Department for
Business, Energy
& Industrial Strategy

Annual report and accounts

2022-23

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Business, Energy
& Industrial Strategy

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Performance report

Business support. Photo of a Welder working.

Performance overview

Purpose of the performance overview

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

Report of the permanent secretary

Sarah Munby
Permanent Secretary and Principal Accounting Officer

Once again, this year proved to be a busy and eventful one. Beyond its focus on boosting enterprise, delivering net zero and supporting innovation, the department continued with efforts to protect UK consumers and businesses from the effects of the war in Ukraine on the global energy system. As set out in more detail throughout this report, the work has been vast in scale and scope.

The department provided unprecedented support to consumers and businesses to help them through the cost-of-living crisis through a suite of schemes that made energy bills more affordable, while contributing to wider economic objectives including helping to hold down inflation.

The 'British Energy Security Strategy', published in April 2022, reinforced commitment to domestic energy security and independence. This was followed with the publication of 'Powering Up Britain' in March 2023, which set out how the government will enhance our country's energy security, seize the economic opportunities of the transition, and deliver on our net zero commitments.

BEIS delivered on big energy projects, including £700 million of government funding confirmed for Sizewell C and the creation of Great British Nuclear to support the UK's nuclear industry by providing better opportunities to build and invest.

BEIS took some significant pieces of legislation through parliament to support economic growth both in the near and long-term, including the Economic Crime (Transparency & Enforcement) Act and Minimum Service Levels Bill, as well as publishing a draft Digital Markets, Competition & Consumers Bill.

In November we announced up to £484 million of research funding to support the R&D sector and also extended the Horizon Europe Guarantee scheme to protect funding for UK researchers, businesses, and innovators while we finalised the UK's future relationship with the EU Programme.

In February, the Prime Minister announced that the department would cease to exist in its current form, and the work of BEIS would be taken forward in 3 new departments. A new department for Energy Security and Net Zero; a dedicated Department for Science, Innovation and Technology and a combined Department for Business and Trade will ensure teams have the skills and focus they need to deliver for the British people.

I am extremely proud of everything BEIS achieved in what turned out to be its final year. I know that progress in all these areas will continue to accelerate as BEIS' work is carried forward by 3 brand new departments.

Our purpose and priorities in 2022–23

Purpose

Our collective mission was 'leading Britain's recovery', which underpinned all our work.

Priorities

Our priorities during the year were as follows:

Enterprise: Backing long-term growth

Net Zero: Tackling climate change

Innovation: Unleashing a science superpower

Closure of BEIS and the new departments

On 7 February 2023, the Prime Minister announced the creation of 4 new departments, with BEIS' policy responsibilities being split between these 3 key departments.

- **The Department for Energy Security and Net Zero (DESNZ)** will focus on giving the UK cheaper, cleaner, more secure sources of energy – cutting bills, cutting emissions, and cutting our dependence on international energy supplies, like those of Putin's Russia.
- **The Department for Science, Innovation and Technology (DSIT**) will make sure the UK is the country where the next great scientific discoveries are made – and where the brightest minds and the most ambitious entrepreneurs will turn those ideas into companies, products and services that can change the world.
- **The Department for Business and Trade (DBT)** will be a single, coherent voice for business inside government, focused on growing the economy with better regulation, new trade deals abroad, and a renewed culture of enterprise at home.

Our business model and environment

For our departmental priorities, we:

- devise and manage policies – build expertise in a subject area, advise ministers about it, develop their policies
- deliver public services – implement the policies ministers have decided on
- manage corporate services – manage taxpayer funds

The core department carries out policy development. The department also sponsors public bodies which contribute to the work of the department. These partner organisations are listed in the section ‘our group’.

We consult with a range of people and organisations, including small and large businesses, business representative organisations, unions, and research institutions. We also consult the public on critical policy decisions.

Our priorities are constantly shaped by issues in the social and economic environment and government priorities, to serve the public effectively.

Organisational structure

The diagram below shows the groups that made up our organisational structure. The groups are headed by directors general (DGs). Within these DG groups, there are typically several directorates, and within them, several teams.

Energy Supply Taskforce	**Energy Markets & Supply**	**Energy Infrastructure**
Net Zero Buildings & Industry	**Net Zero, Nuclear & International**	**Business Sectors**
Science, Innovation & Growth	**Market Frameworks**	**Trade & Opportunities**
Corporate Services	**Chief Scientific Advisor**	

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]

Notes

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

SR21 metrics

Help businesses to bounce back from the impacts of COVID-19 and support renewed investment in the economy	Stock of finance and number of SMEs supported by BBB programmes (excluding Covid loans) Stock of finance and number of SMEs supported by Recovery Loan Scheme Average estimated Covid impact on investment in the one year ahead (Bank of England) Average estimated Covid impact on employment in the one year ahead (Bank of England) Average estimated Covid impact on sales in the one year ahead (Bank of England)
Reduce UK greenhouse gas emissions to net zero by 2050, while supporting green jobs and mobilising investment to deliver a green industrial revolution across the UK	Total UK greenhouse emissions (tonnes of CO_2 equivalent) (for tracking progress against carbon budgets) UK greenhouse gas emissions by sector (tonnes of CO_2 equivalent) Total projected greenhouse gas savings from BEIS policies included in the Energy and Emissions Projections (EEP) Low carbon share of electricity generation (percentage) Total low carbon and renewable energy economy (LCREE) jobs (ONS) Progress towards the target of installing at least 600,000 heat pumps per year by 2028 Progress to Net Zero and energy efficiency (sectoral indicators) Policy gap to carbon budgets
Unleash innovation and accelerate science and technology throughout the country, through increased private and public investment, to increase productivity and UK global influence	Gross expenditure research and development as % of GDP Business enterprise research and development as % of GDP Percentage of businesses that are innovation active, including by region Number of spinouts Count of published international patent families from UK applicants Field weighted citation impact Percentage of businesses introducing new goods/services already available in the market (New to firm) Share of World top 2500 R&D companies
Boost enterprise by making the UK the best place in the world to start, grow and invest in a business	Business investment as percentage of GDP Business birth rate, including by region (per cent) Output per worker growth Output per hour growth Rate of employment scale ups (from ONS data) Percentage of SMEs that are happy to use external finance to help business grow Percentage of SMEs giving an 8-10 impact score for access to finance as an obstacle to running their business as they would like in the next 12 months Number and value of seed, venture, and growth stage deals for calendar year Business survival rates at the 2-year interval and UA level

Source: Spending Review 2021: Priority outcomes and metrics

Performance summary on priority outcomes

See performance on priority outcomes in the performance analysis section for more details on performance, including metrics.

Help businesses to bounce back from the impacts of COVID-19 and support renewed investment in the economy.

- We published a Hospitality Strategy Refresh. We helped to bring the energy costs faced by UK businesses more in line with other major economies. We continued to invest in sectors of the future.

Boost enterprise by making the UK the best place in the world to start, grow and invest in a business.

- We extended the start-up loan schemes to more businesses. We also extended the Help to Grow: Management scheme to more businesses.

Reduce UK greenhouse gas emissions to net zero by 2050, while supporting green jobs and mobilising investment to deliver a green industrial revolution across the UK.

- We published the Net Zero Growth Plan. It sets out how we will enhance the UK's energy security, seize the economic opportunities of the transition, and deliver on our net zero commitments. Alongside this, we published an Energy Security Plan – it sets out how we will ensure the UK is more energy independent, secure, and resilient.

Unleash innovation and accelerate science and technology throughout the country, through increased private and public investment, to increase productivity and UK global influence.

- Over the past year, we have continued our work to drive up public investment in R&D to record levels. This included finalising allocations for BEIS's largest ever R&D budget of £39.8 billion from 2022 to 2025, ensuring we support areas of relative UK strength and increase the level of private R&D.
- Major progress has been made in several areas. This includes the delivery of the Innovation Strategy, the launch of the Advanced Research and Invention Agency (ARIA), a new independent research body custom-built to fund high-risk, high-reward scientific research, and the announcement of the International Science Partnerships Fund.
- Since November 2021, we have been supporting UK researchers and businesses via the Horizon Europe guarantee. The guarantee, which is administered by UKRI, issued over £1 billion grant offers by 4 April 2023 and has ensured there has been no loss in funding for the UK sector during the two years of delay. In parallel, while negotiations were stalled, we continued to develop Pioneer, our bold, ambitious alternative to Horizon, and in April 2023 we published detailed proposals on these plans.

Principal risks

The key risks faced by the department in 2022-23 are summarised below. For further details on our risks, see risk profile in the performance analysis.

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 that energy support schemes would be inadequate to manage rising energy prices and the inflationary pressures affecting consumers and businesses.

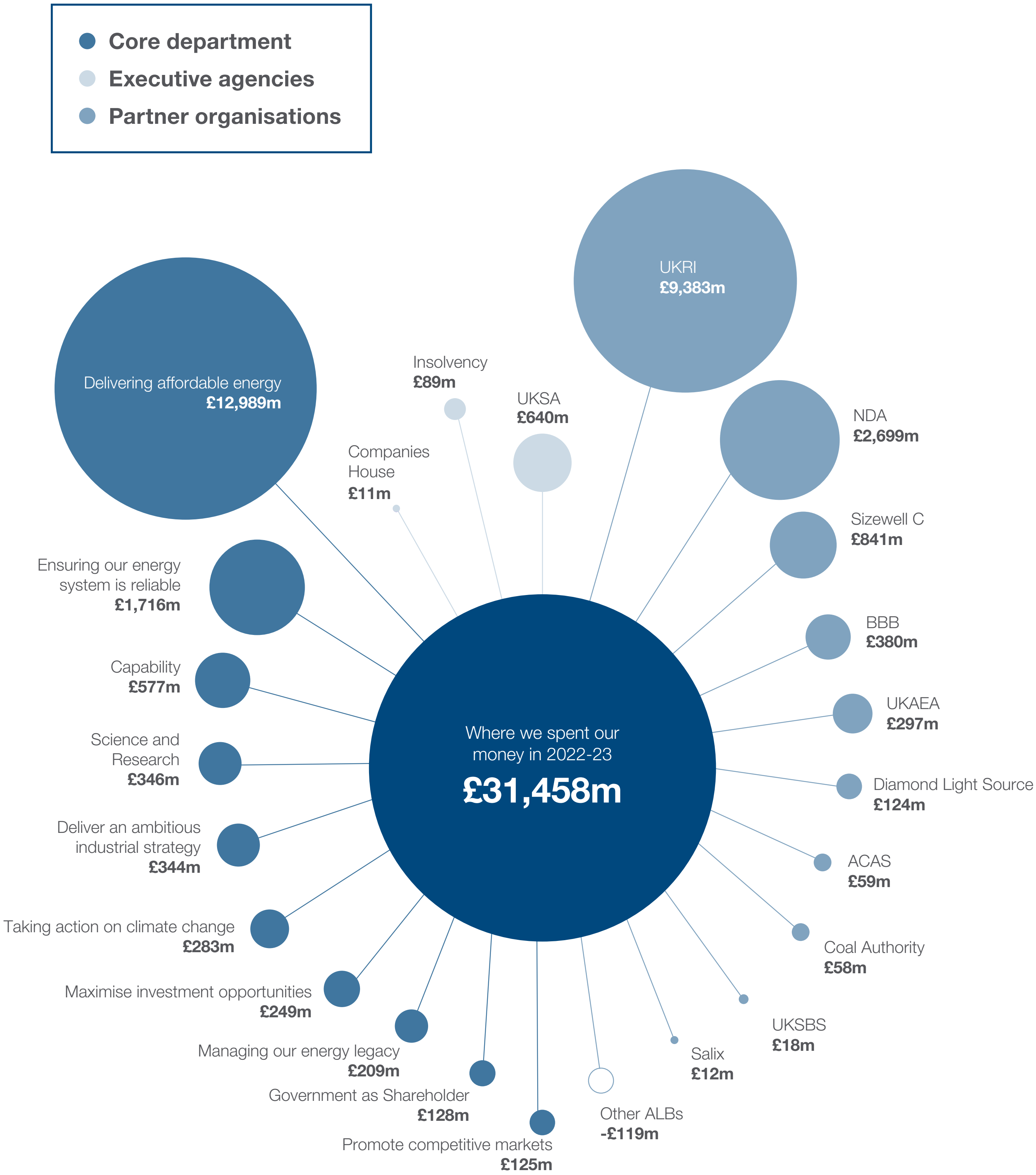
People: risk that workforce capacity and capability (including specialist resource) will not be effectively prioritised which can impact the workforce's wellbeing.

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.

Where we spent our money

Departmental Expenditure Limit (DEL) is the controllable budget issued by HM Treasury on behalf of Parliament to deliver our strategic objectives. It excludes Annually Managed Expenditure (AME) which represents volatile, demand-led spend and technical accounting matters. These categories are explained in the financial review section of the annual report and accounts.

In 2022-23, total DEL spend for the departmental group is shown in the diagram opposite. Major areas of spend are also shown by estimate line for the core department, and by entity for agencies and partner organisations.



Core department
Executive agencies
Partner organisations
Delivering affordable energy £12,989m
UKRI £9,383m
Insolvency £89m
UKSA £640m
Companies House £11m
NDA £2,699m
Sizewell C £841m
Ensuring our energy system is reliable £1,716m
BBB £380m
Capability £577m
UKAEA £297m
Where we spent our money in 2022-23
£31,458m
Science and Research £346m
Diamond Light Source £124m
Deliver an ambitious industrial strategy £344m
ACAS £59m
Taking action on climate change £283m
Coal Authority £58m
Maximise investment opportunities £249m
UKSBS £18m
Managing our energy legacy £209m
Salix £12m
Government as Shareholder £128m
Other ALBs -£119m
Promote competitive markets £125m

Performance analysis

Structure of the performance analysis

The performance analysis provides a detailed narrative of our performance and includes the following sections:

- performance on priority outcomes
- risks affecting delivery of our priorities
- financial review
- sustainability report
- performance in other areas

Performance on priority outcomes

This section shows how the department has performed against its priority outcomes agreed at the latest SR, covering 2021-25. It also reports on the metrics agreed at the latest SR.

It also provides a summary of how our performance has contributed to the United Nations sustainable development goals (SDGs). The SDGs are a package of 17 goals for 2016-2030. The UK government is delivering SDGs via HMG's existing performance frameworks. BEIS contributes mainly to SDGs 7, 9 and 13.

Help businesses to bounce back from the impacts of COVID-19 and support renewed investment in the economy.

- We published a Hospitality Strategy Refresh (March 2023) to update our work to help the hospitality industry bounce back from the pandemic. We addressed the impacts of new economic challenges such as rising energy costs, staffing challenges and inflation.
- We helped to the bring energy costs faced by UK businesses more in line with other major economies. We provided a discount on wholesale gas and electricity prices via our Energy Bill Relief Scheme (September 2022 to March 2023). We proposed measures (British Industry Supercharger, February 2023) to further support Energy Intensive Industries particularly exposed to high electricity costs, which was consulted on over spring 2023.
- We continued to invest and leverage industry investment in future sectors to boost growth. We invested in electric vehicle supply chains, including gigafactories. We invested in aerospace technology to increase UK market share. We invested in life sciences manufacturing, in particular human medicines, and medical diagnostics. We extended the British Patient Capital programme, which launched in 2018, to 2033-34. The programme increases investment in R&D-intensive industries.
- We worked to shape the Investment Zones policy, for levelling up. We also worked with businesses to utilise the investment zones offer. We helped to identify geographical clusters in growing sectors.

- We continued to use our business networks to encourage economic growth. This includes our Sector Councils, collaboration with Growth Hubs and regular engagement with the UK's biggest business representative organisations.

Contributions to SDGs

N/a

Metrics

1. Stock of finance and number of SMEs supported by BBB programmes (excluding Covid loans)

	Stock of finance	Number of SMEs
To end of Sep 2022	£12.2bn	91,000

Source: Not yet published

Release: n/a

Commentary

— n/a

2. Stock of finance and number of SMEs supported by Recovery Loan Scheme

	Stock of finance	Number of SMEs
As at Mar 2023	£4.3bn across all phases	around 20,000 businesses

Source: British Business Bank

Release: n/a

Commentary

— n/a

3. Average estimated Covid impact on investment in the one year ahead (Bank of England)

4. Average estimated Covid impact on employment in the one year ahead (Bank of England)

5. Average estimated Covid impact on sales in the one year ahead (Bank of England)

These questions were removed from the Bank of England survey in April 2022. With the Covid-19 no longer classified as a pandemic and restrictions ending, the Bank of England has stopped asking businesses how the disease was affecting their trade.

Boost enterprise by making the UK the best place in the world to start, grow and invest in a business.

UK business finance and support

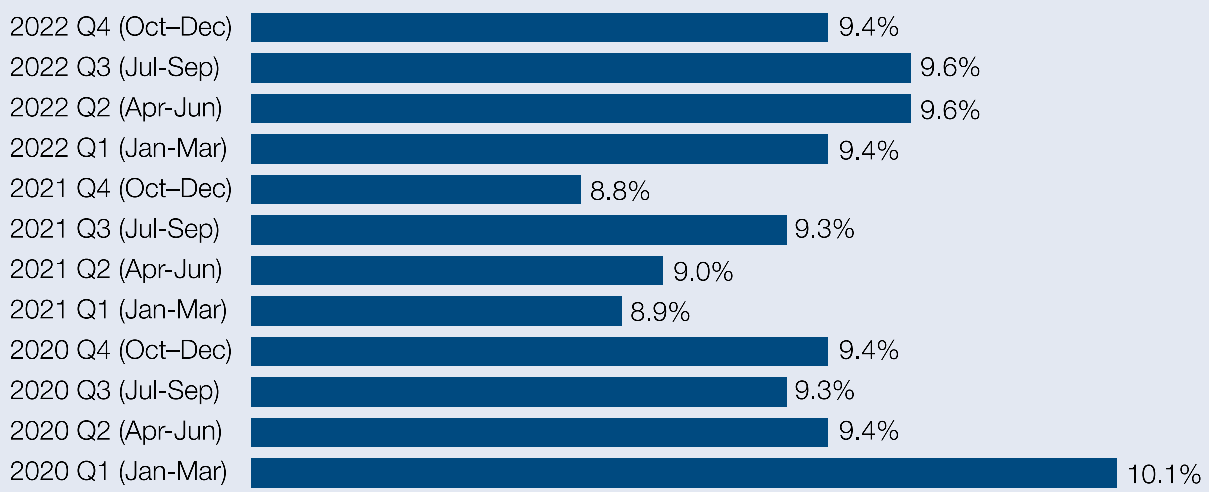
- On 26 September 2022, the British Business Bank announced that the Start Up Loans programme has been expanded. The programme previously provided finance to start ups that had been trading for up to 2 years. The programme now includes startups that have been trading for up to 3 years and second start up loans are now available to eligible businesses that have been trading for up to 5 years. As at April 2023, the Start Up Loans programme had delivered more than 103,000 loans, providing more than £981 million of funding.
- In July 2022, we announced the extension of the Recovery Loan Scheme, covering the period from 1 August 2022 to 30 June 2024. The scheme is facilitated by the government-owned British Business Bank and delivered through its delivery partners. Under the extension, lenders will offer facilities of up to £2 million to support businesses that would otherwise be unable to access the finance they need or would only be able to do so at a higher rate of interest.
- In June 2022, we announced that even more entrepreneurs would benefit from the Help to Grow: Management scheme. The scheme helps small and medium sized businesses learn new skills, reach new customers, and boost profits. Businesses with 10 or more employees became eligible to have up to 2 participants join. Previous participants on the Small Business Leadership Programme also became eligible.
- In December 2022, for the last time, businesses were able to access the Help to Grow: Digital scheme. We announced its closure due to lower-than-expected take-up. The scheme allowed SMEs access to digital technology to help them grow their business.
- The Economic Crime and Corporate Transparency Act was passed into law on 15 March 2023. It introduced new identity verification requirements and gave powers for Companies House to challenge dubious information. It gives stronger powers for law enforcement to seize, freeze and recover crypto assets quickly and easily. This was the biggest upgrade of rules around the creation of a UK company in 170 years.
- We announced the Digital Markets, Competition and Consumer Bill. It aims to reform competition and consumer policy to drive growth and productivity in competitive, fair, free markets.
- On 5 December we committed to plans for millions of employees to receive the right to request flexible working on day one. The measures would empower workers to have a greater say over when, where, and how they work, and businesses would benefit from higher productivity and staff retention as a result.

Contribution to SDGs

Goal 8: Promote sustained inclusive and sustainable economic growth, full and productive employment, and decent work for all	• We brought forward the Digital Markets, Competition and Consumer Bill. • We committed to new plans for millions of employees to receive the right to request flexible working on day one.

Metrics

1. Business investment as percentage of GDP



Source: ONS, GDP, Gross Fixed Capital Formation

Release: Quarterly

Commentary

— Business investment has been a metric of concern for the Department for Business and Trade (DBT), due to the UK being an underperformer compared to other G7 economies. This has been a long-standing challenge for the UK, which has been exacerbated in the past few years due to the Global Financial Crisis GFC, Brexit and COVID-19.

2. Business birth rate, including by region (per cent)

	2021 %	2020 %	2019 %	2018 %
North East	13.0%	12.0	12.5	12.3
North West	13.4%	12.5	12.9	12.9
Yorkshire and The Humber	12.3%	11.4	11.9	11.4
East Midlands	11.8%	11.8	12.2	11.8
West Midlands	14.2%	11.9	14.7	12.8
East	11.4%	10.5	11.8	11.9
London	14.1%	13.3	14.8	14.7
South East	10.8%	10.6	11.5	11.3
South West	10.9%	10.1	10.4	10.0
Wales	13.2%	11.2	11.6	11.8
Scotland	10.7%	9.5	11.6	11.1
Northern Ireland	10.3%	9.1	9.8	9.2
Total	12.4%	**11.5**	**12.6**	**12.3**

Source: ONS, Business demography, UK: 2021

Release: Annually, 2022 data will be published in November 2023.

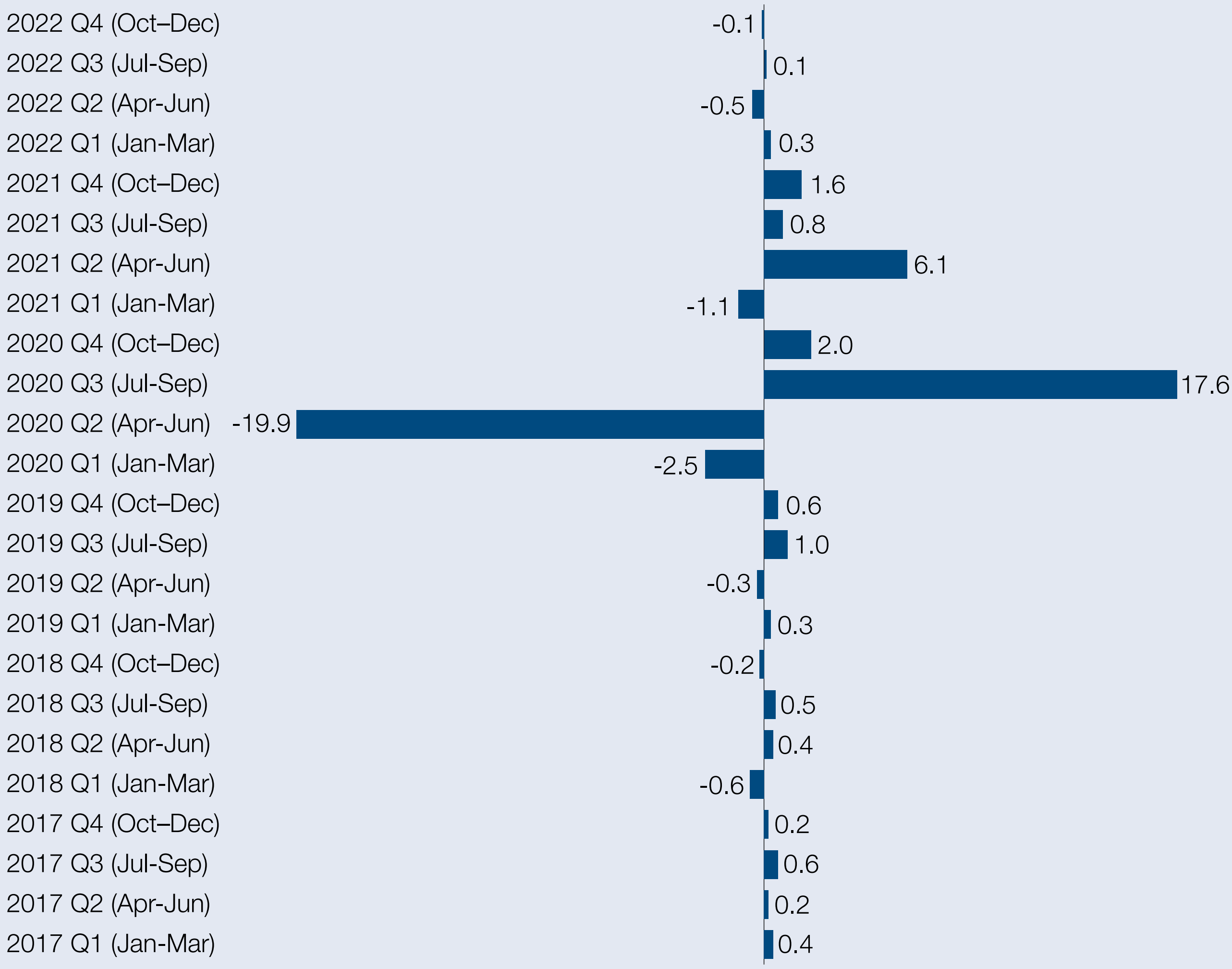
Commentary

— In the 2021 release, ONS revised data for all years, to remove businesses that are not registered for VAT or PAYE but do have a live company number.

— The business birth rate dipped slightly during 2020 which the Office for National Statistics attributes to the COVID-19 pandemic. Births in 2021 have returned to the previous levels in the UK as a whole but the regional picture is mixed.

3. Output per worker growth

Output per worker growth (% change quarter on previous quarter SA: UK)



Source: ONS, Output per worker growth

Release: Quarterly

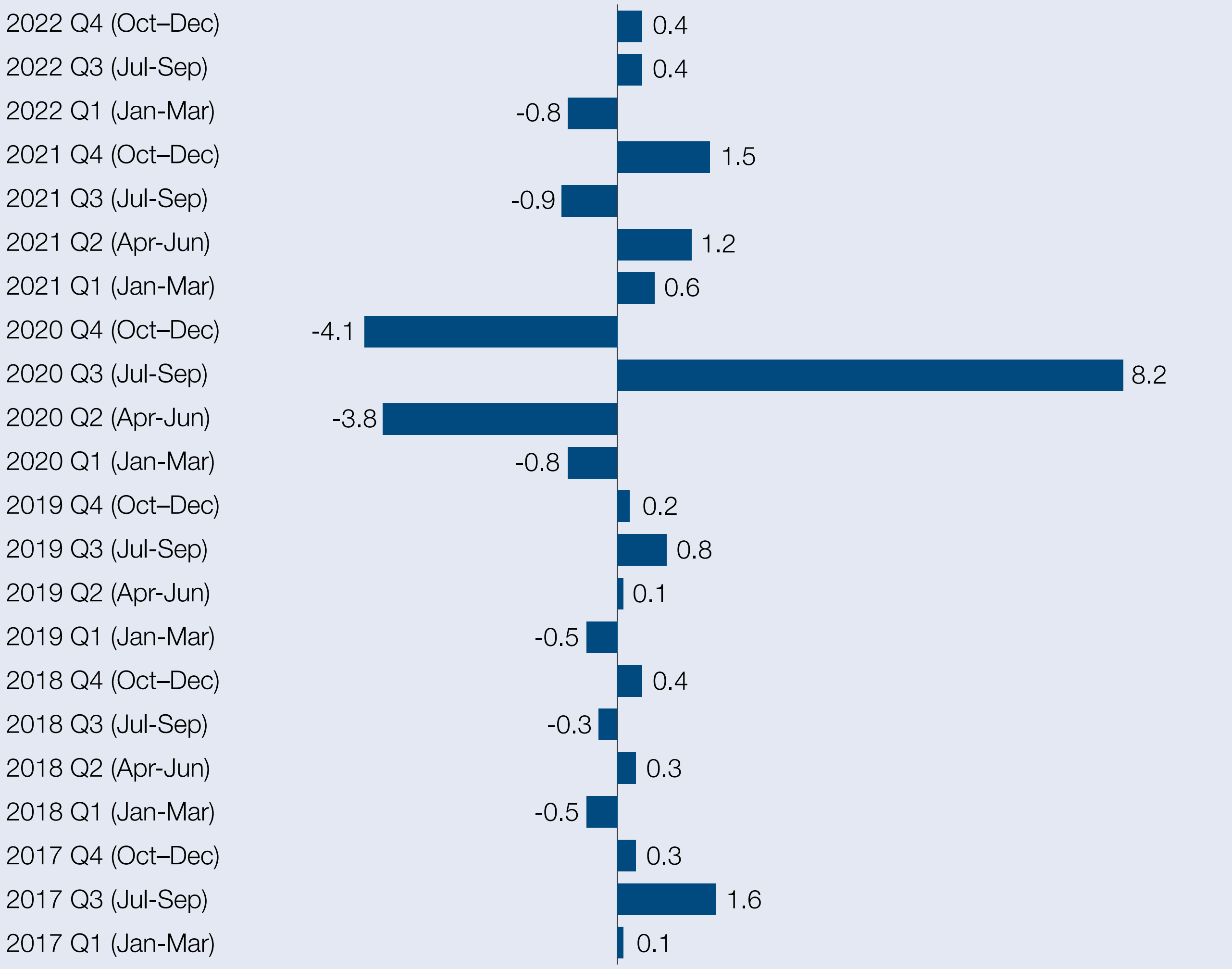
Commentary

— Productivity is the ratio of output (gross value added, GVA) to input (hours worked / employees). Productivity in the economy has been a challenge in the UK, hence our productivity puzzle. Historically, productivity has trended upwards over time – more goods and services have been produced per hour/employee worked. This has allowed living standards to rise. However, productivity growth since the recession in the late 2000s has been relatively weak and economists refer to this as 'the productivity puzzle'.

— To note, 2020 to 2021 should be analysed with caution as lockdown restrictions and furlough impacted the measurement of the statistic

4. Output per hour growth

Output per hour growth (% change quarter on previous quarter SA: UK)



Source: [ONS, Output per hour growth]

Release: Quarterly

Commentary

— See commentary in 'output per worker growth' above

5. Rate of employment scale ups (from ONS data)

Employment scale ups as a percentage of businesses (with 10+ employees)

Source: ONS: High Growth Enterprises by district and section, Business Population Estimates

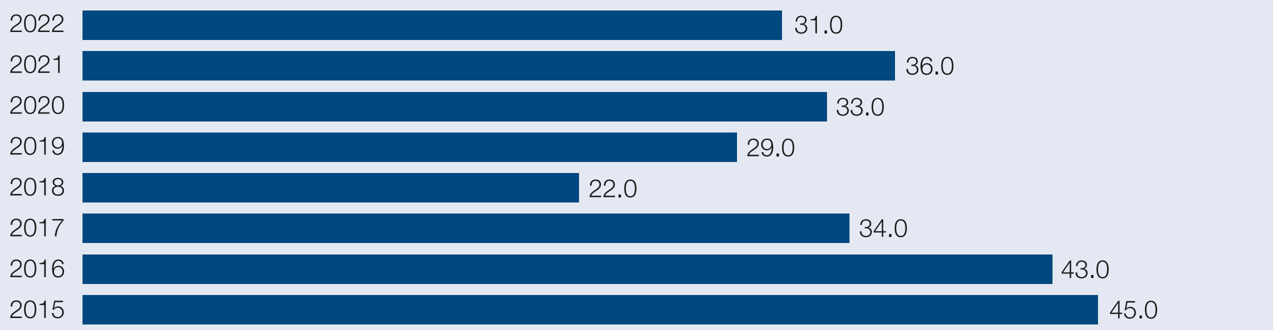
Release: Annually, with a 2-year lag. Figures for 2022 would be due in early 2024.

Commentary

— The rate of employment scale-ups has declined in recent years. This is likely to be due to the pandemic.

6. Percentage of SMEs that are happy to use external finance to help business grow

Employment scale ups as a percentage of businesses (with 10+ employees)



Source: SME finance monitor

Release: Quarterly

Commentary

— Since 2015, the share of businesses happy to take on external finance to grow the business declined rather steeply to a low of just under 30% in 2019.

— After a strong but short-lived rise post-pandemic, levels have fallen close to all-time lows (3 in 10 businesses happy to use external finance to grow).

— This sentiment of businesses feeling a need to self-fund may be due to external shocks in recent years (such as the energy cost crisis) making firms more uncertain about the future.

— There may also be a lack of trust between firms and lenders, or perceived barriers by firm seeking investment.

