due to fraud or error. 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 significant repayment data for analysis of performance on existing loans as at 31 March 2022 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	RLS £m
Probabilities of default for BBLS loans lower by 20%	(1,122)	-	-
Probabilities of default for loans lower by 33%	-	(317)	(82)
Model liability estimate	13,211	1,349	282
Probabilities of default for loans higher by 50%	-	432	109
Probabilities of default for BBLS loans higher by 25%	1,308	-	-

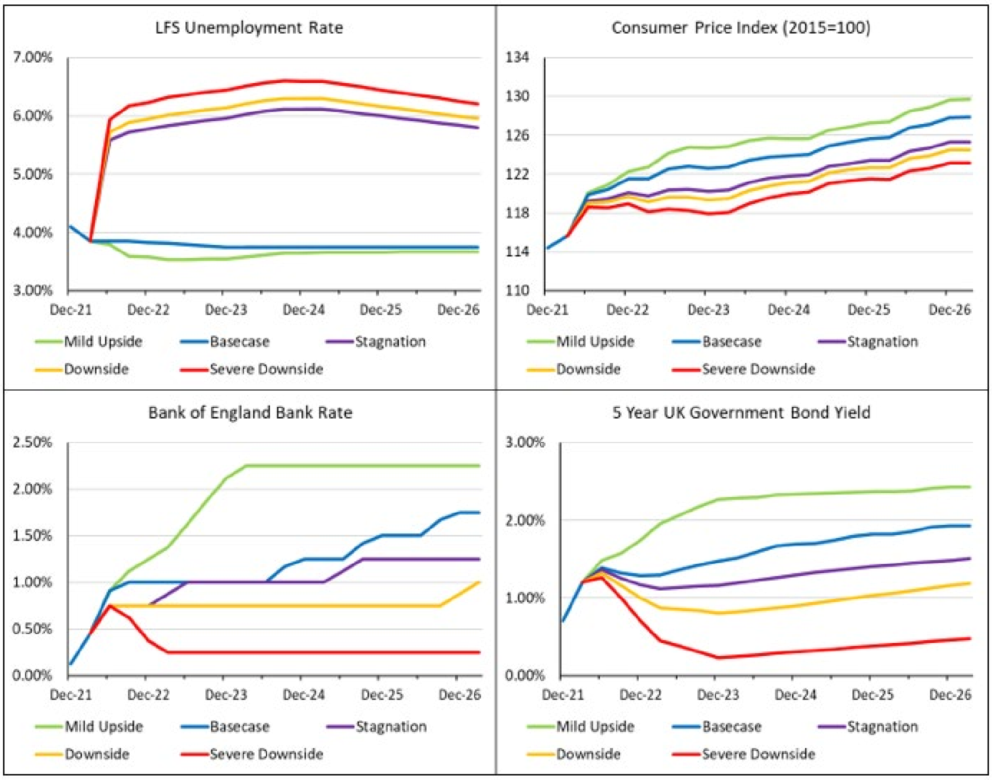
The percentage changes are relative, meaning (by way of an illustrative example only) that an increase of 20% to a probability of default of 1% would increase probability of default to 1.2%. The percentage changes take into account the risk profiles of the individual schemes. The CBILS and RLS loan portfolio are subject to lenders' credit policy and underwriting reviews, with risk profiles more closely aligned to commercial lending portfolios, meaning they have a lower risk profile than the BBLS loan portfolio.

The sensitivities for CBILS and RLS 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 borrowing in breach of scheme rules due to fraud or error:

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 forecasting firm.



Economic scenarios provided by Oxford Economics for IFRS 9 ECL measurement, March 2022.

The above charts show the values of economic indicators for the different scenarios over the five year period from December 2021 which were applied in the model with the following weightings:

Scenario	Probability weighting in model
Mild upside	10%
Base	40%
Stagnation	20%
Downside	20%
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	RLS £m
Mild Upside	(1,503)	(310)	(69)
Base	(1,467)	(300)	(68)
Model liability estimate	13,211	1,349	282
Stagnation	1,314	264	61
Downside	1,491	306	69
Severe Downside	1,762	370	82

ii) Risk of borrowing in breach of scheme rules due to fraud or error

The risk of guarantee claims for loan defaults arising from borrowing in breach of scheme rules due to fraud or error 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 the probability of fraud and error in the portfolio of 8.0% (31 March 2021: 11.15 %). This is adjusted for expected loss as a result of fraud, of 52.94%, explained in point two below. This estimate is then adjusted to remove the fraud that has already been observed, through claimed and settled loan statuses of 0.75%, which results in a 3.49% loss rate due to fraud and error for the outstanding exposure at the year-end, which has been included as an input in the expected credit loss modelling The analysis below shows the impact on the model liability estimate in the scenario that all fraud occurrences result in a loss, or in a scenario that a lower fraud loss emergence rate emerges.

Sensitivity analysis: Impact on model liability estimate of changes in fraud probability	Fraud estimate in BBLS 31 March 2022 £m	Fraud estimate in BBLS 31 March 2021 £m
Probability of fraud with a lower fraud loss emergence rate (1.49%)	(490)	-
Probability of fraud at low end of confidence interval range (8.15%)	-	(931)
Model liability estimate (3.49%)	13,211	-
Model liability estimate (11.15%)	-	16,802
Probability of fraud with a higher loss emergence rate (7.25%)	919	
Probability of fraud at high end of confidence interval range (14.15%)	-	932

The revised estimate of fraud and error is made up of two components, these are detailed below. Uncertainties continue to be present in the estimate, which result due to data limitations, these are detailed under each of the two components of the estimate.

1) Sampled loans

The estimate included in the 2020-21 accounts was based on a sample of 1,067 loans which were assessed for fraud risk indicators. This resulted in an estimated rate of portfolio lifetime fraud incidence of 11.15% which was included within the 2020-21 year end ECL valuation. Subsequently work on the sample led to a reduction in the estimated portfolio lifetime fraud incidence rate to 7.5%.

This forms the basis for the 2021-22 fraud and error estimate. The work to validate the estimate to 7.5% was completed in the 2021-22 year and is therefore not indicative of information that should have been taken into account at 31 March 2021. The 7.5% has been adjusted for additional claims identified by lenders, as fraudulent within the sampled population. This increases the rate to 8.0%.

Data limitations:

- It is known that not all indicators of fraud and error are fully reflected in the estimate. The estimate is based on analysis of the sample against a number of fraud risk indicators. However, since the work was completed, it has been widely accepted that there are a number of fraud risk indicators which the sampling exercise does not take into account. Whilst work has been performed to validate the potential impact of these risk indicators, there is not currently sufficiently robust data available to quantify their impact. These risk indicators are discussed further below.
- There are a number of risk indicators which are identified and not considered in the sampling work performed. The Department has worked to quantify the impact of these indicators on the fraud rate estimate, however the information available was not sufficiently supportable to meet IFRS9 requirements. Under IFRS9, all information that is reasonable and supportable, obtained without undue cost or effort, should be included within the ECL. The impact of these fraud risk indicators are either not supportable, or would require undue cost or effort in order to produce a robust estimate, and as such, have not been included within the fraud rate estimate at year end. The Department has already spent a significant sum in producing its estimate and has determined that it would not be a good use of taxpayers money to refine an estimate which is going to naturally become more robust in the future as loans default, and as claims are made on the guarantee due to fraud. Details of these indicators and the difficulty in determining their impact on the estimate are set out below:

Risk Indicator	Challenge
Backdated director appointment	Work has begun to quantify the impact of this risk on the fraud estimate, however at year end, the information available was not sufficient to distinguish between ‘possible fraud’ and ‘probable fraud’. Therefore, at year end there was insufficient data available to be able to quantify the impact directly that this risk could have on the fraud estimate.
Unusual activity	The data limitations and access to data are prohibitive to quantifying the impact of this risk indicator on the fraud rate. A significant piece of scoping work to define what unusual activity is, would be required prior to being able to quantify the impact on the scheme.
Dissolution objec-tions	More information on this risk indicator is expected to become available in the future. Work has started post year end to quantify the potential impact of this risk on the liability estimate.
Sole Traders	Obtaining data and clarity on sole traders is much more challeng-ing than on registered companies so there would be significant, almost forensic requirements in terms of effort and considerably more cost. Lack of available detail makes it difficult/impossible to quantify the impact on the fraud estimate.
Turnover inflation	This is partially captured within the sampling work, however acknowledged that further work needs to be performed to fully quantify their impact on the fraud rate estimate. Attempts have been made to quantify the impact of this risk indicator, however challenges in comparing company turnover submitted on BBLS applications and evidence on company turnover available from HMRC have resulted in this work being paused.
Misuse of funds	This is partially captured within the sampling work, however acknowledged that further work needs to be performed to fully estimate their impact on the fraud rate estimate. Quantifying the impact of this indicator on the fraud estimate would require significant effort. Contacting borrowers to understand what they spend funds on or reviewing in detail borrowers bank accounts would be necessary and therefore prohibitive in quantifying the impact on the fraud estimate.

The above sets out the fraud risk indicators that are known at year end, but not wholly captured within the fraud rate estimate. Work has been performed to try to quantify the impact of these, and whilst the estimate is not robust enough to include within the ECL calculation, the Department currently estimates that an uplift of 4% to the fraud occurrence estimate of 8%, resulting in a fraud incidence rate of 12% would be reasonable, based on information that is currently available. A range of fraud occurrence between 2.5% and 14.5% has been determined to be a reasonable estimate, with the lower estimate based on the level of suspected fraud identified and reported by Lenders, and the upper estimate based on arrears data. The Department's current estimate of a 4% uplift falls within this range.

Whilst there are limitations to the data supporting the estimate, the Department has used all supportable information that is available at the year end, to determine its estimate of fraud in the BBLS portfolio.

2) Loss as a result of fraud

In the 2020-21 accounts, in the absence of repayment data, it was assumed that a fraud incident would give rise to a 100% claim on the BBLS guarantee, and therefore also a 100% loss to BEIS. During 2021-22, as more information on repayments has become available, analysis has been performed over the expected loss to the Department as a result of fraud.

The loans in the sample noted above, continue to be monitored with focus on the loans that have been identified as probable fraud. These are monitored to identify how the loans perform in respect of repayments and defaults and is compared with the wider 1,067 sample as well as the whole BBLS portfolio. This gives an insight into the potential loss rates that could occur as a result of those loans identified as probable fraud, which is currently estimated as 52.94%. The expected loss rate is applied to the fraud estimate of 8.0% to derive the 4.24% estimate for the 2021-22 year end.

Data limitations:

- The estimate of 52.94% loss as a result of fraud is based on the performance to date of the 85 loans from the sample that were identified as 'probable fraud'. This sample has been assessed as representative of the wider portfolio, however as further repayment data becomes available on a wider number of loans, this estimate could change.
- Loans that were taken out that were not in line with the scheme rules but were paid back in part or in full, for example, if someone overstated turnover but still paid the loan back, would not lead to fraud losses on default. However, the cost of arrangement fees and interest costs covered by the Department are technically irregular as the loan shouldn't have been issued. The Department is not able to estimate these costs.

Fraud and error estimate in the model

The 4.24% fraud rate is a lifetime portfolio fraud and error rate and has been adjusted for fraud that has already been observed in the portfolio. As at 31 March 2022 there have been 11,511 suspected fraud cases that have been claimed or settled. This equates to 0.75% of the 1.54m BBLS loans provided. Subtracting the observed fraud from 4.24% results in an adjusted portfolio fraud rate of 3.49%.