7. Percentage of SMEs giving an 8-10 impact score for access to finance as an obstacle to running their business as they would like in the next 12 months

Percentage of SMEs giving an 8-10 impact score for access to finance as an obstacle to running their business as they would like in the next 12 months

Source: SME finance monitor annual report 2021

Release: n/a

Commentary

— The most recent figure of 6% is relatively low compared to the trend over the past decade. This suggests access to finance is seen as less of a barrier as it was previously.

8. Number and value of seed, venture, and growth stage deals for calendar year

Number and value of seed, venture, and growth stage deals for calendar year 2022

	Seed #	Seed £m	Venture #	Venture £m	Growth #	Growth £m
2022	1,322	2,874	1,438	10,639	608	25,136
2021	1,624	6,901	2,308	27,623	1,293	90,998
2020	1,494	6,879	1,636	12,158	836	31,950
2019	1,324	4,567	1,442	9,097	829	32,807
2018	1,113	2,932	1,160	6,067	685	31,256
2017	1,057	2,084	987	4,650	471	9,893
2016	962	1,345	809	3,219	398	6,033
2015	951	995	940	4,255	550	12,925
2014	918	936	1,053	5,125	784	15,794
2013	663	566	852	3,262	548	7,131
2012	494	467	786	4,350	372	4,943

Source: Beauhurst

Release: n/a

Commentary

— 2021 was a record year for equity investment, and since then we have seen returns to pre-pandemic levels in both the number and value of deals. This is to be expected, however, given the unprecedented displays in recent years. It is too early to say whether the state of UK equity is relatively poor.

9. Business survival rates at the 2-year interval and UA level

2-year survival rate (%)

Source: Business Demography, UK: 2021

Release: Annually

Commentary

— The break down at Unitary Authority (UA) level can be found in the link above.

— This includes businesses born between 2016 and 2021.

— This shows the proportion of businesses still in existence after 2 years. The southwest has the highest 2-year survival rate at 77.7%. The 2-year survival rate has remained constant for firms set up between 2016 and 2019.

Reduce UK greenhouse gas emissions to net zero by 2050, while supporting green jobs and mobilising investment to deliver a green industrial revolution across the UK.

(This is a cross-cutting outcome – contributing departments are Department for Environment, Food & Rural Affairs (DEFRA), Department for Transport (DFT), Department for Levelling Up, Housing and Communities (DLUHC) and HM Treasury (HMT)).

Reducing emissions across the economy

- We aim to have a hydrogen production capacity of 10 GW by 2030. This year, we confirmed the first winning projects to benefit from the net zero hydrogen funds. We published a shortlist of 20 projects for the first round of the electrolytic hydrogen allocation. We also published a hydrogen investor roadmap in April 2022. And a hydrogen sector development action plan in July 2022.
- We accelerated the Contracts for Difference (CFD) scheme by moving to annual auctions. We secured 11 GW of new renewable capacity through allocation round 4 in July 2022, which was the largest auction to date.

- We invested in Sizewell C in November 2022. We announced the launch of Great British Nuclear (GBN) in March 2023. GBN will be responsible for driving delivery of new nuclear projects.
- We invested in domestic energy efficiency upgrades through our decarbonisation schemes. This is part of approximately £3 billion investment to improve 230,000 to 290,000 homes and save customers £400 to £700 per annum on their energy bills (based on the £2,500 price cap).
- We launched a new Energy Efficiency Taskforce in February 2023, to reduce energy demand faster, and drive energy efficiency improvements to reduce bills for households and businesses.
- We introduced an uplift to energy efficiency standards for new homes. New homes must now deliver around 30% fewer greenhouse gases (GHG) emissions compared to previous standards. The uplift is a stepping stone to the revised Future Homes Standard, led by DLUHC, which we will consult on in 2023, ahead of legislating in 2024 and full implementation in 2025.

Supporting the transition across the economy

- We published the Net Zero Growth Plan on 30 March 2023. It provides an update on our progress towards net zero emissions by 2050. It demonstrates our actions such as investing in offshore wind, carbon capture, usage, and storage (CCUS), and nuclear. It responds to the expert recommendations made in the Independent Review of Net Zero and the 2022 Annual Progress report by the Climate Change Committee (CCC).
- We published a carbon budget delivery plan. It sets out a package of policies and proposals to meet carbon budgets. It addresses the requirements of the Court Order (following the Net Zero Strategy Judicial Review) and Section 14 of the Climate Change Act 2008.
- From 2022, the UK requires large businesses and financial institutions to disclose their climate-related risks and opportunities. We became the first G20 country to make this requirement. The organisations will report using a set framework.
- Government established the green jobs delivery group in May 2022 - the central forum for government and industry on green jobs and skills. Its membership includes ministers from BEIS (now the Department for Energy Security and Net Zero), DEFRA, DFE, and DWP, as well as industry leaders, academia, the skills sector, unions, and local representatives.
- We hosted the Green Trade and Investment Expo in November 2022. It brought together 200 British business leaders and global investors. It showcased investment and export opportunities presented by the UK’s net zero transition.
- The UK Infrastructure Bank announced 12 deals in March 2023. These invested approximately £1.2 billion and unlocked over £5 billion of private capital.

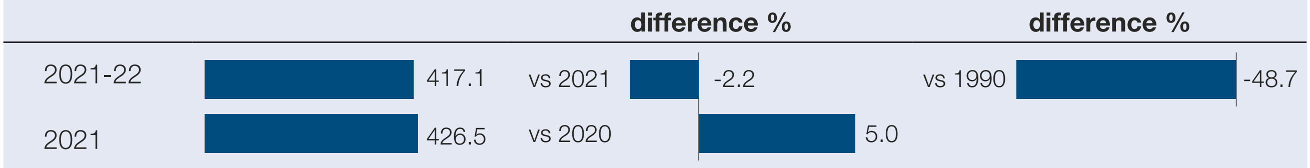
Contribution to SDGs

Goal 7: Ensure access to affordable, reliable, sustainable, and modern energy for all	• Contracts for Difference (CFD) allocation round 4 • Government investment decision (GID) in Sizewell C • Energy Security Plan.
Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation	• Extension to the Industrial Energy Transformation Fund (IETF)
Goal 13: Take urgent action to combat climate change and its impacts	• This theme cuts across all our activities.
Goal 8: Promote sustained inclusive and sustainable economic growth, full and productive employment, and decent work for all	• Government established the Green Jobs Delivery Group in May 2022.
Goal 11: Make cities and human settlements inclusive, safe, resilient, and sustainable	• See the Net Zero Growth Plan for a breakdown by sector.
Goal 12: Ensure sustainable consumption and production patterns	• See the Net Zero Growth Plan for a breakdown by sector

Metrics

1. Total UK greenhouse emissions

Total UK net territorial greenhouse emissions (million tonnes CO_2 equivalent, $MtCO_2e$)



Source: DESNZ, 2022 UK Greenhouse Gas Emissions, provisional figures

BEIS 2021 UK Greenhouse Gas Emissions (final)

Release: Both annual

Commentary

— The COVID-19 pandemic and the resulting restrictions in 2020 and 2021 had a significant impact on greenhouse gas emissions.
— In 2021, emissions increased by 5.0% compared to 2020, but were still lower than in 2019 by 5.3% (the most recent pre-pandemic year).

2. UK greenhouse gas emissions by sector

	UK territorial greenhouse gas emissions $MTCO_2E$	% of total territorial emissions
Energy supply	86.9	20.4%
Business	75.3	17.7%
Transport (including domestic aviation and shipping)	109.5	25.7%
Public	7.5	1.8%
Residential	69.4	16.3%
Agriculture	47.9	11.2%
Industrial processes	10.3	2.4%
Land use, land use change, forestry	1.1	0.3%
Waste management	18.7	4.4%
International aviation and shipping	19.5	(% not included in breakdown of UK

Source: BEIS 2021 UK Greenhouse Gas Emissions

Release: Annual

Commentary

— In 2021, COVID-19 restrictions were eased, and people were able to travel more freely, resulting in an increase in greenhouse gas emissions from the transport sector compared to 2020. However, domestic aviation emissions (which fell by more than half in 2020 compared to 2019) were 49% lower than in 2021 compared to 2019.

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

	Total projected greenhouse gas emissions savings[1] from HMG policies (excluding power sector interventions)[2], $MtCO_2E$
Carbon budget 4 (period 2023-27)	328.5
Carbon budget 5 (period 2028-32)	398.1
Carbon budget 6 (period 2033-37)	460.0

Source: BEIS Updated energy and emissions projections 2021 to 2040

Release: Annual

Notes

1 The projections take account of policies that have been implemented and those that are planned - where the level of funding has been agreed and the design of the policy is near final i.e. where there are no outstanding decisions on intervention design or funding that might materially affect their impact. These policies together are referred to as “EEP-ready” policies.

2 Power supply markets are highly interconnected. This means we cannot disentangle the impacts of individual policies. Projected emission savings from power sector interventions can be found in the Updated Energy Emission Projections: 2021-2040 - in Annex D.

Commentary

— From the fourth carbon budget period onwards, we project higher territorial GHG savings compared with the NZS baseline projections (the name for the previous EEP, published in 2021).

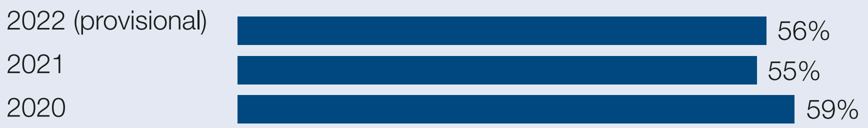
— For the fourth carbon budget period, the savings from policies in the EEP are 19 MtCO2E more than the NZS.

— For the fifth carbon budget period, the savings from policies in the EEP are 39 MtCO2E more than the NZS.

— For the sixth carbon budget period, the savings from policies in the EEP are 54 MtCO2E more than the NZS.

4. Low-carbon share of electricity generation (percentage)

Low-carbon share of electricity generation (%)[1]



Source: DESNZ Energy Trends 2022, Digest of UK Energy Statistics (DUKES), 2021

Release: Monthly, Annually

Notes

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

Commentary

— A decrease in nuclear electricity generation meant the share of generation from low-carbon sources fell between 2020 and 2021. This was the lowest amount of nuclear generation in more than 20 years as all the UK's nuclear plants were on outage at times during the year.

— Generation from renewable sources decreased between 2020 and 2021. This was driven by decreased wind generation, which was down 14 percent despite increased capacity. This was because of unusually low average wind speeds across most of 2021. Weather conditions were also less favourable for hydro and solar generators.

5. Total low carbon and renewable energy economy (LCREE) jobs (ONS estimates)

	Direct employment in low carbon and renewable energy economy (LCREE) in the UK and constituent countries	
2021	247,400	full-year equivalent
Difference vs 2020	16.4%	

Source: Low carbon and renewable energy economy estimates, ONS

Release: Released February 2023

Commentary (taken from the ONS publication)

— The employment estimates are at their highest level since the first comparable figures in 2015.

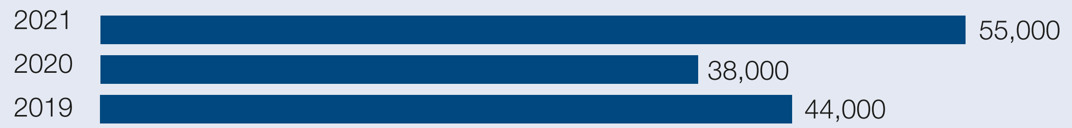
— Employment increased by 16.4% between 2020 and 2021, from 212,600 full-time equivalents (FTEs) to 247,400.

— The construction industry had the highest LCREE employment at 91,000 FTEs (36.8%).

— Although a proportion of this observed increase in employment could be attributed to the recovery of the UK economy from the COVID-19 pandemic, this is not likely to be the whole picture.

6. Progress towards the target of installing at least 600,000 heat pumps per year by 2028

Annual heat pump installations



Source: Powering Up Britain: Net Zero Growth Plan and Carbon Budget Delivery Plan - analysis methodology (technical annex), 2023

Release: n/a

Commentary

— This document reports heat pump sales volumes as a proxy for the number of installations (as reported in Building Services Research and Information Association (BSRIA) 2022, "Heat Pumps Market Analysis 2021 – United Kingdom"). No reliable data source currently collects data on annual heat pump installations in the UK.

7. Progress to net zero and energy efficiency (sectoral indicators)

This is provided in these 2 publications:

- Carbon Budget Delivery Plan
- Net Zero Growth Plan technical annex - tables 4.1 and 4.2

8. Policy gap to carbon budgets

- Details on the gap between quantified policies and proposals vs carbon budget levels is provided in the Carbon Budget Delivery Plan.
- Details on both quantified and unquantified policies and proposals to meet carbon budgets is set out in the Carbon Budget Delivery Plan - Appendix B.

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

R&D Investment and Levelling Up

- BEIS was a driving force behind the government's commitment to increasing public expenditure on R&D to £20 billion per annum by 2024/2025. This represents a cash increase of around a third and is the largest ever increase in public R&D budget over a Spending Review (SR) period.
- This increase in public funding must leverage private sector spend too. That is why we increased funding for core Innovate UK programmes – which are successful in drawing in private sector leverage – to reach £686 million in 2022-23. This is over £300 million (66%) more per year than in 2021-22. This will support business in bringing innovations to market.
- As part of the government's levelling up mission to increase domestic public investment in R&D outside the greater south east by at least 40% by 2030, we progressed work in the department to significantly increase total domestic R&D funding outside the greater south east by 2024-2025.
- In this spirit, £100 million was announced through the Innovation Accelerators programme to accelerate the growth of 3 high-potential innovation clusters in Glasgow, Greater Manchester, and the west midlands.

Innovation Strategy implementation progress

- In addition to spending commitments, we made good progress on implementing the UK Innovation Strategy across government. As part of this, we:
  - established the Advanced Research and Invention Agency (ARIA), an independent research body to fund high-risk, high-reward scientific research.
  - published the UK Measurement Strategy, which describes how the UK will capitalise on our world-leading National Measurement System in the 2020s and beyond.
  - published the independent review by Sir Paul Nurse on the Research, Development, and Innovation (RDI) organisational landscape – the review examined the mix of UK organisations performing RDI and made recommendations to make the most of the research landscape.
  - continued to implement the R&D People and Culture Strategy – this was overseen by the R&D People and Culture Ministerial Coordination Group which was established last year.

International science and research

- This year, we demonstrated our international leadership in tackling big global challenges. We launched the International Science Partnerships Fund (ISPF). ISPF is a new global research fund to deepen scientific collaboration between the UK and international R&D powers. It was announced in December with an initial £119 million in UK government funding.

- The Integrated Review Refresh 2023 reaffirmed the Prime Minister's commitment to making S&T a priority element of our wider bilateral partnerships. Together with FCDO, DSIT also published the UK's International Technology Strategy in March 2023, further detailing how we will deliver the UK's technology ambition on the world stage.
- We also updated our bilateral partnerships with Israel, Canada, Japan, Switzerland, South Africa, New Zealand, Singapore, and India. In addition, we built on the research compact agreed at Carbis Bay with our G7 partners, with a focus on open science and research security.

Horizon Europe and Pioneer

- Regarding Horizon Europe, the government's priority is to support the UK's R&D sector and ensure strong international collaboration opportunities for UK research. That is why in March 2023, September and December 2022, the government extended the Horizon Europe guarantee scheme to ensure funding for UK researchers, businesses, and innovators. Originally launched in November 2021, UKRI has now issued grants worth over £1 billion by 4 April 2023. The March 2023 extension will support eligible, successful applicants, covering calls that will close on or before 30 June 2023.
- Throughout this year, we have worked to prepare a Plan B, Pioneer, which was our bold and ambitious alternative to Horizon Europe. However, the government was also in discussions with the EU on the UK's involvement with Horizon Europe. Our preference is for negotiations to be successful. For a further update, see events after the reporting period in the notes to accounts.

Space

- We published the National Space Strategy in 2021. Following this, in 2022-23, we worked with industry and focused on the priority areas set out in our 10 Point Plan. Our successes included:
  - recommitting to our deep partnership with the European Space Agency through a record £1.84 billion investment
  - first attempted launch to space from Cornwall – although the satellites weren't successfully place into orbit the launch generated huge public interest in space and set the UK on course as a launch nation.
  - providing global leadership through the UK's Plan for Space Sustainability.

Contribution to SDGs

Goal 8: Promote sustained inclusive and sustainable economic growth, full and productive employment, and decent work for all	• BEIS made levelling up an objective of its R&D investment strategy. We have been working to increase public investment in R&D outside the Greater Southeast.
Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation	• As part of ongoing delivery of the Innovation Strategy - we launched ARIA, published the UK Measurement Strategy, and published the consultation response on a potential national capability in digital twinning and cyber-physical infrastructure • We published the independent review of the research, development, and innovation (RDI) organisational landscape.

Metrics

1. Gross expenditure research and development as % of GDP

Gross expenditure research and development as % of GDP

Source: ONS Gross domestic expenditure on research and development, UK: 2018

Release: Annually, with a 2-year lag

Commentary

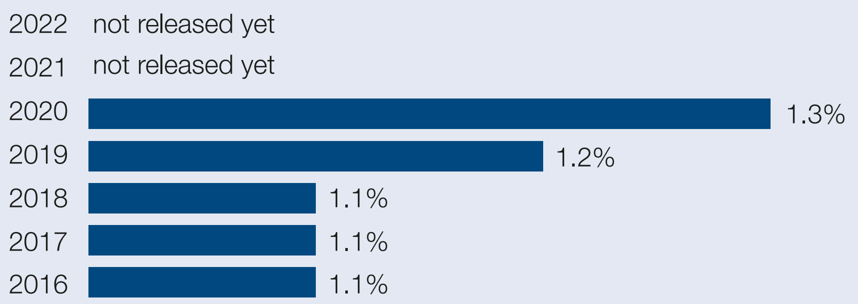
— In 2023, ONS updated its methodology for R&D performed by businesses, which affected calculation of this metric. ONS has not yet published updated estimates with the new methodology.

— Using the new methodology, DSIT's in-house calculation estimate a range of 2.6-2.7% for 2019, 2.9-3.0% for 2020 and 2.8-2.9% for 2021. The range is due to the GDP figure still being finalised by ONS. The increase in 2020 was due to Covid 19 causing GDP to be lower in 2020.

— Due to the different methodology, we cannot compare new figures to ONS previously released figures.

2. Business enterprise research and development as % of GDP

Business enterprise research and development (R&D) as % of GDP



Source: ONS, business enterprise research and development, UK: 2021

Release: Annually, with a 1-year lag

Commentary

- Business R&D investment makes up most of R&D investment.
- ONS has changed how it estimates R&D performed by businesses, which affects this metric. ONS has not yet published updated estimates with the new methodology.
- Using the new methodology, DSIT's in-house calculation estimates 1.9% for 2019, and 2.1% for 2020. This is due to GDP being lower due to COVID in 2020. The estimate for 2021 was 2.0%, as the GDP increased again.
- Due to the different methodology, we cannot compare new figures to ONS previously released figures.

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

Percentage of businesses that are innovation active, including by region

Source: UK Innovation Survey

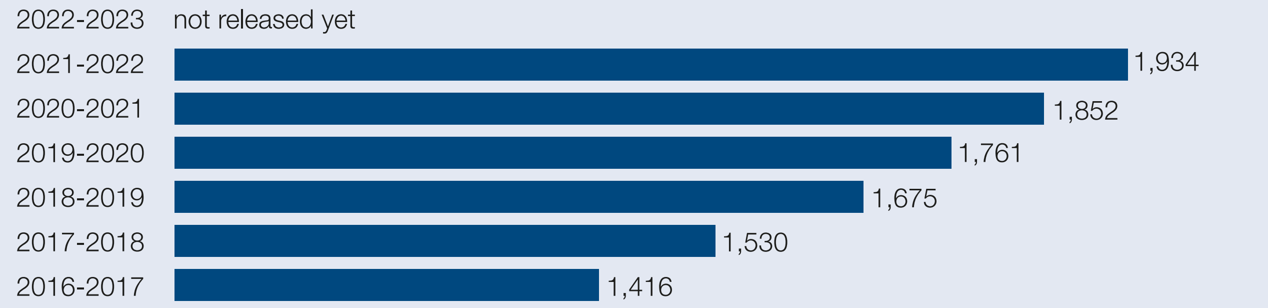
Release: Every 2 years

Commentary

- There has been an increase in the percentage of innovation active businesses from 38% in 2016 to 45% in 2020.
- This metric measures businesses who have introduced a new or significantly improved product (goods or service) or process; engaged in innovation projects not yet complete or abandoned; or introduced new and significantly improved forms of organisation, business structures or practices and marketing concepts or strategies.
- It is a more inclusive measure of innovation activity as it accounts for activities outside of R&D investment.

4. Number of spinouts

Number of spinouts



Source: HESA

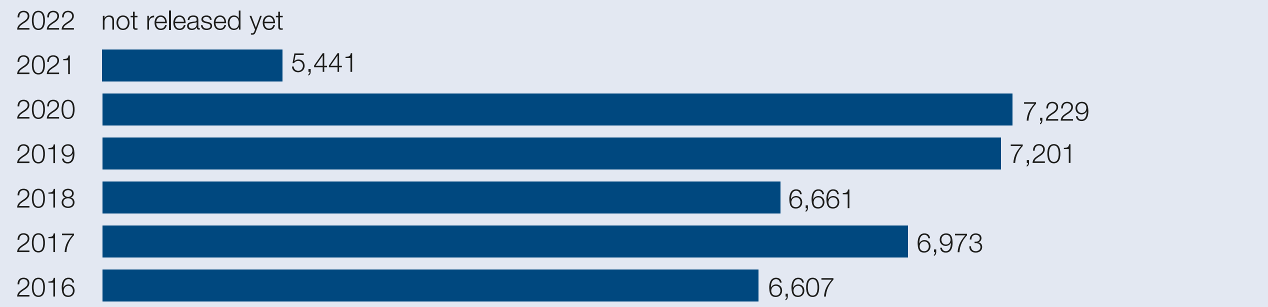
Release: Annually, and corresponds to the previous academic year

Commentary

— There has been a steady increase in the number of active spinouts year in year, showing a positive trend.

5. Count of published international patent families from UK applicants

Count of published international patent families from UK applicants



Source: PATSTAT, calculated by the Intellectual Property Office (IPO)

Release: Annually by the IPO, not published

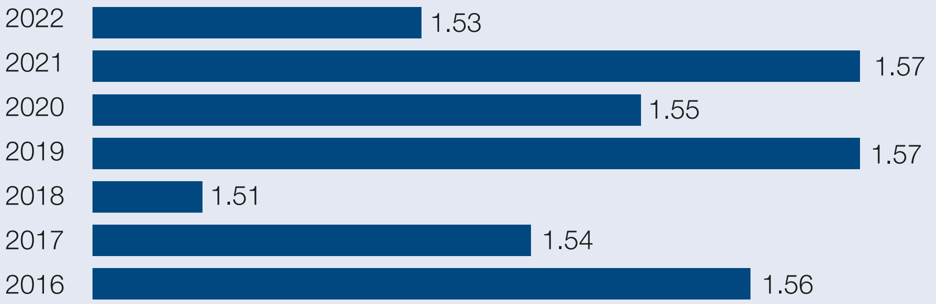
Commentary

— This metric provides an overall picture of the global influence of UK patents activities.

— There has been a steady decline in the number of international patents from UK applicants. This is in line with a global decrease in patenting activity.

6. Field weighted citation impact

Field weighted citation impact



Source: @SciVal

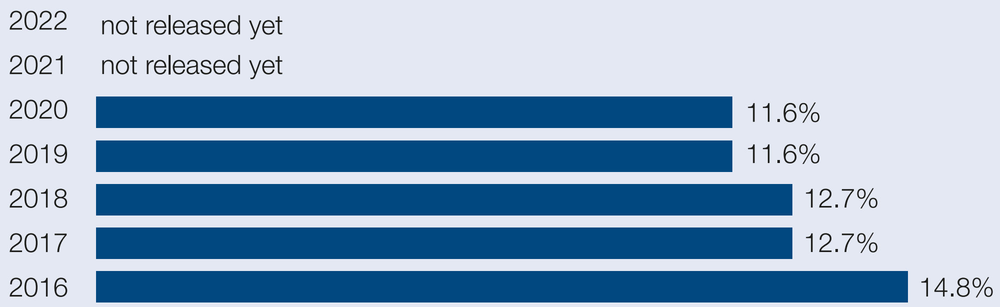
Release: Annually

Commentary

- Field weight citation impact (FWCI) is the ratio of the actual citations received by an academic output to the average number of citations received by all other similar academic outputs. A FWCI of more than 1 means the entity's publications has been cited more than would be expected based on the global average for similar publications.
- FWCI has ranged between 1.57 to 1.51 in the past few years. From 2021 to 2022, it declined from 1.57 to 1.53.
- While there has been some fluctuation in this metric over the given period, the reported numbers are above the EU average FWCI of 1.16.

7. Percentage of businesses introducing new goods/services not already available in the market (New to firm)

Percentage of businesses introducing new goods/services already available in the market (New to firm)



Source: UK Innovation Survey

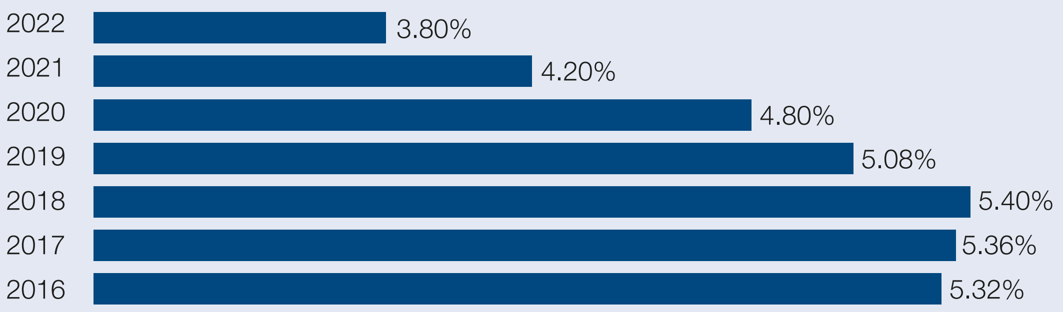
Release: Every 2 years

Commentary

- There has been a decline in this metric since 2016. The percentage of firms introducing new goods to the firm has fallen from 14.8% in 2016 to 11.6% in 2020.
- This measures businesses who have introduced new goods/services already available in the market. Generally, countries with high levels of innovation exhibit high rates of adoption.
- The UK Innovation Survey 2021 Report found that issues relating to the coronavirus pandemic was the highest rated barrier to innovation. Excessive perceived economic risks, withdrawal from the European Union and UK government regulations were the other factors rated as 'high' importance as a barrier to innovation.

8. Share of World top 2500 R&D companies

Share of World top 2500 R&D companies



Source: Joint Research Centre (European Commission)

Release: Annually

Commentary

— There has been a decline in this metric relative to 2016 levels, having fallen from 5.32% in 2016 to 3.8% in 2022.

Risk profile

The following risks were managed in the period from 1 April 2022 to 31 March 2023. The formulation of these risks was based on potential events that could impact the delivery of BEIS' departmental objectives.

Key

Risk rating

Severity of risk – a combination of impact and likelihood

H High

M Medium

L Low

Change in the year

⬆ Increasing risk

⬌ Stable

⬇ Decreasing risk

Mapped to BEIS priorities

Fighting coronavirus

Enterprise: Backing long-term growth

Net zero: Tackling climate change

Innovation: Unleashing a science superpower

Risks continuing from 2021-22

Risk and mitigating activities	Risk rating and change in the year	BEIS priorities
Inability to lead the global fight to tackle climate change in line with the Paris Agreement • We worked more intensively with international partners to set objectives and make interventions. • We targeted International Climate Fund (ICF) activities with the biggest effects on green recovery and country-specific needs. • We ensured the team was sufficiently resourced through business planning.	M	
Failure to meet carbon budgets due to measures to mitigate climate change not reducing emissions sufficiently • We developed long term plans for key enablers, e.g., green investment. • We developed business models for greenhouse gas removal technologies. • We strengthened the governance of the Climate Change Integrated Review Implementation Group. • We published the Carbon Budget Delivery Plan.	M Risk rating decreased to medium due to effective mitigation.	
Unaffordable energy bills – gas price rises • We set up the Energy Price Guarantee (EPG) scheme for domestic consumers - to limit the amount suppliers can charge per unit or energy. • For non-domestic consumers - we set up the Energy Bill Relief Scheme (EBRS), and the Alternative Fuel Payments scheme.	H	
Catastrophic or severe incident affecting energy or nuclear critical national infrastructure • We worked with the Office for Nuclear Regulation to maintain standards for safety and security. • We ensured civil nuclear sites had robust safety and security arrangements. • We worked with industry to mitigate cyber risks not addressed in regulation.	M Risk rating remains static due to our commitment to ensuring energy infrastructure is kept secure.	
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 (DA) • We developed and embedded the BEIS Union strategy and Action Plan 2022. • We coordinated DA relationships to support the delivery of objectives. • We upskilled staff on the Devolution and Union agenda.	M	

Risk and mitigating activities	Risk rating and change in the year	BEIS priorities
Workforce capacity and capability is not prioritised in the right areas • We monitored emerging risks, particularly around capacity and reprioritised. • We reviewed workforce capacity against departmental priorities.	M Risk rating decreased to medium due to effective mitigation.	
Staff wellbeing is not supported sufficiently • We supported wellbeing during the MOG, via workshops and other sessions, and monitored staff morale. • We managed recruitment to ensure high priority roles were filled.	M	
Financial constraints could limit our ability to deliver our objectives and ambitions • We reviewed forecasts for value and volatility. • We had quarterly deep dives into specific budgets to identify risks and how to manage over/underspends. • We discussed emerging issues with HM Treasury.	M	
Legal budget and resources are not managed effectively • We monitored total spend, planned future costs, and sought best practice from other departments. • We worked on a new BEIS/ GLD working model.	H Risk rating increased to high due to demand across BEIS for legal support.	

Risk and mitigating activities	Risk rating and change in the year	BEIS priorities
Non-compliance with the Public Sector Equality Duty (PSED) • We published an annual progress report on gov.uk. • We focused on the process for internal clearance, developed a monitoring and evaluation framework and improved PSED guidance.	M	
Sensitive information is compromised or lost through cyber-attack, eavesdropping, theft, mistakes, or leaks • We completed the destruction of highly sensitive, mostly historical, documents held in BEIS. • We increased investment in holistic security, weaving threads from personnel, physical, cyber, cultural and resilience. • We maintained strong cyber defences and invested against emerging threats. We enhanced security awareness across the department.	H Rating remains high due to the increasing nature of cyber-attacks, and importance of staff safety.	

Risks newly identified in 2022-23

Risk and mitigating activities	Risk rating	BEIS priorities
Insufficient energy infrastructure to meet supply demands • We developed options to reduce demand and progressed options to increase storage capacity. • We strengthened market monitoring tools to support decision making.	M	
Failure to implement our responsibilities within the Trade and Cooperation Agreement (TCA) • We ensured there was appropriate governance and strategic foresight to implement BEIS' work on trade and Europe.	M	
Failure to push forward bigger policy reforms that could really help the economy return to growth • We identified significant areas (including economic growth) and ensured they were considered in our programme of work. • We worked with HMT to shape the forward strategy.	M	

Risk and mitigating activities	Risk rating	BEIS priorities
Lack of capacity to engage with business and gather intelligence as expected by HMG and stakeholders • We re-introduced BEIS Winter Planning – and planned resource for different scenarios, particularly for Northern Ireland Protocol and Retained EU Law. • We worked with No.10 through the Business Engagement Steering Group. • We expanded the reach of the cross-government Economic Surveillance Dashboard.	H	
Unfunded and unresourced pressures in steel, chemicals etc. and other unforeseen shocks requiring rapid mobilisation of resources, affecting BAU • We planned for the deprioritisation of non-time critical work when needed	M	
UK science system not ready to deliver the alternative UK programmes to Horizon, Euratom and Copernicus • We developed short and long-term packages to support the fusion sector. • We worked with delivery partners such as UKRI to ensure transitions were ready to launch before final decisions were made. • We worked with HMT to agree which Plan B proposals would be funded in the event of non-association. * On 7 September 2023, the UK government and European Commission concluded negotiations and reached an agreement in principle on the association of the UK to Horizon Europe and Copernicus under the Trade and Cooperation Agreement.	H	
Failure to recruit, embed and retain specialist resources • We prioritised projects and programmes to allocate resource to. • We increased the use of external consultancy workers to provide extra capacity. • We engaged more with staff to understand issues and prevent excessive churn.	H	

Risks closed or de-escalated in 2022-23

Risk and mitigating activities (during the year, before closure)	Closure narrative	BEIS priorities
Sharp and sustained rise in gas prices significantly affecting business and a range of consumers • We addressed resourcing issues related to the Gas Price Programme. • We monitored trends. • We established programmes of work to mitigate impacts over the short, medium, and long term. • We developed policies to protect vulnerable consumers.	Closed and re-articulated to focus on unaffordable energy bill prices for consumers	
Risk to UK unilateral implementation of the provisions in the NI Protocol Command Paper and/or Article 16 triggering) • We shared information with the centre regarding contingency planning. • We put in place initial contingency plans and long-term plans.	Closed due to the Windsor Framework being published which replaced the NIP	
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 provided support packages to targeted businesses. • We developed an enterprise strategy and developed investment opportunities.	Closed and re-articulated to focus on policy and economic growth	
Maintaining the wellbeing of staff • We reviewed the wellbeing strategy to aid future plans. • We encouraged senior leaders to role-model good practice. • We provided access to all appropriate wellbeing resources.	Closed and re-articulated to a new staff morale and wellbeing risk	

Risk and mitigating activities (during the year, before closure)	Closure narrative	BEIS priorities
Onshoring investments become financially unviable or are unable to pivot to respond effectively to future health emergencies • We understood and applied the lessons learned from previous investments. • We ensured plans for monitoring and evaluation captured the key investments and KPIs. • We followed the assurance and due diligence processes.	De-escalated and is now being managed at group level	
A security incident at work harms BEIS officials, ministers, or visitors • We increased investment in holistic security, weaving threads from personnel, physical, cyber, cultural and resilience.	De-escalated and is now being managed at group level	
Communications budgets aren't managed effectively • We ensured areas were not assuming communications support where none existed. We ensured we were aware of all areas where communications FTE activity was planned to be funded. This ensured we took a holistic view of all activity for the SR period.	De-escalated and is now being managed at group level	

Financial review

The financial review analyses the department's expenditure and financial position for the year.

Financial performance

Budget framework

Departmental budgets are split into Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME) categories.

- DEL: is for spending that is subject to limits, which departments may not exceed.
- AME: departments need to monitor AME closely and inform Treasury if they expect AME spending to rise above forecast.

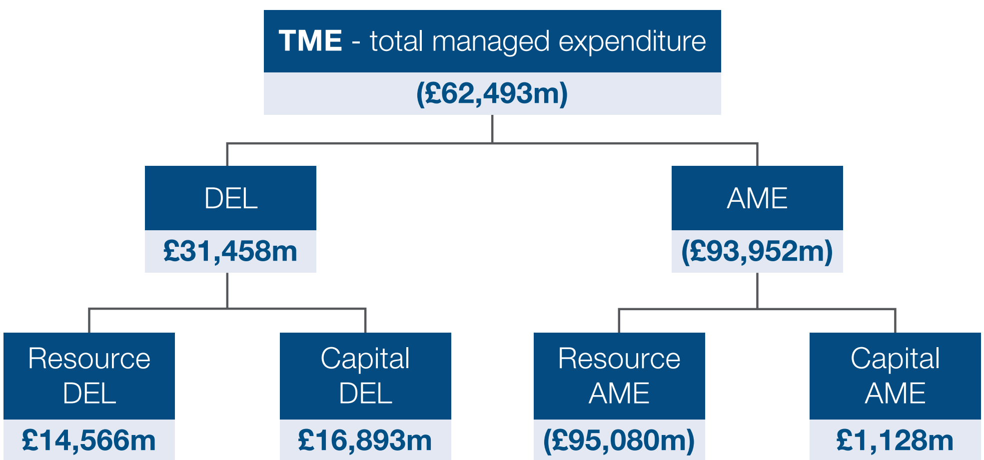
Budgets are also split into resource and capital categories.

- Resource: captures current expenditure and is further split into programme and administration budgets. Programme budgets are for front line services. Administration budgets capture any expenditure not included in programme.
- Capital: captures new investment and financial transactions.

The budgeting system is not based on cash accounting, but accruals accounting. TME is made up of DEL, AME, plus accounting adjustments.

Outturn for 2022-23

The diagram below shows the departmental outturn for 2022-23.



Outturn compared to budget

This table ties directly to the SOPS, where the TME outturn is the 'total voted and non-voted' outturn. The DEL expenditure is analysed in 'where we spent our money'.

				2022-23
	Outturn	Budget	Variance	Variance
	£m	£m	£m	%
DEL				
Total DEL	**31,458**	**37,304**	**- 5,845**	**-15.7%**
Resource DEL	14,566	17,446	- 2,880	-16.5%
Capital DEL	16,893	19,858	- 2,965	-14.9%
AME				
Total AME	**(93,952)**	**(26,472)**	**- 67,480**	**-254.9%**
Resource AME	(95,080)	(29,314)	- 65,766	-224.4%
Capital AME	1,128	2,842	- 1,714	-60.3%
TME				
TME	**(62,493)**	**10,832**	**- 73,325**	**-676.9%**

2022-23 Outturn compared to budget: variance analysis

Resource DEL

The underspend of £2.9 billion (16.5%) was primarily due to:

- £0.4 billion underspend against the budget for the Energy Bills Support Scheme
- £2.1 billion underspend against the budget for the Energy Special Administration Regime (SAR)

Capital DEL

The underspend of £3.0 billion (14.9%) was primarily due to:

- £1.9 billion underspend against the budget for the Energy SAR
- £0.8 billion underspend for the British Business Bank and associated bodies

Resource AME

The underspend of £65.8 billion (224.4%) was primarily due to:

- An underspend against the budget for the energy price support schemes of £7.9 billion grants and subsidies and £17.4 billion noncash provisions
- An underspend of £16.4 billion in Resource AME arising from 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

- uncertainties at the time of budgeting for the CfD valuation resulting in an underspend of £19.7 billion in Resource AME
- uncertainties at the time of budgeting for the nuclear decommissioning provision of £5.0 billion in Resource AME

Capital AME

The underspend of £1.7 billion (60.3%) was primarily due to:

- An underspend of £1.2 billion relating 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) programme
- An underspend of £0.7 billion relating to the Post Office working capital loan
- Partially offset by an overspend of £0.3 billion in relation to COVID-19 financial guarantees for which there were significant uncertainties when setting the budget

Outturn trend

	2022-23	2021-22	2020-21	2019-20	2018-19
	£m	£m	£m	£m	£m
DEL					
Resource DEL	14,566	8,712	22,496	2,838	1,246
Capital DEL	16,893	20,992	20,450	11,228	10,814
AME					
Resource AME	(95,080)	115,150	(8,152)	19,915	(105,865)
Capital AME	1,128	(3,790)	19,544	(137)	(416)

Outturn trend – biggest areas of net expenditure

The table below shows the department's biggest areas of net expenditure taken from the SOPS.

	2022-23	2021-22	2020-21	2019-20	2018-19
	£m	£m	£m	£m	£m
Nuclear Decommissioning Authority	(107,667)	103,362	3,473	6,751	(99,592)
Science and research (excluding UKRI)	1,403	1,236	1,158	981	959
Contracts for Difference	(13,491)	10,286	468	3,543	(2,971)
UK Research & Innovation (UKRI)	9,410	8,708	9,090	7,881	7,604
Coal Authority	(3,328)	3,168	274	58	(1,993)
Green Infrastructure Platform	0	(74)	(87)	9	11
Renewable Heat Incentive	1,002	920	848	846	818
International Climate Finance	249	431	584	339	321
Post Office	145	233	115	92	228
Redundancy payment service	263	261	442	431	319
COVID-19 business support grant schemes	2	3,852	8,050	10,976	-
COVID-19 business loan guarantee schemes	987	(2,566)	21,281	-	-
Future Fund	142	(16)	1,151	-	-
Nuclear Liabilities Fund	-	5,610	5,070	-	-
Energy SAR	1,297	2,136	-	-	-
Energy price support	43,531	-	-	-	-
Other	3,562	3,515	2,423	1,937	75
Total	**(62,493)**	**141,065**	**54,340**	**33,844**	**(94,221)**

Reconciliation of budgets to financial statements

BEIS' financial statements are based on international financial reporting standards (IFRS). IFRS is the basis generally applied by private sector businesses. A reconciliation between the SOPS and IFRS is shown in SOPS 2 on page 140.

In the financial statements, net expenditure for the departmental group fell by £178.9 billion from £129.8 billion in 2021-22 to a credit of £49.1 billion in 2022-23. The majority of this was an accounting adjustment, which is not a cash change. The adjustment reduced the provision to cover future expenses by the Nuclear Decommissioning Authority (NDA) by £116 billion due to HM Treasury changes in discount rates.

Expenditure on Official Development Assistance

The UK's Official Development Assistance (ODA) refers to the overseas aid budget. ODA expenditure is reported for the calendar year and on a cash basis.

BEIS' ODA expenditure (provisional) in 2022 was £563.2 million. It supports research and innovation (R&I) and climate and energy. The table below shows a breakdown by sector.

The BEIS ICF spend focuses on climate mitigation particularly in countries where emissions are growing rapidly. It aims to accelerate clean energy transition, raise climate ambition, enable low-carbon growth, address deforestation.

BEIS ODA spend by sector[1]

Sector	Sector code	R&I	ICF	2023 Total	2022 Total
		£m	£m	£m	£m
Education, level unspecified	111	0.2	-	0.2	13.9
Secondary education	113	0.0	-	0.0	0.1
Post-secondary education	114	1.2	-	1.2	8.0
Health, general	121	78.4	-	78.4	89.8
Basic health	122	3.9	-	3.9	17.2
Non-communicable diseases (NCDs)	123	0.5	-	0.5	0.9
Population policies/programmes & reproductive health	130	0.4	-	0.4	2.3
Water supply & sanitation	140	0.6	-	0.6	1.6
Government & civil society-general	151	1.8	-	1.8	6.8
Conflict, peace & security	152	0.4	-	0.4	1.5
Other social infrastructure & services	160	0.1	-	0.1	1.8
Transport & storage	210	0.1	4	4.1	0.0
Communications	220	0.1	-	0.1	0.1
Energy	230	0.0	-	0.0	1.0
Energy policy	231	0.2	10.5	10.7	6.8
Energy generation, renewable sources	232	5.9	20.3	26.2	132.8
Energy distribution	236	0.0	-	0.0	0.3
Banking & financial services	240	0.1	2.7	2.8	2.1
Business & other services	250	0.5	0.6	1.1	0.6
Agriculture	311	9.4	-	9.4	27.5
Forestry	312	0.0	50.3	50.3	69.8
Fishing	313	0.1	-	0.1	1.3
Industry	321	2.1	-	2.1	6.6
Mineral resources & mining	322	0.0	-	0.0	0.3
Construction	323	0.1	-	0.1	0.0
General environment protection	410	34.3	33.9	68.2	71.6
Other Multisector	430	94.9	10.6	105.5	140.1
Emergency response	720	0.1	-	0.1	0.1
Disaster prevention & preparedness	740	0.7	-	0.7	0.9
Administrative costs of donors	910	12.2	8.1	20.3	29.8
Unallocated / unspecified	998	1.4	172.4	173.8	292.2
Total		**249.8**	**313.4**	**563.2**	**927.8**

Notes

1 These figures are provisional. The final 2022 Statistics on International Development (SID) is due to be published by the Foreign, Commonwealth and Development Office (FCDO) in late September 2023.

Financial position

Assets and liabilities

The table below shows the value of assets and liabilities for the departmental group.

As at 31 March 2023, the department remains in a net liability position. Net liabilities have decreased from (£273.3 billion) at 31 March 2022 to (£142.0 billion) at 31 March 2023. The following items have had the biggest effect on financial position this year: COVID-19 financial guarantees and business support grants, changes in discount rates, provision for NDA, provision for contracts for difference.

	31-Mar-23	31-Mar-22	31-Mar-21	31-Mar-20	31-Mar-19
	£m	£m	£m	£m	£m
Assets	36,679	29,419	24,089	18,249	17,709
Liabilities	178,698	302,785	(187,869)	175,882	157,154
Net assets/ liabilities	(141,937)	(273,366)	(163,780)	(157,633)	(139,445)

COVID-19 financial guarantees

The decrease in liabilities in relation to COVID-19 financial guarantees schemes is reflective of companies drawing down guarantees associated with these schemes, as well as the updated model valuation of the expected credit losses. Further information is provided in note 21.

	31-Mar-23	31-Mar-22	31-Mar-21
	£bn	£bn	£bn
Financial guarantee loan schemes	11.3	15.8	19.8

Loan to Bulb Energy Ltd (in special administration)

In 2022-23 Bulb's special administrators have run an open and competitive sale process which has identified a buyer for Bulb's customer book and specified assets and liabilities, Octopus Energy. In order to realise the sale of Bulb's business and to protect consumers, government assisted Bulb in providing support to a new and separate entity, owned by Octopus Energy, which will operate and serve Bulb customers until the transfer process to Octopus has fully completed and the entity has repaid the funding to Bulb.

In 2022-23, the impact of the government's assistance to Bulb can be seen on the Statement of Financial Position recognised as a loan. The value of the loan totals £2.4 billion at 31 March 2023 in comparison to £Nil billion at 31 March 2022. This is reflective of the fair value of the contract which is defined under International Financial Reporting Standard (IFRS) as "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". This is different to the actual amount that is expected to be repaid by Bulb under the terms of the funding agreement. Further information can be seen in note 11.3.

Changes in discount rates

Discount rates heavily impact the value reported for some liabilities. Liabilities that involve payments over many years must be discounted to their value in today's money or present value and summed into a single figure. This is an accounting adjustment. The department has liabilities that extend over decades. This means that a small change in the discount rate can greatly affect the present value of the liability. The accounts use several discount rates depending on the nature of the transaction.

In 2022-23, liabilities were 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. Assets were discounted as positive rates - this means that the present value is lower than the cash the department expects to receive.

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 the department is 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 the loan to Bulb, the department assessed the implicit rate to be GBP SONIA zero rate curve as at the 31 March 2023 for each payment date with a credit spread of 1.75%.

The table below shows the impact of discounting on our assets and liabilities.

	2022-23	2022-23	2022-23	2021-22	2021-22	2021-22
	No discounting	With discounting	Impact of discounting	Impact of discounting	With discounting	No discounting
	£m	£m	£m	£m	£m	£m
Assets						
Financial asset: Bulb	2,659	2,406	(253)	-	-	-
Financial asset: Repayable Launch Investments	327	252	(75)	(82)	463	545
Financial asset: Coal pension receivable	488	452	(36)	(56)	575	631
Total	**3,474**	**3,110**	**(364)**	**(138)**	**1,038**	**1,176**
Liabilities						
NDA nuclear provision	172,800	124,371	(48,429)	87,873	236,766	148,893
Coal Authority provision	10,205	2,211	(7,994)	(2,841)	5,618	8,459
COVID-19 financial guarantees	11,459	11,284	(175)	(260)	15,806	16,066
CfD liabilities (recognised and deferred liabilities) (financial instrument)	86,051	84,506	(1,545)	4,366	97,591	93,225
Total	**280,515**	**222,372**	**(58,143)**	**89,138**	**355,781**	**266,643**

Provision for NDA

NDA manage the decommissioning of 17 nuclear licensed sites in the UK and this carries a long-term obligation of 100+ years. The estimate of future costs over 100 years is shown in the table below.

Best estimate	Lower estimate	Upper estimate
£bn	£bn	£bn
124	109	206

The NDA reviews the cost estimates each year, reflecting changes in the site lifetime plans and other assumptions.

Provision for contracts for difference

The department is required to estimate the ‘fair value’ of future CFD payments. If difference payments under CFDs are positive, they are shown as an asset, and if negative, they are shown as a liability. They are currently shown as a liability. The value is shown in the table below. Further details on the CFDs are in the note 10 to the accounts. The fair value of future CFD payments, include movements year on year.

	31-Mar-23	31-Mar-22	31-Mar-21
	£bn	£bn	£bn
Cumulative value of the deferred differences of the CfDs	71.1	70.7	72

Sustainability report

Greening Government Commitments

The Greening Government Commitments (GGCs) provide a framework for government departments to reduce their impacts on the environment. The current framework is for 2021-25, with targets to be achieved by March 2025, using 2017-18 as a baseline year[1]. The target and reported figures are for the BEIS GGC family – consisting of the core department and 17 partner organisations[2,3] within scope, as determined by DEFRA.

Overall performance: targets compared to outcomes

	GGC targets by Mar 2025	2022-23 outcomes
Overall emissions	62% reduction	48% reduction
Direct emissions	30% reduction	16% reduction
Ultra-low emission vehicle: less than 50g CO_2 per km	25% of fleet by 31 Dec 2022	32% of fleet
Domestic flights	reduce emissions by 30%	61% reduction
Overall waste	15% reduction	55% reduction
Landfill	reduce to less than 5% of overall waste	6% of overall waste
Recycling	increase to 70% of overall waste	62% of overall waste
Paper use	reduce by 50%	81% reduction
Usage	reduce by 8%	18% reduction

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 has been used.

2 BEIS GGC family includes: 1) ACAS, 2. Coal Authority, 3. Companies House, 4. Competition and Markets Authority (CMA), 5. Financial Reporting Council (FRC), 6. Insolvency Service (INSS), 7. Intellectual Property Office, 8. HM Land Registry, 9. Met Office, 10. North Sea Transition Authority (NSTA), 11. National Physical Laboratory, 12. National Nuclear Laboratory, 13. Nuclear Decommissioning Authority (NDA), 14. OFGEM, 15. Ordnance Survey, 16. UK Research and Innovation (UKRI), 17. UK Space Agency

3 Figures for 2021-22 and 2017-18 have been restated to include OFGEM.

GHG emissions and associated energy consumption

We implemented energy efficiency improvements in our offices. We also moved towards greener or renewable sources where possible.

Travel

Official business travel increased in 2022-23 as opportunities increased for in person meetings after the COVID-19 pandemic. But travel is still below the baseline year, and we are on track to achieve this target. The core department launched a sustainable business travel policy. It encourages colleagues only to travel when necessary for business, and to travel by train rather than plane.

Waste

The core department continued to encourage colleagues to reduce the amount of waste produced.

Water

We continued to reduce water use and will consider newer technologies as they become available.

Consumer-single use plastic and re-use schemes

The core department has eliminated a wide range of consumer single use plastics, such as plastic cutlery and cups. In 2022-23, we implemented a reuse scheme for project waste, to reduce our impact on the environment and to add social value where we can.

Climate change adaptation strategy

The core department carried out a climate change assessment in 2022–23 across its estate and operations. It identified the greatest risks from climate change at each office location. The next stage will be to finalise an adaptation plan to address these risks, which would be implemented by the new departments.

Climate change adaptation

In the core department, our policy and programme proposals go through regulation approvals by preparing an impact assessment, and spending approvals by preparing a business case. In both documents, we address how the proposal will contribute to wider government priorities, including net zero.

Nature recovery plan

The aim of the nature recovery plan is to protect, and where possible enhance the biodiversity on our estate. In 2022–23, our focus was on climate change adaptation strategy. Nature recovery plans will be addressed by the new successor departments.

Sustainable construction

The core department had no significant construction or refurbishment projects in 2022-23.

Reducing environmental impacts from ICT and digital

Our 2 main hardware suppliers now use recycled parts in their products, have reduced shipped packaging, and have started to look at their supply chains to ensure end to end ethical standards. 100% of our IT services – such as data, emails, and document storage – are delivered via the public cloud. Our public cloud suppliers are working to be net zero by 2030. We have reported our measures and tangible outcomes to DEFRA. This is published in the star report.

Greenhouse gas emissions

		2022-23	2021-22 restated	2017-18 restated
Tonnes CO_2e	Scope 1 direct emissions from sources owned or controlled	20,136	21,206	26,098
	Scope 2 indirect emissions from consumption of purchased electricity or sources of energy generated upstream	56,790	61,541	131,345
	Scope 3 emissions from domestic and international travel	15,179	7,856	12,792
	Total	**92,105**	**90,263**	**170,235**

Notes

Scope 3: Includes emissions from domestic and international travel. Only domestic business travel is measured for GGC emissions reduction target. For a breakdown of domestic and international travel, see travel data below.

Energy consumption

		2022-23	2021-22 restated	2017-18 restated
MWh	Gas	102,153	109,409	109,356
	Electricity: renewable (generated on site or purchased via a green tariff)	109,693	215,178	3,529
	Electricity: mains standard	175,132	65,227	325,142
	Other energy sources[1]	23,457	28,132	33,061
	Total related energy use	**410,435**	**417,945**	**471,088**
Expenditure £000	Gas	5,112	-	-
	Electricity	55,045	-	-
	Other energy sources	1,222	-	-
	Gross expenditure on the purchase of energy	61,379	48,229	37,527
	Expenditure on accredited offset purchases	39	0	0
	Total related expenditure[2]	**61,418**	**48,229**	**37,527**

Notes

1 'Other' includes other energy sources and energy consumption where this cannot be broken down between gas/electricity

2 Insolvency Service not included in 2022-23 expenditure data

Travel

		2022-23	2021-22 restated	2017-18 restated
Tonnes CO_2e	International			
	Long haul air travel	2,840	794	6,031
	Short haul air travel	650	179	1,223
	International rail (Eurostar)	3	0	20
	total	**3,493**	**973**	**7,274**
	Domestic travel			
	Domestic air travel	395	128	1,004
	Rail (all rail types, including London Underground)	758	239	1,526
	Bus/Coach	12	1	91
	Taxi	81	26	85
	Private vehicle (staff owned or hire vehicles)	1,901	1,070	2,812
	total	**3,147**	**1,464**	**5,518**
	Total emissions from travel	**6,640**	**2,437**	**12,792**
Expenditure £000	Expenditure on official business travel	**19,635**	**7,083**	**21,662**

Waste

		2022-23	2021-22 restated	2017-18 restated
Tonnes	Total waste arising (excluding reused and ICT waste)	2,436	2,926	5,396
	Of which			
	Recycled (excluding ICT waste)	1,353	1,753	3,529
	Reused (excluding ICT waste)	1	1	1
	ICT waste recycled, reused and recovered (externally)	26	92	73
	Composted / food waste	134	118	176
	Incinerated with energy recovery	735	674	1,010
	Incinerated without energy recovery	23	29	2
	Waste to landfill	164	259	606
	Of which: deemed hazardous	69	135	318
Expenditure £000	Total waste disposal cost[5]	**2,079**	**1,767**	**1,296**

Notes

5 OFGEM, ACAS, INSS and FRC not included in expenditure data for 2022-23

Paper use

		2022-23	2021-22 restated	2017-18 restated
A4 ream equivalent	Paper procured	24,650	46,214	129,255

Water

		2022-23	2021-22 restated	2017-18 restated
m^3	Water consumption	385,075	309,008	466,895
Expenditure £000	Water supply and sewage costs[6]	1,719	1,026	1,105

Notes

6 INSS, ACAS and CMA not included in expenditure data 2022-23

Sustainable procurement

Embedding sustainability in our procurement practices in 2022-23

- We continued to develop our procurement practices using the Commercial Continuous Improvement Assessment Framework (CCIAF) and ISO20400 (Sustainable Procurement) to guide us.
- We followed Government Buying Standards (GBS) where applicable for our product specifications.
- We embedded modern slavery risk assessments into our procurements and provided training to contract managers to improve awareness of tackling modern slavery in public sector supply chains.
- We provided expert coaching to high-risk, material projects to help teams embed sustainability into their sourcing approaches.
- We provided sustainability assurance to the high value projects submitted to the Commercial Assurance Board, from BEIS and our partner organisations.
- We started to develop support resources, such as an assessment tool for commercial sustainability opportunities. It aims to consolidate priority themes into one place for BEIS.
- The core department no longer directly procures food or catering services. In 2022-23, the existing contract for the core departments head office at 1 Victoria Street was transferred to the Government Property Agency (GPA). GPA are now responsible for the application of appropriate standards in the procurement of food and catering services. For all other office locations of the core department, any food and catering services are provided as part of the property agreements and not directly procured by the core department.

Prompt payments

	2022–23	2021–22	2020–21	2019–20
Invoices paid within 5 days	92.61%	87.24%	83.07%	94.3%
Invoices paid within 30 days	99.37%	98.87%	98.34%	99.1%

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 noticeable improvement in the figures this year reflects a recovery to pre COVID-19 performance as spending patterns returned to normal. We publish our prompt payment performance on gov.uk, quarterly, with a lag, in line with Cabinet Office publication requirements

Spend with SMEs

	2022–23	2021–22	2020–21	2019–20
Share of direct procurement placed with SMEs	18.7%	10.5%	16.0%	30.3%
SME procurement	£565m	£496m	£504m	£410m

The share of direct SME procurement has been substantially affected by the COVID-19 vaccination programme which is centred on major pharmaceutical companies. The impact continued into the first half of 2022-23. However, since then spending patterns have returned to pre-pandemic levels. This has resulted in the improved SME share for the full year. Total SME spend has also risen to a new high. We publish our SME spend performance on gov.uk, annually, with a lag, in line with Cabinet Office publication requirements.

Performance in other areas

Fraud and error analysis

Fraud detection, prevention, and estimates

The BEIS counter fraud team continued to develop their ability to prevent, detect and pursue fraud wherever it arises. Lessons have been learnt from the department's approach to COVID-19 and that knowledge applied to new challenges such as the energy affordability schemes. Increased engagement with other government stakeholders, such as the Public Sector Fraud Authority (PSFA), has enabled an expert-led counter fraud response to some of the department's greatest risks.

The counter fraud team worked closely with policy teams to complete Initial Fraud Impact Assessments (IFIAs) to identify the main fraud concerns. They also reviewed Fraud Risk Assessments (FRAs) to ensure effective controls were adopted to manage fraud and error threats. FRAs articulate the residual risk once control measures have been implemented.

Energy affordability schemes

A major spend initiative in 2022–23 was the implementation of several energy affordability schemes, introduced to reduce the impact of energy cost increases to the public. Significant counter fraud resources were put in place to support these schemes. This included the first ever use of a PSFA 'Tiger Team' – a temporary team of subject matter experts to support counter fraud risk assessments and controls during the delivery of a major government initiative. The department established a counter fraud and error board, to ensure robust governance for the schemes. It supports the monitoring of progress and reporting and response to emerging risks. This forum is chaired by the BEIS counter fraud deputy director.

COVID-19 Bounce Back Loan Scheme

The COVID-19 loan schemes had been closed by 2022–23. In 2022–23, our focus on the Bounce Back Loan Scheme (BBLS) was to detect fraud, and secure recoveries and prosecutions. For the other loan schemes – Coronavirus Business Interruption Loan Scheme (CBILS), Coronavirus Large Business Interruption Loan Scheme (CLBILS) and Recovery Loans Scheme (RLS) - the department's judgement was that there is a normal level of fraud and error within, as explained in the 2021–22 annual report. Estimates of fraud and error for BBLS are provided in the regularity section in the accountability report.

BEIS worked with several agencies. The National Investigation Service (NATIS) investigated the most serious cases of fraud and carried out prosecution work. The Institute for National Security Studies (INSS) tackled misconduct linked with directors of companies and those in bankruptcy. We also worked with PSFA, BBB and Companies House to prevent companies from dissolving while in receipt of an outstanding loan.

BBLS recoveries, arrests, and investigations by NATIS

	2022–23	2021–22
BBLS recoveries	£3.5m (£2.8m returned direct to lenders and £0.7m returned to HM Treasury)	£3.8m (£2.6m returned direct to lenders and £1.2m returned to HM Treasury).
BBLS arrests	34	49
Ongoing investigations	211	43

BBLS civil enforcement outcomes by INSS

	2022–23	2021–22
Director Disqualification Orders and Undertakings: Allegation Types in Insolvent Disqualifications, Great Britain	956	818
Of which, COVID-19 financial support scheme abuse (predominantly related to BBLS)	459 (48%)	140 (17%)
Allegation Types in Bankruptcy and Debt Relief Restrictions Orders and Undertakings, Great Britain	268	349
Of which, COVID-19 financial support scheme abuse (predominantly related to BBLS)	101 (37%)	60 (17%)

Source: Insolvency Service Enforcement Outcomes 2022–23

Notes

1. Director disqualification is the process whereby a person is disqualified, for a specified period, from becoming a director of a company, or directly or indirectly being concerned or taking part in the promotion, formation, or management of a company without permission from the court.
2. These statistics relate to individuals that are subject to a bankruptcy or debt relief order in England and Wales, where the individual is considered to have been dishonest or blameworthy.

BBLS criminal prosecutions by INSS

In 2022–23, INSS brought criminal prosecutions against 8 directors for COVID-19 related misconduct. All the prosecutions resulted in a conviction, and in 3 cases, immediate imprisonment.

COVID-19 grant schemes

BEIS continued to work in partnership with NATIS to investigate fraudulent activity within COVID-19 business grant schemes, recovering funds and supporting prosecutions. The table below provides summary figures on enforcement activity in this space.

	2022-23	2021-22
Grants recoveries	£158,904	£1,100,000
Grants - arrests	2	32
Ongoing investigations	15	19

Fraud and error statistics

The core department submits its fraud and error data to the Cabinet Office (CO) every quarter, and CO complete an assurance process at the end of the financial year. Fraud and error figures for 2021-22 and 2022–23 will be published after the assurance process in the Fraud Landscape Report.

Complaints to the Parliamentary Ombudsman

Number of complaints accepted for investigation by the Parliamentary Ombudsman in 2021-22	1
Number of investigations reported on in 2021-22*	0
(a) Investigations fully upheld	0
(b) Investigations partly upheld	0
(c) Investigations not upheld	0
Number of Ombudsman recommendations in 2021-22	
Complied with	0
Not complied with	0

Notes

* May include complaints accepted for investigation from a previous year.

These figures have been obtained directly from the Parliamentary and Health Service Ombudsman for the period 2021-22. The report can be found here: https://www.ombudsman.org.uk/publications/complaints-parliamentary-and-health-service-ombudsman-2021-22

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

Performance in responding to public correspondence

We aim to respond to 80% of our correspondence in 15 working days. In 2022-23, we received 3,332 written enquiries from members of the public, and responded to 49% of cases within 15 working days.

	2022-23	2021-22	2020-21	2019-20
No. of written enquiries received	3,332	3,200	7,492	5,099
No. with response within 15 days	1,648	2,284	5,406	4,452
% with response within 15 days	49%	71%	72%	87%

This table below shows our monthly performance. During 2022-23 performance fluctuated, as a result of a higher proportion of complex enquiries, related to rising energy prices, and requiring more time to resolve.

	No. of written enquiries received	No. with response within 15 days	% with response within 15 days
Apr-22	347	307	88%
May-22	485	326	67%
Jun-22	310	244	79%
Jul-22	345	289	84%
Aug-22	316	78	25%
Sep-22	270	60	22%
Oct-22	135	43	32%
Nov-22	266	113	42%
Dec-22	89	11	12%
Jan-23	224	92	41%
Feb-23	144	16	11%
Mar-23	401	69	17%
Total	**3,332**	**1,648**	**49%**

Respect for human rights and social matters

Modern slavery statements are generally published for the preceding year. Following a revised government approach, the core department did not publish its own Modern Slavery Statement for 2021-22. Instead, we contributed to a joint statement covering all ministerial departments. This is currently with the Cabinet Office and Home Office for review.

We designed a streamlined approach to apply the Social Value Model (PPN 06/20). The Social Value Model requires central government departments to deliver social value through their commercial activities. As the model is aligned to broader government priorities, we mapped the themes from the model to deliver BEIS' departmental mission. This standardised what we asked, making it easier for suppliers to know what to expect from BEIS and improve the quality of social value propositions.

Advertising

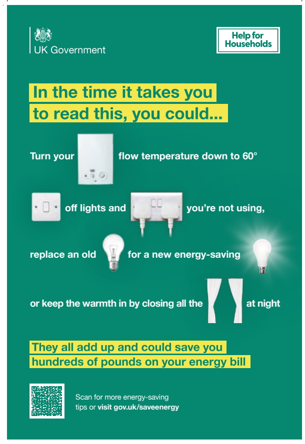
The government communications plan directs the communications in all government departments. Our communications work supports the delivery of the department's priorities. We work with partners, specifically those who can help us reach and influence our audiences. Where necessary, we use paid publicity and advertising. Key areas of paid advertising in 2022-23 are listed below.

It all adds up

It promoted simple, no-cost and 'spend to save' actions to help people reduce their energy use and bills - in the context of high household energy prices.

The campaign launched in December 2022. We ran advertising on TV, billboards, radio, digital and social channels. We had paid partnerships across online, radio and print, with Bauer and The Telegraph. This included support from radio presenters and trusted voices, like Martin Roberts. We distributed a dedicated 16-page booklet with the newspaper. The campaign reached audiences in innovative ways such as a Snapchat Lens. We targeted locations such as libraries – which have been operating as 'warm spaces' – to reach consumers.

The campaign has driven almost one million visits to the gov.uk/saveenergy website and increased people's awareness and understanding of energy saving actions.