The data limitations detailed above could 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 additional repayment data will be available which will inform, and allow refinement of, the fraud estimate

As the loan portfolio matures, and further repayments data becomes available, the estimated loss as a result of the fraud rate will continue to be revised.

The fraud estimate still includes expert judgement, the significance of which will decrease as further information on losses becomes available. The Department will continue to refine its estimate of fraud and error in the BBLS to take into account information that becomes available.

CBILS and RLS

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, CLBILS and RLS. For these schemes estimated fraud losses are integrated into the credit loss estimates. The assessment made over the levels of fraud in the CBILS and RLS, the only schemes of these three which have a liability that is material to the accounts, are detailed below.

The repayment data as at 31 March 2022 for CBILS and RLS is included in the table below:

Scheme	Outstanding facilities	Outstanding facilities pay-ing on time	Outstanding facilities- Re-payments in arrears	Outstanding facilities -Repayments in default	Facilities fully repaid
CBILS	£18.5 bn	78.7%	1.3%	<1%	18.1%
RLS	£2.6 bn	97.4%	<1%	<1%	<1%

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 reduced the risk within the portfolio. The repayments data available for the scheme so far, show low levels of defaults.

It is a reasonable assumption to make that if fraudulent loans had been taken under the scheme, we should expect these loans to be in default, or at least in arrears early in the repayments cycle. It is unlikely that fraudulent loans will be making repayments and defaulting at a later date. Some loans that were fraudulently obtained may be repaying as planned, however we assert that these are less likely to result in losses, or that losses will be lower due to the repayments already made.

In addition to the repayments data which is becoming available, the second phase of work performed by a third party over the CBILS portfolio, to identify fraud risk indicators within the portfolio, has been completed. This found that fraud losses are likely to be limited to those in default or arrears, which as noted in the table above, currently represents a very low proportion of the portfolio.

The Department have assessed the similarities between RLS and CBILS. Such similarities include both schemes offering the same facilities for the same duration, forbearance proscribed borrowers and the security terms of the schemes. As a result of the similarities in the schemes, the Department's assessment is that the incidence of fraud in the RLS scheme will at a maximum be similar to the level of fraud in the CBILS scheme, which we currently deem to be immaterial. There could be lower levels of fraud compared to CBILS due to the reduced levels of lending and the lessons implemented since CBILS was in operation, however further analysis is required to support this. The best information the Department has to date, is the repayments data for CBILS which has been used to inform this assessment. As repayment information becomes available for the RLS scheme, the Department will continue to update this assessment.

The information used to inform the conclusion that the scheme is not affected by elevated levels of fraud, is supported by the best information that is available at 31 March 2022. As further information on repayments, claims and defaults becomes available in the future, the Department will continue to monitor this assessment.

b) Recoveries post guarantee claim

The model estimates comprise expected values estimates for the amounts to be paid out on guarantee claims less the Department's share of estimated recoveries from borrowers post claim. The schemes are deemed to be non-investment grade, with a 40% variation 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	RLS £m
Recovery amounts higher by 40%	(519)	(138)	(29)
Model liability estimate	13,211	1,349	282
Recovery amounts lower by 40%	519	138	29

Adjustments to model estimates

Post model 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 primarily driven by the conflict in Ukraine and the global response on energy markets. 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 3 years.

A post model adjustment has also been made to the BBLS scheme to the value of £346 million to factor in the Pay As You Grow (PAYG) options available under the scheme. The ECL model doesn't currently allow for multiple payment holiday options so these options have been factored into the valuation through an overlay adjustment. The next update to the ECL model will enable it to directly incorporate PAYG payment holidays into the balance projections and remove the need for the post model adjustment in future liability estimates.

An adjustment to the fraud estimate in the BBLS was processed outside of the model, which is shown below.

	BBLS £m	CBILS £m	RLS £m
Model liability estimate	13,579	1,349	282
Fraud post model adjustment	(368)	-	-
Model liability with fraud adjustment	**13,211**	**1,349**	**282**
Other Post model adjustments	742	90	17
Reported liability	**13,953**	**1,439**	**299**

Trade credit reinsurance

On 1 April 2020, the Core Department launched the Trade Credit Reinsurance Scheme (TCRS), 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 to from sales contracts, as a response to the COVID-19 pandemic, the scheme closed on 30 June 2021. Future cashflow forecast of claims losses and expenses form the basis for the valuation of the Trade Credit Reinsurance liability.

As at 31 March 2022 the Department was exposed to potential claims of up to £125,000 million (31 March 2021: £125,000 million), however, the maximum payouts BEIS would make under the scheme are capped at £9,000 million (31 March 2021: £9,000 million). The carrying value of the TCRS guarantee as at 31 March 2022 is £31 million (31 March 2021: £69 million) and £28 million (31 March 2021: £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, which is likely due to the other government support schemes in place as a result of the COVID-19 pandemic.

22. Retirement benefit obligations

The Departmental Group consolidates nine defined benefit pension arrangements from its designated bodies including:

- UK Research and Innovation (UKRI)
- Nuclear Decommissioning Authority (NDA)
- Nuclear site licence companies (SLCs)

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.

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 2022.

The key assumptions are discount rate of 2.70% (2020-21: 2.00%) and rate of increase in pension payments of 3.00% (2020-21: 2.40%). 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 7% 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.

NDA

Two defined benefit pension schemes relate to the Nuclear Decommissioning Authority (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 2022. 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.

SLCs

There are six defined benefit final salary pension schemes relating to the four site licence companies (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 2022.

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://www.espspensions.co.uk/#useful-documentation.

	31 March 2022 Funded pension schemes £m	31 March 2021 Funded pension schemes £m
Present value of defined benefit obligation at 1 April	**8,475**	**7,274**
Interest cost	169	163
Current service cost	238	197
Past service cost	7	6
Benefits paid, transfers in and expenses	(277)	(278)
Actuarial (gains)/losses in financial assumption	(107)	1,366
Actuarial (gains)/losses on defined benefit obligation due to demographic assumptions	(25)	(81)
Actuarial (gains)/losses arising from experience adjustments	(9)	(195)
Employee contributions	22	23
Present value of defined benefit obligation at 31 March	**8,493**	**8,475**
Fair value of assets at 1 April	**8,083**	**7,187**
Expected return on plan assets	161	161
Employer contributions	236	145
Benefits paid, transfers in and expenses	(277)	(278)
Actuarial gains/(losses)	491	845
Employee contributions	22	23
Fair value of assets at 31 March	**8,716**	**8,083**
Net liability at 31 March	**(223)**	**392**

The prior year numbers have been represented to combine benefits paid and transfers in.

The decrease in the net liability at 31 March 2022 compared to 31 March 2021 is primarily due to an increase in the discount rate applied to all defined benefit obligations between 31 March 2021 and 31 March 2022. This is partially offset by the increase in inflation rate applied to all defined benefit obligations between 31 March 2021 and 31 March 2022.

Net (asset)/liability by scheme

	31 March 2022			31 March 2021		
	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	1,650	2,070	(420)	1,664	1,908	(244)
LLW Repository Ltd - LLWR section of CNPP	50	36	14	47	31	16
Magnox Ltd - SLC section of Magnox Electric Group of ESPS	3,006	3,398	(392)	3,083	3,269	(186)
Magnox Ltd - Magnox section of CNPP	180	159	21	177	146	31
Sellafield Ltd - Group Pension Scheme SLC section of CNPP	652	727	(75)	659	705	(46)
Sellafield Ltd - Sellafield section of CNPP	2,606	2,011	595	2,506	1,736	770
Dounreay Site Restoration Ltd - Dounreay section of CNPP	206	158	48	196	136	60
Nuclear Decommissioning Authority	143	157	(14)	143	152	(9)
Total net liability at 31 March	**8,493**	**8,716**	**(223)**	**8,475**	**8,083**	**392**

Asset allocation

	31 March 2022 £m	31 March 2021 £m
Equities	2,742	2,473
Property	1,174	948
Government bonds	2,051	1,809
Corporate bonds	492	830
Other growth assets	2,020	1,884
Other	237	139
Balance at reporting date	**8,716**	**8,083**

The Magnox schemes had a total asset balance of £3,557 million (31 March 2021: £3,415 million), of which £1,379 million (31 March 2021: £1,345 million) were government bond assets, £1,462 million (31 March 2021: £1,236 million) were other growth assets which were not quoted in an active market, £403 million (31 March 2021: £277 million) were property assets and £189 million (31 March 2021: £444 million) were corporate bonds. The Sellafield schemes had £2,738 million (31 March 2021: £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 £2,070 million (31 March 2021: £1,908 million) included £1,263 million (31 March 2021: £1,173 million) of quoted equities and £444 million (31 March 2021: £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 2022 £m	31 March 2021 £m
UK Research and Innovation - Medical Research Council	23	24
LLW Repository Ltd – LLWR section of CNPP	2	2
Magnox Ltd – SLC section of Magnox Electric Group of ESPS	21	23
Magnox Ltd – Magnox section of CNPP	5	5
Sellafield Ltd – Group Pension Scheme SLC section of CNPP	5	6
Sellafield Ltd – Sellafield section of CNPP	90	112
Dounreay Site Restoration Ltd – DSRL section of CNPP	8	9
Nuclear Decommissioning Authority	0	1
Total	**154**	**182**

Weighted average duration of the defined benefit obligation plans

	31 March 2022 Years	31 March 2021 Years
UK Research and Innovation - Medical Research Council	20	20
LLW Repository Ltd – LLWR section of CNPP	24	27
Magnox Ltd – SLC section of Magnox Electric Group of ESPS	16	16
Magnox Ltd – Magnox section of CNPP	23	23
Sellafield Ltd – Group Pension Scheme SLC section of CNPP	19	25
Sellafield Ltd – Sellafield section of CNPP	27	25
Dounreay Site Restoration Ltd – DSRL section of CNPP	25	25
Nuclear Decommissioning Authority	20	20

Major actuarial assumptions for SLC schemes

	Dounreay Site Restoration Limited		LLW Repository Limited		Magnox Limited (ESPS)		Magnox Limited (CNPP)		Sellafield Limited (CNPP)		Sellafield Limited (GPS)	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
Discount rate	2.6%	2.0%	2.6%	2.0%	2.7%	2.0%	2.6%	2.0%	2.6%	2.0%	2.7%	2.0%
Inflation (Retail Price Index)	3.5%	3.0%	3.5%	3.0%	3.8%	3.0%	3.5%	3.0%	3.5%	3.0%	3.7%	3.0%
Life expectancy in years at 65, currently aged 65 (male)	21.2	21.2	21.2	21.3					21.2	21.2	21.2	21.2
Life expectancy in years at 65, currently aged 45 (male)	22.6	22.6	22.6	22.6					22.6	22.6	22.6	22.6
Life expectancy in years at 65, currently aged 65 (female)	23.6	23.6	23.6	23.6					23.6	23.6	23.6	23.6
Life expectancy in years at 65, currently aged 45 (female)	25.1	25.0	25.1	25.1					25.1	25.0	25.1	25.0
Life expectancy in years at 60, currently aged 60 (male)					27.1	27.1	25.8	25.9				
Life expectancy in years at 60, currently aged 40 (male)					27.9	27.8	27.4	27.4				
Life expectancy in years at 60, currently aged 60 (female)					29.3	29.2	28.5	28.4				
Life expectancy in years at 60, currently aged 40 (female)					30.1	30.1	30.0	29.9				

Major actuarial assumptions for NDA and UKRI

	Nuclear Decommissioning Authority (Closed)		Nuclear Decommissioning Authority (Nirex)		UK Research and Innovation	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
Discount rate	2.7%	2.0%	2.7%	2.0%	2.7%	2.0%
Inflation (Retail Price Index)	3.7%	3.0%	3.8%	3.0%	n/a*	n/a*
Life expectancy in years at 65, currently aged 65 (male)	21.2	21.2	21.2	21.2	22.3	22.6
Life expectancy in years at 65, currently aged 45 (male)	22.6	22.6	22.6	22.6	23.9	24.2
Life expectancy in years at 65, currently aged 65 (female)	23.6	23.6	23.6	23.6	23.5	23.6
Life expectancy in years at 65, currently aged 45 (female)	25.1	25.0	25.1	25.0	25.0	25.1

*UKRI applies an consumer price index inflation rate rather than retail price index inflation rate. The inflation rates were 3.00% for 2021-22 (2020-21: 2.40%).