Consumer energy support

The scheme provided households with financial help with energy bills over the autumn/ winter 2022-23. Consumers were also able to access support from:

- Energy Price Guarantee (EPG)
- Energy Bills Support Scheme (EBSS) – including the Prepayment meter voucher scheme and the Alternative Fund

We ran paid advertising over the winter, across all major channels and worked with trusted influencers. Some messaging was translated into multiple languages.

The campaign helped increase voucher redemption from 59% after the first month of the scheme to 79% by 31 March 2023.

Energy bill relief scheme

The energy bills discount scheme provided a cap on energy costs to help businesses with rising prices over the winter months.

We ran a campaign to raise awareness and understanding among SMEs. The campaign used digital advertising, taking businesses to gov.uk where they could find out more. Paid media on search and social channels generated 79% of visits to the gov.uk pages during the 2 phases of the campaign (November to December 2022 and February to March 2023).

Boiler upgrade

The scheme offered property owners in England and Wales up to £6,000 off the cost of low carbon heating systems.

We supported the scheme through an online paid media campaign from January to March 2023 to raise awareness and understanding. We targeted audiences who were more likely to take up the scheme.

Grant uptake statistics are published monthly; https://www.gov.uk/government/collections/boiler-upgrade-scheme-statistics

National living wage / national minimum wage

The campaign ran following the rate increases from 1 April 2023.

It aimed to support low paid workers in getting the wage they are entitled to by law.

The campaign featured messaging encouraging workers to ‘Check their pay’. It reached audiences via radio, display, search, online gaming sites (including Angry Birds), and through social media channels.

It delivered over half a million website sessions, 94% more calls to Advisory, Conciliation and Arbitration Service (ACAS) and 149% more clicks to HMRC complaints in 2022 compared to 2021.

Help to grow

The Help to Grow campaign encouraged SME senior decision makers to boost business success by signing up to management courses delivered at leading business schools in the UK, and to apply for vouchers to access discounted software.

Social media and search activity was used to drive individuals online to find out more and apply. The Help to Grow Management campaign trailed Google value based bidding as a government first, and LinkedIn lead generation, which was a BEIS first. Both trials provided cost efficient results and lessons learnt will be applied to future campaign activity across government.

Sarah Munby
Permanent Secretary and Principal Accounting Officer

10 October 2023

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Accountability report

Business support. Photo of an Artist in a shop.

Purpose of the accountability report

The accountability report sets out how the department meets the key accountability requirement to Parliament. It comprises 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

The 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 (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 2022 No. 1319** (together known as the 'departmental group', consisting of the core department and sponsored bodies listed in 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

10 October 2023

Report of the lead non-executive director

Ann Cairns
Lead Non-Executive Director

As the lead non-executive board member for BEIS, I have been impressed by the breadth of the department's wide-ranging portfolio and the tangible real-life impact it has had on the country.

The department was at the forefront of the delivery of energy relief schemes which helped businesses and households across the country with the cost of their energy bills following Russia's invasion of Ukraine. The department also delivered the successful 'It All Adds Up' campaign helping ensure households were kept warm through winter. BEIS proactively supported the people of Ukraine by phasing out Russian oil imports to the UK and putting energy security at the forefront of its priorities.

The department remained committed to its net zero priorities with the launch of the British Energy Security Strategy. As well as setting out how homegrown power would be accelerated, the strategy unleashed the use of science to create innovative ways to secure energy security through technology such as heat pumps and hydrogen.

The UK was further positioned as a science superpower through the department's launch of the Advanced Research and Invention Agency (ARIA), an independent research body that will create transformational research programmes at pace.

The Prime Minister recognised the importance of the work of the department and in February created 3 new departments to streamline BEIS' priorities: the Department for Energy Security & Net Zero, the Department for Science, Innovation & Technology and the Department for Business and Trade.

The non-executive board members and I would like to thank colleagues across BEIS for their hard work and dedication and wish them well as they move forward in their new departments.

Directors' report

The Directors' report covers the period from the start of the year to 31 March 2023. It provides names and ministerial titles of those who served as ministers. It also provides names of non-executive directors and executive directors.

Joiners and leavers refer to those who joined or left the relevant posts. In the case of executive directors, they may not have left the Department, particularly if they served as interim executive directors.

Conflicts of interest

Board members are required to declare personal or business interests which may influence (or be perceived to influence) their judgement, 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 2022-23.

Register of board members' interests are published on gov.uk

Ministers

The Rt Hon Grant Shapps MP
Secretary of State for Business, Energy, and Industrial Strategy
From 25 Oct 2022

The Rt Hon Jacob Rees-Mogg MP
Secretary of State for Business, Energy, and Industrial Strategy
From 06 Sep 2022 To 25 Oct 2022

The Rt Hon Kwasi Kwarteng MP
Secretary of State for Business, Energy, and Industrial Strategy
To 05 Sep 2022

Graham Stuart MP
Minister of State (Minister for Climate)
From 06 Sep 2022

Nusrat Ghani MP
Minister of State (Minister for Science & Investment Security)
From 07 Sep 2022

George Freeman MP
Minister of State
From 26 Oct 2022

Jackie Doyle-Price MP
Minister of State
From 07 Sep 2022 To 27 Oct 2022

The Rt Hon Greg Hands MP
Minister of State
To 06 Sep 2022

Lord Martin Callanan
Parliamentary Under Secretary of State

Kevin Hollinrake MP
Parliamentary Under Secretary of State
From 28 Oct 2022

Dean Russell MP
Parliamentary Under Secretary of State
From 20 Sep 2022 To 27 Oct 2022

Jane Hunt MP
Parliamentary Under Secretary of State
From 08 Jul 2022 To 08 Sep 2022

Paul Scully MP
Parliamentary Under Secretary of State
To 06 Jul 2022

Lee Rowley MP
Parliamentary Under Secretary of State
To 06 Jul 2022

Sir Gerry Grimstone
Parliamentary Under Secretary of State
To 06 Jul 2022

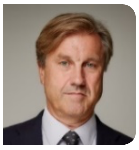
Non-executive directors

Ann Cairns
Lead NED, Board, NGC chair

Vikas Shah
Board, ARAC chair
ARAC chair from 24 Jun 2022

Nigel Boardman
Board, ARAC chair
To 23 Jun 2022

Stephen Hill
Board



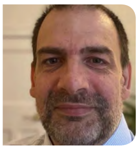
Peter Mather
Board, ARAC

Elaine Clements
ARAC

Bryan Ingleby
ARAC

Alison Rodwell
ARAC

Jane Whittaker
ARAC
To 31 Dec 2022



Andrew Jamieson
PIC
From 01 May 2022

Executive directors

Sarah Munby
Permanent Secretary

Clive Maxwell
2nd Permanent Secretary
From 21 Nov 2022

David Bickerton

Caleb Deeks

Freya Guinness

Simon Hulme

Alice Hurrell

Ashley Ibbett

Gavin Lambert

Lee McDonough

Dan Micklethwaite

Abigail Morris

Paul Monks

Ben Rimmington

Jo Shanmugalingam

Jonathan Mills
From 06 Jun 2022

Donna Leong
From 06 Jun 2022

Beatrice Kilroy-Nolan
From 11 Oct 2022

Joanna Whittington
To 01 Dec 2022

Madeline McTernan
To 15 Jan 2023

Tom Taylor
To 12 Feb 2023

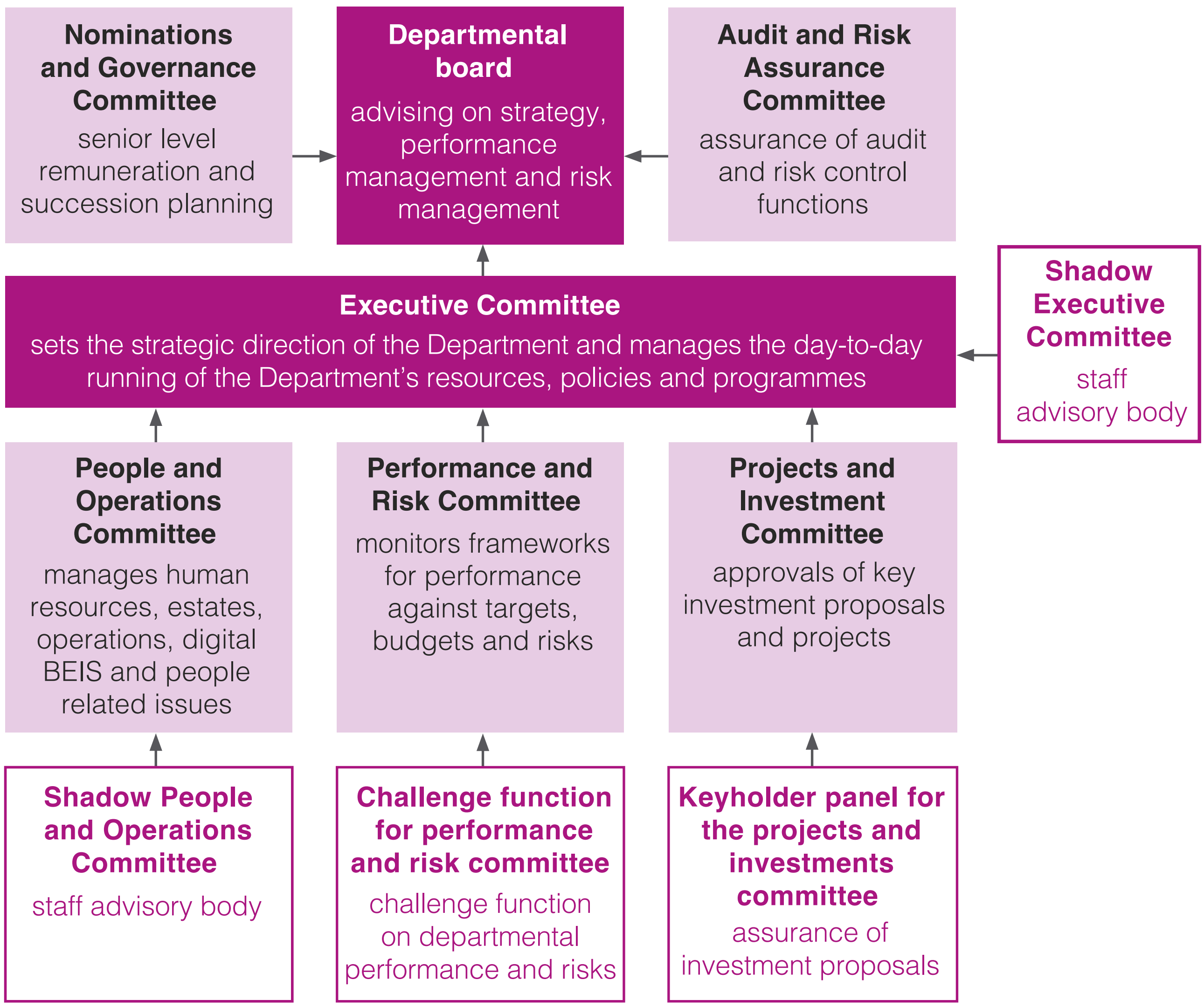
Governance statement

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.

On 7 February 2023, the Prime Minister announced a major machinery of government change which created 3 new government departments, realigned the profiles of Cabinet Office and Department of Culture Media and Sport, and resulted in the abeyance of BEIS. To maintain clear line of sight and transparency, HMT have permitted that this annual report and accounts report on the BEIS 2022-23 Estimate. The BEIS accounting officer remained the accounting officer for the BEIS legacy during this period. Any adjustments in governance following the machinery of government changes are outlined in individual sections.

Our governance structure



Departmental board

Rt Hon Grant Shapps MP
Secretary of State and Chair, Departmental Board

Meeting attendance

Total number of meetings held	3
x/x = number attended /number eligible to attend	
Ministers	
Rt Hon Grant Shapps MP (from 25 Oct 2022)	1/1
Rt Hon Jacob Reese-Mogg MP (from 06 Sep 2022 to 25 Oct 2022)	1/1
Rt Hon Kwasi Kwarteng MP (to 05 Sep 2022)	1/1
Lord Grimstone of Boscobel Kt (to 06 Jul 2022)	0/1
Rt Hon Greg Hands MP (to 06 Sep 2022)	0/1
Graham Stuart MP (from 06 Sep 2022)	1/2
Nusrat Ghani MP (from 07 Sep 2022)	1/1
Jackie Doyle-Price MP (from 07 Sep 2022 to 27 Oct 2022)	0/1
Minister Dean Russell (from 20 Sep 2022 to 27 Oct 2022)	0/1
Lord Callanan	0/1
Senior officials / executive directors	
Sarah Munby	3/3
Clive Maxwell (from 21 Nov 2022)	1/1
Joanna Whittington (to 01 Dec 2022)	1/1
Jonathan Mills (from 06 Jun 2022)	2/2
Tom Taylor (to 12 Feb 2023)	3/3
Non-executive directors	
Ann Cairns	3/3
Stephen Hill	3/3
Vikas Shah	3/3
Peter Mather	3/3
Nigel Boardman (to 23 Jun 2022)	1/1

Notes

Where members were unable to attend meetings in person, they were able to share their views in advance with the chair.

Role

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 department's response to the cost-of-living crisis and energy security.

Key areas of discussion

- Global energy markets and energy support schemes.
- Inflationary pressures and cost of living.
- Net zero.
- Emerging technologies, introduction, and regulation.
- Research and development funding.
- Major projects deep-dives.

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 compliant with the Code in all areas except for the 2 below:

- An annual board effectiveness evaluation. An external board evaluation was being planned to take place in 2022-23 however machinery of government changes in February 2023 meant that it did not take place.
- The board meeting at least quarterly. The board only met 3 times during the year. A fourth meeting was planned in March 2023 but this was cancelled due to the machinery of government changes.

Board appointments

There were no new non-executive board appointments during 2022-23. Nigel Boardman stepped down in June 2022. Following the machinery of government changes in February 2023 the non-executives roles in the former BEIS seized to exist.

The department is responsible for corporate governance, champions women on boards and wants to lead by example in this area. At end of 2022-23, the board's gender diversity was at 20% and BAME members at 10%.

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.

Biographies of board members

Board member biographies 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	
Executive directors	
Sarah Munby	2/2
Alice Hurrell	2/2
Non-executive directors	
Ann Cairns	2/2

Role

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.

Key areas of discussion

- 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	7
x/x = number attended /number eligible to attend	
Executive directors	
Sarah Munby	6/7
Clive Maxwell (from 21 Nov 2022)	2/2
Freya Guinness	6/7
Kim Humberstone (to Sep 2022)	3/3
Tim Sparrow (from 8 Sep 2022)	4/4
Simon Hulme	4/7
Non-executive directors	
Vikas Shah	7/7
Nigel Boardman (to 23 Jun 2022)	1/1
Peter Mather	7/7
Bryan Ingleby	7/7
Elaine Clements	7/7
Alison Rodwell	7/7
Jane Whittaker (to 31 Dec 2022)	4/5

Note

The March 2023 meeting was carried out via correspondence and focussed on the production of the 2022-23 annual report and accounts.

Role

The Audit and Risk Assurance Committee (ARAC) function remained as previous years. It is an advisory committee of the departmental board and provides advice and assurance to the board and accounting officer on matters of financial accountability, assurance, and governance.

Since the machinery of government changes on 7 February 2023, the ARAC has continued to meet to provide independent scrutiny of the BEIS annual report and accounts 2022-23.

Key areas of discussion

- The management of departmental risk and the risk management framework.
- The preparation of the annual report and accounts.
- The work of internal and external audits.
- Director generals' group management of risk and assurance.
- Cyber security risk management and security strategy.
- Anti-fraud policies and practices.
- Compliance, including business appointment rules.
- Third party supplier assurance.
- Shared services programme assurance.
- Staff recruitment challenges including IT and legal.
- Civil contingencies.
- Partner organisation risk and 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 Committee

Meeting attendance

Total number of meetings held	18
x/x = number attended /number eligible to attend	
Executive directors	
Sarah Munby	16/18
Clive Maxwell (from 21 Nov 2022)	3/3
Joanna Whittington (to 01 Dec 2022)	9/15
Jo Shanmugalingam	14/18
Freya Guinness	16/18
Ashley Ibbett	15/18
David Bickerton	14/18
Jonathan Mills (from 06 Jun 2022)	9/10
Lee McDonough	11/18
Ben Rimmington	14/18
Caleb Deeks/Gavin Lambert	14/18
Paul Monks	14/18
Beatrice Kilroy-Nolan (from 11 Oct 2022)	6/6
Tom Taylor (to 12 Feb 2023)	16/18
Alice Hurrell	17/18
Dan Micklethwaite	16/18
Simon Hulme	13/18
Abigail Morris	15/18
Donna Leong	9/18
Madelaine McTernan (to 15 Jan 2023)	0/0

Role

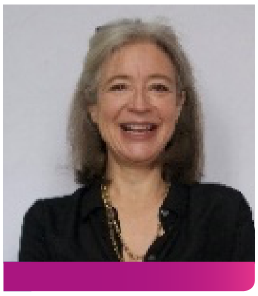
The Executive Committee (EXCO) is responsible the day-to-day management of BEIS and the delivery of its strategic objectives. EXCO is the forum to discuss key cross cutting issues impacting the entire organisation. The reforms made in March 2022 to enable EXCO to home in on strategic lens while remaining agile to evolving challenges and were successfully embedded during 2022-23. As part of these reforms EXCO meetings focused on 3 rotating themes: people and operations, policy and strategy and performance and delivery.

Key areas of discussion

- Key departmental risks and mitigation.
- Departmental finances.
- Employee engagement and resourcing.
- Business continuity.
- Delivery of the net zero strategy and industrial policy.
- Economic outlook 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

The Performance and Risk Committee is a delegated committee of EXCO. It reviews the overall performance of the department and focuses on overarching risk issues facing the department.

Key areas of discussion

- Risk framework and risk appetite statement.
- Monitoring of departmental risks, agreeing to escalations of risks from group level and updates to existing risks.
- Scrutiny of resourcing and delivery risks, including the impact of inflation and delivery confidence.
- Lessons learnt reports including on business planning and winter preparedness.
- Review of partner organisation risk.
- Strengthening of monitoring and evaluation.
- Continuing to monitor departmental responses to ongoing issues such as public sector equality duty.

Projects and Investments Committee

Jonathan Mills
Co-chair, Project, and Investments Committee (from February 2023)

David Bickertongh
Co-chair, Project, and Investments Committee

Hugo Robson
Project and Investments Committee Deputy Chair

Tom Taylor
(until February 2023) – Project and Investments Committee Deputy Chair

Joanna Whittington
(until October 2022) – Project and Investments Committee Co-Chair

Role

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.

Since the machinery of government changes on 7 February 2023, PIC has continued to meet to consider investments proposals on an interim basis until approval processes are fully integrated into the new departments (Department for Energy Security and Net Zero, Department for Science, Innovation and Technology, Department for Business and Trade). Rotating membership has been strategically aligned to the new departments.

Key areas of focus

- Supporting households through the Energy Price Guarantee and other energy support schemes.
- Delivery of net zero and energy security through programmes such as Clean Heat Market Mechanisms and Boiler Upgrade scheme.
- Science advances through innovation projects such as the Offshore Wind Manufacturing Investment Scheme and Great British Nuclear, a state backed delivery body that will address constraints in the nuclear market, help the UK reach net zero by 2050 and support nuclear builds such as Sizewell C.

People and Operations Committee

Ashely Ibbett
Co-chair, People and Operations Committee

Jo Shanmugalingam
Co-chair, People and Operations Committee

Role

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. The People and Operations Committee underwent a reform towards the end of 2022 to strategically align it with the priorities of BEIS Corporate Services.

Key areas of discussion

- Places for Growth.
- 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

Due to the importance of net zero within BEIS, the permanent secretary chairs 2 net zero boards. The Net Zero Delivery Board oversees the department's portfolio of initiatives that contribute to the 2050 net zero goal. The Net Zero Strategy Board discusses the policy actions BEIS should bring forward to meet ambitions.

BEIS is also involved in 2 cross-government committees. The Domestic and Economic Affairs (Energy, Climate and Net Zero) Cabinet Committee reviews the successes of the Climate Action Committees and ensures that net zero continues to have a dedicated Cabinet-level forum. The climate change Integrated Review Implementation Group (IRIG) provides a whole of government approach to domestic and international climate policy and escalates issues to the Cabinet Committee as appropriate.

Management of outside interests

Register of interests for directors

See directors' report on page 72.

Process for managing outside interests

The department has a policy in place for the declaration of interests for all staff, which provides a framework to deal with any actual, potential or perceived conflicts of interest between staff, suppliers, and other stakeholders.

All staff must ensure declarations are made at the earliest opportunity once they are aware that a conflict of interest may exist. Once a declaration is made, line management must ensure they review and agree any mitigating actions, if required.

All senior civil servants (SCS) are required to fill out a Conflicts of Interest Declaration Form annually. Nil returns should also be declared. SCS Conflict of Interest Declaration Forms are reviewed by the BEIS conflicts officer where an interest has been declared and reported to the Cabinet Office.

The policy also provides guidance on employees holding paid positions external to BEIS.

Details of remunerated outside employment held by SCS are published on gov.uk https://www.gov.uk/government/publications/beis-senior-civil-servant-secondary-paid-employment-2022-to-2023.

Special advisers

In line with the current declaration of interests policy for special advisers, all former BEIS 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 the following relevant interests are set out in public:

Name	Interest
Fred De Fossard	Director of De Fossard Communications. During their time as a special adviser this directorship is unpaid.
Radomir Tylecote	Fellow of the Institute of Economic Affairs. During their time as a special adviser Radomir will not publish papers, input into any work for the Institute of Economic Affairs and not receive any payment.

Business appointment rules

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

To raise awareness, the department includes information on Business Appointment Rules in staff contracts, induction packs, leaver guidance and the departmental intranet pages.

- number of exits from the Civil Service at senior civil service (SCS) level: 28
- number of breaches of the rules in 2022-23 and prior year: 0

Grade	number of BARs applications assessed by the department over the year	number of BARs applications where conditions were set	number of applications found to be unsuitable for the applicant to take up
SEO	3	3	-
G7	16	16	-
G6	8	8	-
SCS pay band 1	13	13	-
SCS pay band 2	2	2	-
Special advisers	1	1	-
Total	**43**	**43**	**-**

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 2022-23 are disclosed under risks affecting delivery of our objectives in the Performance Report. The process to identify these risks involves horizon scanning by the 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 2022-23.

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 departmental risks. During the year we continued to improve the online risk management tool to ensure risks were being reported regularly. We have improved the risk quality assessment tables to focus on project risk reporting. This has resulted in an improvement in the number of project risks reported. We've also improved online reporting tools like Power BI to present better risk information (focusing on risk appetite).

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.

Government Internal Audit Agency

The Government Internal Audit Agency (GIAA) provides the internal audit service for BEIS. For 2022-23, 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. The position had a slight deterioration from prior year with BEIS seeking to deliver an increasingly broad, complex, and fast paced mission with fixed capacity and constrained (at least in the short term) capability; and disruption to the control environment caused by machinery of government changes (MOG).

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. GIAA continued to highlight staff welfare and risk of increased levels of stress and burn-out. This is particularly so as the expected respite after the pandemic was quickly replaced by the cost of energy crisis, the war in Ukraine and more recently the MOG changes. GIAA audits have found that the department remains alive to these issues and has proactively supported staff throughout.

Work is still ongoing to implement the internal audit actions issued by GIAA in 22-23. To date, 41% of actions due relating to 22-23 audits have been closed. Following the MOG changes announced in February 2023, teams across the department have required additional time to implement their internal audit actions due to changes in roles and responsibilities tied with resourcing constraints. The new departments and GIAA are working closely to ensure that remaining overdue actions are closed, and that remaining actions can be allocated to the new departments accordingly.

National Audit Office and the Public Accounts Committee

BEIS led on several key interventions on energy security and business 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 resulting in 6 Public Account Committee (PAC) hearings involving BEIS witnesses between April 2022 and March 2023:

- 4 July – Measuring and reporting public sector greenhouse gas emissions
- 11 July – Regulation of energy suppliers
- 17 October – Workforce in the UK
- 5 December – ARA
- 27 February – Energy Bills Support
- 23 March – Decarbonising the Power Sector

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 National Audit Office (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 2022-23, programmes and projects continued to follow the department's 'integrated assurance and approvals framework'. In 2022-23, the department had 25 projects on Government Major Projects Portfolio (GMPP) an increase of 2 from last year. During 2022-23 there were 100 assurance reviews held.

Quality assurance of analytical models

We use analytical models to inform our policy making, evaluation and operations. We quality assure these models to ensure they are fit for purpose and comply with the government's Analytical Quality Assurance (AQUA) Book. The '2022 NAO Value for Money Report Financial Modelling in Government' highlighted our processes as demonstrating good practice.

During the year, we have had a churn of models coming into and going out of use. As at March 2023, over 90% of the 100 registered analytical models had the required very high level of assurance. Plans are in place to achieve the required level of assurance for all models. The Modelling Integrity Team has an active Monitoring system. The team recommends a range of timescales, that are suitable and proportionate to each model in question.

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

Data protection

No personal data breaches were reported to the Information Commissioner's Office (ICO). The BEIS data Controllership comprises 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).

We have worked closely with the Government Security Group (GSG) in the Cabinet Office shaping and piloting the new Cyber Assurance Framework. Defensive capability has evolved with the onboarding of a third party professional cyber incident response service, providing assistance in responding to a cyber-attack should the need arise. An overarching review of cyber governance is planned for 2023-24. We continue to work with the Government Property Agency to ensure adequate security at sites where we have staff.

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 2 ministerial directions during 2022-23.

Energy Price Guarantee

A ministerial direction was given, authorising the implementation of the Energy Price Guarantee scheme, the government intervention to temporarily reduce the cost of energy bills for domestic consumers. While the accounting officer considered the scheme necessary and urgent, it was judged that there was insufficient certainty that the accounting officer tests had been met. On feasibility, the urgency to implement the scheme meant that full enforcement powers would not be in place at the outset of the scheme. On propriety, it was noted that even small rates of fraud would have significant impacts on the public purse, given the scale of support. Finally, on value for money, many of the intended benefits could not be straightforwardly quantified, nor was it possible to fully evaluate how this intervention compared with potential alternatives. The ministerial direction was issued on 29 September 2022, instructing the accounting officer to proceed with the introduction of the scheme.

Energy Bill Relief Scheme

A ministerial direction was given, authorising the implementation of the Energy Bill Relief Scheme, the government intervention to temporarily reduce the cost of energy bills for businesses and public sector bodies. The accounting officer's consideration was similar to that of the Energy Price Guarantee scheme. It was again considered necessary and urgent, but similar risks on feasibility, propriety, and value for money were raised. The ministerial direction was issued on 24 October 2022, instructing the accounting officer to proceed with the introduction of the scheme.

Effectiveness of our whistle blowing arrangements

Internal whistle blowing

We encourage our employees to speak up and raise a concern when they believe there may have been a wrongdoing or if something does not feel, look or sound right. This encouragement was reinforced throughout the year via senior management bulletins from our permanent secretary and chief people officer, at all-staff events, via our participation in the annual cross-Whitehall "Speak Up" campaign, in local-focused events and through messaging to senior civil servants (for cascading). Our procedures for raising concerns are accessible to all BEIS employees and we continue to offer 6 different routes to do this including via an external whistleblowing hotline.

In 2022-23 we had no whistleblowing concerns raised by employees working in BEIS. The 2022 People Survey again highlighted that most BEIS employees 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.

In 2021-22, there were 1768 reports relating to COVID-19 schemes reported via the same route. The government wide COVID-19 hotline closed in September 2022 and reporting now comes directly into NATIS.

In 2022-23 there have been 1271 reports from members of the public relating to COVID-19. As the scheme ages it is expected that the numbers of reports will continue to fall.

On non-COVID-19 related issues, we did not receive any reports during 2022-23. We have recently reviewed and updated our whistleblowing policies and procedures.

Governance of BEIS' public bodies

BEIS has a large number and diverse range of public bodies. Most of BEIS' public bodies are governed by their own independent boards and have their own governance and internal assurance structures. Details of these can be found in their individual annual reports and accounts. The 28 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 2022-23, the core department received assurance on risks and delivery within the POs in the following ways:

- acted in line with the code of good practice - arm's length body sponsorship code of good practice
- 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 implemented the new Cabinet Office review programme across its public bodies in line with the Cabinet Office guidance. The UKRI report was published in June 2022. Reviews of Insolvency Service, Met Office, North Sea Transition Authority, Small Business Commissioner and Salix Finance Ltd have been undertaken in year 1 of the 3-year programme.

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 2022-23 from GIAA which was the same as the previous year.

Overall, I am satisfied that the department continued to embed an appropriate system of internal control and risk management during this reporting period and to improve and adapt its governance arrangements considering the risks being managed. This work will be continued in the 3 new departments that have been formed from BEIS following the machinery of government changes in February 2023.

Sarah Munby

Permanent Secretary and Principal Accounting Officer

10 October 2023

Staff report

Number of senior civil service staff by band

The table below shows the number of senior civil servants grouped by their salary bands. Salary band represent actual salary rates. Bonuses are not included.

The numbers are based on the full year equivalent as at 31 March 2023. They include both permanent and fixed term contracts. It includes active workers only, and exclude inactive workers such as those on maternity leave, outward loans etc.

	As at 31 Mar 2023	As at 31 Mar 2022
£60,000 - £64,999	-	1
£65,000 - £69,999	1	1
£70,000 - £74,999	85	137
£75,000 - £79,999	94	57
£80,000 - £84,999	36	24
£85,000 - £89,999	18	11
£90,000 - £94,999	11	39
£95,000 - £99,999	35	11
£100,000 - £104,999	12	8
£105,000 - £109,999	3	4
£110,000 - £114,999	3	3
£115,000 - £119,999	2	1
£120,000 - £124,999	2	6
£125,000 - £129,999	4	1
£130,000 - £134,999	1	3
£135,000 - £139,999	5	3
£140,000 - £144,999	2	1
£145,000 - £149,999	2	1
£150,000 - £154,999	2	1
£155,000 - £159,999	1	-
£160,000 - £164,999	-	2
£165,000 - £169,999	2	-
£180,000 - £184,999	-	2
£185,000 - £189,999	1	-
Total	**322**	**317**

Staff numbers (audited information)

The table below shows numbers based on the full year equivalent average. The figures include both permanent and fixed term contracts. It includes active workers only, and excluded inactive workers such as those on maternity leave, outward loans etc.

					2022–23	2021–22
	Permanent employed staff	Others	Ministers	Special advisers	Total	Total
Core department	5,759	225	6	3	5,993	5,865
Agencies	3,050	214	-	-	3,264	3,028
Non departmental public bodies (NDPBs)	15,010	2,602	-	-	17,612	16,293
Total	**23,819**	**3,041**	**6**	**3**	**26,869**	**25,186**
Of which						
Core department and agencies	8,809	439	6	3	9,257	8,893
NDPBs and other designated bodies	15,010	2,602	-	-	17,612	16,293
Total	**23,819**	**3,041**	**6**	**3**	**26,869**	**25,186**

Staff costs (audited information)

			2022–23	2021–22
	Permanent employed staff	Others	Total	Total
	£m	£m	£m	£m
Wages and salaries	1,187	152	1,339	1,221
Social security costs	131	-	131	158
Other pension costs	294	-	294	280
Sub total	**1,612**	**152**	**1,764**	**1,659**
Less recoveries in respect of outward secondments	(7)	(2)	(9)	(27)
Total net costs	**1,605**	**150**	**1,755**	**1,632**
Core department and agencies	555	43	598	560
NDPBs and other designated bodies	1,050	107	1,157	1,072
Total net costs	**1,605**	**150**	**1,755**	**1,632**

Staff costs (audited information)

In the departmental group, £27,751,537 of staff costs were capitalised (2021–22: £23,831,552). And 482 employees were engaged on capital projects (2021–22: 510 employees).

Staff severance costs are included in wages and salaries. For further details on staff severance costs, see exit packages in the staff report.

Social security costs were lower than 2021-22 despite the increase in pay and pensions. This is due to a decrease in social security costs in UKRI by £40 million. This is explained in the UKRI annual report and accounts.

Total net costs of 'others' includes ministers' total net costs of £346,124 (2021–22: £280,833).

Nuclear site licence companies – staff numbers and costs (audited information)

Staff costs for nuclear site licence companies (SLCs) are disclosed separately. They are included in the amounts shown for utilisation in the Nuclear Decommissioning Authority's (NDA) nuclear decommissioning provision in note 20, rather than being reported as staff costs in the Statement of Comprehensive Net Expenditure (SOCNE).

			2022–23	2021-22
	Permanent employed staff	Others	Total	Total
Number of staff (full time equivalent)	**14,812**	**915**	**15,727**	**15,589**
Costs				
Wages and salaries (£m)	885	56	941	869
Social security costs (£m)	106	-	106	91
Other pension costs (£m)	178	-	178	172
Total costs (£m)	**1,169**	**56**	**1,225**	**1,132**

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 2022–23, employer contributions of £169,192,669 were payable to the PCSPS (2021–22: £155,482,772) at one of 4 rates in the range 26.6% to 30.3% (2021–22: 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 2022–23 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 £3,240,867 (2021–22: £1,387,160) were paid to one or more of the panel of 3 appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75%. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £19,635 (2021–22: £22,482), 0.5% (2021–22: 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 as at 31 March 2023 were £50,482 (2021–22: (£1,589)). Contributions prepaid at that date were £nil (2021–22: £nil).

Ill-health retirement

In 2022–23, 36 persons (2021–22: 30 persons) across the departmental group retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £2,507,360 (2021–22: £1,094,226).

Other pension schemes

Employer contributions to other pension schemes in 31 March 2023, amounted to £302,566,449 (2021–22: £295,072,090). Employer contributions include employers' contributions, current service costs and where appropriate past service costs of funded pension schemes. Further details can be found in the accounts of the department's NDPBs and other designated bodies. A list of these bodies is provided in note 28.

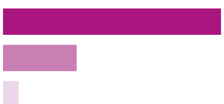
Staff composition

The table below shows staff composition as at 31 March 2023.[1]

The numbers are based on headcount and include both permanent and fixed term contracts. It includes active workers, and inactive workers such as those on maternity leave and outward loans. It excludes all contingent labour.

Gender	2022-23	2021-22	2020-21
All employees	6,286	6,009	5,210
Men	50%	50%	51%
Women	50%	50%	49%
Senior civil servants	346	336	313
Men	49%	51%	56%
Women	51%	49%	44%
Executive committee[2]	20	19	16
Men	50%	58%	63%
Women	50%	42%	38%

Disability	2022-23	2021-22	2020-21
Declaration rate	84%	87%	83%
Representation: 			
no	83%	83%	83%
yes	11%	11%	11%
prefer not to say	6%	6%	6%

Ethnicity	2022-23	2021-22	2020-21
Declaration rate	89%	92%	89%
Representation: 			
white	71%	71%	73%
BAME	24%	24%	22%
prefer not to say	5%	5%	5%

Sexual orientation

	2022-23	2021-22	2020-21
Declaration rate	89%	92%	89%
Representation:			
straight	81%	81%	80%
LGBT+	9%	9%	10%
prefer not to say	10%	10%	10%

Notes

1) The figures differ from staff numbers on page 96. They align with staff numbers in the Annual Civil Service Employee Survey (ACSES), based on ONS definitions.
2) For the gender table only, 2020-21 figures were FTE, and from 2021-22 changed to headcount. But this does not have a significant impact on the overall % splits.

Sickness absence data

The table below shows average working days lost to sickness absence. Disclosures for our executive agencies can be found in their annual report and accounts.

	2022-23	2021-22
Core department	3.8	3.4

Staff turnover percentage

The table below shows the staff turnover percentage in 2022-23 for the core department and agencies, as defined for the Civil Service statistics collection.

Departmental turnover includes employee who left the department. While turnover refers those who also left the Civil Service.

We continued to actively monitor turnover. The department has seen major structural changes in the 2022-23 period, influencing turnover. The workforce has continued to expand and grow in various sectors including energy and net zero. Internal and external factors play a part in the causes for turnover.

	2022-23		2021-22	
	Departmental turnover	Turnover	Departmental turnover	Turnover
Core Department	17.0%	8.8%	14.9%	6.1%
UK Space Agency	24.0%	12.0%	26.9%	13.8%
Companies House	11.6%	8.5%	11.3%	7.4%
Insolvency service	10.3%	5.8%	10.4%	5.4%
ACAS	10.9%	8.3%	10.7%	6.1%
UK Intellectual Property Office	7.3%	5.7%	6.5%	4.4%
Met Office	7.6%	7.2%	10.2%	10.2%

Civil service people survey staff engagement scores

	2022	2021	2020	2019
Engagement score	61%	67%	65%	62%

In the People Survey 2022, BEIS achieved a response rate of 85%.

We had an engagement index of 61%, which is a decrease from the People Survey undertaken in 2021, by 6 percentage points. The outcomes for all 9 themes that underpin the survey declined, and notably the lowest scoring areas were pay and benefits, leadership and managing change and learning and development.

The department put in place a series of focus groups to gain greater understanding on the above themes in January and local action plans have been delivered to focus on key impacts at team level. Across the department, and as part of the Machinery of Government transition, departmental action plans are being shaped to ensure a stronger focus on departmental purpose and objectives, develop leadership capability, engage colleagues in the future reward strategy and champion learning and development.

Staff policies applied for disabled persons

Supporting disabled people at recruitment and throughout their employment is important to BEIS.

Applications for employment

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, career development and promotion

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

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.

			2022-23
	Core department and agencies	Other agencies not consolidated in the group accounts]	Total
Relevant union officials			
Number of trade union representatives employed	51	44	95
Full-time equivalent	46	41	87
Percentage of time spent on facility time			
Working hours each representative spent on facility time			
0% of working hours	1	2	3
1 - 50% of working hours	50	42	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 (£)	£142,782	£144,038	£286,820
Total pay bill (£m)	£559	£241	£800
Facility time as a % of pay bill	0.02%	0.06%	0.04%
Paid trade union activities			
(Hours spent on paid trade union activities			
÷ total paid facility time hours) * 100	0.00%	0.00%	0.00%

Health, safety, and wellbeing

We have a strong record in providing a safe and supportive work environment.

In 2022-23, there were no reported accidents within 'Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013'.

We ensure staff are safe in every location they work, from both office and from home. We ensure staff have the correct equipment and training to carry out their duties with all the considerations for hybrid working. The department continued to ensure that office working environments are accessible, as far as reasonably practicable. For staff activities that required risk assessments, appropriate controls and risk management were in place.

We are supportive of staff wellbeing. The wellbeing offer includes resilience training, stress management, mental health, health campaigns and disability awareness. Staff have access to the Employee Assistance Programme for confidential counselling and advice on work and life issues. We also had 300 Mental Health First Aiders to provide signposting support.

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. During the year we have:

- met local goals for increasing the diversity of our workforce and worked with teams to refresh these goals
- completed delivery of our 3-year diversity and inclusion strategy
- continued to support our staff networks – and have supported the development of networks in the new departments following Machinery of Government changes
- maintained a high ‘inclusion and fair treatment’ score in the 2022 People Survey at 83%
- continued to promote public sector equality duty obligations through regular training and providing bespoke support across policy areas

Staff redeployments

The table below shows the number of staff loaned and hosted as at 31 March 2023.

Staff loaned (outward staff loans) were staff permanently employed by the core department, who were on loan to another organisation. Staff hosted (inward staff loans) were those attached to the core department, who were on loan from other organisations.

As the home department, short-term costs relating to outward staff loans were charged to the administration budget, if the core department paid the cost. As the host department, short-term costs relating to inward staff loans were charged to the administration budget, if the core department paid the cost.

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

Loans in

	Non-Payroll		Payroll		Total	
	Short term	Long term	Short term	Long term	Short term total	Long term total
AO	-	1	-	-	-	1
EO	-	2	-	2	-	4
FAST	-	8	-	-	-	8
G6	1	7	-	15	1	22
G7	3	22	-	23	3	45
HEO	1	5	-	19	1	24
SCS1	-	1	-	4	-	5
SCS2	-	2	1	2	1	4
SCS3	-	1	-	-	-	1
SEO	1	3	1	32	2	35
Total	**6**	**52**	**2**	**97**	**8**	**149**

Loans out

	Loan Out - Non Pay		Loan Out - Payroll		Total	
	Short term	Long term	Short term	Long term	Short term total	Long term total
AO	-	1	-	-	-	1
EO	-	6	-	-	-	6
FAST	2	2	-	-	2	2
G6	-	12	-	-	-	12
G7	-	46	-	-	-	46
HEO	-	32	1	-	1	32
SCS1	-	8	-	-	-	8
SCS2	-	2	-	-	-	2
SEO	-	16	-	-	-	16
Total	**2**	**125**	**1**	**-**	**3**	**125**

Consultancy and temporary staff expenditure

The departmental group's expenditure on consultancy in 2022–23 was £177.9 million (2021-22: £174.3 million). The consultancy expenditure of executive agencies was £5.7 million (2021–22: £8.2 million) and the consultancy expenditure relating to arm's length bodies was £65.8 million (2021–22: £67.2 million) of which £32.3 million (2021–22: £27.5 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 skill 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 2022–23 was £149.8 million (2021–22: £106.3 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.

SLCs are subsidiaries of the NDA and fall within the departmental accounting boundary. But they 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, project driven, nature of their work.

Table 1: Highly paid off-payroll worker engagements as at 31 March 2023, earning £245 per day or greater

	Core department	Agencies	Others in the departmental group (no SLCs)	Others in the departmental group (SLCs only)	Entities outside the departmental group
No. of existing engagements as of 31 Mar 2023	121	246	833	129	4
Of which, no. that existed for					
less than 1 year	89	162	431	15	2
between 1 and 2 years	5	62	201	25	-
between 2 and 3 years	6	14	85	17	-
between 3 and 4 years	-	2	42	15	1
4 or more years	21	6	74	57	1

Table 2: All highly paid off-payroll workers engaged at any point during the year ended 31 March 2023, earning £245 per day or greater

	Core department	Agencies	Others in the departmental group (no SLCs)	Others in the departmental group (SLCs only)	Entities outside the departmental group
No. of temporary off-payroll workers engaged during the year ended 31 March 2023	223	289	1153	177	6
Of which					
Not subject to off-payroll legis-lation	154	66	374	17	-
Subject to off-payroll legisla-tion and determined as in-scope of IR35	7	142	598	90	-
Subject to off-payroll legisla-tion and determined as out-of-scope of IR35	62	81	181	70	6
No. of engagements reas-sessed for compliance or as-surance purposes during the year	-	95	15	64	-
Of which: No. of engagements that saw a change to IR35 sta-tus following review	-	-	1	10	-

Table 3: For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2022 and 31 March 2023

	Core department	Agencies	Others in the departmental group (no SLCs)	Others in the departmental group (SLCs only)	Entities outside the departmental group
No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year	-	-	8	-	3
Total no. of individuals on pay-roll and off-payroll that have been deemed “board members and/or senior officials with significant financial responsibility”, during the financial year. This figure should in-clude both on payroll and off-payroll engagements.	35	-	133	5	21

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

Competition Appeal Tribunal/ Competition Service

- The president of the Competition Appeal Tribunal (CAT) is the chair of the board and paid by the Ministry of Justice (MOJ) and is on the MOJ payroll. However, the salary, Earning Related National Insurance Contributions (ERNIC), and Judicial Pension Scheme employer contributions are invoiced to the CAT.

AEA Insurance Ltd

AEA Insurance Ltd (AEAIL) is a captive insurance company registered in the Isle of Man and subject to their tax and NI legislation. AEAIL does not employ anyone, so AEAIL directors are off-payroll by default.

- Off-payroll director 1: Engagement term = 21/03/2002 to 31/03/2023 = 21 years
- Off-payroll director 2: Engagement term = 13/01/2022 to 31/03/2023 = 1 year

Companies House

- One director of digital retained on an interim basis. She was secured to fill the role on an interim basis following the withdrawal of the identified candidate at very short notice.

UK Research Innovation

- One chief executive officer and 3 executive chairs. They remain on their organisations' payrolls and UKRI reimburse their organisations.
- One chief people officer retained on a consultancy basis. He was secured to fill the role on an interim basis following the permanent occupant leaving ahead of the conclusion of their fixed term appointment.

Small Business Commissioner

- The 3 off-payroll persons are non-executive directors (NEDs). They are contracted to work for 8 days a year and paid a daily rate.
- Two of the NEDs were appointed in Jan 2019 and have come to the end of the appointment after 4 years.
- The third NED was appointed in October 2019, and their appointment ends in October 2023.

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 2022–23. £4,342,424 exit costs were paid in 2022–23, the year of departure (2021–22: £5,436,515).

	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
			2022–23
Less than £10,000	4	43	47
£10,000 - £25,000	9	28	37
£25,000 - £50,000	9	13	22
£50,000 - £100,000	-	42	42
£100,000 - £150,000	-	3	3
£150,000 - £200,000	1	-	1
Total number	**23**	**129**	**152**
Of which			
Core department and agencies	-	41	41
NDPBs and other designated bodies	23	88	111
Total number	**23**	**129**	**152**
Total cost (£)	**691,037**	**4,974,676**	**5,665,712**
Of which			
Core department and agencies	-	2,705,030	2,705,030
NDPBs and other designated bodies	691,037	2,269,645	2,960,682
Total cost (£)	**691,037**	**4,974,676**	**5,665,712**

	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
			2021–22
Less than £10,000	3	16	19
£10,000 - £25,000	6	33	39
£25,000 - £50,000	3	17	20
£50,000 - £100,000	3	17	20
£100,000 - £150,000	-	-	-
£150,000 - £200,000	-	1	1
Total number	**15**	**84**	**99**
Of which			
Core department and agencies	-	8	8
NDPBs and other designated bodies	15	76	91
Total number	**15**	**84**	**99**
Total cost (£)	**416,253**	**2,765,946**	**3,182,199**
Of which			
Core department and agencies	-	452,940	452,940
NDPBs and other designated bodies	416,253	2,313,006	2,729,259
Total cost (£)	**416,253**	**2,765,946**	**3,182,199**

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 under which appointments may otherwise be made.

Unless stated otherwise 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 2022-23.

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.

	2022-23				2021-22			
	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								
The Rt Hon Grant Shapps MP (from 25 Oct 2022)[3]	29,397	67,505	7,000	**36,000**	-	-	-	**-**
The Rt Hon Jacob Rees-Mogg MP (from 6 Sep 2022 to 25 Oct 2022)[4]	21,231	67,505	-	**21,000**	-	-	-	**-**
Rt Hon Kwasi Kwarteng MP (to 5 Sep 2022)	33,753	67,505	7,000	**41,000**	67,505	-	17,000	**85,000**
Ministers of State								
Graham Stuart MP (from 6 Sep 2022)[5]	15,840	31,680	9,000	**25,000**	-	-	-	**-**
George Freeman MP (from 26 Oct 2022)[6]	25,319	31,680	5,000	**30,000**	12,058	22,375	3,000	**15,000**
Jackie Doyle-Price MP (from 7 Sep 2022 to 27 Oct 2022)[7]	12,161	31,680	1,000	**13,000**	-	-	-	**-**
Nusrat Ghani MP (from 7 Sep 2022 to 6 Feb 2023)[8]	17,952	31,680	3,000	**21,000**	-	-	-	**-**
Lord Grimstone (to 6 July 2022)[9]	-	-	-	**-**	-	-	-	**-**
Rt Hon Greg Hands MP (to 6 Sep 2022)[10]	21,648	31,680	3,000	**25,000**	15,840	31,680	5,000	**21,000**
Parliamentary Under-Secretaries of State								
Lord Callanan[11]	107,335	-	20,000	**127,000**	107,335	-	18,000	**125,000**
Paul Scully MP (to 6 July 2022)[12,17]	7,458	22,375	1,000	**8,000**	22,375	-	6,000	**28,000**
Amanda Solloway MP[17]	-	-	-	**-**	11,187	22,375	2,000	**13,000**
Kevin Hollinrake MP (from 28 Oct 2022 to 6 Feb 2023)[13]	9,624	22,375	1,000	**11,000**	-	-	-	**-**
Dean Russell MP (from 20 Sep 2022 to 27 Oct 2022)[14]	7,841	22,375	-	**8,000**	-	-	-	**-**

	2022-23				2021-22			
	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
Jane Hunt MP (from 8 Jul 2022 to 8 Sep 2022)[15]	9,398	22,375	1,000	**10,000**	-	-	-	**-**
Lee Rowley MP (to 6 Jul 2022)[16]	-	-	-	**-**	-	-	-	**-**

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 Secretary of State for Department for Energy Security and Net Zero (DESNZ) from 7 February 2023, from BEIS following the Machinery of Government announcement. Previously Secretary of State for the Home Office before joining BEIS on 25 October 2022.

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

5 Previously Minister of State for Foreign, Commonwealth and Development Office (FCDO), prior to joining BEIS 6 September 2022.

6 Minister of State for Department for Science, Innovation and Technology (DSIT) from 7 February 2023, from BEIS following the Machinery of Government announcement. Previously Minister of State for BEIS, from 26 October 2022. Salary includes £7,920 statutory payment on cessation of Ministerial office, as Parliamentary Under Secretary, from 7 September 2021 to 7 July 2022.

7 Salary includes £7,920 statutory payment on cessation of Ministerial office.

8 Minister of State transferred to Department for Business and Trade (DBT) and the Cabinet Office jointly from 7 February 2023, from BEIS following the Machinery of Government announcement Joined BEIS 7 September 2022.

9 Minister of State jointly with Department for International Trade (DIT).

10 Salary includes £7,920 statutory payment on cessation of Ministerial office.

11 Parliamentary Under Secretary for DESNZ from 7 February 2023, from BEIS following the Machinery of Government announcement. Salary includes £36,366 Lords Office Holders Allowance.

12 Parliamentary Under Secretary for DSIT from 7 February 2023, following the Machinery of Government announcement. Previously Minister of State at the Department for Digital, Culture, Media and Sport (DCMS). Jointly Parliamentary Under Secretary of State in BEIS and Minister for London, from 14 February 2020 to 6 July 2022.

13 Parliamentary Under Secretary of State for DBT from 7 February 2023, from BEIS following the Machinery of Government announcement.

14 Salary includes £5,593 statutory payment on cessation of Ministerial office.

15 Salary includes £5,593 statutory payment on cessation of Ministerial office.

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

17 The following ministers transferred to BEIS' successor departments following the Machinery of Government announcement. These individuals were not remunerated by BEIS in February or March 2023 but were paid by their previous department and the details of this can be found in their published accounts. These have been disclosed here for completeness.

- The Rt Hon Michelle Donelan MP (Secretary of State for DSIT) - joined on 7 February 2023 from DCMS
- Julia Lopez MP (Minister of State for DSIT) - joined on 7th March 2023 and will undertake a joint role with DCMS.

- Paul Scully MP (Parliamentary Under Secretary of State for DSIT) - joined on 7 February 2023 from DCMS. Remuneration disclosed in the table above relates to the minister's previous tenure at BEIS to 6 July 2022.
- Andrew Bowie MP (Parliamentary Under Secretary of State for DESNZ) - joined on 7 February 2023 from DIT.
- Viscount Camrose (Parliamentary Under Secretary of State for DSIT) - joined on 7 March 2023 in his first ministerial posting.
- Amanda Solloway MP - (Parliamentary Under Secretary of State for DESNZ) - joined on 7 February 2023. The minister has been included in the table above to disclose the prior year comparative remuneration but was not remunerated by BEIS for her tenure between 7th February and 31st March 2023.

Ministers – pension benefits (audited information)

The table below shows the pension entitlements for each minister.

	Pension benefits at age 65 as at 31 March 2023	Real increase in pension at age 65	CETV at 31 March 2023[1]	CETV at 31 March 2022[1]	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Secretary of State					
Rt Hon Kwasi Kwarteng MP (to 5 Sep 2022)	0-5	0-2.5	40	32	3
The Rt Hon Jacob Rees-Mogg MP (from 6 Sep 2022 to 25 Oct 2022)[2]	-	-	-	-	-
The Rt Hon Grant Shapps MP (from 25 Oct 2022)	5-10	0-2.5	117	105	4
Ministers of State					
Lord Grimstone (to 6 July 2022)[3]	-	-	-	-	-
Rt Hon Greg Hands MP (to 6 Sep 2022)	5-10	0-2.5	100	93	2
Nusrat Ghani MP (from 7 Sep 2022 to 6 Feb 2023)	0-5	0-2.5	14	10	2
Jackie Doyle-Price MP (from 7 Sep 2022 to 27 Oct 2022)	0-5	0-2.5	25	23	1
Graham Stuart MP (from 6 Sep 2022)	5-10	0-2.5	88	72	7
George Freeman MP (from 26 Oct 2022)	0-5	0-2.5	57	50	3
Parliamentary Under-Secretaries of State					
Lord Callanan	5-10	0-2.5	145	109	15
Paul Scully MP (to 6 Jul 2022, from 7 Feb 2023)	0-5	0-2.5	14	12	1
Lee Rowley MP (to 6 Jul 2022)[3]	-	-	-	-	-
Amanda Solloway MP (from 7 Feb 2023)	-	-	-	10	-
Kevin Hollinrake MP (from 28 Oct 2022 to 6 Feb 2023)	0-5	0-2.5	2	-	1
Dean Russell MP (from 20 Sep 2022 to 27 Oct 2022)	0-5	0-2.5	-	-	-
Jane Hunt MP (from 8 Jul 2022 to 8 Sep 2022)	0-5	0-2.5	1	-	1

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 The Minister has opted out of the Pension Scheme in 2019.

3 Does not draw salary or pension benefits.

Senior officials – single total figure of remuneration (audited information)

The table below shows each component, and the single total figure of remuneration for each senior official in 2022-23. 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.

	2022-23					2021-22				
	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[3]	165-170	-	-	64	**225-230**	160-165	-	-	62	220-225
Jeremy Pocklington (from 7 Feb 2023)[4]	20-25	165-170	-	-4	**20-25**	-	-	-	-	-
Clive Maxwell (from 21 Nov 2022)[5]	60-65	165-170	-	27	**85-90**	-	-	-	-	-
Director general										
David Bickerton[6]	135-140	-	0-5	-	**135-140**	85-90	130-135	-	-	85-90
Caleb Deeks[6]	85-90	125-130	5-10	29	**120-125**	25-30	80-85	-	18	40-45
Freya Guinness[7]	150-155	-	0-5	22	**175-180**	140-145	145-150	-	58	195-200
Ashley Ibbett[8]	125-130	-	0-5	26	**155-160**	120-125	-	-	54	170-175
Beatrice Kilroy-Nolan (from 11 Oct 2022)[9]	-	-	-	-	**-**	-	-	-	-	-
Gavin Lambert[6]	85-90	125-130	5-10	3	**95-100**	25-30	85-90	-	24	45-50
Lee McDonough[8]	135-140	-	5-10	-62	**80-85**	105-110	130-135	-	13	120-125
Madelaine McTernan (to 15 Jan 2023)[10]	55-60	180-185	-	25	**80-85**	180-185	-	-	-	180-185
Jonathan Mills (from 6 Jun 2022)[11]	115-120	140-145	0-5	-6	**110-115**	-	-	-	-	-
Paul Monks[8]	105-110	135-140	0-5	42	**150-155**	105-110	-	-	41	145-150
Ben Rimmington[8]	125-130	-	0-5	4	**130-135**	90-95	120-125	-	89	175-180
Jo Shanmugalingam[7]	120-125	130-135	5-10	3	**130-135**	110-115	-	5-10	30	145-150

	2022-23					2021-22				
	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
Joanna Whittington (to 1 Dec 2022)	110-115	165-170	5-10	3	**120-125**	160-165	-	5-10	44	210-215
Director										
Simon Hulme[12,16]	150-155	145-150	-	58	**205-210**	180-185	-	-	69	245-250
Alice Hurrell[12]	120-125	-	5-10	7	**135-140**	120-125	-	5-10	23	150-155
Donna Leong (from 6 Jun 2022)[13]	75-80	95-100	-	3	**80-85**	-	-	-	-	-
Dan Micklethwaite[12]	100-105	-	0-5	15	**120-125**	100-105	-	0-5	33	135-140
Abigail Morris[14]	120-125	115-120	0-5	33	**155-160**	70-75	110-115	0-5	-	75-80
Tim Sparrow (from 8 Sep 2022)[15]	15-20	105-110	-	5	**20-25**	-	-	-	-	-
Tom Taylor (to 12 Feb 2023)	115-120	130-135	5-10	-9	**110-115**	130-135	-	5-10	27	165-170

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 Permanent Secretary for Department for Science, Innovation and Technology (DSIT) from 7 February 2023, from BEIS following the Machinery of Government announcement.

4 Permanent Secretary for Department for Energy Security and Net Zero (DESNZ) from 7 February 2023, following the Machinery of Government announcement. Previously Permanent Secretary at the Department for Levelling Up, Housing and Communities (DLUHC).

5 Second Permanent Secretary for DESNZ from 7 February 2023, from BEIS following the Machinery of Government announcement. Appointed second Permanent Secretary for BEIS from 21 November 2022, previously Director General at the Department for Transport (DFT).

6 Director General, Department for Business and Trade (DBT) from 7 February 2023, from BEIS following the Machinery of Government announcement.

7 Director General, DSIT from 7 February 2023, from BEIS following the Machinery of Government announcement.

8 Director General, DESNZ from 7 February 2023, from BEIS following the Machinery of Government announcement.

9 On loan from the Cabinet Office.

10 Appointed as a permanent director general at BEIS from 8 September 2022. Previously on secondment from UK Government Investments (UKGI), from 1 January 2021 to 7 September 2022, where BEIS paid Ms McTernan's remuneration by Invoice.

11 Director General, DESNZ from 7 February 2023, from BEIS following the Machinery of Government announcement. Previously Director General at the Department for Work and Pensions (DWP).

12 Director, DESNZ from 7 February 2023, from BEIS following the Machinery of Government announcement.

13 Director, DESNZ from 7 February 2023, from BEIS following the Machinery of Government announcement. Joined BEIS Executive Committee in June 2022.

14 Director, DSIT from 7 February 2023, from BEIS following the Machinery of Government announcement. Salary in 2022/23 includes pay arrears paid in April 2022.

15 Director and Chief Financial Officer for DSIT from 13 February 2023, from BEIS following the Machinery of Government announcement. Previously Director at the Department for Digital, Culture, Media and Sport (DCMS). Joined ExCo on 7 February 2023.

16 Basic salary includes April pay at higher salary point before movement to new contract.

17 The following senior officers below transferred to BEIS' successor departments following the Machinery of Government announcement. These individuals were not remunerated by BEIS in February or March 2023 but were paid by their previous department. These have therefore not been included in the remuneration table above but have been disclosed here as a footnote for completeness.

– Susannah Storey - Director General, DSIT from 7 February 2023. Previously Director General at DCMS. Remuneration details can be found in their published accounts.

– David Thomas - Director and Chief Financial Officer for DESNZ from 20 March 2023. Previously Director at DLUHC

Senior officials – pension benefits (audited information)

The table below shows the pension entitlements for each senior official for the year ending 2023. Senior officials comprise members of the executive committee.

	Accrued pension at pension age as at 31 March 2023 and related lump sum	Real increase in pension and related lump sum at pension age[5]	CETV at 31 March 2023[1]	CETV at 31 March 2022[1]	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Permanent secretary						
Sarah Munby	10-15	2.5-5	123	84	22	-
Jeremy Pocklington (from 7 Feb 2023)	70 - 75 plus a lump sum of 30 - 35	a decrease of 0 - 2.5 and a decrease in lump sum of 0 - 2.5	1,098	1,091	(6)[4]	
Clive Maxwell (from 21 Nov 2022)	75 - 80 plus a lump sum of 135 - 140	0 - 2.5 plus a lump sum of 0 - 2.5	1,270	1,218	15	-
Director general						
David Bickerton[2]	-	-	-	-	-	-
Caleb Deeks	40 - 45	0 - 2.5	516	454	10	-
Freya Guinness	50 - 55	0 - 2.5	744	683	11	-
Ashley Ibbett	45 - 50 plus a lump sum of 85 - 90	0 - 2.5 plus a decrease in lump sum of 2.5 - 5	811	720	6	
Beatrice Kilroy-Nolan (from 11 Oct 2022)[3]	-	-	-	-	-	-
Gavin Lambert	35 - 40 plus a lump sum of 55 - 60	0 - 2.5 plus a decrease in lump sum of 2.5 - 5	540	491	(7)[4]	-
Lee McDonough	55 - 60 plus a lump sum of 145 - 150	a decrease of 0 - 2.5 plus a decrease in lump sum of 12.5 - 15	1303	1,251	(82)[4]	-
Madelaine McTernan (to 15 Jan 2023)	0 - 5	0 - 2.5	17	-	12	0 (9,000 in 21-22)
Jonathan Mills (from 6 Jun 2022)	50 - 55 plus a lump sum of 80 - 85	0 - 2.5 plus a decrease in lump sum of 5 - 7.5	751	701	(18)[4]	-

	Accrued pension at pension age as at 31 March 2023 and related lump sum	Real increase in pension and related lump sum at pension age[5]	CETV at 31 March 2023[1]	CETV at 31 March 2022[1]	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Paul Monks	5-10	2.5 - 5	84	48	26	-
Ben Rimmington	45 - 50 plus a lump sum of 85 - 90	0 - 2.5 plus a decrease in lump sum of 5 - 7.5	839	761	(13)[4]	
Jo Shanmugalingam	35 - 40 plus a lump sum of 55 - 60	0 - 2.5 plus a decrease in lump sum of 5 - 7.5	485	443	(14)[4]	-
Joanna Whittington (to 1 Dec 2022)	50 - 55 plus a lump sum of 75 - 80	0 - 2.5 plus a decrease in lump sum of 5 - 7.5	929	893	(13)[4]	-
Director						
Simon Hulme	5-10	2.5-5	127	78	34	-
Alice Hurrell	50-55	0-2.5	748	676	(9)[4]	-
Donna Leong (from 6 Jun 2022)	30 - 35 plus a lump sum of 40 - 45	0 - 2.5 plus a decrease in lump sum of 2.5 - 5	597	554	(8)[4]	-
Dan Micklethwaite	25-30	0-2.5	347	312	(2)[4]	-
Abigail Morris	0 - 5	0 - 2.5	17	-	11	-
Tim Sparrow (from 8 Sep 2022)	25 - 30	0 - 2.5	376	372	3	-
Tom Taylor (to 12 Feb 2023)	55 - 60 plus a lump sum of 100 - 105	0 - 2.5 plus a decrease in lump sum of 5 - 7.5	988	915	(23)[4]	-

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 On loan and paid by Cabinet Office.

4 Taking account of inflation, the CETV funded by the employer has decreased in real terms.

5 In some cases, the increase in pension and lump sum can be negative which means a real decrease has occurred. This is because the increase in pension (due to extra service or pay increases) may not be sufficient to offset the increase in inflation, resulting in a real terms reduction.

Non-executive board members – fee entitlements (audited information)

The table below shows fee entitlements for non-executive directors who were members of the departmental board.

	2022-23		2021-22	
	Fee entitlement	Full year equivalent if different	Fee entitlement	Full year equivalent if different
	£'000	£'000	£'000	£'000
Ann Cairns (to 28 Feb 2023)	15-20	20-25	20-25	-
Nigel Boardman (to 23 Jun 2022)	5-10	20-25	5-10	20-25
Vikas Shah[1]	20-25	-	10-15	15-20
Stephen Hill[2]	10-15	15-20	10-15	15-20
Peter Mather[3]	20-25	-	0-5	20-25

Notes

1 ARAC Chair for Department for Energy Security and Net Zero (DESNZ) from 28 March 2023, from BEIS following the Machinery of Government announcement. ARAC Chair role from 24 June 2022.

2 Transferred to Department of Business and Trade (DBT), as lead non-executive board member in February 2023, from BEIS following the Machinery of Government announcement.

3 Interim Lead, DESNZ from 28 March 2023, from BEIS following the Machinery of Government announcement.

Fair pay disclosure (audited information)

The table below shows the relationship during the year ending 31 March 2023 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 2022-23 was £185-190k (2021-22: £200k-£205k). This was 4.41 times (2021-22: 4.98) the median remuneration of the workforce, which was £42,531 (2021-22: £40,650).

In 2022-23, 97 (2021-22: 45) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £16,090 to £430,100 (2021-22 £20,025-£408,595).

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.

	2022-23	2021-22
Remuneration band of highest paid director	£185,000-£190,000	£200,000-£205,000
Median remuneration of workforce	£42,531	£40,650
Ratio of highest paid director to median	4.41	4.98
Remuneration range of workforce including directors	£16,090 - £430,100	£20,025 - £408,595
Number of people remunerated in excess of highest paid director	97	45

Notes

The number of people remunerated in excess of the highest paid director has increased in 2022-23 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 and allowances and performance pay and bonuses for the highest paid director and for staff average.

	Highest paid director	Staff average
Salary and allowances	3%	2%
Performance pay & bonuses	(85.7%)[1]	2%

Notes

1 Highest paid director did not receive a bonus in 2022-23.

The below table shows the ratio between the highest paid directors' total remuneration and the lower, median, and upper quartile for staff total pay and benefits for 2022-23. The slight decrease in ratio results from the remuneration band of the highest paid director decreasing in year.