Sensitivity analysis

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

	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	28	8	284	444	15	167
0.5 percentage point increase in inflation assumption	28	8	272	444	15	120
1 year increase in life expectancy	7	2	150	110	5	64

23. Capital and other commitments

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

		31 March 2022		31 March 2021 restated	
		Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	Note	£m	£m	£m	£m
Contracted capital commitments	23.1	6	2,543	23	2,422
Minimum future payments under:					
Operating leases	23.2	-	-	148	295
Finance leases		-	-	-	3
Other financial commitments	23.3	718	1,186	811	1,517
Total		**724**	**3,729**	**982**	**4,237**

23.1 Capital commitments

	31 March 2022		31 March 2021	
	Core Department and Agencies £m	Departmental Group £m	Core Department and Agencies £m	Departmental Group £m
Contracted capital commitments not otherwise included in these financial statements:				
Property, plant and equipment	2	332	4	318
Intangible assets	4	130	-	1
Loans, Investments	-	2,081	19	2,103
Total	6	2,543	23	2,422

NDPBs and other designated bodies

Capital commitments as at 31 March 2022 include the following significant items:

- Property, plant and equipment commitments for United Kingdom Research and Innovation (UKRI) of £297 million (31 March 2021: £309 million).
- Investment commitments of £1,870 million (31 March 2021: £1,664 million) for the British Business Bank (BBB) related to undrawn investment commitments, £125 million (31 March 2021: £130 million) for Northern Powerhouse Investment Limited relating to capital calls to be utilised over the next six years, £78 million (31 March 2021: £118 million) for Midlands Engine Investments Limited relating to capital calls to be utilised over the next seven years and £77 million (31 March 2021: £76 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.

23.2 Commitments under leases

23.2.1 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 2022		31 March 2021
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Obligations under operating leases comprise:				
Land:				
Not later than one year	-	-	-	1
Later than one year and not later than five years	-	-	-	2
Later than five years	-	-	-	12
	-	-	-	15
Buildings:				
Not later than one year	-	-	22	39
Later than one year and not later than five years	-	-	73	106
Later than five years	-	-	41	119
	-	-	136	264
Other:				
Not later than one year	-	-	7	10
Later than one year and not later than five years	-	-	5	6
Later than five years	-	-	-	-
	-	-	12	16
Total	**-**	**-**	**148**	**295**

The Departmental Group adopted IFRS 16 ‘Leases’ from 1 April 2021, in agreement with HM Treasury, and therefore there are no operating lease commitments in the above table for the current year. Please see note 1 for further information on the adoption of IFRS 16 ‘Leases’.

23.2.2 Operating leases: Department as a lessor

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

	31 March 2022		31 March 2021	
	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	-	8	1	7
Later than one year and not later than five years	1	20	2	21
Later than five years	-	21	-	28
Total	**1**	**49**	**3**	**56**

23.3 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 2022		31 March 2021 restated	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Not later than one year	390	640	448	751
Later than one year and not later than five years	185	392	193	553
Later than five years	143	154	170	213
Total	**718**	**1,186**	**811**	**1,517**

23.3.1 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 2022 £m	Total 31 March 2021 £m
International Atomic Energy Agency	a	15	78	86	179	146
European Space Agency	b	-	-	-	-	150
Other subscriptions		10	41	51	102	116
Core Department and Agencies total		**25**	**119**	**137**	**281**	**412**
European Organisation for Nuclear Research (CERN)	c	143	88	-	231	234
Institut Laue Langevin (ILL)	d	20	15	-	35	57
Other subscriptions		84	100	7	191	221
Departmental Group total		**272**	**322**	**144**	**738**	**924**

Notes

The Departmental Group is required to subscribe to a number of bodies on an ongoing and continuous basis. These subscriptions are paid in euros, swiss francs and pounds sterling. The subscriptions described below are paid in euros or swiss francs and amounts paid are subject to fluctuations due to exchange rate differences.

a. The 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. Historically, the UK Space Agency (UKSA) entered into non-cancellable forward contracts (which were not leases or PFI contracts), in connection with a financial instrument for hedging international subscription payments. As at 31 March 2022, UKSA did not have any such contracts in place as all existing contracts were settled during the reporting period. There were therefore no payments to which UKSA was committed as at that date.

   On 6 May 2022, UKSA entered into several forward exchange contracts to hedge 90% of existing international subscriptions commitments payable to the European Space Agency in Euros between June 2022 and January 2026. In accordance with IAS 10 Events after the Reporting Period, UKSA has recognised a non-adjusting subsequent event. This is included within note 30.

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.

23.3.2 Other commitments

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

Organisation	Note	Within one year £m	Later than one year and not later than five years £m	Later than five years £m	Total 31 March 2022 £m	Total 31 March 2021 restated £m
Met Office	a	101	-	-	101	98
Various suppliers	b	78	32	-	110	
Other commitments		186	34	6	226	301
Core Department and Agencies total		**365**	**66**	**6**	**437**	**399**
Other commitments		3	4	4	11	194
Departmental Group total		**368**	**70**	**10**	**448**	**593**

Core Department

Other commitments for the Core Department have been restated for 2020-21 as a result of the Vaccine Taskforce non-cancellable contracts which transferred to Department of Health and Social Care on 1 August 2021. See note 28 for further details. The nature of the most significant contracts is described below:

a. The Core Department has entered into contractual commitments 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; the current Customer Supplier Agreement for the Public Weather Service remains in force until 31 March 2026, at which point this will be updated. This Agreement may be terminated by mutual consent of all the Parties after an agreed period of notice, which will not be less than 12 months. Met Office has been restated for 2020-21 to take account of a 12-month notice period for termination, for consistency with 2021-22.

b. The Core Department has entered into contractual commitments with various suppliers in relation to the Net Zero Innovation Programme and Energy Innovation Programme, which provide funding for low-carbon technologies and systems to tackle climate change.

24. Financial instruments

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

	Note		31 March 2022		31 March 2021
		Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
		£m	£m	£m	£m
Financial assets					
Financial assets at amortised cost:					
Cash and cash equivalents	17	4,412	5,821	1,952	3,444
Receivables (i)	15	2,802	3,522	3,568	4,373
Loans to public sector bodies (ii) & (iii)	11.3, 16	1,735	1,086	1,558	988
Other financial assets and private sector loans	12.2	195	1,411	51	1,057
Total financial assets at amortised cost		**9,144**	**11,840**	**7,129**	**9,862**
Financial assets elected at fair value through other comprehensive income (FVOCI):					
Ordinary shares in public sector companies (iv)	11.1	666	1,277	670	1,244
Other financial assets	12.2	42	67	37	68
Total financial assets elected at FVOCI		**708**	**1,344**	**707**	**1,312**
Financial assets mandatory at fair value through profit or loss (FVTPL)					
Repayable launch investments	12.1	463	463	485	485
Loans to public sector bodies (ii) & (iii)	11.3, 16	150	-	102	-
Other financial assets and private sector loans (vii)	12.2	1,267	5,158	1,196	4,103
Total financial assets mandatory at FVTPL		**1,880**	**5,621**	**1,783**	**4,588**
Public dividend capital:					
Public dividend capital	11.2	65	65	65	65
Total public dividend capital		65	65	65	65
Financial liabilities					
Financial liabilities as amortised cost:					
Payables (ii)	18	(4,576)	(5,819)	(2,243)	(3,182)
Total financial liabilities as amortised cost		**(4,576)**	**(5,819)**	**(2,243)**	**(3,182)**
Financial liabilities mandatory at fair value through profit or loss (FVTPL):					
Derivatives - Forward contracts		-	-	(7)	(7)
Derivatives - Contracts for difference (CfD)	10	-	(26,948)	-	(16,933)
Total financial liabilities mandatory at FVTPL		**-**	**(26,948)**	**(7)**	**(16,940)**

	Note		31 March 2022		31 March 2021
		Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
		£m	£m	£m	£m
Financial liabilities designated at fair value through profit or loss (FVTPL):					
Loan commitment liabilities	21	-	(194)	-	(146)
Total financial liabilities designated at FVTPL		**-**	**(194)**	**-**	**(146)**
Financial guarantee and loan commitment liabilities:					
Financial guarantee liabilities (vi)	21	(15,837)	(15,837)	(19,833)	(19,833)
Loan commitment liabilities	21	(346)	(346)	-	-
Total financial guarantee and loan commitment liabilities		**(16,183)**	**(16,183)**	**(19,833)**	**(19,833)**

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 16 and Other loans and investments in Other public sector bodies detailed in note 11.3.

iii. Loans to public sector bodies in the Core Department for 2021-22 excludes £452 million (2020-21: £355 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 £150 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 11.1.

v. Trade credit reinsurance contracts worth £31 million (2020-21: £69 million), included within note 21, are excluded from this table as they are held under IFRS 4 – Insurance Contracts.

vi. Under an adaptation of the *FReM* for IFRS (note 1), financial guarantees for the BBLS, CBILS, CLBILS, and RLS schemes (note 21) 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 and equity with a value of £1,036 million (2020-21: £1,030 million), included within Other Financial Assets, are detailed in note 12.2.

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 lending against which the Department has issued guarantees, primarily in relation to the Bounce Back Loan Scheme (BBLS), Coronavirus Business Interruption Loan Scheme (CBILS), Coronavirus Large Business Interruption Loan Scheme (CLBILS) and Recovery Loan Scheme (RLS) (note 21). 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, and 80% or 70% for RLS. An estimate of collateral security held by lenders for CBILS, RLS 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 2022 the Core Department was exposed to total guaranteed lending under these schemes of £59,065 million (31 March 2021: £66,510 million). The guarantees will expire over the next ten years as the underlying debt is repaid. The Department's reported liability of £15,806 million as at 31 March 2022 (31 March 2021: £19,773 million) 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 assessed and reviewed 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 £106 million at 31 March 2022 (31 March 2021: £147 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 2022 the Department had approved guarantee facilities totalling £1.05 billion under ENABLE (31 March 2021: £1.3 billion), of which £600 million was effective (31 March 2021: £783 million) with a potential maximum liability of £380 million (31 March 2021: £310 million). An aggregate liability of £30.6 million for both schemes as at 31 March 2022 (31 March 2021: £60 million) has been reported on the Statement of Financial Position.