	2022-23			2021-22		
	Lower quartile	Median	Upper quartile	Lower quartile	Median	Upper quartile
Total pay & benefits	32,920	42,531	57,005	31,392	40,650	54,675
Ratio	5.70:1	4.41:1	3.29:1	6.45:1	4.98:1	3.70:1
Salary	31,457	41,363	55,120	31,000	40,050	53,600
Ratio	5.96:1	4.53:1	3.40:1	6.53:1	5.06:1	3.78:1

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 3 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 2022) 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 2022-23 relate to performance in 2021-22 and the comparative bonuses reported for 2021-22 relate to performance in 2020-21.

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.

CETV figures are calculated using the guidance on discount rates for calculating unfunded public service pension contribution rates that was extant at 31 March 2023. HM Treasury published updated guidance on 27 April 2023; this guidance will be used in the calculation of 2023-24 CETV figures.

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 4 sections: 3 providing benefits on a final salary basis (**classic**, **premium** or **classic plus**) with a normal pension age of 60; and one providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

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 2 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 his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to nuvos, except that the accrual rate in 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is 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 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 130 to 143 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 46, 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 2022-23

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 detail on the control limits voted by Parliament. Significant variances between Outturn and the Estimate are explained in the financial review on pages 47 to 48.

		Outturn			Estimate			Outturn vs Estimate: saving/ (excess)		2021-22 Outturn
		Voted	Non-voted	Total	Voted	Non-voted	Total	Voted	Total	Total
	Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Departmental Expenditure Limit										
Resource	1.1	15,599,700	(1,033,909)	**14,565,791**	18,479,389	(1,033,834)	**17,445,555**	2,879,689	2,879,764	**8,712,053**
Capital	1.2	16,908,003	(15,435)	**16,892,568**	19,873,491	(15,435)	**19,858,056**	2,965,488	2,965,488	**20,992,392**
Total DEL		**32,507,703**	**(1,049,344)**	**31,458,359**	**38,352,880**	**(1,049,269)**	**37,303,611**	**5,845,177**	**5,845,252**	**29,704,445**
Annually Managed Expenditure										
Resource	1.1	(95,342,859)	263,156	**(95,079,703)**	(29,793,582)	480,000	**(29,313,582)**	65,549,277	65,766,121	**115,150,355**
Capital	1.2	1,270,543	(142,400)	**1,128,143**	2,984,212	(142,400)	**2,841,812**	1,713,669	1,713,669	**(3,789,642)**
Total AME		**(94,072,316)**	**120,756**	**(93,951,560)**	**(26,809,370)**	**337,600**	**(26,471,770)**	**67,262,946**	**67,479,790**	**111,360,713**
Total Budget										
Resource	1.1	(79,743,159)	(770,753)	**(80,513,912)**	(11,314,193)	(553,834)	**(11,868,027)**	68,428,966	68,645,885	**123,862,408**
Capital	1.2	18,178,546	(157,835)	**18,020,711**	22,857,703	(157,835)	**22,699,868**	4,679,157	4,679,157	**17,202,750**
Total Budget Expenditure		**(61,564,613)**	**(928,588)**	**(62,493,201)**	**11,543,510**	**(711,669)**	**10,831,841**	**73,108,123**	**73,325,042**	**141,065,158**
Total Budget and non-budget		**(61,564,613)**	**(928,588)**	**(62,493,201)**	**11,543,510**	**(711,669)**	**10,831,841**	**73,108,123**	**73,325,042**	**141,065,158**

Net cash requirement 2022–23

				2022-23	2021-22
	SOPS note	Outturn	Estimate	Outturn vs Estimate: saving/ (excess)	Outturn total
		£'000	£'000	£'000	£'000
Net cash requirements	**3**	**64,670,205**	**82,753,446**	**18,083,241**	**29,470,720**

Administration costs 2022–23

				2022-23	2021-22
	SOPS note	Outturn	Estimate	Outturn vs Estimate: saving/ (excess)	Outturn total Restated
		£'000	£'000	£'000	£'000
Administration costs	**1.1**	**610,623**	**644,183**	**33,560**	**534,916**

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

Notes to the SOPS, 2022-23 (audited information)

SOPS 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 47 to 48.

												2022-23	2021-22
		Resource Outturn							Estimate			Outturn vs Estimate: saving/ (excess)	Outturn
		Administration			Programme			Total	Total	Virements	Total inc. virements		Total
		Gross	Income	Net	Gross	Income	Net						
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Spending in Departmental Expenditure Limits (DEL)													
Voted expenditure													
A	Deliver an ambitious industrial strategy	-	-	**-**	317,358	(9,453)	**307,905**	**307,905**	303,592	4,313	**307,905**	-	4,140,456
B	Maximise investment opportunities and bolster UK interests	-	-	**-**	44,515	(5,484)	**39,031**	**39,031**	32,897	6,134	**39,031**	-	131,652
C	Promote competitive markets and responsible business practices	4,259	(39)	**4,220**	382,837	(157,523)	**225,314**	**229,534**	233,376	-	**233,376**	3,842	208,835
D	Delivering affordable energy for households and businesses	-	-	**-**	12,623,865	(536)	**12,623,329**	**12,623,329**	13,011,674	-	**13,011,674**	388,345	90,117
E	Ensuring that our energy system is reliable and secure	-	-	**-**	(351,407)	(9,029)	**(360,436)**	**(360,436)**	1,736,513	-	**1,736,513**	2,096,949	903,253

												2022-23	2021-22
		Resource Outturn							Estimate			Outturn vs Estimate: saving/ (excess)	Outturn
		Administration			Programme			Total	Total	Virements	Total inc. virements		Total
		Gross	Income	Net	Gross	Income	Net						
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
F	Taking action on climate change and decarbonisation	-	-	**-**	61,501	(309)	**61,192**	**61,192**	54,132	7,060	**61,192**	-	83,176
G	Managing our energy legacy safely and responsibly	-	-	**-**	196,899	-	**196,899**	**196,899**	205,644	(1,311)	**204,333**	7,434	195,797
H	Science and Research	1	-	**1**	9,137	(237)	**8,900**	**8,901**	12,680	-	**12,680**	3,779	43,497
I	Capability	560,696	(21,643)	**539,053**	15,160	(504)	**14,656**	**553,709**	661,988	(72,581)	**589,407**	35,698	486,262
J	Government as Shareholder	-	-	**-**	19,702	(33,538)	**(13,836)**	**(13,836)**	223,025	(42,831)	**180,194**	194,030	1,314,153
K	Promote competitive markets and responsible business practices (ALB) net	9,467	-	**9,467**	53,900	-	**53,900**	**63,367**	70,577	-	**70,577**	7,210	59,308
L	Ensuring that our energy system is reliable and secure (ALB) net	-	-	**-**	(1,621)	-	**(1,621)**	**(1,621)**	1	-	**1**	1,622	(3,039)
M	Taking action on climate change and decarbonisation (ALB) net	6,047	-	**6,047**	16,621	-	**16,621**	**22,668**	18,059	4,609	**22,668**	-	15,733

													2022-23	2021-22
		Resource Outturn							Estimate				Outturn vs Estimate: saving/ (excess)	Outturn
		Administration			Programme			Total	Total	Virements	Total inc. virements			Total
		Gross	Income	Net	Gross	Income	Net							
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		£'000	£'000
N	Managing our energy legacy safely and responsibly (ALB) net	2,816	-	**2,816**	36,377	-	**36,377**	**39,193**	37,882	1,311	**39,193**		-	39,668
O	Science and Research (ALB) net	4,011	-	**4,011**	232,181	-	**232,181**	**236,192**	272,227	-	**272,227**		36,035	238,498
P	Capability (ALB) net	14,576	-	**14,576**	-	-	**-**	**14,576**	1,500	13,076	**14,576**		-	12,379
Q	Government as Shareholder (ALB) net	109	-	**109**	39,868	-	**39,868**	**39,977**	(2,854)	42,831	**39,977**		-	20,266
R	NDA and SLC expenditure (ALB) net	30,323	-	**30,323**	1,508,797	-	**1,508,797**	**1,539,120**	1,643,865	-	**1,643,865**		104,745	1,427,904
Total voted DEL		**632,305**	**(21,682)**	**610,623**	**15,205,690**	**(216,613)**	**14,989,077**	**15,599,700**	**18,516,778**	**(37,389)**	**18,479,389**		**2,879,689**	**9,407,915**
Non-voted expenditure														
S	Deliver an ambitious industrial strategy (CFER)	-	-	**-**	-	(773)	**(773)**	**(773)**	(698)	-	**(698)**		75	(1,454)
T	Science and Research (CFER)	-	-	**-**	-	(106)	**(106)**	**(106)**	(1,600)	1,494	**(106)**		-	(555)
U	Nuclear Decommissioning Authority Income (CFER)	-	-	**-**	-	(1,033,030)	**(1,033,030)**	**(1,033,030)**	(1,068,925)	35,895	**(1,033,030)**		-	(693,853)
Total non-voted DEL		**-**	**-**	**-**	**-**	**(1,033,909)**	**(1,033,909)**	**(1,033,909)**	**(1,071,223)**	**37,389**	**(1,033,834)**		**75**	**(695,862)**
Total spending in DEL		**632,305**	**(21,682)**	**610,623**	**15,205,690**	**(1,250,522)**	**13,955,168**	**14,565,791**	**17,445,555**	**-**	**17,445,555**		**2,879,764**	**8,712,053**
Spending in Annually Managed Expenditure (AME)														
Voted expenditure														

												2022-23	2021-22
		Resource Outturn							Estimate			Outturn vs Estimate: saving/ (excess)	Outturn
		Administration			Programme			Total	Total	Virements	Total inc. virements		Total
		Gross	Income	Net	Gross	Income	Net						
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
V	Deliver an ambitious industrial strategy	-	-	**-**	(87,398)	(7,072)	**(94,470)**	**(94,470)**	(46,025)	(15,057)	**(61,082)**	33,388	(62,525)
W	Maximise investment opportunities and bolster UK interests	-	-	**-**	(636)	-	**(636)**	**(636)**	8,200	-	**8,200**	8,836	(703)
X	Promote competitive markets and responsible business practices	-	-	**-**	105,590	(599)	**104,991**	**104,991**	107,919	(394)	**107,525**	2,534	72,940
Y	Delivering affordable energy for households and businesses	-	-	**-**	31,139,981	(1,341)	**31,138,640**	**31,138,640**	56,300,000	(1,342,083)	**54,957,917**	23,819,277	-
Z	Ensuring that our energy system is reliable and secure	-	-	**-**	(345,889)	(1,028)	**(346,917)**	**(346,917)**	(1,689,000)	1,342,083	**(346,917)**	-	338,849
AA	Taking action on climate change and decarbonisation	-	-	**-**	(1,095)	(1,748)	**(2,843)**	**(2,843)**	(1)	-	**(1)**	2,842	241
AB	Managing our energy legacy safely and responsibly	-	-	**-**	(11,025)	(18,677)	**(29,702)**	**(29,702)**	(51,600)	21,898	**(29,702)**	-	(78,851)
AC	Science and Research	-	-	**-**	20,217	(510)	**19,707**	**19,707**	16,539,857	-	**16,539,857**	16,520,150	109,627
AD	Capability	-	-	**-**	(16,731)	-	**(16,731)**	**(16,731)**	(1,247)	-	**(1,247)**	15,484	5,305

												2022-23	2021-22
		Resource Outturn							Estimate			Outturn vs Estimate: saving/ (excess)	Outturn
		Administration			Programme			Total	Total	Virements	Total inc. virements		Total
		Gross	Income	Net	Gross	Income	Net						
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
AE	Government as Shareholder	-	-	**-**	232,692	(302,296)	**(69,604)**	**(69,604)**	43,113	-	**43,113**	112,717	178,940
AF	Renewable Heat Incentive	-	-	**-**	1,001,880	-	**1,001,880**	**1,001,880**	1,063,461	-	**1,063,461**	61,581	919,555
AG	Deliver an ambitious industrial strategy (ALB) net	-	-	**-**	43,059	-	**43,059**	**43,059**	28,002	15,057	**43,059**	-	473
AH	Promote competitive markets and responsible business practices (ALB) net	-	-	**-**	(47)	-	**(47)**	**(47)**	(441)	394	**(47)**	-	375
AI	Taking action on climate change and decarbonisation (ALB) net	-	-	**-**	(13,507,265)	-	**(13,507,265)**	**(13,507,265)**	6,200,000	-	**6,200,000**	19,707,265	10,015,257
AJ	Managing our energy legacy safely and responsibly (ALB) net	-	-	**-**	(3,385,547)	-	**(3,385,547)**	**(3,385,547)**	(3,238,206)	(21,898)	**(3,260,104)**	125,443	3,112,786
AK	Science and Research (ALB) net	-	-	**-**	77,990	-	**77,990**	**77,990**	166,347	-	**166,347**	88,357	192,049
AL	Capability (ALB) net	-	-	**-**	-	-	**-**	**-**	2	-	**2**	2	10
AM	Government as Shareholder (ALB) net	-	-	**-**	90,013	-	**90,013**	**90,013**	169,750	-	**169,750**	79,737	(520,071)

	Resource Outturn							Estimate			2022-23 Outturn vs Estimate: saving/ (excess)	2021-22 Outturn
	Administration			Programme			Total	Total	Virements	Total inc. virements		Total
	Gross	Income	Net	Gross	Income	Net						
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
AN Nuclear Decommissioning Authority (ALB) net	-	-	-	(110,365,377)	-	**(110,365,377)**	**(110,365,377)**	(105,393,713)	-	**(105,393,713)**	4,971,664	100,605,107
Total voted AME	**-**	**-**	**-**	**(95,009,588)**	**(333,271)**	**(95,342,859)**	**(95,342,859)**	**(29,793,582)**	**-**	**(29,793,582)**	**65,549,277**	**114,889,364**
Non-voted expenditure												
AP Promote competitive markets and responsible business practices	-	-	-	272,753	(9,597)	**263,156**	**263,156**	480,000	-	**480,000**	216,844	260,991
Total non-voted AME	**-**	**-**	**-**	**272,753**	**(9,597)**	**263,156**	**263,156**	**480,000**	**-**	**480,000**	**216,844**	**260,991**
Total spending in AME	**-**	**-**	**-**	**(94,736,835)**	**(342,868)**	**(95,079,703)**	**(95,079,703)**	**(29,313,582)**	**-**	**(29,313,582)**	**65,766,121**	**115,150,355**
Total resource	**632,305**	**(21,682)**	**610,623**	**(79,531,145)**	**(1,593,390)**	**(81,124,535)**	**(80,513,912)**	**(11,868,027)**	**-**	**(11,868,027)**	**68,645,885**	**123,862,408**
Non-budget: voted												
Total Resource and non-budget spending	**632,305**	**(21,682)**	**610,623**	**(79,531,145)**	**(1,593,390)**	**(81,124,535)**	**(80,513,912)**	**(11,868,027)**	**-**	**(11,868,027)**	**68,645,885**	**123,862,408**

The total Estimate columns include virements. Virements are the reallocation 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 is 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.

SOPS 1.2. Analysis of capital Outturn by Estimate line

		Capital Outturn			Estimate			Outturn vs Estimate, savings/ (excess)	2021-22 Outturn
		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	333,309	(283,044)	**50,265**	131,306	(24,070)	**107,236**	56,971	**240,578**
B	Maximise investment opportunities and bolster UK interests	191,394	18,743	**210,137**	208,835	1,302	**210,137**	-	**299,682**
C	Promote competitive markets and responsible business practices	(615)	(4,337)	**(4,952)**	33,250	-	**33,250**	38,202	**19,956**
D	Delivering affordable energy for households and businesses	434,378	(68,474)	**365,904**	498,178	-	**498,178**	132,274	**1,256,203**
E	Ensuring that our energy system is reliable and secure	2,076,559	-	**2,076,559**	4,871,622	(894,186)	**3,977,436**	1,900,877	**1,005,678**
F	Taking action on climate change and decarbonisation	221,570	-	**221,570**	318,864	-	**318,864**	97,294	**281,860**
G	Managing our energy legacy safely and responsibly	11,836	-	**11,836**	14,189	-	**14,189**	2,353	**5,620,909**
H	Science and Research	1,028,405	(48,695)	**979,710**	1,751,960	(772,250)	**979,710**	-	**727,173**
I	Capability	24,760	(1,393)	**23,367**	(703)	24,070	**23,376**	-	**28,012**
J	Government as Shareholder	188,960	(46,950)	**142,010**	62,718	79,292	**142,010**	-	**322,341**
K	Promote competitive markets and responsible business practices (ALB) net	1,830	-	**1,830**	3,440	-	**3,440**	1,610	**2,010**

		Capital Outturn			Estimate			Outturn vs Estimate, savings/ (excess)	2021-22 Outturn
		Gross	Income	Net total	Total	Virements	Total inc. virements		Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
L	Ensuring that our energy system is reliable and secure (ALB) net	840,898	-	**840,898**	-	840,898	**840,898**	-	**-**
M	Taking action on climate change and decarbonisation (ALB) net	1,629	-	**1,629**	5,794	-	**5,794**	4,165	**2,500**
N	Managing our energy legacy safely and responsibly (ALB) net	24,290	-	**24,290**	32,122	-	**32,122**	7,832	**25,769**
O	Science and Research (ALB) net	9,567,396	-	**9,567,396**	8,746,473	820,923	**9,567,396**	-	**8,691,692**
P	Capability (ALB) net	3,313	-	**3,313**	-	3,313	**3,313**	-	**3,558**
Q	Government as Shareholder (ALB) net	199,646	-	**199,646**	994,450	(79,292)	**915,158**	715,512	**456,799**
R	NDA and SLC expenditure (ALB) net	2,192,595	-	**2,192,595**	2,200,993	-	**2,200,993**	8,398	**2,023,096**
Total voted DEL		**17,342,153**	**(434,150)**	**16,908,003**	**19,873,491**	**-**	**19,873,491**	**2,965,488**	**21,007,816**
Non-voted expenditure									
S	Deliver an ambitious industrial strategy (CFER)	-	(13,333)	(13,333)	(13,333)	-	**(13,333)**	-	**(13,333)**
T	Science and Research (CFER)	-	(2,102)	(2,102)	(2,102)	-	**(2,102)**	-	**(2,091)**
Total non-voted DEL		**-**	**(15,435)**	**(15,435)**	**(15,435)**	**-**	**(15,435)**	**-**	**(15,424)**
Total spending in DEL		**17,342,153**	**(449,585)**	**16,892,568**	**19,858,056**	**-**	**19,858,056**	**2,965,488**	**20,992,392**
Spending in Annually Managed Expenditure (AME)									
Voted expenditure									
X	Promote competitive markets and responsible business practices	-	-	**-**	-	-	**-**	-	**151**
AB	Managing our energy legacy safely and responsibly	18,677	-	**18,677**	18,677	-	**18,677**	-	**23,091**

		Capital Outturn			Estimate			Outturn vs Estimate, savings/ (excess)	2021-22 Outturn
		Gross	Income	Net total	Total	Virements	Total inc. virements		Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
AC	Science and Research	1,266	-	**1,266**	1,172,287	(4,402)	**1,167,885**	1,166,619	**1,271**
AD	Capability	-	-	**-**	-	-	**-**	-	**144**
AE	Government as Shareholder	4,628,715	(3,307,000)	**1,321,715**	1,792,878	-	**1,792,878**	471,163	**(3,596,201)**
AG	Deliver an ambitious industrial strategy (ALB) net	4,140	-	**4,140**	-	4,140	**4,140**	-	**(13,310)**
AI	Taking action on climate change and decarbonisation (ALB) net	74	-	**74**	-	74	**74**	-	**54**
AJ	Managing our energy legacy safely and responsibly (ALB) net	558	-	**558**	370	188	**558**	-	**-**
AK	Science and Research (ALB) net	(75,887)	-	**(75,887)**	-	-	**-**	75,887	**(57,467)**
AM	Government as Shareholder (ALB) net	-	-	**-**	-	-	**-**	-	**(4,975)**
Total voted AME		**4,577,543**	**(3,307,000)**	**1,270,543**	**2,984,212**	**-**	**2,984,212**	**1,713,669**	**(3,647,242)**
Non-voted expenditure									
AO	Managing our energy legacy safely and responsibly (CFER)	-	(142,400)	**(142,400)**	(142,400)	-	**(142,400)**	-	**(142,400)**
Total non-voted AME		**-**	**(142,400)**	**(142,400)**	**(142,400)**	**-**	**(142,400)**	**-**	**(142,400)**
Total spending in AME		**4,577,543**	**(3,449,400)**	**1,128,143**	**2,841,812**	**-**	**2,841,812**	**1,713,669**	**(3,789,642)**
Total capital		**21,919,696**	**(3,898,985)**	**18,020,711**	**22,699,868**	**-**	**22,699,868**	**4,679,157**	**17,202,750**
Non-budget									
Total capital and non-budget spending		**21,919,696**	**(3,898,985)**	**18,020,711**	**22,699,868**	**-**	**22,699,868**	**4,679,157**	**17,202,750**

The total Estimate columns include virements. Virements are the reallocation 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 is 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 47 to 48.

SOPS 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 on 31 March 2022.

		2022-23	2021-22
		Outturn total	Outturn total
	SOPS note	£'000	£'000
Total resource Outturn in Statement of Outturn against Parliamentary Supply	**SOPS 1.1**	**(80,513,912)**	**123,862,408**
Add			
NDA remedial decommissioning costs which are capital in budgets but taken through the SOCNE		2,187,822	2,010,568
Capital grants		1,967,613	8,040,251
Share of profit/loss of joint ventures and associates		(305,639)	(158,633)
Other non-budget		47,882	71,583
Financial guarantees		1,296,383	(3,480,509)
Research and development costs		9,803,250	9,080,276
Total		**14,997,311**	**15,563,536**
Less			
Non-budget, non voted items in respect of BIS (Postal Services Act 2011) Company Limited and B Company Limited		(4,975)	-
Expected return on pension scheme assets		(55,574)	(37,878)
NDA income scored in SOPS only		57,613	43,387
Capital income in SOCNE		(11,739)	(50,522)
Research and development income		(384,052)	(495,781)
Other			
Impact of intra group transactions		72,471	65,996
Total		**(326,256)**	**(474,798)**
Net Operating Expenditure for the period in Consolidated Statement of Comprehensive Net Expenditure	**SoCNE**	**(65,842,857)**	**138,951,146**

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 capital departmental expenditure limit (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 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**	**(80,513,912)**	**(11,868,027)**	**68,645,885**
Total Capital Outturn	**SOPS 1.2**	**18,020,711**	**22,699,868**	**4,679,157**
Adjustments for ALBs				
Remove voted resource and capital		112,333,221	88,043,360	(24,289,861)
Removal of intra-group transactions		334,273	-	(334,273)
Add cash in grant-in-aid		13,292,938	14,267,405	974,467
Add share purchase and loans		429,934	-	(429,934)
Less share capital repayment		(686)	-	686
Adjustments to remove non-cash items				
Depreciation		(186,780)	(372,936)	(186,156)
New provisions and adjustments to previous provisions		(3,346,294)	(37,179,324)	(33,833,030)
Other non-cash items		1,156,620	38,182	(1,118,438)
Financial guarantees and loan commitment liabilities		4,249,068	-	(4,249,068)
Adjustments to reflect movements in working balances				
Increase/(decrease) in receivables		603,909	-	(603,909)
(Increase)/decrease in payables		(2,832,653)	6,143,268	8,975,921
Use of provisions		201,268	232,592	31,324
Total		**126,234,818**	**71,172,547**	**(55,062,270)**
Removal of non-voted budget items				
Other non-voted budget items		928,588	749,058	(179,530)
Total		**928,588**	**749,058**	**(179,530)**
Net cash requirement		**64,670,205**	**82,753,446**	**18,083,241**

SOPS 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 and receipts arising from Coal Pension surpluses, which forms the bulk of the amounts shown below, together with other miscellaneous receipts.

	2022-23		2021-22	
	Outturn total		Outturn total	
	accruals	cash basis	accruals	cash basis
	£'000	£'000	£'000	£'000
Operating income of the NDA within the Ambit	572,228	*562,000*	480,925	*493,000*
Income outside the ambit of the Estimate	42,560	*42,560*	205,129	*205,129*
[Excess] cash surrenderable to the Consolidated Fund	142,400	*142,400*	142,400	*142,400*
Total amount payable to the Consolidated Fund	**757,188**	***746,960***	**828,454**	***840,529***

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 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 disclosures (audited information)

Losses statement

	2022-23		2021-22	
	Core department and agencies	**Departmental group**	**Core department and agencies**	**Departmental group**
Total number of losses	**24,729**	**303,378**	**5,765**	**53,512**
Redundancy Payments Service (RPS) receivable impairment - £m	263	263	262	262
COVID-19 business support grant schemes - £m	-	-	21	21
COVID-19 loan guarantee schemes - £m	638	638	128	128
Other losses - £m	7	37	10	35
Total value of losses - £m	**909**	**938**	**421**	**446**

Losses over £300,000 - core department

COVID-19 business support grants

In 2021-22, the department estimated, based on information available at the time, that loss in relation to irregularity on the COVID-19 business support grants paid in 2021-22, fell within the range of £63 million and £3 million, the midpoint of the estimate being £30 million.

This estimate has been updated in 2022-23 and the prior year figures have been updated in the table above. The midpoint of the estimate is £20.9 million with a range of £41.9 million and £1.7 million. The refined estimate is slightly lower than the estimate included in last year's annual report and accounts. Further detail on this can be found in the regularity statement on page 157.

COVID-19 loan guarantees

Lenders have notified the core department of suspected borrower fraud in relation to 16,846 guarantee facilities with the claims value totalling £638 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 2022-23 (31 March 2022: £128 million). The department's work on recovering funds due to fraud is provided in the fraud and error section in the performance report.

Other losses

Other losses include £4 million in relation to 2 suspected fraudulent payments within the Future Fund (FF) Scheme (31 March 2022: £9 million), and £1.6 million of losses for the core department relating to an early termination of a Help to Grow service delivery contract.

Also included in the table above is £527,400 of losses for the core department relating to 879 vouchers incorrectly claimed within the Energy Bills Support Scheme and Alternative Fuel Payment Northern Ireland. To ensure that eligible customers did not suffer any longstanding detriment and were therefore provided the correct level of support in a timely manner, the department re-issued payments to eligible customers (subject to provision of requisite information to substantiate erroneous payment) directly to their bank accounts. This is on the understanding that steps will be taken to recover any ineligible payments identified through investigations being carried out by relevant law enforcement bodies.

Losses over £300,000 - agencies

Claims abandoned

Redundancy Payments 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 (13%) 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 2023 is £263 million (31 March 2022: £262 million).

Special payments

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

	2022-23		2021-22	
	Core department and agencies	Departmental group	Core department and agencies	Departmental group
Total number of special payments	65	72	97	104
Total value of special payments - £m	-	1	21	21

Special severance payments

There were 5 special severance payments made in the year. The amounts paid are not disclosed as doing so would conflict with BEIS' legal obligation under the data protection act 2018.

Special payments over £300,000

The total special payments incurred by the department were £1 million. There were no individual special payments above £300,000.

Gifts

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 2022-23, the Core department did not give any reportable gifts above £300,000.

Fees and charges

Core department

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.

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

Agencies

Insolvency Service

The Insolvency Service sets its fees to recover costs and has a range of fees covering 4 areas:

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

Companies House

Companies House sets its fees to recover costs, and has a range of fees covering 2 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
- dissemination activities – includes searches delivered on paper, electronically and to bulk customers insolvency practitioner regulations

Remote contingent liabilities

In addition to contingent liabilities reported in the financial statements, under IAS 37, the department also reports remote contingent liabilities. These are liabilities that have a small, remote likelihood of resulting in a transfer of economic benefit by the department. The department has given the following guarantees, indemnities, or letters of comfort.

Quantifiable remote contingent liabilities

	1 April 2022	Increase / (decrease) in year	Crystallised in year	Expired in year	31 March 2023	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 2022	Increase / (decrease) in year	Crystallised in year	Expired in year	31 March 2023	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 Biotechnology and Biological Sciences Research Council (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 indemnities

- Indemnities have been given to the UK Atomic Energy Authority to cover certain indemnities provided by the authority to carriers and British Nuclear Fuels Limited 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.
- Indemnities have been provided to the Energy Price Guarantee scheme administrators in relation to legal fees in case of a legal action against the administrators.

- The department has indemnified the Post Office Limited (and its agents, employees and subcontractors) for any and all loss, damage, costs or expenses of Post Office Limited arising from particular actions of domestic electricity suppliers supplies and customers in relation to the Energy Bills Support Scheme NI (EBSS NI) and the Alternative Fuel Payment NI (AFP NI) schemes.
- 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 2023 of £26.5 billion (31 March 2022: £24.7 billion) has a present value of £19.0 billion (31 March 2022: £51.9 billion) which includes an allowance for future inflation. The value of the fund as at 31 March 2023 is £20.5 billion (31 March 2022: £20.4 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.
- A contingent liability exists in relation to responsibility that the department inherited from British Coal to reimburse certain third parties for costs incurred meeting statutory environmental standards in the restoration of particular coal-related sites.

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 - departmental group

UK Space Agency (UKSA)

- Under international (UN) convention, the UK government is 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 provide for a limit of liability to be applied in licences to what was previously an unlimited liability to indemnify HMG for licensed activities. The Outer Space Act now regulates spaceflight activities carried out overseas by UK entities only.
- With the coming into force of the Space Industry Act on 29 July 2021, this act now regulates licensed spaceflight activities in the UK. The Act requires the licensee to indemnify claims made against the UK government and also claims made by third-parties against the licensee with respect to damage arising in the UK. Limits of operator liability are to be included as licence conditions in licences issued under the Act. Therefore, no operator will be facing unlimited liability for activities carried out in compliance with the act.

- BEIS holds the contingent liability arising from satellite operations and procuring a launch under both the Space Industry Act and the Outer Space act. The Department for Transport will hold the contingent liability for launch activities taking place from the UK.
- For satellite operations, an operator's limit of liability for licenses issued under either the Outer Space Act and the Space Industry Act is currently set at €60 million for standard missions licensed and can be increased for higher risk missions. For procuring a launch, the limit of liability is currently set at €60m for launches taking place overseas and the limit of liability for the procurement of a UK launch will be set in licences at the same level as the limit of liability applying to the launch vehicle. There is a requirement on licensees to obtain third party liability insurance to the level of the limit of liability set out in the licence for the duration of the licensed activity, with the UK government a named beneficiary.
- These requirements are currently under review as part of a wider review of insurance requirements and liability limits (see the government's response to the call for evidence issued in October 2021 for further information about recommendations arising from the review: https://www.gov.uk/government/consultations/call-for-evidence-to-inform-orbital-liability-and-insurance-policy.
- The UK government is therefore exposed to a potential liability for third party costs which are not recoverable from the licensee. This liability is unquantifiable at the time of reporting.

UKRI

- 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.

NDA

- 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.

Other potential or expected liabilities (unaudited)

The department has entered into the following arrangements below. Their 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 5 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 2 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.

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 2020 T-4 capacity auction held in March 2020, are for the delivery year commencing in 2023-24. In addition to T-1, T-3 and T-4, there have been Transitional arrangements auctions (preceding full CM delivery in 2018-19). There are currently 11 live capacity auctions out of a total of 18, which have been awarded from the start of the scheme in 2014 for the delivery year commencing 2016-17 and 6 active auctions in financial year 2022-23.

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

	Departmental group As at 31 March 2023				Departmental group As at 31 March 2022			
	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	1,089	7,032	6,621	**14,742**	745	4,093	5,327	**10,165**
Income from levy – ESC	(1,089)	(7,032)	(6,621)	**(14,742)**	(745)	(4,093)	(5,327)	**(10,165)**
Total	-	-	-	-	-	-	-	-

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.

Reconciliation of contingent liabilities included in the supply estimate to the accounts (unaudited)

A reconciliation of differences between contingency liabilities reported in the supply estimates and those report in the annual report and accounts are set out below. Further detail on the contingent liabilities can found be in note 25 Contingent Liabilities and in the Supplementary Estimates 2022-23.