The Core Department has measured expected credit losses on outstanding loan commitments as at 31 March 2022 at £346 million (31 March 2021: £nil).

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 2022 determined as follows for trade receivables in the Core Department:

31 March 2022 **Core Department**	Current	1-30 days	31-60 days	61-90 days	91+ days	Total
Expected Loss rate	1%	3%	8%	24%	60%	
Gross carrying amount- trade receivables (excluding other government debt) (£m)	12	7	-	-	1	20
Loss allowance (£m)	-	-	-	-	1	1

31 March 2022 **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	-	-	-	1	20
Loss allowance (£m)	-	-	-	-	1	1

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 2022		31 March 2021	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Balance at 1 April	**14**	**20**	**13**	**23**
Net remeasurement	(5)	(3)	1	(3)
Write-off	-	-	-	-
Balance at 31 March	**9**	**17**	**14**	**20**

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 2022				31 March 2021			
			Amortised cost				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	1,931	-	-	1,931	1,532	-	-	1,532
Medium risk financial assets	308	17	11	336	307	25	-	332
High risk financial assets	182	54	-	236	166	47	-	213
Default financial assets	-	-	56	56	-	-	53	53
Total gross carrying amounts	**2,421**	**71**	**67**	**2,559**	**2,005**	**72**	**53**	**2,130**
Loss allowance	(16)	(13)	(34)	(63)	(18)	(18)	(49)	(85)
Carrying amount	**2,405**	**58**	**33**	**2,496**	**1,987**	**54**	**4**	**2,045**

The Departmental Group does not hold any loans, bonds and term deposits measured at FVOCI.

The movement in the allowance for impaired loans, bonds and term deposits at amortised cost during the year was as follows.

	31 March 2022				31 March 2021			
	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	18	18	49	85	25	20	57	102
Additions	9	1	1	11	23	-	2	25
Net remeasurement	(9)	(7)	(7)	(23)	(16)	(3)	(4)	(23)
Transfer to credit loss 12 month	-	1	1	2	-	5	7	12
Transfer to credit loss not impaired	(1)	-	(1)	(2)	(5)	-	2	(3)
Transfer to credit loss impaired	(1)	1	-	-	(8)	(1)	-	(9)
Written-off	-	(1)	(9)	(10)	(1)	(3)	(15)	(19)
Balance at 31 March	**16**	**13**	**34**	**63**	**18**	**18**	**49**	**85**

Cash and cash equivalents

The Departmental Group held cash and cash equivalents of £5,821 million as at 31 March 2022 (31 March 2021: £3,444 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 £194 million as at 31 March 2022 (31 March 2021: £141 million).

Financial guarantee contracts

The Core Department holds financial guarantee contracts worth £15,903 million as at 31 March 2022 (31 March 2021: £19,833 million). These 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 £964 million (31 March 2021: £1,090 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 enters into forward contracts to mitigate the risk. These derivative contracts are 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 US dollars and euros) 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 December 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 2022 and 31 March 2021.

	Note				31 March 2022				31 March 2021
		Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets									
FVOCI elected									
Equity investments									
Ordinary shares in public sector bodies	11.1	-	1,277	-	1,277	-	1,244	-	1,244
Private sector shares	12.2	5	41	23	69	7	36	26	69
Total financial assets at FVOCI		**5**	**1,318**	**23**	**1,347**	**7**	**1,280**	**26**	**1,313**
FVTPL mandatory									
Debt and venture capital investments									
Repayable launch investments	12.1	-	-	462	462	-	-	485	485
Private Sector Loans	12.2	-	-	586	586	-	-	943	943
Investment funds	12.2	281	-	3,597	3,878	275	-	2,686	2,961
Equity investments									
Private sector shares	12.2	37	-	136	173	39	-	3	42
Future Fund Shares	12.2	-	-	519	519	-	-	87	87
Other investments	12.2	-	-	-	-	-	-	70	70
Total financial assets at FVTPL mandatory		**318**	**-**	**5,300**	**5,618**	**314**	**-**	**4,274**	**4,588**
Total financial assets measured at fair value		**323**	**1,318**	**5,323**	**6,965**	**321**	**1,280**	**4,300**	**5,901**
Financial Liabilities									
FVTPL mandatory									
Loan commitment liabilities	21	-	-	(538)	(538)	-	-	(146)	(146)
Total liabilities at FVTPL mandatory		**-**	**-**	**(538)**	**(538)**	**-**	**-**	**(146)**	**(146)**
FVTPL designated									

	Note	31 March 2022 Level 1 £m	Level 2 £m	Level 3 £m	Total £m	31 March 2021 Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivatives - Forward contracts		-	-	-	-	-	(7)	-	(7)
Derivatives - CfD	10	-	-	(26,948)	(26,948)	-	-	(16,933)	(16,933)
Total financial liabilities at FVTPL designated		**-**	**-**	**(26,948)**	**(26,948)**	**-**	**(7)**	**(16,933)**	**(16,940)**
Total financial liabilities measured at fair value		**-**	**-**	**(27,486)**	**(27,486)**	**-**	**(7)**	**(17,079)**	**(17,086)**

Transfers between levels of the fair value hierarchy are deemed to occur at the end of the reporting period. There were no transfers between levels 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 12.1.
- 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 2022, excluding the CfDs which are disclosed in note 10.

	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	**29**	**485**	**2,756**	**(146)**	**1,030**	**4,154**
Additions	106	-	874	(1,795)	46	(769)
Repayments/disposals	(1)	(49)	(611)	-	(47)	(708)
Revaluations	22	-	660	1,402	6	2,090
Transfers	12	-	(12)	-	-	-
Gains and losses recognised in SoCNE	(9)	26	1	-	-	18
Balance at 31 March	**159**	**462**	**3,668**	**(539)**	**1,035**	**4,785**

The following table presents the changes in level 3 instrument for the year ended 31 March 2021, excluding the CfDs which are disclosed in note 10.

	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**

Maturity profiles – discounted cashflows

The maturity profile of the discounted cashflows for the CfDs excluding Hinkley Point is shown below:

	< 1 year £m	2-5 years £m	>5 years £m	Total £m
As at 31 March 2021	1,021	3,962	11,950	16,933
As at 31 March 2022	(3,904)	2,639	28,213	26,948

25. 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 15.
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 – 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
UKRI – (STFC) Reprocessing and staff commitments	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 that will arise on the closure of the facility. The contingent liability will become a provision when a detailed closure plan has been documented and communicated to all those affected.
UKRI – Corporation Tax	UKRI is subject to Corporation Tax on taxable profits. During 2021-22, HMRC raised enquiries into the 2018-19 Corporation Tax return. Subject to the position agreed with HMRC regarding the specific treatment of an absorption gain recognised within the 2018-19 tax return, UKRI may recognise a further Corporation tax liability, in addition to those already recognised. This enquiry was ongoing as at 31st March 2022 and UKRI did not have certainty over the value or validity of this obligation.
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	
NDA – AGR Transfer (£16,656 million)	On 23 June 2021 the NDA, Government and EDF Energy entered into new decommissioning arrangements for seven Advanced Gas-cooled Reactor (AGR) stations in which Government has directed NDA to take on the future ownership of the stations for decommissioning. The work will be undertaken by the NDA subsidiary Magnox Limited. The NDA will recognise the estimated future liability in its financial statements for each of the stations at the respective points at which NDA takes ownership. The completion and timing of the transfer of ownership is currently uncertain and contingent on the fulfilment of a number of conditions by the parties involved. The NDA therefore recognises a contingent liability for the future decommissioning costs of the stations. This has been estimated by the current owner of the stations at £16,656 million (undiscounted) in its most recently published financial statements.
BBB – Financial guarantee (£3 million)	Under the Bank's Help to Grow financial guarantee programme, 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 2022 the amount lent under these financial guarantee agreements was £3 million (31 March 2021: £3 million). The programme is now closed and there will be no further lending.
UKRI – (Innovate UK) Decommissioning costs (£2.2 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 £2.2 million (31 March 2021: £2.6 million).
UKRI – (STFC) Decommissioning costs (£1.7 million)	A contingent liability exists for European Synchrotron Radiation Facility (ESRF) decommissioning costs associated with the dismantling of the facility and infrastructures. Decommissioning occurs on winding up of ESRF. If exit by the UK (or any other Member) results in ESRF being wound up, the Members are required to arrange for decommissioning of ESRF's plant and buildings and to meet the costs of doing so in proportion to their share of capital at the time of dissolution. The contingent liability is estimated to be £1.7 million (31 March 2021: £1.8 million).

26. 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 (£1.9 billion)	Within twelve months of 31 March 2033, the trustee of the BCSSS shall pay to 'the Guarantor' (the Secretary of State) any surplus remaining on the scheme net of any amount retained for the obligation. The value of the surplus will depend on the value of scheme assets in relation to outstanding obligations. Based on the Government Actuary's Department's estimate of a £1.9 billion surplus as at 31 March 2021, 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.

27. Related-party transactions

The Core Department is the parent of the bodies listed in note 29 '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, 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 the ordinary course of business, several BEIS partner organisations entered into transactions with BT Group plc for telecommunications services.

28. Restatements of Statement of Comprehensive Net Expenditure and Statement of Financial Position

Prior period adjustments

Machinery of government change

The Core Department created a Taskforce during 2020-21 to drive forward development and production of a COVID-19 vaccine. Most functions of the Taskforce became the responsibility of the Department of Health and Social Care (DHSC) from 1 August 2021 following a statement to this effect to Parliament by the Prime Minister on 22 July 2021. The Vaccine Taskforce continues to operate as a single unit but on behalf of DHSC and BEIS jointly, with each department separately responsible for funding and directing different defined activities. To assist delivery continuity, the Core Department continues to provide staff and other administrative resources to the Joint Unit as a whole but expenses and liabilities relating to DHSC outcomes, including for the Core Department's administrative resources recharged to DHSC, impact DHSC financial results and are reported in the DHSC accounts.

In accordance with the FReM, the financial results of the Core Department have been restated to reported 2021-22 as if the current arrangement with DHSC had been in place since creation of the Taskforce in 2020. This includes a restatement of comparative information for 2020-21 as detailed below. Expenses and liabilities reported in these financial statements are those incurred by the Taskforce since its inception in delivering outcomes that have been the responsibility of the Core Department since 1 August 2021.