Quantifiable contingent liabilities

Description	Amount per supply estimate £'000	Amount disclosed in ARA £'000	Variance
Core department - Energy Price Guarantee (EPG)	6,000	Unquantifiable	During the year, the department notified Parliament of contingent liabilities arising related to the EPG, EBSS and AFP. Further work has been done to develop the support scheme policy, and correctly classify and quantify the contingent liabilities which has resulted in a variance between amount per the supply estimate and amount disclosed in the ARA.
Core department - Energy Bills Support Scheme (EBSS) and Alternative Fuel Payment (AFP) in Northern Ireland	3,125	Schemes split below	
Core Department – Energy Bills Support Scheme Alternative Funding	Included above	19,000	
Core Department – Energy Price Guarantee Alternative Fuel Payment Alternative Fund	Included above	13,000	
Core department – Non-Domestic Alternative Fuel Payment Scheme	Included above	1,700	
Core department – Energy Price Guarantee Pre-Payment Meter	Included above	59,000	
BBB – Financial guarantees under Help to Grow programme	3,000	Not disclosed	Expired as at 31st March 2023
UKRI – BBSRC exit costs	31,000	Not disclosed	Expired as at 31st March 2023
UKRI - Innovate UK Natural Renewable Energy Centre decommissioning costs	2,600	2,200	£0.4m movement due to change in estimate
UKRI - European Synchrotron Radiation Facility decommissioning costs	1,800	1,700	£0.1 million movement as a result of the costs changing in the year changing alongside foreign exchange movements
UKRI - STFC share of Institut Laue-Langevin (ILL) unfunded provision for staff related costs and decommissioning on closure	10,400	10,500	£0.1 million movement as a result of the costs changing in the year changing alongside foreign exchange movements
UKRI - NEOSTM satellite on loan from Airbus	Not disclosed	2,500	Contingent liability arose during the period

Unquantifiable contingent liabilities

Description	Included in the supply estimates	Disclosed in the ARA	Explanation of difference
Core department - Horizon 2020 Funding	Unquantifiable	Not disclosed	Expired as at 31st March 2023
Core department - Energy Bills Discount Scheme	Included above	Unquantifiable	See note above explaining variance in contingent liabilities relating to the Energy Schemes
CNPA - Multi Force Shared Service (MFSS) redundancy costs	Unquantifiable	Not disclosed	Expired as at 31st March 2023
UKRI - HMRC enquiry into corporation tax on taxable profits	Unquantifiable	Not disclosed	Expired as at 31st March 2023
NDA – Renewal of an uncapped indemnity in the Sellafield Replacement Sea Line (RSL) Lease	Not disclosed	Unquantifiable	Contingent liability arose during the period

Regularity of expenditure (audited)

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.

COVID-19 loan guarantees

The department's work on recovering funds due to fraud is provided in the fraud and error section in the performance report. This section provides information on our estimates of fraud and error for the COVID-19 loan schemes.

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
- the Coronavirus Business Interruption Loan Scheme
- the Coronavirus Large Business Interruption Loan Scheme
- the Recovery Loan Scheme

Bounce back loan scheme

Due to the imperative to deliver rapid support to businesses affected by the pandemic, ministers directed officials to implement a scheme design which would facilitate faster lending. This meant that the Bounce Back Loan Scheme (BBLS) relied on self-certification of eligibility and included changes to usual lender 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 in 2020-21, to provide an estimate of the level of fraud and error in the BBLS.

In 2020-21, 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 7.5% of facilities.

In 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 facilities identified by lenders as fraudulent within the sampled population during 2021-22 and 2022-23. This increases the rate to 8.90%, although it acknowledges that the actual rate is likely to be higher and further measurement work would be required to reflect this and to meet Government Counter Fraud Function and Profession (GCFP) measurement standard, which requires that instances of fraud are identified for all risk indicators. As BBLS is a closed scheme and the original scheme design did not enable pre-lending identification of fraud to be identified for all risk indicators, the Department would not be able to fully meet the requirements of GCFP standard without incurring undue cost and effort.

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 66.32% to take into account the potential rate of loss that could occur as a result of those loans identified as probable fraud. This equates to 5.9% lifetime fraud and error rate.

BBLS lifetime fraud rate estimate for loans provided since inception

	31 Mar 2023	31 Mar 2022
Lifetime estimate of fraud and error loss	5.90% £1,743m	4.24% £1,305m

Significant uncertainties remain around the estimate. 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 and therefore increase the estimate of losses, as the portfolio matures. Furthermore, lenders are undertaking more in-depth analytics on the non-performing facilities within their loan books which is also likely to result in the identification of additional incidences of suspected fraud and error. 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, as well as the estimated fraud rate for the outstanding loan portfolio are included in note 21.

Eventual losses of public funds due to fraud and error could and are expected to vary from the estimate noted above. The department will continue to refine its estimate of fraud and error and report on this in future annual reports.

Further details regarding the loan guarantees can be found in these notes to the accounts:

- accounting policies – note 1
- operating expenditure – note 4.1
- financial guarantee, loan commitment liabilities and re-insurance contracts – note 21

Coronavirus Business Interruption Loan Scheme, Coronavirus Large Business Interruption Loan Scheme, Recovery Loan Scheme

Unlike BBLS which relied on self-certification of eligibility and did not have credit checks, for the Coronavirus Business Interruption Loan Scheme (CBILS), Coronavirus Large Business Interruption Loan Scheme (CLBILS) and Recovery Loan Scheme (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 are not material levels 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 3 schemes, and low levels of payments in arrears. The table below shows the level of repayments data as at 31 March 2023 for CBILS and RLS, the only schemes of these 3 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	£11.6 bn	66.7 %	1.43 %	5.07 %	26.8 %
RLS	£3.4 bn	87.72 %	1.88 %	6.97 %	3.43 %

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 accounts. The actual losses for 2022-23 can be found in the section on 'losses and special payments'.

COVID-19 business support grants

The department's work on recovering funds due to fraud is provided in the fraud and error section in the performance report. This section provides information on our estimates of fraud and error for the COVID-19 grant schemes.

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 3 schemes (SBGF, RHLGF and LADGF). In 2021-22 work over these 3 schemes continued, resulting in a final refined estimate. The department also produced initial estimates of irregular expenditure in the remaining grant schemes in 2021-22, which has now been finalised in 2022-23.

These figures are estimates rather than the total actual identified irregular payments. The estimate for irregular expenditure is a statistical calculation only and is based on an exercise carried out by the department which involved re-completing local authority assurance checks on a random sample of payments for each scheme. The results of which have then been extrapolated to produce the estimated irregularity rates disclosed below. The actual value of irregular payments across the programme that have been identified by local authorities is significantly lower, a total of £78m having been notified to the department to date.

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 irregularity figures. The level of irregularity varies 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 performance report.

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 irregularity in these COVID-19 grant schemes, for the 2020-21 accounts, was based on work carried out over the initial 3 schemes listed above. Payments were deemed either 'not eligible', 'eligible' or 'possibly eligible'.

In 2021-22, the department refined the estimated level of irregularity in these first 3 schemes. 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. Further details of this can be found in the department's 2021-22 annual report and accounts.

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)

Grant expenditure recognised in 2020-21: 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 irregularity 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 the 2020-21 accounts, the department expected to find lower levels of irregular payments in the later schemes compared to the first 3. 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 irregularity 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 have now been finalised in 2022-23.

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.

Grant expenditure recognised in 2020-21: various LRSG schemes

The table below sets out the estimates of irregularity in the LRSG schemes. The results presented here provide a guide to the levels of irregularity in these schemes. All checks on the sample have now been completed.

	2022-23
Department expenditure	£5,350m[1]
Sample size	6,917
Estimates	
Central estimate	0.5% (£29.4m)
Lower bound (95% confidence interval)	0.4% (£20.0m)
Upper bound (95% confidence interval)	0.7% (£38.8m)

Notes

1. Updated expenditure figure is £5,350 million based on 31st March 2023 position, as detailed in note 1.26.

In the department's 2021-22 accounts, an early estimate for LRSG irregularity was published. It was noted that the very small sample size meant that there was a degree of uncertainty attached the estimates disclosed. The department has now concluded the sample of checks planned and the above results conclude the department's work to determine its estimate of irregular payments in the various LRSG schemes. A total of c. 2.2 million grant payments were made for the LRSG and CSP grant schemes; the sample of 6,917 payments analysed represents 0.3% of all payments. The results above therefore provide the department's final estimate over the level of irregularity in these schemes. Work has already begun to recover those payments which have been identified as 'not eligible'.

Grant schemes with expenditure recognised in 2021-22: Restart, Additional Restrictions Grants (ARG), Omicron Hospitality and Leisure Grant (OHLG)

Expenditure was initially recognised in 2021-22 for the following grant schemes: Restart, ARG including various top-up schemes, and OHLG. Below are the department's final estimates of the level of irregularity in these grant schemes. The results presented here provide a guide to the levels of irregularity in these schemes.

				2022-23
	Restart	ARG	OHLG	Total
Department expenditure[1]	£3,038m	£2,118m	£483m	**£5,639m**
Sample size	1,209	1,957	447	**3,613**
Estimates				
Central estimate	0.3% (£10.1m)	0.4% (£7.6m)	0.7% (£3.2m)	**0.4% (£20.9m)**
Lower bound (95% confidence interval)	<0.1% (£0.0m)	0.1% (£1.6m)	<0.1% (£0.0m)	**<0.1% (£1.7m)**
Upper bound (95% confidence interval)	0.7% (£21.0m)	0.6% (£13.5m)	1.5% (£7.4m)	**0.7% (£41.9m)**

Notes

1. The expenditure included in the table represents the adjusted expenditure totals under these schemes in 2022-23. This is considering further reconciliation where the department has established whether local authorities have spent all of their allocation under each scheme.

For each scheme, the department reviewed a random sample of payments, and each was categorised as 'eligible' or 'not eligible'. In the small number of instances where evidence was not provided by local authorities, the department have categorised these as 'not eligible'.

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 irregularity estimate for the 2021-22 annual report and accounts. Work has continued throughout 2022-23 to produce the final 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 throughout the year and represented over 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 and therefore the department has assumed that the rate of irregularity across each top-up would not vary significantly. As the estimate of irregularity is for the scheme in totality, the scheme is included in full in the table above.

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 the department. 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 3,613 payments analysed represents 0.3% of all payments.

The results show a significant decrease in the estimated levels of irregularity in the later grant schemes, compared to the initial 3 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.

Renewable heat incentive grant scheme

The value of payments made in error during 2022-23 under the core department GB Renewable Heat Incentive Scheme is estimated at £7.2 million (0.7% of total payments) within a 95% confidence interval of £5.1 million to £9.3 million. Applied to the expenditure total of £1,001 million (which represents the value of payments made in 2022-23, adjusted for net movements on accrued amounts payable) this would give an estimate of potential error of £7.1 million within a 95% confidence interval of £5.0 million to £9.2 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

10 October 2023

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

Opinion on financial statements

I certify that I have audited the financial statements of the Department for Business, Energy and Industrial Strategy ("the Department") and of its Departmental Group for the year ended 31 March 2023 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 2022. The financial statements comprise the Departmental Group's:

- Statement of Financial Position as at 31 March 2023;
- 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 2023 and its net expenditure/(income) 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.

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 2023 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 Bodies in the United Kingdom (2022)*. 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 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. The framework of authorities described in the table below has been considered in the context of my opinion on regularity.

Framework of authorities	
Authorising legislation	Government Resources and Accounts Act 2000 The Industrial Development Act 1982 The Energy Act 2004 and The Energy Act 2013 The Contracts for Difference Order and Regulations 2014 The Higher Education and Research Act 2017 The Coronavirus Act 2020 The Energy Prices Act 2022
Parliamentary authorities	Supply and Appropriations Act 2022
HM Treasury and related authorities	Managing Public Money

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 is anticipated that the services which they provide will continue into the future.

Overview of my audit approach

Key audit matters

Key audit matters are those matters that, in my professional judgment, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon. I do not provide a separate opinion on these matters.

I consider the key audit matters below to be those matters that had the greatest effect on my overall audit strategy, the allocation of resources in my audit and directing the efforts of the audit team in the current year. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

This is not a complete list of all risks identified though the course of my audit but only those areas that had the greatest effect on my overall audit strategy, allocation of resources and direction of effort. I have not, for example, included information relating to the work I have performed around: management override of controls, other than to the extent where this was part of my work on significant estimates made by management as set out below; the accuracy and completeness of group consolidation adjustments and eliminations; the valuation of the Future Fund; the presumed risk of fraud in revenue recognition in NDA; events after the reporting period; or work performed on commitment and financial instrument disclosures, where my work has not identified any matters to report.

The key audit matters were discussed with the Audit and Risk Committee; its report on matters that it considered to be significant to the financial statements is set out on pages 80-81.

Group valuation of nuclear provisions

Refer to Note 20 Provisions for liabilities and charges - NDA nuclear decommissioning liabilities as at 31 March 2023 £125.2 billion (2021-22: £236.8 billion).

Description of risk

The Departmental Group holds nuclear decommissioning provisions from the Nuclear Decommissioning Authority (NDA) which is comprised of several individual estimates of the decommissioning costs associated with the NDA's subsidiaries and for several additional sites and entities. The nuclear provisions are valued at an undiscounted liability of £173 billion as at 31 March 2023 (see note 20.1 for further information). The nuclear provisions are inherently uncertain due to the requirement for management to estimate the cost of decommissioning facilities of uncertain content and condition over long timescales as the programme of decommissioning work is currently planned to take until 2137. Specifically, the Sellafield estimate is subject to a wide range of judgments, including uncertainties on plutonium strategy, adjustments to improve cost estimates associated with immature projects, and required savings to be achieved by Sellafield.

How the scope of my audit responded to the risk

In relation to the valuation of the nuclear provisions I performed the following procedures:

- challenged the change control process by which changes are made to the Lifetime Plans underpinning each site's provision;
- assessed management's processes for challenging key assumptions across the nuclear provisions;
- challenged the peer review process over the nuclear provision model;
- tested the supporting evidence for key judgements and assumptions made by management in valuing nuclear provisions, including management's response to changes in circumstances since the prior year. In particular I monitored strategy developments, such as the approach to providing for the Geological Disposal Facility, and whether the provision represents management's best estimate based on evidence available at the reporting date;
- assessed and challenged management on the key assumptions in respect of material amounts provided in-year, including using external experts to assess the reasonableness of the more technical assumptions;
- agreed the inputs to the nuclear provision to supporting evidence, including change controls raised and annual submissions provided by subsidiaries;
- assessed management's application of the data, methodology, and modelling previously agreed to revenue recognised from long term contracts;
- assessed the NDA's approach to addressing estimation uncertainty in its cost estimates in the provision by taking a granular approach to assess the merits of the approaches used across the different elements of the provision;
- assessed the accuracy and completeness of utilisation of the provision as reported within the financial statements;
- assessed the completeness of the provision, by reference to sanction approvals and other developments; and
- assessed the disclosures over the provision within the financial statements, particularly in how they address estimation uncertainty.

Group valuation of nuclear provisions

Key observations

In the course of completing this work I did not identify any material misstatements.

I do, however, draw attention to the disclosures made in notes 1.26 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.

Group valuation of Contracts for Difference

Refer to Note 10 Derivative financial instruments – Net liability of Contracts for Difference as at 31 March 2023 £13.4 billion (2021-22: £126.9 billion).

Description of risk

The Departmental Group holds Contracts for Difference (CfD) which are financial instruments intended to support investment in low carbon energy generation. These are classified as derivatives under IFRS 9. At 31 March 2023, the disclosed fair value of the liability was £84.5 billion. The Statement of Financial Position disclosed £6.1 billion of contracts in an asset position, with £19.6 billion in a liability position.

The measurement of the fair value of CfD liabilities is a Key Audit Matter because of the degree of estimation uncertainty inherent in forecasting generation volumes and wholesale prices into the 2030s and the material values involved. The long-term forecasts used by the Low Carbon Contracts Company (LCCC) to value the CfD liabilities require a series of significant judgements that are both complex and highly subjective and are susceptible to developments in the energy markets and changes in government policy.

Specifically, the Contract for Difference for Hinkley Point C (HPC) (disclosed fair value of liabilities was £59.6 billion at 31 March 2023 with £8.7 billion recognised in the Statement of Financial Position), has a contract duration more than double (35 years) the length of other CfDs (typically 15 years) entered into by the company. The fair value estimate for the HPC CfD reflects the company's assumptions around future nuclear generation, specifically construction of Sizewell C. In prior years, management's assumption was that a CfD (or equivalent) in relation to Sizewell C would not be entered into before the HPC reactor one start date and this was reflected in the HPC strike price, which is the agreed sale price per unit of electricity generated per the contract. Due to events in year related to Sizewell C and set out in Note 10.4.4, management have revised this assumption and accordingly adjusted the HPC strike price downwards. This has the impact of materially decreasing the HPC CfD liability.

Group valuation of Contracts for Difference	
How the scope of my audit responded to the risk	A key element of the CfD valuation is the forecast of future electricity prices. In 2022-23, an alternative provider for the future forecast electricity prices has been used and I used an auditor's expert to help assess the appropriateness of this. In relation to the valuation of the Contracts for Difference, I performed the following procedures: • assessed the reasonableness of the future forecast electricity price series via consultation with industry experts. • reviewed other model assumptions and inputs, vouching these to contracts or benchmarking them to independent information and analysis where possible. • reperformed the modelling to develop an auditor's valuation to evaluate management's point estimate. • compared the outputs from LCCC's valuation model to the workings and journals underpinning the financial statements; and • reviewed the disclosures included in the financial statements in relation to the CfDs. **Key observations** For the first time at 31 March 2023, there are CfDs with a positive fair value which are collectively material to the financial statements and there are CfDs for which there has been a positive movement in the assessed fair value since initial recognition, which are collectively material to the financial statements. I am content that management has made a reasonable estimate and presented the valuation, as well as the associated sensitivity disclosures, appropriately. I did not identify any material misstatements. I do, however, draw attention to the disclosures made in notes 1.19 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 value 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.

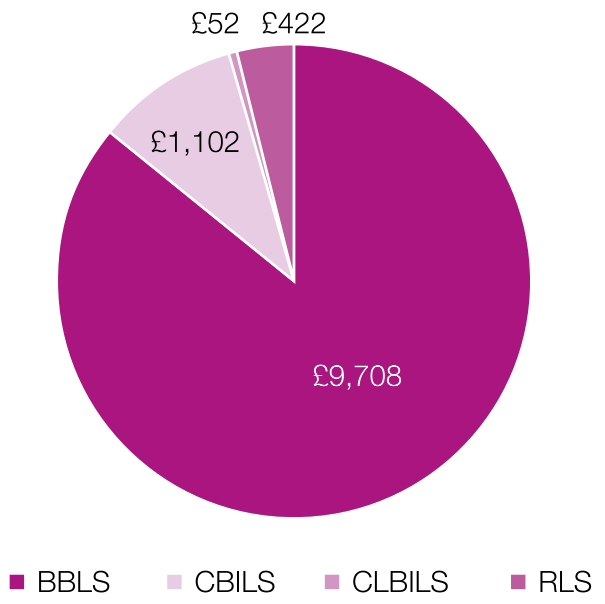
Measurement of COVID 19 guarantees (including related fraud and error)

Refer to Note 21 Financial guarantees, loan commitment liabilities and reinsurance contracts – financial guarantee liabilities as at 31 March 2023 £11.3 billion (2021-22: £15.8 billion).

Description of risk

The Department launched four guarantee schemes; Bounce Back Loans Scheme (BBLS), Coronavirus Business Interruption Loan Scheme (CBILS), Coronavirus Large Business Interruption Loan Scheme (CLBILS) and Recovery Loan Scheme (RLS) in response to the COVID 19 pandemic. The Department measures the guarantee schemes at the Lifetime Expected Credit Loss (ECL) for each facility.

COVID 19 Financial Guarentee Schemes liabilities as at 31 March 2023 (£m)



The COVID-19 guarantee schemes are material to the financial statements, with BBLS being the largest at £9.7 billion. These schemes are driven by significant estimation judgements by management and its experts. The modelling of ECL on the schemes is complex due to the large number of data inputs and calculations required to forecast the expected credit loss. Lenders keep key data up to date within a lender portal, this forms the core data used in the model. Some of the other inputs into the ECL are driven by macroeconomic assumptions which are inherently difficult to accurately predict. In 2022-23 management included a material Post Model Adjustment (PMA) to take account of the current high inflation economic environment.

When BBLS was introduced, it was subject to an estimated material level of fraud. Management's estimate of the level of fraud is a key, highly judgemental assumption in the model given the inherent challenges identifying cases of fraud and forming an extrapolated estimate.

Measurement of COVID 19 guarantees (including related fraud and error)	
How the scope of my audit responded to the risk	I performed the following procedures to address the significant risk in the valuation of the COVID-19 Financial Guarantees ECL and the risk of fraud and error within the schemes: • updated our understanding of controls and processes of the lender portal, including walkthroughs to assess the effectiveness of controls within the lender portal; • engaged internal experts to challenge the methodology and management's inflation PMA; • engaged external experts to review the model methodology underpinning the 4 schemes and reviewing the methodology behind the inflation PMA with a focus on benchmarking management's methodology against market practices; • assessed management's accounting treatment of the COVID-19 Financial Guarantees ECL; • assessed management's estimate of the fraud rate within BBLS; and • completed substantive testing on the lender portal to ensure data reconciles with data provided by commercial lenders via lender circularisations. **Key observations** The valuation of the COVID-19 Financial Guarantees ECL and the assumptions in relation to fraud and error within the schemes, are appropriately disclosed. I did not identify any material misstatements. However, I draw attention to the disclosures made in notes 1.26 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 of 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.

Recognition and measurement of support to Bulb

Refer to Note 11.3 Loans to public sector bodies – Bulb financial asset as at 31 March 2023 £2.4 billion (2021-22: £0 million).

Description of risk

Under the special administration regime (SAR) of the energy supplier Bulb, the Department provided payments to the administrators to ensure continued supply of energy to Bulb customers. This arrangement ran until 20 December 2022, when Bulb was sold to Octopus Energy. Following the sale, the terms of the SAR were amended which saw the Department continuing to provide funding of the SAR's costs in addition to providing cash advances to Octopus Energy to purchase energy for ex-Bulb customers until March 2023. The payments the Department has made during 2022-23 under the original and amended SARs are material to the financial statements and are complex to value. As the advances are due to be repaid by September 2024, the Department also had to make assumptions and apply judgements in relation to the fair value of the asset recognised in respect of the advances to Octopus at the reporting date.

How the scope of my audit responded to the risk

I performed the following procedures in relation to the expenditure recognised and the valuation of the financial asset:

- obtained an understanding and performed walkthroughs of management's key controls in place for making payments to Bulb under the agreements;
- tested the completeness and accuracy of payments made to Bulb under the agreements;
- assessed the accounting treatment proposed by management for the pre and post-sale agreements against the requirements of the relevant standards;
- challenged the methods, data and assumptions used to calculate the fair value of the financial asset at the reporting date;
- assessed the competence, capabilities, and objectivity of management's expert engaged to calculate the fair value of the financial asset;
- reviewed the impact of the updated SAR arrangements and payments including any matters arising after the reporting date on the 2022-23 accounts; and
- inquired about the Bulb judicial review held in February 2023 and the impact the outcome had on the accounting treatment and if any additional transactions should be recognised or disclosed in the 2022-23 Annual Report and Accounts.

Key observations

I concluded that the fair value of the financial asset held as at 31 March 2023, and the transactions incurred during the financial year, are accurate and appropriately valued. I did not identify any material misstatements.

Recognition and measurement of the energy support schemes

Refer to Note 4.4 Grant expenditure, Note 20.2 Other provisions and Note 25 Contingent Liabilities – energy subsidies expenditure for the year ended 31 March 2023 £40.4 billion (2021-22: £0) and energy scheme provisions at 31 March 2023 £3.1 billion (2021-22: £0).

Description of risk

customers in Great Britain and Northern Ireland in response to surging energy prices: the Energy Price Guarantee (EPG), the Energy Bill Relief Scheme (EBRS), the Energy Bill Support Scheme (EBSS), and the Alternative Fuel Payment scheme (AFP). The unique nature of this intervention in response to very high energy prices in the winter of 2022-23, including the novel characteristics and non-commercial nature of the schemes, required management to make judgements in determining the accounting policies for recognition and measurement of these schemes. There is a risk that the Department selects policies that do not fairly present the substance of the schemes. Additionally, the speed at which these different and, in some cases, complex schemes were rolled out increased the risk of fraud and error in the payments made to suppliers. A further scheme, the Energy Bills Discount Scheme (EBDS), was also announced in 2022-23. This will run from April 2023 for one year and replaces the EBRS scheme which ended in March 2023. It aims to provide more targeted support to non-domestic energy customers.

The EBRS scheme which provides support to non-domestic customers, is complex due to the large number of energy suppliers in this market, the wide range of contracts available to customers and, unlike EPG, there is no price cap for non-domestic customers. Unlike domestic schemes, there is no typical customer that would support a less complex modelling approach. Non-domestic energy contracts are arranged through brokers, and energy regulators do not have the same relationships with non-domestic energy suppliers as they have with domestic suppliers who administer the price cap.

BEIS also administer the Northern Ireland energy schemes. These have different risks compared with the rest of the UK as this market is subject to different payment mechanisms and regulatory oversight.

Even though announcements relating to policy change after the reporting date have become the responsibility of the Department for Energy Security and Net Zero, the Department has appropriately disclosed these in Note 19 *Events after the reporting period* in these financial statements.

How the scope of my audit responded to the risk

In relation to the valuation of the energy schemes I performed the following procedures:

- documented and tested the controls the Department have in place over the claimed payments including those which ensure the regularity of those payments. This testing includes IT controls, pre-payment checks and ongoing monitoring of payments to suppliers.
- tested a sample of expenditure and year end balances including amounts provided for to cover payments relating to the EPG scheme in 2022-23 and the expected costs of the EBDS scheme.
- challenged the Department's basis for selection of accounting policies and treatment for each of the schemes against the relevant accounting standards. This challenge particularly included consideration of the requirement to recognise a liability at 31 March 2023 for future payments under the EPG scheme;
- reviewed disclosures, including those relating to events after the reporting period; and
- tested year end liabilities and balances relating to the schemes.

Recognition and measurement of the energy support schemes

Key observations

In the course of completing this work I did not identify any material misstatements.

I am satisfied that the Department has adequate controls in place to prevent and detect irregularity, including due to fraud. I am content that accounting policy choices and disclosures made by the Department fairy reflect the substance of the schemes.

Machinery of Government Change

Refer to Note 1.1 Basis of accounting

Description of risk

On 7 February 2023, the government announced that substantially all of the Department's functions would be split into three new Departments: the Department for Energy Security and Net Zero; the Department for Business and Trade; and the Department for Science, Innovation and Technology. HM Treasury directed that as the supply estimate process had closed, the Department would continue to prepare their financial statements under the previous framework until 31 March 2023. The timing difference between the immediate operational machinery of government change and the change for accounting purposes means management had to make additional judgements around the completeness of disclosure in the final 2022-23 annual report and accounts. Particular areas of judgement were on the application of the going concern basis to the accounts; the accuracy of disclosures of senior staff changes within the Remuneration Report and the completeness; and relevance of disclosure of events after the reporting period.

How the scope of my audit responded to the risk

In relation to the machinery of government change, I performed the following procedures:

- evaluated the Department's assessment that the functions delivered by BEIS will continue to be provided by the successor departments to ensure it is appropriate to apply the going concern basis to these accounts.
- performed detailed testing to agree disclosures made in the Remuneration Report to announcements made by government and to payroll records.
- reviewed announcements made by successor departments and wider government to assess the completeness of events after the reporting period impacting the ongoing delivery of activities delivered by BEIS.

Key observations

In the course of completing this work I did not identify any material misstatements or omissions from the financial statements. The disclosures in the Remuneration Report are properly prepared.

Accounting for the Department's investment in Sizewell C

Refer to Note 7 Property, plant and equipment – Sizewell C consolidated asset under construction as at 31 March £839 million (2021-22: £0).

Description of risk

The Department has paid £363 million to acquire 40.4% of Sizewell C (Holding) Ltd during 2022-23. Sizewell C (Holding) Ltd is the holding company of Sizewell C Ltd whose principal activity is the construction and operation of a nuclear power station. The net assets of Sizewell C have been consolidated into the Departmental group for the first time in 2022-23 following direction from HM Treasury. The net assets of Sizewell C principally consist of a material asset under construction relating to capitalised early development costs. The acquisition of control of a private sector company is novel in central government accounting, which increases the risks around accuracy of consolidation and sufficiency of related disclosures.

How the scope of my audit responded to the risk

In relation to the acquisition of Sizewell C, I performed the following procedures:

- obtained and reviewed the direction from HM Treasury to consolidate Sizewell C into the Departmental group accounts in 2022-23; and
- assessed the sufficiency and consistency of disclosures related to Sizewell C throughout the Department's financial statements in relation to the uncertainty around the Final Investment Decision.

Key observations

In the course of completing this work, I did not identify any material misstatements or omissions from the disclosures presented in the financial statements.

Group valuation of Defined Benefit Pension Schemes

Refer to Note 22 Retirement benefit obligations – Group net pension surplus as at 31 March 2023 £1.7 billion (2021-22: £223 million).

Description of risk

The Departmental Group financial statements include assets and liabilities associated with nine funded defined-benefit pension schemes from the Nuclear Decommissioning Authority (NDA) and UK Research and Innovation (UKRI). The gross assets and liabilities of these schemes as at 31 March 2023 are £7.4 billion and £5.7 billion respectively (see note 22 for further information). The net pension surplus is a material balance and relies on actuarial valuations of the pension liabilities, which are subject to estimation uncertainty and are based on significant assumptions, as well as estimations of the value of the pension asset portfolios, which include hard-to-value assets including private equity and investment funds.

Group valuation of Defined Benefit Pension Schemes	
How the scope of my audit responded to the risk	In relation to the valuation of the defined benefit pension schemes for UKRI and NDA I performed the following procedures: • assessed the independence, capability and competence of the scheme actuaries used to provide valuations of scheme liabilities to ensure the auditor can place reliance on their work as management's experts; • considered the appropriateness of key assumptions used to value scheme liabilities through the engagement of actuarial experts and benchmarking against similar assumptions set by other NAO audited bodies; • performed data verification testing on the scheme membership data; and • performed substantive testing of scheme assets using relevant reports from fund managers, audited fund accounts, transactions in the fund around the reporting date and relevant controls reports to ensure the valuations as at 31 March 2023 were appropriate. **Key observations** Based on the evidence I obtained I found that the IAS 19 valuations provided by the scheme actuaries provided a reliable basis for estimating the retirement benefit obligation. My work over scheme assets found that the disclosed scheme asset values are materially accurate. The net asset position of the schemes represents an amount the Department would reasonably be expected to recover. In the course of completing this work I did not identify any material misstatements.

Group valuation of the fair value through profit and loss investments (FVTPL) investments held in BBB

Refer to Note 12 Other financial assets – Group investment in funds as at 31 March 2023 £3.9 billion (2021-22: £3.7 billion).

Description of risk

British Business Bank (BBB) holds a significant volume of investments in funds and direct investments which are classified and measured at fair value through profit and loss for financial reporting purposes (£3 billion at 31 March 2023), and are consolidated into the Departmental Group financial statements. The valuation of the investments in funds is derived from the Limited Partnership Agreements where each fund manager is required to provide fund valuations for the underlying fund assets at fair value. Some of these are non-coterminous audited valuations or unaudited fund manager valuations which means there is a risk that the valuations do not comply with guidance or that methods, judgements or assumptions used in determining the fair value of fund assets are not appropriate. Fair value measurement of funds holding significant private equites also typically carry higher levels of estimation uncertainty than funds that invest mainly in debt instruments, and that estimation uncertainty can become even higher in periods of economic uncertainty.

How the scope of my audit responded to the risk

In relation to the risk of material misstatement in the valuation of the investments held in BBB I have performed the following procedures:

- assessed the controls applied by BBB over the valuation process for investments;
- assessed the reasonableness of the valuation methodology applied for estimating the fair value (using net asset values reported by the fund manager);
- confirmed that management's estimate has been accurately prepared by reconciling it to fund manager reports at 31 March 2023;
- assessed the reliability of the fund managers quarterly reporting in accordance with the requirements of ISA (UK) 402 Service Organisations;
- considered whether the unaudited valuation reported by the fund manager is consistent with other information available;
- where the financial year of the fund is coterminous with that of BBB, I have agreed the valuation to the audited accounts of the fund and investigated any differences; and
- where the financial year of the fund is not coterminous with that of BBB I have:
  - agreed the audited accounts of the fund to the valuation report provided to BBB for the relevant period; and
  - where available obtained the Service Auditors Controls Report and evaluated whether this provides reliable evidence of the operating effectiveness of the fund managers transaction processing and valuation controls.

Key observations

Based on the evidence I obtained I found that the quarterly investment valuations provided by fund managers are a reliable basis for estimating the fair value of the groups' investments in funds.

My work over the direct investments held by BBB found that they were valued in line with the requirements of IFRS 13.

In the course of completing this work, I did not identify any material misstatements.

Application of materiality

Materiality

I applied the concept of materiality in both planning and performing my audit, and in evaluating the effect of misstatements on my audit and on the financial statements. This approach recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement or irregularity. A matter is material if its omission or misstatement would, in the judgement of the auditor, reasonably influence the decisions of users of the financial statements.

Based on my professional judgement, I determined overall materiality for the Department and its group's financial statements as a whole as follows:

Materiality for the group financial statements as a whole	£2.4 billion (2021-22: £4.6 billion)
Basis for determining materiality	2% of nuclear liabilities of £125,166 million
Rationale for the benchmark applied	The nuclear decommissioning provision is the largest item in the Departmental Group Statement of Financial Position and is of primary interest to users of the accounts as the largest and most complex balance being managed by the Department. Its valuation is subject to significant uncertainty arising from both the complexity of the decommissioning work to be performed and the very long timescales involved. I have therefore set materiality at a level intended to reflect my view that a greater level of precision would potentially overstate the confidence that users may place on using this information for their decision making.