Impact of restatements on opening balances for Core Department and Agencies at 1 April 2021

	Balance at 31 March 2021 per 2020-21 published accounts	Machinery of Government changes	Restated balance at 1 April 2021
	£m	£m	£m
Consolidated Statement of Comprehensive Net Expenditure			
Operating Income	(890)		(890)
Operating Expenditure	54,431	(1,264)	53,167
Net expenditure for the year from continuing operations	(142)	3	(139)
Other comprehensive net income and expenditure	128		128
Total comprehensive expenditure	**53,527**	**(1,261)**	**52,266**
Consolidated Statement of Financial Position			
Non-current assets			
Property, plant and equipment	328		328
Investment properties	2		2
Intangible assets	44		44
Investments and loans in public bodies	4,101		4,101
Other financial assets	1,769		1,769
Investment in joint ventures and associates	348		348
Trade and other receivables	634		634
Current assets			
Trade and other receivables	4,091	(577)	3,514
Investments and loans in public bodies	588		588
Cash and cash equivalents	1,952		1,952
Current liabilities			
Trade payables and other liabilities	(4,460)	169	(4,291)
Provisions for liabilities and charges	(226)		(226)
Financial guarantees, loan commitment liabilities and re-insurance contracts	(19,837)		(19,837)
Derivative financial instruments	(7)		(7)
Non-current liabilities			
Trade payables and other liabilities	(1,324)		(1,324)
Provisions for liabilities and charges	(1,540)		(1,540)
Financial guarantees, loan commitment liabilities and re-insurance contracts	(65)		(65)
Taxpayer's equity and other reserves			
General fund	(14,015)	(408)	(14,423)
Revaluation reserve	413		413

Impact of restatements on opening balances for the Departmental Group at 1 April 2021

	Balance at 31 March 2021 per 2020-21 published accounts £m	Machinery of Government changes £m	Restated balance at 1 April 2021 £m
Consolidated Statement of Comprehensive Net Expenditure			
Operating Income	(5,401)		(5,401)
Operating Expenditure	57,127	(1,264)	55,863
Net expenditure for the year from continuing operations	2,048	3	2,051
Other comprehensive net income and expenditure	(130)		(130)
Total comprehensive expenditure	**53,644**	**(1,261)**	**52,383**
Consolidated Statement of Financial Position			
Non-current assets			
Property, plant and equipment	3,833		3,833
Investment properties	122		122
Intangible assets	190		190
Investments and loans in public bodies	1,725		1,725
Other financial assets	5,641		5,641
Recoverable contract costs	1,447		1,447
Investment in joint ventures and associates	1,395		1,395
Trade and other receivables	739		739
Current assets			
Inventories	18		18
Non-current assets held for sale	6		6
Trade and other receivables	5,462	(577)	4,885
Investments and loans in public bodies	572		572
Other financial assets	72		72
Cash and cash equivalents	3,444		3,444
Current liabilities			
Trade payables and other liabilities	(7,928)	169	(7,759)
Provisions for liabilities and charges	(3,426)		(3,426)
Financial guarantees, loan commitment liabilities and re-insurance contracts	(19,880)		(19,880)
Derivative financial instruments	(7)		(7)
Non-current liabilities			
Trade payables and other liabilities	(3,003)		(3,003)
Provisions for liabilities and charges	(136,301)		(136,301)
Financial guarantees, loan commitment liabilities and re-insurance contracts	(168)		(168)
Derivative financial instruments	(16,933)		(16,933)
Retirement benefit obligations	(392)		(392)
Taxpayer's equity and other reserves			
General fund	(166,043)	(408)	(166,451)
Revaluation reserve	1,900		1,900
Charitable funds	472		472
Non-controlling interests	299		299

	Balance at 31 March 2021 per 2020-21 published accounts	Machinery of Government changes	Restated balance at 1 April 2021
	£m	£m	£m
Statement of Outturn Against Parliamentary Supply			
Resource DEL	22,496	(1,240)	21,256
Capital DEL	20,450	(21)	20,429
Resource AME	(8,152)		(8,152)
Capital AME	19,544		19,544
Net Outturn for the year	**54,338**	**(1,261)**	**53,077**

29. 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 2021, known as the Designation Order, plus amendments from the Government Resources and Accounts Act 2000 (Estimate and Accounts) (Amendment) Order 2021, 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 2021-22 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 28.

Designated Body linked bodies are indented 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 2021-22		
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
– BB 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

Designated Body linked bodies are indented below their parent body	**Status**	**Notes and website** further information about linked bodies or those closed during the year is also included
– 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
– 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
British Technology Investments Limited	Other Public Body - Limited Company	Consolidated into the Department Group for the first time in 2021-22.
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
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

Designated Body linked bodies are indented below their parent body	**Status**	**Notes and website** further information about linked bodies or those closed during the year is also included
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 Funding Scheme
The Financial Reporting Council Limited	Other Public Body - Limited Company	frc.org.uk
– 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.
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)	gov.uk/government/organisations/magnox-ltd Consolidated by Nuclear Decommissioning Authority
– Radioactive Waste Management Limited	Limited Company (Subsidiary of NDA)	gov.uk/government/organisations/nuclear-waste-services Consolidated by Nuclear Decommissioning Authority
– Sellafield Limited	Limited Company (Subsidiary of NDA)	gov.uk/government/organisations/sellafield-ltd Consolidated by Nuclear Decommissioning Authority
– LLW Repository Limited	Limited Company - (Subsidiary of NDA)	gov.uk/government/organisations/nuclear-waste-services Consolidated by Nuclear Decommissioning Authority

Designated Body linked bodies are indented below their parent body	**Status**	**Notes and website** further information about linked bodies or those closed during the year is also included
– Dounreay Site Restoration Limited	Limited Company - (Subsidiary of NDA)	gov.uk/government/organisations/dounreay Consolidated by Nuclear Decommissioning Authority
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 operating as *North Sea Transition Authority*	NDPB	nstauthority.co.uk
Postal Services Holding Company Limited	Other Public Body - Limited Company	Company in liquidation. Former holding company for the government's investment in Post Office Limited.
Regulatory Policy Committee	NDPB	gov.uk/government/organisations/regulatory-policy-committee No accounts produced as costs are included in the Core Department's expenditure.
Salix Finance Ltd	NDPB	salixfinance.co.uk
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 Dazzle Limited	Limited Company (Subsidiary of UKCI)	Consolidated by the UK Climate Investments LLP
– UK Climate Investments Etna 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 Kijani 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

Designated Body linked bodies are indented below their parent body	**Status**	**Notes and website** further information about linked bodies or those closed during the year is also included
– 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	Limited Company (Subsidiary of UKAEA)	Consolidated by United Kingdom Atomic Energy Authority
(b) Bodies not consolidated in Departmental Group accounts for 2021-22		
British Hallmarking Council	NDPB	gov.uk/government/organisations/british-hallmarking-council Turnover and net assets are not material to Departmental Group accounts.
Committee on Climate Change[1]	NDPB	theccc.org.uk/about Turnover and net assets are not material to Departmental Group accounts.
Daresbury SIC (PubSec) LLP	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	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	No costs or activities incurred in 2021-22 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.

Designated Body linked bodies are indented below their parent body	**Status**	**Notes and website** further information about linked bodies or those closed during the year is also included
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.

30. Events after the Reporting Period

Non-adjusting events

Forward Contracts entered into by UKSA

On 6 May 2022, UKSA entered into several non-cancellable forward exchange contracts to hedge 90% of existing international subscriptions commitments payable to ESA in euros between June 2022 and January 2026. In line with IAS 10 Events after the reporting period, the Department has determined that these events are non-adjusting subsequent events, accordingly the Statement of Financial Position has not been adjusted to reflect their impact. The payments to which UKSA is committed, analysed by the period during which the commitment expires, are shown below:

	£m
Not table than one year	334
Later than one year and not later than five years	786
Total	**1,120**

Disposal of Assets owned by Vaccine Manufacturing and Innovation Centre

On 4 April 2022, following a competitive bidding process, assets owned by Vaccine Manufacturing and Innovation Centre Ltd (VMIC) were purchased by Catalent Inc.

Under the terms of the Grant Funding Agreement between UKRI and VMIC, UKRI became entitled to repayment of grants paid to VMIC Ltd during its life to fund its construction and initial operations during constructions. Such future receipts will be accounted for in subsequent accounting periods following a final distribution of funds once VMIC's members voluntary liquidation process is completed.

OneWeb

On 26 July 2022, it was announced that OneWeb, of which the Department is a minority shareholder, signed a Memorandum of Understanding with Eutelsat Communications to merge the 2 companies. The UK government will retain the special share and its exclusive rights with respect to OneWeb. Trading under its existing name, OneWeb will continue to operate the Low Earth Orbit (LEO) business of the combined group and OneWeb's headquarters will remain in the UK. The deal will be subject to UK and international regulatory approvals – including through the National Security and Investments Act - and the approval of Eutelsat's shareholders. The merger is expected to complete in the first half of 2023.

Energy Bills Support Scheme

On 29 July 2022 the Core Department published specific details of funding to be provided to licensed domestic electricity suppliers for them to provide discounts or refunds to their domestic electricity customers during 2022-23. The discounts will be applied on a monthly basis between October 2022 and March 2023 to the accounts of customers eligible in each month, each monthly discount per household being approximately one-sixth of £400. Discounts relating to households across Great Britain will be funded by the Department at an approximate estimated cost of £11.7 billion, all of which expenditure will be incurred during 2022-23.

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 was extended to borrowers on 1 August 2022, with maximum borrowing per GB business of £2 million and £1million for NI Protocol businesses, duration of loan facilities of three months to six years and the Core Department assuming 70% of the credit risk incurred by accredited lenders from lending under the scheme. The scheme is scheduled to close on 30 June 2024. Deployment will be capped at £6 billion over the next two years, creating an exposure to potential lender claims of up to £4.2 billion with related claims estimated indicatively at £386 million. The exposure to potential claims is expected to increase while the scheme remains open.

Hinkley Point C

On 19th May 2022, EDF announced the conclusion of a review of the schedule of Hinkley Point C assessing Covid-19 related impacts, with a new target start date of June 2027. The impact of these delays would be to increase the valuation of the HPC CfD from £61.4bn to £61.6bn keeping all other modelling inputs (including electricity price forecasts) the same.

CLBIL Removal

On 01 April 2022, the British Business Bank, acting as agent for the Secretary of State for Business, Energy and Industrial Strategy, notified the administrators of Greensill Capital UK (GCUK) of the Guarantor's decision to terminate the guarantees provided to GCUK under CLBILS in respect of the facilities advanced by GCUK. At the date of removal, the value of the guarantees was £320 million.

Machinery of Government change: The Brexit Opportunities Unit

On 11 October 2022, the Government announced that the Brexit Opportunities Unit would move from Cabinet Office, to BEIS. The machinery of government change will take effect immediately. https://questions-statements.parliament.uk/written-statements/detail/2022-10-11/hcws311

Energy Price Guarantee

On 8 September 2022, the government announced the Energy Price Guarantee for domestic users on existing variable and fixed rate tariffs to take effect from 1 October 2022 across Great Britain and 1 November 2022 in Northern Ireland. A further announcement on 17 October 2022 stated the scheme is expected to run to April 2023. Under the Energy Price Guarantee, a typical UK household on a variable tariff will pay £2,500 a year on energy bills. This is achieved by limiting the price suppliers can charge customers for units of electricity and gas. The government has agreed to compensate suppliers for the discounts applied to consumer tariffs (being the difference between the unit cost determined by the government under the Energy Price Guarantee) and a reference price (representing the maximum reasonable price suppliers could otherwise have charged). The reference price for initial payments will be the default price cap announced by Ofgem on 26 August 2022, however future reference prices have yet to be determined. As reference prices will depend on future wholesale energy prices it is not possible to determine the full cost of the Energy Price Guarantee at this time. https://www.gov.uk/government/publications/energy-bills-support/energy-bills-support-factsheet-8-september-2022.

Energy Bill Relief Scheme

On 21 September 2022, the government announced the Energy Bill Relief scheme for non-domestic customers in Britain. The scheme is expected to run between 1 October 2022 and 31 March 2023. The government will provide a discount on gas and electricity unit prices. The discount will be calculated on the estimated wholesale portion of the unit price, compared to a baseline 'government supported price' which is lower than currently expected wholesale prices this winter. Suppliers will apply reductions to the bills of all eligible non-domestic customers. The government will compensate suppliers for the reduction in wholesale gas and electricity unit prices that they are passing onto non-domestic customers. The wholesale price of gas and electricity is not yet known, as such it is not possible to determine the full cost of the scheme. https://www.gov.uk/guidance/energy-bill-relief-scheme-help-for-businesses-and-other-non-domestic-customers

Mini-Budget announcements

There were fiscal statements made on 23 September 2022 and 17 October 2022 primarily in relation to tax rates. These announcements have been assessed by the Department and there are no direct implications for BEIS, other than the Energy Schemes discussed above. However, these could have an impact on some of the valuations of the Department's financial instruments, which is not currently quantifiable.

30.1 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

BEIS announced rises to the National Living and Minimum Wages

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 2021-22, BEIS collected income under the following schemes.

- EU emissions trading scheme (EU ETS)
- UK emissions trading scheme (UK ETS)
- Carbon reduction commitment (CRC)
- Climate change agreements (CCA)
- Energy saving opportunity scheme (ESOS)

EU ETS

About EU ETS

EU ETS is the largest emissions trading system to reduce GHG emissions. 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.

As a result of the end of the transition period (31 December 2020), the UK left the EU ETS scheme on 31 December 2020. Northern Ireland electricity generators remain in the EU ETS by virtue of the Ireland/Northern Ireland Protocol, so EU ETS remains an income stream going forward.

EU ETS financial summary

- The UK held 1 EU ETS auction in 2021-22.
- 21 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.

UK ETS

About UK ETS

UK Emissions Trading Scheme (UK ETS) replaced the UK's participation in the EU ETS on 1 January 2021. The first auction of United Kingdom Allowances (UKAs) took place on 19 May 2021. UK ETS is an emissions trading scheme that works on the cap and trade principle, where a cap is set on the total amount of certain GHG that can be emitted by sectors covered by the scheme. Within this cap, participants receive free allowances and/or buy emission allowances at auction or on the secondary market which they can trade with other participants as needed.

UK ETS financial summary

- The UK held 22 UK ETS auctions in 2021-22.

CRC

About CRC

CRC is an energy efficiency scheme, mandatory for large, non-energy intensive organisations. CRC closed at the end of the 2018-19 compliance year to simplify the landscape for energy efficiency tax on businesses. In April 2019, the reporting element of CRC was replaced by the Streamlined Energy and Carbon Reporting (SECR) framework.

CRC financial summary

- CRC allowance sales in 2021-22 generated £nil (2020-21: (£840,000)).
- There was 1 civil penalty of £2,405 levied against CRC participants (2020-21: £60,765).
- 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 2021-22, the income from buy-out payments generated £35.5 million (2020-21: £231,000) – shown in note 2.4 of the Trust Statement. The higher income in the current year is because 2021-22 is a period of primary reporting for Target Reporting Period IV. 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.
- 13 civil penalties were issued under the CCA scheme totalling £61,515 (2020-21: 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 2021-22, 32 penalties were issued which totalled £398,139 (2020-21: 12 penalties which totalled £39,769).

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 collection and allocation of the carbon allowance auction receipts for the UK 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, UK 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 315 to 319. The auditor's notional remuneration is included within the Department's Accounts.

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 and UK ETS including conducting the auction of the Allowances, 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, UK 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, UK ETS, CCA Schemes and penalties issued under the EU ETS, UK 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

18 October 2022

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 2022 under the Exchequer and Audit Departments Act 1921.

The financial statements comprise the Trust Statement's:

- Statement of Financial Position as at 31 March 2022;
- Statement of Revenue, Other income and expenditure and Statement of Cash Flows for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted international Accounting Standards.

In my opinion:

- the Trust Statement gives a true and fair view of the state of affairs of balances stemming from: the collection of UK Emissions Trading Scheme (UK ETS) auction income; EU Emissions Trading Scheme (EU 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 2022 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 (UK) (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 Financial 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 nor my auditor's report. 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 Accountability Report and Foreword to the Trust Statement subject to audit 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 and is in accordance with the applicable legal requirements.

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:

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by the Department 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 Performance Report, Accountability Report and Foreword to the Trust Statement subject to audit are not in agreement with the accounting records and returns; 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:

- maintaining proper accounting records;
- 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;
- ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable;
- 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; and
- 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.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I considered the following:

- the nature of the sector, control environment and operational performance including the design of the Trust Statement's accounting policies.
- 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 with laws and regulations including the Department's controls relating to the Trust Statement's compliance with Exchequer and Audit Departments Act 1921.
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Department for Business, Energy and Industrial Strategy's Trust Statement for fraud and identified the greatest potential for fraud in the following areas: Revenue recognition and posting of unusual journals. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of the Trust Statement's framework of authority as well as other legal and regulatory frameworks in which the Trust Statement operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in 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, the Community Emission Trading Scheme (Allocation of Allowances for Payment) Scheme Regulations 2008 and 2012 and the Climate Change Agreements (Administration) Regulations 2012, 2013, 2014, 2016 and 2020.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, the Audit and Risk Assurance Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports; 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.

Other auditor's responsibilities

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

19 October 2022

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

Statement of Revenue, Other income and Expenditure

for the year end accounts as at 31 March 2022

There were no recognised gains or losses accounted for outside of the above Statement of Revenue, Other Income and Expenditure.

The notes on pages 323 to 330 form part of this statement.

	Note	2021-22 £'000	2020-21 £'000
Revenue			
License fees and taxes			
EU ETS auction income	2.1	85,916	2,213,079
UK ETS auction income	2.2	5,753,639	-
CRC allowance sales	2.3	-	(840)
CCA buy-out payments income	2.4	35,539	231
Total licence fees and taxes		**5,875,094**	**2,212,470**
Fines and penalties			
Civil penalties – EU ETS		(2,316)	137,826
Civil penalties – ESOS		398	40
Civil penalties – CRC		(33)	61
Civil penalties – CCA		60	2
Total fines and penalties	2.5	**(1,891)**	**137,929**
Total revenue and other income		**5,873,203**	**2,350,399**
Expenditure			
Foreign exchange and interest – EU ETS	3.1	(74)	(3,093)
Credit losses – debts written off	3.2	(130,570)	-
Total expenditure		**(130,644)**	**(3,093)**
Net revenue for the Consolidated Fund		**5,742,559**	**2,347,306**

Statement of Financial Position

as at 31 March 2022

The notes on pages 323 to 330 form part of this statement.

	Note	31 March 2022 £'000	31 March 2021 £'000
Current assets			
Receivables and accrued fees	4	10,349	147,267
Cash and cash equivalents	5	29,466	34,897
Total current assets		**39,815**	**182,164**
Current liabilities			
Payables	6	(371)	(2,797)
Total current liabilities		**(371)**	**(2,797)**
Net current assets		**39,444**	**179,367**
Total net assets			
Represented by:			
Balance on Consolidated Fund Accounts		**39,444**	**179,367**

Sarah Munby

Permanent Secretary and Principal Accounting Officer

18 October 2022

Statement of Cash Flows

for the year end accounts as at 31 March 2022

The notes on pages 323 to 330 form part of this statement.

	Note	2021-22 £'000	2020-21 £'000
Net cash flows from operating activities	A	**5,877,051**	**2,211,600**
Cash paid to the Consolidated Fund	7	(5,882,482)	(2,209,884)
Increase/(decrease) in cash in this period	B	**(5,431)**	**1,716**

Notes to the Statement of Cash Flows

	Note	2021-22 £'000	2020-21 £'000
A: Reconciliation of Net Cash Flow to Movement in Net Funds			
Net Revenue for the Consolidated Fund	7	5,742,559	2,347,309
(Increase)/decrease in receivables and accrued fees	4	136,918	(137,867)
Increase/(decrease) in payables	6	(2,426)	2,158
Net cash flows from operating activities		**5,877,051**	**2,211,600**
B: Analysis in changes in Net Funds			
Increase/(decrease) in cash in this period		(5,431)	1,716
Net Funds as at 1 April (net cash at bank)	5	34,897	33,181
Net Funds as at 31 March (closing balance)	5	**29,466**	**34,897**

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 EU-ETS auction income, UK 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 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. Revenue is recognised at the close of each competitive auction, when the revenue can be measured reliably.
- UK ETS receipts represent proceeds from the auction of carbon allowances. Revenue is recognised at the close of each competitive auction, when the revenue can be measured reliably.
- 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 and UK 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, UK 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

	2021-22 £'000	2020-21 £'000
EU ETS – phase III auctions income	85,916	2,213,079
Total	**85,916**	**2,213,079**

Auction dates and units auctioned for EUA Phase III are available on The European Energy Exchange (EEX) website on the auction calendar link at: www.eex.com/en/market-data/environmental-markets/eua-primary-auction-spot-download.

2.2 Revenue from UK ETS

	2021-22 £'000	2020-21 £'000
UK ETS – auctions income	5,753,639	-
Total	**5,753,639**	**-**

Auction dates for UK Emission Allowances are available on the Intercontinental Exchange website at www.theice.com/emissions/auctions/uk-emission-allowances.

2.3 Revenue from CRC

	2021-22 £'000	2020-21 £'000
CRC allowance sales	-	(840)
Total	**-**	**(840)**

2.4 Revenue from CCA

	2021-22 £'000	2020-21 £'000
CCA buy-out payment income receivable	35,539	231
Total	**35,539**	**231**

In 2021-22, the income from buy-out payments generated £35.54 million (2020-21: £231,000). This increase is due to 2021-22 being the primary reporting period income for Target Reporting Period IV.

2.5 Revenue from civil penalties

	2021-22 £'000	2020-21 £'000
Levied under EU ETS	(2,316)	137,826
Levied under CRC	(33)	61
Levied under CCA	60	2
Levied under ESOS	398	40
Total	**(1,891)**	**137,929**

There were 21 penalties totalling £1,223,336 before an adjustment and refunds in relation to prior years, resulting in a net value being (£2,316,151) (31 March 2021: 54 penalties totalling £137,826,387) levied under the EU ETS scheme. There was 1 penalty totalling £2,405 before an adjustment and refunds in relation to prior years, resulting in a net value being (£32,602) (31 March 2021: 14 penalties totalling £60,765) levied under the CRC scheme.
32 penalties totalling £398,139 (31 March 2021: 4 penalties totalling £39,769) were levied under the ESOS scheme. There were 13 penalties totalling £61,615, before an adjustment and refunds in relation to prior years, resulting in a net value totalling £59,913 (31 March 2021: 1 penalty totalling £1,602) being levied under the CCA scheme.

3. Expenditure and disbursements

3.1 Costs incurred in the collection of receipts

	2021-22 £'000	2020-21 £'000
Foreign currency translation (gains)/losses – EU ETS	72	3,046
Interest charges on Euro auction bank account – EU ETS	2	47
Total	**74**	**3,093**

3.2 Credit losses

	2021-22 £'000	2020-21 £'000
De-recognition of EU ETS penalties	130,570	-
Total	**130,570**	**-**

During the year, receivables of £130.6 million were written off. The amount was due from companies either insolvency or in liquidation. There is no expectation that the funds will be recovered.

Expenditure incurred to administer EU ETS, UK 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: £1,723,811 (2020-21: £1,046,556).
UK ETS: £647,955 (2020-21: £nil).
CRC: £21,916 (2020-21: £15,902).
CCA: £310,376 (2020-21: £380,242).
ESOS: £1,421,948 (2020-21: £891,682).

4. Receivables and accrued fees

	2021-22 £'000	2020-21 £'000
Civil Penalties receivable	10,349	147,267
Total	**10,349**	**147,267**

5. Cash and cash equivalents

	2021-22 £'000	2020-21 £'000
Balance as at 1 April	34,897	33,181
Net change in cash and cash equivalent balances	(5,431)	1,716
Balance at 31 March	**29,466**	**34,897**
The following balances at 31 March were held at:		
Government Banking Service	29,466	34,897
Total	**29,466**	**34,897**

6. Payables

	2021-22 £'000	2020-21 £'000
Other	371	2,797
Total	**371**	**2,797**

7. Balance on the Consolidated Funds accounts

	2021-22 £'000	2020-21 £'000
Balance on the consolidated Fund as at 1 April	179,367	41,942
Net revenue for the Consolidated Fund	5,742,559	2,347,309
Less amounts paid to the Consolidated Fund	(5,882,482)	(2,209,884)
Balance on the Consolidated Fund as at 31 March	**39,444**	**179,367**

8. Financial Instruments

8.1 Classification and categorisation of financial instruments

	2021-22 £'000	2020-21 £'000
Financial assets		
Cash	29,466	34,897
Civil penalties receivable	10,349	147,267
Total financial assets	**39,815**	**182,164**
Financial liabilities		
Other Payables	(371)	(2,797)
Total financial liabilities	**(371)**	**(2,797)**

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 £72,000 exchange rate loss incurred as at 31 March 2022 (31 March 2021: loss of £3.046 million).

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.

UK ETS

UK ETS is not exposed to foreign currency risk, interest rate or liquidity risk. Its exposure to market risk is limited due to there being a current demand for carbon allowances.

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 24 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.

11. Date Accounts authorised for issue

The Accounting Officer has authorised these Accounts to be issued on the same day as they were certified.

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 2022 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 Government Financial Reporting Manual ("FReM") 2021-22.
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.

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
His Majesty's Treasury
16 December 2021

Appendix 1: Trust Statement for the year ended 31 March 2022

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: Application of the accounts direction

Sponsoring Department	Income stream	Responsible entity
Department for Business, Energy and Industrial Strategy	EU Emissions Allowance	BEIS
	UK Emissions Allowance	BEIS
	Fines and Penalties	BEIS
	CRC allowances	BEIS
	Climate Change Agreements	BEIS
	Energy Saving Opportunity Schemes	BEIS

Annexes

BEIS delivered an additional £737 million for businesses affected by the Omicron wave

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.

	2017-18 Outturn £'000	2018-19 Outturn £'000	2019-20 Outturn £'000	2020-21 Outturn £'000	2021-22 Outturn £'000	2022-23 Plans £'000
Resource DEL						
Deliver an ambitious industrial strategy	377,129	182,286	908,525	18,822,515	4,140,456	326,522
Maximise investment opportunities and bolster UK interests	40,218	70,705	73,225	90,816	131,652	76,380
Promote competitive markets and responsible business practices	106,951	116,245	81,333	123,553	208,835	234,713
Delivering affordable energy for households and businesses	32,381	44,155	38,974	83,933	90,117	11,825,967
Ensuring that our energy system is reliable and secure	4,201	4,756	4,723	5,789	903,253	1,654,252
Taking action on climate change and decarbonisation	91,076	24,829	32,518	53,099	83,176	57,802
Managing our energy legacy safely and responsibly	265,752	251,870	234,186	216,909	195,797	190,639
Science and Research	5,088	4,608	6,159	29,390	43,497	17,871
Capability	320,301	393,848	415,591	482,229	486,262	685,678
Government as Shareholder	92,179	41,017	36,273	1,595,733	1,314,153	177,280
Deliver an ambitious industrial strategy (ALB) net	15,172	15,147	21,077	13,127	-	-
Promote competitive markets and responsible business practices (ALB) net	47,622	52,749	53,634	61,407	59,308	72,658
Ensuring that our energy system is reliable and secure (ALB) net	(1,628)	(2,667)	(2,756)	(2,297)	(3,039)	1
Taking action on climate change and decarbonisation (ALB) net	4,834	6,069	8,260	11,217	15,733	21,340
Managing our energy legacy safely and responsibly (ALB) net	34,711	32,075	28,719	32,055	39,668	45,285
Science and Research (ALB) net	234,283	276,226	231,165	227,334	238,498	265,138
Capability (ALB) net	33,635	30,475	34,693	11,103	12,379	1,585
Government as Shareholder (ALB) net	(69,046)	(18,838)	49,962	(7,246)	20,266	(878)
NDA and SLC expenditure (ALB) net	1,254,752	1,175,337	1,330,218	1,245,231	1,427,904	1,516,566
Deliver an ambitious industrial strategy (CFER)	-	-	-	-	(1,454)	-
Science and Research (CFER)	-	-	-	-	(555)	-
Nuclear Decommissioning Authority Income (CFER)	(1,176,795)	(978,373)	(748,104)	(599,466)	(693,853)	(847,851)
Nuclear Safeguards Development	1,189	(2,275)	-	-	-	-
Managing our energy legacy safely and responsibly (CFER)	-	(475,000)	-	-	-	-
Total Resource DEL	**1,714,005**	**1,245,244**	**2,838,375**	**22,496,431**	**8,712,053**	**16,320,948**

	2017-18 Outturn £'000	2018-19 Outturn £'000	2019-20 Outturn £'000	2020-21 Outturn £'000	2021-22 Outturn £'000	2022-23 Plans £'000
Of which:						
Staff costs	533,290	605,821	682,747	816,131	867,646	934,100
Purchase of goods and services	1,938,532	1,936,315	3,394,359	3,142,383	2,990,283	2,175,691
Income from sales of goods and services	(1,079,179)	(996,751)	(764,171)	(615,649)	(713,994)	(871,813)
Current grants to local government (net)	9,587	22,388	183,159	8,121,959	3,936,064	40,963
Current grants to persons and non-profit bodies (net)	135,838	133,554	177,281	187,621	200,733	11,734,002
Current grants abroad (net)	59,465	72,274	51,593	75,568	98,113	111,747
Subsidies to private sector companies	526,638	141,423	100,481	12,481,812	1,439,916	189,200
Subsidies to public corporations	95,170	61,530	50,081	53,903	953,283	50,000
Net public service pensions	(9)	(12)	(13)	(19)	-	-
Rentals	49,177	37,077	46,630	49,830	2,538	2,803
Depreciation	266,467	310,652	331,470	270,073	335,950	368,222
Take up of provisions	(165)	-	(32,162)	37,965	(33,722)	1,655,987
Change in pension scheme liabilities	1,372	547	579	228	243	-
Other resource	(822,178)	(1,079,574)	(1,383,659)	(2,125,372)	(1,365,000)	(69,954)

Resource AME						
Deliver an ambitious industrial strategy	17,448	(312,599)	10,733,189	(10,747,128)	(62,525)	10,163
Maximise investment opportunities and bolster UK interests	1,586	6,044	701	(1,217)	(703)	-
Promote competitive markets and responsible business practices	6,171	79,228	72,282	89,422	72,940	88,300
Ensuring that our energy system is reliable and secure	(415)	(295)	478	(4,108)	338,849	(1,689,000)
Taking action on climate change and decarbonisation	-	-	-	667	241	-
Managing our energy legacy safely and responsibly	(885,264)	(297,497)	(203,397)	(208,322)	(78,851)	(70,709)
Science and Research	45,578	205,985	54,912	86,053	109,627	17,488,795
Capability	13,557	(12,990)	(55,895)	(41,033)	5,305	2,338
Government as Shareholder	(72,885)	807	10,006	17,150	178,940	(11,732)
Renewable Heat Incentive	687,275	817,898	846,092	848,139	919,555	1,079,000
Deliver an ambitious industrial strategy (ALB) net	4,967	(14,444)	36,202	(71,456)	473	28,002
Promote competitive markets and responsible business practices (ALB) net	87	57	973	(221)	375	522
Taking action on climate change and decarbonisation (ALB) net	3,558,227	(2,971,284)	3,543,428	468,485	10,015,257	25,000,000
Managing our energy legacy safely and responsibly (ALB) net	1,507,140	(2,022,249)	22,826	231,227	3,112,786	1,217

	2017-18 Outturn £'000	2018-19 Outturn £'000	2019-20 Outturn £'000	2020-21 Outturn £'000	2021-22 Outturn £'000	2022-23 Plans £'000
Science and Research (ALB) net	94,536	41,299	149,372	64,982	192,049	109,240
Capability (ALB) net	-	1	4	-	10	5
Government as Shareholder (ALB) net	(25,633)	47,451	(99,851)	(354,185)	(520,071)	(15,950)
Nuclear Decommissioning Authority (ALB) net	69,911,856	(101,791,292)	4,371,679	1,027,590	100,605,107	12,835,287
Promote competitive markets and responsible business practices	259,815	319,330	431,123	441,841	260,991	480,000
Total Resource AME	**75,124,046**	**(105,904,550)**	**19,914,124**	**(8,152,114)**	**115,150,355**	**55,335,478**
Of which:						
Staff costs	-	4,404	5,165	5,714	6,164	1,270
Purchase of goods and services	101,425	145,292	164,120	150,800	44,400	-
Income from sales of goods and services	-	(3)	(5)	-	-	-
Current grants to persons and non-profit bodies (net)	353,221	416,439	513,128	540,717	482,671	-
Current grants abroad (net)	-	-	-	-	-	682,972
Subsidies to private sector companies	687,275	817,898	846,092	848,814	777,246	1,079,000
Subsidies to public corporations	-	-	-	-	345,889	-
Rentals	(2,456)	(2,198)	(2,069)	(2,035)	(2,585)	-
Depreciation[1]	4,397,424	(1,882,868)	5,575,119	2,602,318	9,815,622	25,296,322
Take up of provisions	71,236,030	(101,359,925)	17,774,375	4,017,592	106,997,559	28,661,225
Release of provision	(316,703)	(3,078,344)	(3,035,901)	(13,944,296)	(3,350,663)	(185,324)
Change in pension scheme liabilities	34,554	29,717	32,501	29,005	40,871	68,000
Unwinding of the discount rate on pension scheme liabilities	36,924	37,782	38,348	33,467	33,125	80
Other resource	(1,403,648)	(1,032,744)	(1,996,749)	(2,434,210)	(39,944)	(268,067)
Total Resource Budget	**76,838,051**	**(104,659,306)**	**22,752,499**	**14,344,317**	**123,862,408**	**71,656,426**
Of which:						
Depreciation	4,663,891	(1,572,216)	5,906,589	2,872,391	10,151,572	25,664,544
Capital DEL						
Deliver an ambitious industrial strategy	142,364	(54,606)	(14,440)	227,102	240,578	445,398
Maximise investment opportunities and bolster UK interests	289,791	243,957	265,872	492,700	299,682	263,330
Promote competitive markets and responsible business practices	4,751	5,940	6,643	23,159	19,956	38,250
Delivering affordable energy for households and businesses	43,633	32,718	44,502	1,184,722	1,256,203	1,123,400

	2017-18 Outturn £'000	2018-19 Outturn £'000	2019-20 Outturn £'000	2020-21 Outturn £'000	2021-22 Outturn £'000	2022-23 Plans £'000
Ensuring that our energy system is reliable and secure	60	(626)	291	277	1,005,678	1,712,643
Taking action on climate change and decarbonisation	51,578	73,121	154,227	239,432	281,860	341,990
Managing our energy legacy safely and responsibly	7,944	4,278	3,461	5,074,050	5,620,909	4,610
Science and Research	2,634,812	563,177	691,794	787,076	727,173	4,030,633
Capability	18,777	30,305	19,703	35,399	28,012	31,983
Government as Shareholder	(98,418)	172,613	61,445	1,069,581	322,341	255,515
Deliver an ambitious industrial strategy (ALB) net	32	-	-	(8)	-	-
Promote competitive markets and responsible business practices (ALB) net	1,704	1,236	2,030	1,682	2,010	3,440
Taking action on climate change and decarbonisation (ALB) net	39	255	27	284	2,500	2,400
Managing our energy legacy safely and responsibly (ALB) net	15,200	12,128	12,919	17,915	25,769	33,049
Science and Research (ALB) net	4,761,522	7,530,042	7,786,590	9,125,825	8,691,692	8,179,800
Capability (ALB) net	43	2,482	30	2,298	3,558	-
Government as Shareholder (ALB) net	534,574	337,642	395,639	368,759	456,799	434,144
NDA and SLC expenditure (ALB) net	2,051,013	2,002,699	1,797,184	1,799,723	2,023,096	2,161,000
Deliver an ambitious industrial strategy (CFER)	-	-	-	-	(13,333)	-
Science and Research (CFER)	-	-	-	-	(2,091)	(2,102)
Total Capital DEL	**10,459,419**	**10,957,361**	**11,227,917**	**20,449,976**	**20,992,392**	**19,059,483**
Of which:						
Staff costs	480,982	502,376	535,339	612,263	691,071	1,180,444
Purchase of goods and services	498,431	833,595	819,845	837,114	2,909,334	1,126,520
Income from sales of goods and services	(276,222)	(260,137)	(273,845)	(261,268)	(306,808)	-
Current grants to persons and non-profit bodies (net)	3,582,865	5,744,797	6,274,041	7,204,570	7,085,874	7,658,011
Current grants abroad (net)	330,130	340,794	346,659	401,898	412,292	3,191,382
Subsidies to public corporations	98,737	-	4,808	21	31	-
Capital support for local government (net)	41,473	5,826	1,588	1,151,761	652,693	669,400
Capital grants to persons & non-profit bodies (net)	482,446	888,564	725,074	841,616	496,632	351,000
Capital grants to private sector companies (net)	22,779	35,518	96,127	160,355	285,675	450,790
Capital grants abroad (net)	483,289	308,624	449,475	697,326	485,802	222,830
Capital support for public corporations	81,835	204,229	94,985	74,703	1,462,994	52,109
Purchase of assets	2,412,651	2,345,321	2,176,780	2,285,092	448,235	2,705,025
Income from sales of assets	(142,274)	(23,144)	(36,518)	(138,116)	(9,659)	-

	2017-18 Outturn £'000	2018-19 Outturn £'000	2019-20 Outturn £'000	2020-21 Outturn £'000	2021-22 Outturn £'000	2022-23 Plans £'000
Net lending to the private sector and abroad	319,670	163,080	88,455	1,654,821	798,760	1,408,746
Other capital	2,042,627	(132,082)	(74,896)	4,927,820	5,579,466	43,226
Capital AME						
Promote competitive markets and responsible business practices	-	-	-	-	151	-
Managing our energy legacy safely and responsibly	611,792	35,412	29,419	29,382	23,091	18,677
Science and Research	864	1,212	1,263	1,247	1,271	2,934,000
Capability	-	-	-	-	144	72
Government as Shareholder	(1,909)	(120,000)	37,000	19,718,443	(3,596,201)	885,878
Deliver an ambitious industrial strategy (ALB) net	(3,474)	(16,387)	365	(8,954)	(13,310)	-
Taking action on climate change and decarbonisation (ALB) net	-	-	-	-	54	-
Managing our energy legacy safely and responsibly (ALB) net	-	-	-	-	-	296
Science and Research (ALB) net	(63,845)	(59,692)	(59,496)	(53,610)	(57,467)	-
Government as Shareholder (ALB) net	(119,122)	(11,143)	(3,051)	(221)	(4,975)	-
Managing our energy legacy safely and responsibly (CFER)	-	(141,811)	(142,400)	(142,400)	(142,400)	(142,400)
Government as Shareholder	(1,621,078)	-	-	-	-	-
Total Capital AME	**(1,196,772)**	**(312,409)**	**(136,900)**	**19,543,887**	**(£3,789,642)**	**3,696,523**
Of which:						
Staff costs	(18,719)	(15,325)	(14,078)	(19,813)	(17,149)	-
Purchase of goods and services	(7,325)	(2,330)	(4,890)	3,149	(1,169)	-
Current grants abroad (net)	-	-	-	-	-	2,934,000
Take up of provisions	-	-	-	-	349	296
Capital grants to private sector companies (net)	(184,787)	-	-	19,781,449	(3,524,201)	85,878
Capital support for public corporations	129,250	(120,000)	37,000	(63,006)	(72,000)	800,000
Purchase of assets	318	-	-	-	-	72
Net lending to the private sector and abroad	(1,732,112)	(169,341)	(145,086)	(151,575)	(160,685)	(142,400)
Other capital	616,603	(5,413)	(9,846)	(6,317)	(14,787)	18,677
Total Capital Budget	**9,262,647**	**10,644,952**	**11,091,017**	**39,993,863**	**17,202,750**	**22,756,006**

	2017-18 Outturn £'000	2018-19 Outturn £'000	2019-20 Outturn £'000	2020-21 Outturn £'000	2021-22 Outturn £'000	2022-23 Plans £'000
Total Departmental spending	**81,436,807**	**(92,442,138)**	**27,936,927**	**51,465,789**	**130,913,583**	**68,747,888**
Of which:						
Total DEL	11,906,957	11,891,953	13,734,822	42,676,334	29,368,495	35,012,209
Total AME	69,529,850	(104,334,091)	14,202,105	8,789,455	101,913,091	33,735,679

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 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.

In their role as administrator of the Government's GB Renewable Heat Incentive scheme, Ofgem made payments to scheme participants totalling £943,857,915.73, which, when adjusted for net movement on accrued amounts payable, resulted in expenditure of £919,555,205.89 in the financial year 2021-22. Based on Ofgem's sampling of the population and subject to our detailed assumptions, we can be 95% confident that the estimated value of error for GB Renewable Heat Incentive scheme payments made or accrued in the financial year 2021-22 is between the upper and lower limits of £14,191,973 and £6,023,279. Based on the same assumptions, the most likely estimated value of error for the same period is £10,107,626. This is less than 1.1 per cent of scheme spend in 2021-22.

Table 2 - Administration Budget

	2017-18 Outturn £'000	2018-19 Outturn £'000	2019-20 Outturn £'000	2020-21 Outturn £'000	2021-22 Outturn £'000	2022-23 Plans £'000
Resource DEL						
Promote competitive markets and responsible business practices	4,690	4,680	5,093	5,372	4,083	5,269
Science and Research	2	-	(2)	-	-	200
Capability	280,222	350,166	384,234	446,132	459,170	584,544
Promote competitive markets and responsible business practices (ALB) net	8,735	8,783	7,779	8,553	8,989	9,806
Taking action on climate change and decarbonisation (ALB) net	3,447	3,353	5,354	4,465	4,098	5,085
Managing our energy legacy safely and responsibly (ALB) net	7,044	6,912	4,833	5,112	4,485	12,193
Science and Research (ALB) net	3,371	5,547	7,410	7,120	6,182	6,000
Capability (ALB) net	33,635	30,475	34,693	11,103	12,379	1,585
Government as Shareholder (ALB) net	27	62	105	61	74	-
NDA and SLC expenditure (ALB) net	42,121	50,612	52,929	54,925	35,456	45,000
Total Administration Budget	**383,294**	**460,590**	**502,428**	**542,843**	**534,916**	**669,682**
Of which:						
Staff costs	326,207	385,642	434,897	482,310	478,830	436,852
Purchase of goods and services	154,657	177,288	162,338	167,999	193,797	187,944
Income from sales of goods and services	(31,151)	(10,220)	(3,726)	(3,092)	(2,345)	(173)
Current grants to persons and non-profit bodies (net)	493	425	325	818	437	171
Current grants abroad (net)	170	184	538	572	423	-
Subsidies to private sector companies	9	-	-	-	-	-
Subsidies to public corporations	-	28	-	-	4	-
Net public service pensions	(9)	(12)	(13)	(19)	-	-
Rentals	34,299	22,485	33,391	35,883	324	585
Depreciation[1]	22,901	18,850	26,902	28,914	38,075	74,128
Take up of provisions	(50)	-	3	-	-	-
Change in pension scheme liabilities	184	141	205	100	60	-
Other resource	(124,416)	(134,221)	(152,432)	(170,642)	(174,689)	(29,825)

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 20.

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	(521)	26,628	25,857	5,625	383	240	26
UK Space Agency	(2)	500	498	258	17	3	4
Insolvency Service	(54)	391	337	1,675	78	47	3
Companies House	(84)	91	7	1,045	43	-	4
Competition Service	-	5	5	20	2	-	-
Diamond Light Source Ltd	(97)	109	12	670	48	105	3
Financial Reporting Council Ltd	(47)	46	(1)	360	32	-	1
UK SBS Ltd	(40)	40	-	581	25	29	1
National Endowment for Science Technology and the Arts	(3)	31	3	-	-	-	-
United Kingdom Atomic Energy Authority	(225)	225	(16)	1,568	97	514	30
ACAS	(4)	59	55	982	45	25	1
BIS (Postal Services Act 2011) Company Limited	-	7	(14)	-	-	-	-
Enrichment Holdings Limited	-	-	(104)	-	-	-	-
BBB PLC	(68)	322	(454)	508	44	21	-
Oil And Gas Authority	(32)	32	-	184	17	3	-
Northern Powerhouse Investment Limited	11	-	-	-	-	-	-
NDA	(649)	104,134	103,396	349	44	41	3
Coal Authority	(17)	3,124	3,149	300	17	11	1
Civil Nuclear Police Authority	(120)	123	3	1,580	90	19	-
Radioactive Waste Management	(81)	81	-	301	30	43	5
Electricity Settlements Company	(863)	863	-	-	-	-	-
UK Climate Investments LLP	-	3	-	-	-	-	-
Low Carbon Contracts Company	(10,302)	16	-	83	7	10	-
Midlands Engine Investments Limited	1	1	-	-	-	-	-
UK Green Infrastructure Platform Ltd	-	1	(1)	-	-	-	-
Salix	(1)	9	8	102	5	1	(2)

				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
UKRI	(405)	8,921	8,515	6,424	502	1,459	26
Consolidation adjustments	10,563	(12,566)	(1,938)	-	-	-	-
Total Departmental Group	**(3,040)**	**133,196**	**139,317**	**22,615**	**1,526**	**2,571**	**106**

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
BTI: British Technology Investments 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
NSTA: North Sea Transition Authority

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
VMIC: Vaccine Manufacturing and Innovation Centre Ltd

WTC: Waste Transfer Contract

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