Specific Group materiality applied to Contracts for Difference	£1 billion (2021-22: £1 billion)
Basis for determining the Contracts for Difference materiality	2% of Contracts for Difference fair value of £84,506 million – capped at £1 billion
Rationale for the benchmark applied	The fair value for Contracts for Difference is the second largest item in the Departmental Group Statement of Financial Position. The Contracts for Difference are of particular interest to users of the accounts as large financial instruments being used as a major policy intervention. The balances are highly volatile and sensitive to model assumptions outside of the Department's control. The high level of uncertainty in the valuation of these derivative contracts informs my judgement that a separate materiality be applied that is reflective of this uncertainty and does not obscure user interest in other drivers of the financial statements.

Additional Departmental Group materiality	£576 million (2021-22: £291 million)
Basis for determining Departmental Group materiality	1% of adjusted gross group expenditure
Rationale for the benchmark applied	Expenditure is used as the materiality benchmark for the general group materiality level because the Department's main activities result in grant expenditure in line with their policy objectives – a key area of user interest. I have adjusted the expenditure benchmark to exclude the provision, financial guarantee and other liabilities expenses, because this line reflects valuation movements sensitive to external market movements. This approach is unchanged from 2021-22.

The Core Department's materiality	£575 million (2021-22: £290 million)
Basis for determining the Department's materiality	1% of adjusted gross expenditure – capped below the group materiality level
Rationale for the benchmark applied	As for Additional Departmental Group materiality above.

I have determined that for audited disclosures included within the Remuneration Report; disclosure of NAO external audit fees; and any irregular income and expenditure, misstatements of a lesser amount than overall materiality could influence the decisions of users of the accounts given the sensitive nature of these areas to inaccuracies or omissions. I have therefore determined that the level to be applied to these components is £1,000.

Performance Materiality

I set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality of the financial statements as a whole. Group performance materiality was set at 75% of Group materiality for the 2022-23 audit (2021-22: 80%). In determining performance materiality, I considered the level of identified errors in prior periods, which have historically been low, and the level of uncorrected misstatements identified in the previous period.

Other Materiality Considerations

I observed significant increases in Departmental group materiality compared to the prior period due to the large increase in the Department's expenditure in 2022-23 to deliver the energy support schemes.

Apart from matters that are material by value (quantitative materiality), there are certain matters that are material by their very nature and would influence the decisions of users if not corrected. Such an example is any errors reported in the Related Parties note in the financial statements. Assessment of such matters needs to have regard to the nature of the misstatement and the applicable legal and reporting framework, as well as the size of the misstatement.

I applied the same concept of materiality to my audit of regularity. In planning and performing my audit work to support my opinion on regularity and in evaluating the impact of any irregular transactions, I considered both quantitative and qualitative aspects that would reasonably influence the decisions of users of the financial statements.

Error Reporting Threshold

I agreed with the Audit and Risk Committee that I would report to it all uncorrected misstatements identified through my audit in excess of £1 million, as well as differences below this threshold that in my view warranted reporting on qualitative grounds. I also report to the Audit and Risk Committee on disclosure matters that I identified when assessing the overall presentation of the financial statements.

Total unadjusted audit differences reported to the Audit and Risk Committee would have increased net assets by £57 million.

Audit scope

The scope of my Group audit was determined by obtaining an understanding of the Department and its Group's environment, including Department/Group-wide controls, and assessing the risks of material misstatement at the Group level.

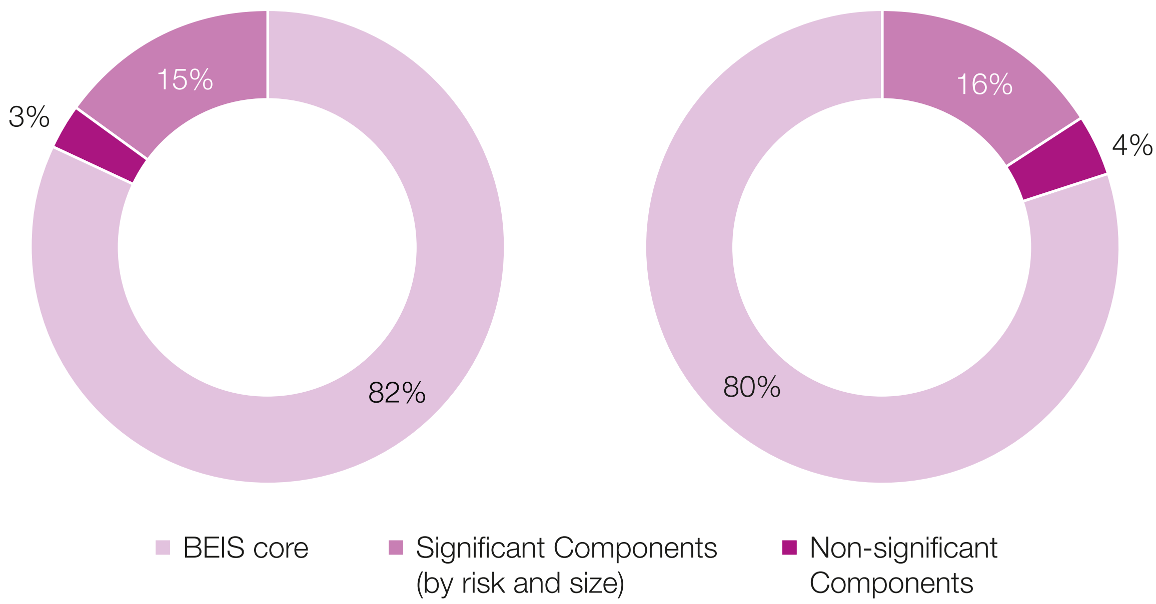
The Department for Business, Energy & Industrial Strategy Group has total liabilities of £179 billion. The group's significant components by size are the Nuclear Decommissioning Agency (NDA) and UK Research & Innovation (UKRI). The group's non-significant components that hold specific balances that are significant to the group are the British Business Bank (BBB) and the Low Carbon Contracts Company (LCCC). These components hold the key assets and liabilities in the Group balances. I have audited the full financial information of the Core Department, as well as the group consolidation. The audits of all significant components, with the exception of the British Business Bank, were complete at the time of my completion of the group audit. As group auditor, I have gained assurance from the auditors of the significant and material components and engaged regularly on the group significant risks such as valuation of nuclear provisions in NDA; valuation of defined benefit pension schemes in NDA and UKRI; presumed risk of fraud in revenue recognition in NDA; valuation of Contracts for Difference (excluding Hinkley C) in LCCC; valuation of the Hinkley Point C Contract for Difference in LCCC; and valuation of the fair value through profit and loss investments held in BBB.

I covered 96% of the group's gross expenditure and 97% of the group's gross liabilities through audit work on significant components, with the remainder covered by analytical procedures performed on non-significant components. For most of these non-significant components, audit of the financial information was complete or well progressed at the point of my analytical procedures. Together with my audit work on consolidation adjustments, this work gave me the evidence I needed for my opinion on the group financial statements as a whole.

This work covered substantially all of the Group's liabilities and gross expenditure, and together with the procedures performed at group level, gave me the evidence I needed for my opinion on the group financial statements as a whole.

Gross liabilities of individual components of the Department for Business, Energy & Industrial Strategy group (as at 31 March 2023)

Gross expenditure of individual components of the Department for Business, Energy & Industrial Strategy group (as at 31 March 2023)



Other Information

The other information comprises information included in the Annual Report but does not include the financial statements and my auditor's certificate and report thereon. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

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;
- 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 its Group and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- Adequate accounting records have not been kept by the Department and its Group or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; 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;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;

- providing the C&AG with unrestricted access to persons within the Department and its Group from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- ensuring that the financial statements give a true and fair view and are prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- ensuring that the annual report, which includes the Remuneration and Staff Report, is prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; 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, I:

- considered the nature of the sector, control environment and operational performance including the design of the Department and its Group's accounting policies and key performance indicators.

- inquired 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 on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of 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 2022.
- inquired of management, the Department's head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations; and
  - they had knowledge of any actual, suspected, or alleged fraud,
- discussed with the engagement team, including significant component audit teams, how and where fraud might occur in the financial statements and any potential indicators of fraud. I additionally consulted relevant internal and external specialists, including modelling and economics specialists regarding complex expected credit loss and provision models.

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, 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 required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Department and Group's framework of authority and other legal and regulatory frameworks in which the Department and Group operates. I focused 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: Government Resources and Accounts Act 2000, Managing Public Money, Supply and Appropriation (Main Estimates) Act 2022, employment law, tax and pension legislation, the Energy Prices Act 2022, the Industrial Development Act 1982, 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.

I considered the Department's assessment of the level of fraud and error and the regularity of expenditure in both the energy and COVID-19 support schemes.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed 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;
- I enquired of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed 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, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business;
- I reviewed the Department's methodology, processes, verifying the data used and the appropriateness of the assumptions and judgements applied for material estimates presented within the Annual Report and Accounts, including those described in my key audit matters above;
- I confirmed that relevant approvals required under Managing Public Money have been obtained by management, and that the disclosures required by Managing Public Money are complete and have been appropriately included within the financial statements; and
- I confirmed that the Department has complied with the Parliamentary control totals set out in the Supply and Appropriations (Main Estimates) Act 2022 by confirming that the outturn is within the limits approved by Parliament, that the allocation of amounts to those control totals is appropriate and that management have not vired amounts inappropriately between control totals.

I also communicated relevant identified laws and regulations and potential risks of fraud 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 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 I identify during my audit.

Report

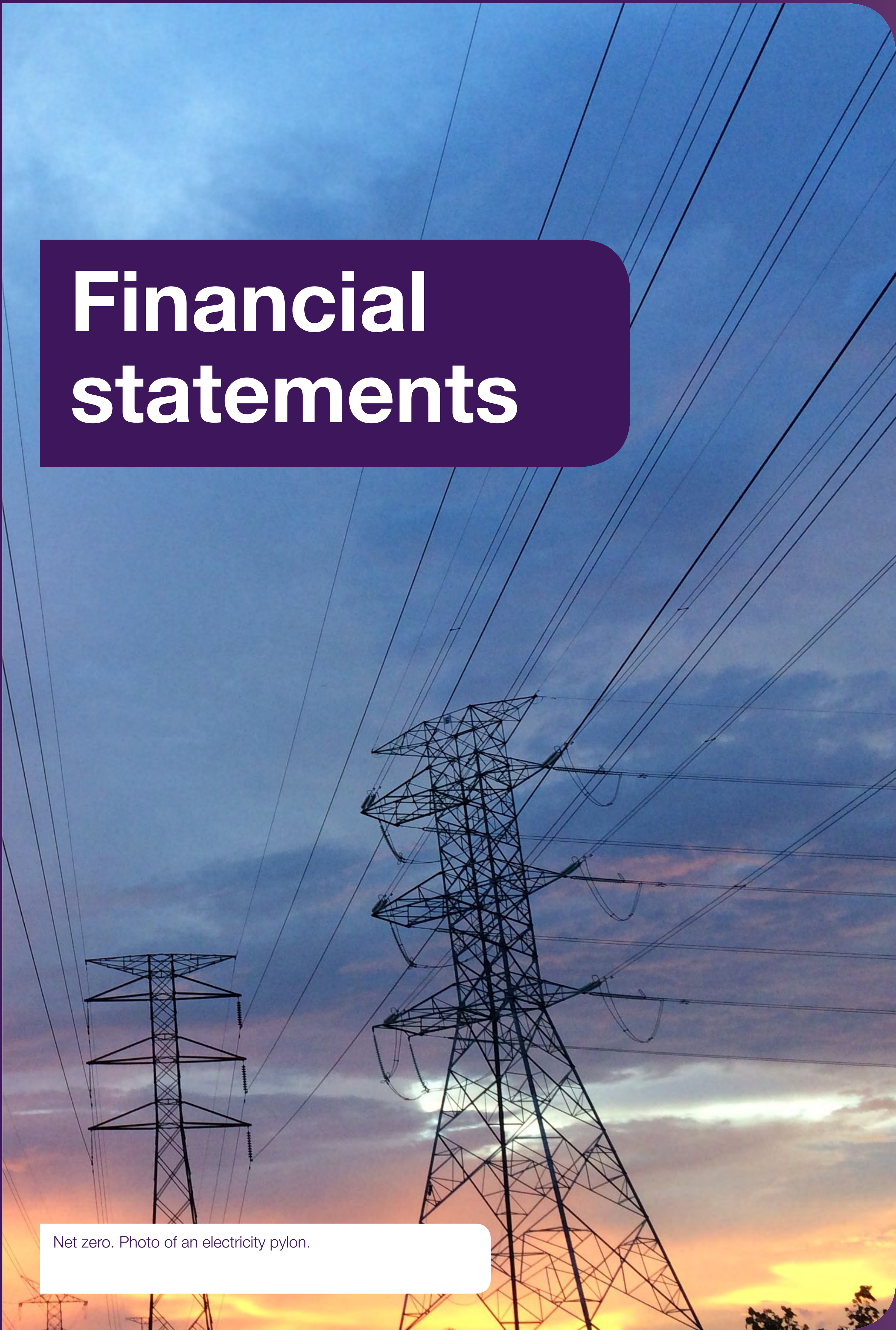
I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General

13 October 2023

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

Financial statements



Net zero. Photo of an electricity pylon.

Consolidated Statement of Comprehensive Net Expenditure

for the period ended 31 March 2023

		31 March 2023		31 March 2022	
		Core department and agencies	Departmental group	Core department and agencies	Departmental group
	Note	£m	£m	£m	£m
Revenue from contracts with customers	6.1	(487)	(2,693)	(650)	(3,040)
Total operating income		**(487)**	**(2,693)**	**(650)**	**(3,040)**
Staff costs	3	598	1,755	560	1,632
Purchase of goods and services	4.1	1,166	4,070	4,249	6,894
Depreciation and impairment charges	4.2	74	593	122	534
Provision, financial guarantee and other liabilities expenses	4.3	4,625	(104,095)	(2,832)	103,540
Grants	4.4	56,600	51,275	25,133	20,237
Other operating expenditure		3	(13)	-	(9)
Total operating expenditure/(income)		**63,066**	**(46,415)**	**27,232**	**132,828**
Net operating expenditure/(income)		**62,579**	**(49,108)**	**26,582**	**129,788**
Finance income	6.2	(181)	(372)	(178)	(320)
Finance expense	5	98	(2,563)	(43)	(646)
Contracts for difference derivatives	10	-	(13,491)	-	10,286
Share of post-tax loss/(profits) of associates and joint ventures	14	52	(306)	(29)	(159)
(Gain)/loss on net assets transferred	11	-	(3)	-	-
Net expenditure/(income) for the year from operations		**62,548**	**(65,843)**	**26,332**	**138,949**
Net expenditure/(income) for the year		**62,548**	**(65,843)**	**26,332**	**138,949**
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		-	(307)	(78)	(285)
Revaluation of intangible assets		-	(22)	-	14
Items that may be reclassified subsequently to net operating costs:					

		31 March 2023		31 March 2022	
		Core department and agencies	Departmental group	Core department and agencies	Departmental group
	Note	£m	£m	£m	£m
Revaluation of investments		(8)	(7)	124	91
Other revaluation movements		(8)	(28)	(7)	(7)
Actuarial (gains)/losses		-	(333)	-	(194)
Total other comprehensive net income and expenditure		**(16)**	**(697)**	**39**	**(381)**
Comprehensive net expenditure/ (income) for the year		**62,532**	**(66,540)**	**26,371**	**138,568**

Core department and agencies comprise: the core department, Companies House, Insolvency Service, and UK Space Agency.

All operations are continuing.

Further analysis of staff costs can be found in the staff note in the accountability report on page 67.

The notes on pages 198 to 338 form part of these accounts.

Consolidated Statement of Financial Position

as at 31 March 2023

		31 March 2023		31 March 2022	
		Core department and agencies	Departmental group	Core department and agencies	Departmental group
	Note	£m	£m	£m	£m
Non-current assets					
Property, plant and equipment	7	391	5,320	405	4,156
Right of use assets	8	60	267	106	316
Investment properties		1	119	1	124
Intangible assets	9	72	184	58	163
Investment and loans in public bodies	11	7,856	4,219	4,672	1,867
Other financial assets	12	1,595	6,740	1,744	6,876
Recoverable contract costs	13	-	992	-	3,071
Derivative financial instruments	24	6	6,136	-	-
Investment in joint ventures and associates	14	324	1,808	376	1,504
Trade and other receivables	15	389	510	504	598
Retirement benefit obligations	22	-	1,658	-	223
Total non-current assets		**10,694**	**27,953**	**7,866**	**18,898**
Current assets					
Inventories		-	15	-	20
Non-current assets held for sale		-	1	-	7
Trade and other receivables	15	3,397	4,655	2,667	3,889
Investments and loans in public bodies	16	624	623	562	561
Other financial assets	12	-	-	223	223
Derivative financial instruments	24	3	3	-	-
Cash and cash equivalents	17	1,866	3,429	4,412	5,821
Total current assets		**5,890**	**8,726**	**7,864**	**10,521**
Total assets		**16,584**	**36,679**	**15,730**	**29,419**
Current liabilities					
Trade payables and other liabilities	18	(6,589)	(10,644)	(6,355)	(10,060)
Lease liabilities	19	(28)	(45)	(31)	(49)

		31 March 2023		31 March 2022	
		Core department and agencies	Departmental group	Core department and agencies	Departmental group
	Note	£m	£m	£m	£m
Provisions for liabilities and charges	20	(3,678)	(7,685)	(269)	(3,598)
Financial guarantees, loan commitment liabilities and re-insurance contracts	21	(11,304)	(11,343)	(16,195)	(16,234)
Derivative financial instruments	24	-	(1)	-	-
Total current liabilities		**(21,599)**	**(29,718)**	**(22,850)**	**(29,941)**
Non-current assets plus/less net current assets/ liabilities		**(5,015)**	**6,961**	**(7,120)**	**(522)**
Non-current liabilities					
Trade payables and other liabilities	18	(1,848)	(3,706)	(1,650)	(3,637)
Lease liabilities	19	(30)	(160)	(73)	(198)
Provisions for liabilities and charges	20	(1,703)	(125,366)	(2,016)	(241,889)
Financial guarantees, loan commitment liabilities and re-insurance contracts	21	(5)	(176)	(18)	(172)
Derivative financial instruments	10, 24	-	(19,572)	-	(26,948)
Total non-current liabilities		**(3,586)**	**(148,980)**	**(3,757)**	**(272,844)**
Total assets less liabilities		**(8,601)**	**(142,019)**	**(10,877)**	**(273,366)**
Taxpayers' equity and other reserves					
General fund		(8,992)	(145,496)	(11,255)	(275,994)
Revaluation reserve		391	2,289	378	2,011
Charitable funds		-	426	-	469
Non-controlling interests		-	762	-	148
Total equity		**(8,601)**	**(142,019)**	**(10,877)**	**(273,366)**

Core department and agencies comprise: the core department, Companies House, Insolvency Service, and UK Space Agency.

The notes on pages 198 to 338 form part of these accounts.

Sarah Munby
Permanent Secretary and Principal Accounting Officer

10 October 2023

Consolidated Statement of Cash Flows

for the period ended 31 March 2023

		2022–23		2021–22	
		Core department and agencies	Departmental group	Core department and agencies	Departmental group
	Note	£m	£m	£m	£m
Cash flows from operating activities					
Net (expenditure)/income		(62,548)	65,843	(26,332)	(138,949)
Adjustment for non-cash expenditure		4,128	(119,815)	(2,462)	113,999
(Increase)/decrease in inventories		-	5	-	(2)
(Increase)/decrease in trade and other receivables	15	(615)	(678)	977	1,137
Less movements in receivables relating to items not passing through the Consolidated Statement of Comprehensive Net Expenditure		7	7	(5)	(5)
Increase/(decrease) in trade payables and other liabilities	18	432	653	2,390	2,935
Less movements in payables relating to items not passing through the Consolidated Statement of Comprehensive Net Expenditure		2,403	1,823	(2,690)	(3,239)
Use of provisions	20	(244)	(3,448)	(189)	(3,311)
Interest on lease liabilities		1	4	1	4
Financial guarantees called in	21	(5,833)	(5,833)	(483)	(483)
Expenditure funded by the National Insurance Fund (RPS)	4.1	264	264	261	261
Payments to retirement benefit obligations		-	(189)	-	(231)
Net cash outflow from operating activities		**(62,005)**	**(61,364)**	**(28,532)**	**(27,884)**
Cash flows from investing activities					
Purchase of property, plant and equipment		(19)	(1,194)	(35)	(415)
Purchase of investment property		-	(2)	-	-
Purchase of intangible assets		(23)	(34)	(20)	(33)
Proceeds of disposal of property, plant and equipment		-	2	-	4
Proceeds of disposal of investment property		-	-	2	2
Proceeds of disposal of assets held for sale		-	6	-	5

	Note	2022–23 Core department and agencies £m	2022–23 Departmental group £m	2021–22 Core department and agencies £m	2021–22 Departmental group £m
Current loans redeemed	16	3,334	3,334	2,812	2,812
Current loans made to Post Office Limited	16	(3,362)	(3,362)	(2,693)	(2,693)
Repayments of loans and investments		304	885	179	513
Payments (to)/from the Contracts for Difference generators	10	-	(16)	-	(271)
Other investments and loans made		(2,353)	(2,810)	(850)	(1,360)
Launch investment receipts	12.1	261	261	49	49
Venture capital fund redemptions		2	243	4	459
Venture capital fund investments		(3)	(509)	(2)	(614)
Dividends from Joint ventures and associates	14	-	87	1	85
Disposal of Joint venture and associates		-	(20)	-	30
Investment in Joint ventures and associates	14	-	13	-	(55)
Investment in shares		(787)	-	(420)	(125)
Repayment of shares		5	-	65	-
Net cash outflow from investing activities		**(2,641)**	**(3,116)**	**(908)**	**(1,607)**
Cash flows from financing activities					
From Consolidated Fund (supply) – current year		62,133	62,133	31,815	31,815
Payment of lease liabilities		(28)	(50)	(31)	(50)
Advances from the Contingencies Fund		3,532	3,532	3,381	3,381
Repayments to the Contingencies Fund		(3,532)	(3,532)	(3,381)	(3,381)
From the National Insurance Fund		268	268	261	261
Payments in respect of the National Insurance Fund	4.1	(264)	(264)	(261)	(261)
Net financing		**62,109**	**62,087**	**31,784**	**31,765**
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**(2,537)**	**(2,393)**	**2,344**	**2,274**
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		747	757	841	828
Payments of amounts due to the Consolidated Fund		(756)	(756)	(725)	(725)

		2022–23		2021–22	
		Core department and agencies	Departmental group	Core department and agencies	Departmental group
	Note	£m	£m	£m	£m
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		(2,546)	(2,392)	2,460	2,377
Cash and cash equivalents opening balance		4,412	5,821	1,952	3,444
Cash and cash equivalents at the end of the period	17	1,866	3,429	4,412	5,821

The notes on pages 198 to 338 form part of these accounts.

Statement of Changes in Taxpayers' Equity (core department and agencies)

for the period ended 31 March 2023

	Note	General fund	Revaluation reserve	Taxpayers' equity
		£m	£m	£m
Balance at 1 April 2021		**(14,423)**	**419**	**(14,004)**
Net parliamentary funding – drawn down		31,815	-	31,815
Net parliamentary funding – deemed		1,928	-	1,928
National Insurance Fund – RPS		256	-	256
Supply (payable)/receivable adjustment	18	(4,273)	-	(4,273)
Income payable to the Consolidated Fund		(230)	-	(230)
Net expenditure for the year		(26,332)	-	(26,332)
Non-cash adjustments				
Auditors' remuneration	4.1	2	-	2
Movement in reserves				
Other comprehensive net expenditure for the year		-	(39)	(39)
Transfers between reserves		2	(2)	-
Other movements		-	-	-
Balance at 31 March 2022		**(11,255)**	**378**	**(10,877)**
Balance at 1 April 2022		**(11,255)**	**378**	**(10,877)**
Net parliamentary funding – drawn down		62,133	-	62,133
Net parliamentary funding – deemed		4,273	-	4,273
National Insurance Fund - RPS		268	-	268
Supply (payable)/receivable adjustment	18	(1,735)	-	(1,735)
Income payable to the Consolidated Fund		(142)	-	(142)
Decrease in RPS receivables	15	7	-	7
Net expenditure for the year		(62,548)	-	(62,548)
Non-cash adjustments				
Auditors' remuneration	4.1	2	-	2
Movement in reserves				
Other comprehensive net income for the year		-	16	16
Transfers between reserves		3	(3)	-
Other movements		2	-	2
Balance at 31 March 2023		**(8,992)**	**391**	**(8,601)**

Consolidated Statement of Changes in Taxpayers' Equity (departmental group)

for the period ended 31 March 2023

	Note	General fund	Revaluation reserve	Taxpayers' equity	Charitable funds - unrestricted/ restricted	Non controlling interest	Total reserves
		£m	£m	£m	£m	£m	£m
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
Grants from BIS (sponsoring department)							
National Insurance Fund - RPS		256	-	256	-	-	256
Supply (payable)/receivable adjustment	18	(4,273)	-	(4,273)	-	-	(4,273)
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)**

	Note	General fund	Revaluation reserve	Taxpayers' equity	Charitable funds - unrestricted/ restricted	Non controlling interest	Total reserves
		£m	£m	£m	£m	£m	£m
Balance at 1 April 2022		**(275,994)**	**2,011**	**(273,983)**	**469**	**148**	**(273,366)**
Net parliamentary funding – drawn down		62,133	-	62,133	-	-	62,133
Net parliamentary funding – deemed		4,273	-	4,273	-	-	4,273
National Insurance Fund - RPS		268	-	268	-	-	268
Supply (payable)/receivable adjustment	18	(1,735)	-	(1,735)	-	-	(1,735)
Income payable to the Consolidated Fund		(715)	-	(715)	-	-	(715)
Decrease in RPS receivables		7	-	7	-	-	7
Net expenditure for the year		65,843	-	65,846	-	-	65,843
Amounts paid from distributable reserves		(88)	-	(88)	-	-	(88)
Non-cash adjustments							
Auditors' remuneration	4.1	2	-	2	-	-	2
Movements in reserves							
Other comprehensive net (expenditure)/income for the year		333	364	697	-	-	697
Transfers between reserves		123	(80)	43	(43)	-	-
Minority interest		-	-	-	-	75	75
Other movements		54	(6)	48	-	539	587
Balance at 31 March 2023		**(145,496)**	**2,289**	**(143,207)**	**426**	**762**	**(142,019)**

The notes on pages 198 to 338 form part of these accounts.

Notes to the accounts

1. Accounting policies, judgments, 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 2022-23 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.

On 7th February 2023, the prime minister announced a major machinery of government change which redistributed the activities of several existing government departments, including BEIS, and created three new departments, the Department for Business and Trade, the Department for Science, Innovation and Technology, and the Department for Energy Security and Net Zero. The Government Resources and Accounts Act (2000) requires departments to produce Annual Report and Accounts which follow the structures set out to Parliament at the relevant Supplementary Estimate. The 2022-23 Supplementary Estimates for BEIS were presented before the Machinery of Government change took place. As a result, this annual report and accounts presents those activities paid out of the BEIS Vote for 2022-23.

The Consolidated Statement of Financial Position (SOFP) shows significant net liabilities, primarily relating to energy support schemes, COVID-19 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 28, which fall within the departmental boundary as defined in the FREM and make up the departmental group, excluding transactions and balances between them. Where the Office for National Statistics (ONS) designates a body retrospectively such that the body should have been designated for consolidation in a prior period, the accounts are voluntarily restated to reflect the position from the effective date of classification. The consolidated bodies prepare accounts in accordance with either the FREM, the Charities' Statement of Recommended Practice (for charities), or the Companies Act 2006 (for limited companies). For those bodies that do not prepare accounts in accordance with the FREM, adjustments are made 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

Accounting policies are unchanged compared to those in the 2021-22 departmental group financial statements.

1.6 New accounting standards adopted in the year and FREM changes

No new accounting standards have been adopted in these financial statements.

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 (International Accounting Standards Board) 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 1.23 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%

b. operational mine water schemes and subsidence pumping stations are held by the Coal Authority at £nil value because they are used to address pollution caused by past mining activities where the economic benefits have already been received.

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

Valuation of PPE

PPE is carried at fair value except for nuclear waste management assets held at historical cost (see note 1.19) and assets under construction which are held at cost. In accordance with the FREM, assets that have short useful lives or are of low value are carried at depreciated historical cost less impairment as a proxy for fair value.

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

Revaluation of PPE

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

Depreciation of PPE

PPE assets are depreciated to estimated residual values. This is done on a straight-line basis over their estimated useful lives, given in the table below. Residual values and useful lives are reviewed and adjusted if appropriate at each reporting date. Freehold and long leasehold land are not depreciated.

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

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 licences	3 – 10 years
Internally developed software	Up to 10 years
Website development costs	2 – 5 years
Patents, licences 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 3 months or less. Any bank overdraft amounts are included within trade payables and other liabilities.

1.17 Leases

The departmental group adopted IFRS 16 'Leases' from 1 April 2021, in agreement with HM Treasury.

Assumptions

The definition of a contract is expanded to include intra-UK government agreements where nonperformance may not be enforceable by law. This includes, for example, Memorandum of Understanding (MOU) agreements.

The group has expanded the definition of a lease to include arrangements with £nil consideration. Peppercorn leases are examples of these, they are defined by HM Treasury as lease payments significantly below market value. These assets are fair valued on initial recognition. On transition any differences between the discounted lease liability and the right of use asset are included through equity. Any differences between the lease liability and right of use asset for new leases after implementation of IFRS 16 are recorded in income.

As mandated in the FREM, the group has elected not to recognise right of use assets and lease liabilities for the following leases:

- Low value assets (these are determined to be in line with the departmental group's capitalisation threshold, £10,000 de minimus)
- Leases with a lease term of 12 months or less.

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 1.66%. 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, 0.95% for leases that commence or are remeasured between 1 January 2022 to 31 December 2022, and 3.51% for leases that commence or are remeasured between 1 January 2023 to 31 March 2023).

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.

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.

1.18 Subsidiaries, associates, and joint ventures

Subsidiaries and public sector joint ventures are consolidated where designated within the departmental group boundary (note 28); those subsidiaries, joint ventures and associates that are outside of 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.

1.19 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 1.20 and note 1.26.

Financial assets

Classification and measurement of financial asset

The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

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

- Loans and other debt instruments are classified as either amortised cost, FVTOCI (fair value through other comprehensive income) or FVTPL (fair value through profit or loss), 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 (FVTOCI) 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 FVTOCI 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 3-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 IFRS 16 'Leases' 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 IFRS 16 ‘Leases’, the simplified approach is applied and lifetime ECL are recognised as dictated by the FREM.

The impairment methodology is detailed in the financial instruments note 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).

1.20 Financial guarantee and loan commitment liabilities

Financial guarantee contract liabilities

A guarantee liability is recognised when a lender makes an offer of a loan facility to a borrower which meets the eligibility criteria of the relevant scheme. Guarantee liabilities are derecognised when the department is no longer exposed to potential lender claim on the guarantee, that is either a) when a lender claim has been approved by the department for payment, b) on expiry of the guarantee without lender claim including where a loan facility has not been drawn down by the borrower within the offer period or c) if a guarantee is no longer considered to meet the eligibility criteria of the relevant scheme such that the guarantee is no longer effective. Amounts due to the department as recovered by lenders from defaulted borrowers following derecognition of the guarantee liability are recognised on a cash basis and offset against provision expense in the SOCNE.

Other than as described below, guarantee liabilities are measured as required by the FREM, at fair value at initial recognition and subsequently remeasured at the higher of a) the amount of loss allowance determined in accordance with IFRS 9 and b) the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 ‘Revenue from Contracts with Customers’.

In accordance with the 2022-23 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.

1.21 Pensions

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

Funded defined-benefit pension schemes

The departmental group has 9 funded defined-benefit pension schemes, the Medical Research Council pension scheme, 2 schemes through the Nuclear Decommissioning Authority (NDA) and 6 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.

1.22 Provisions

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

	31 March 2023			31 March 2022		
	Nominal discount rate	Inflation rate	Equivalent real discount rate	Nominal discount rate	Inflation rate	Equivalent real discount rate
Cash outflows expected within 2 years	3.27%	7.40%	(3.85%)	0.47%	4.00%	(3.39%)
Cash outflows expected between 2 – 5 years	3.27%	1.65%	1.59%	0.47%	2.15%	(1.64%)
Cash outflows expected between 5 - 10 years	3.20%	2.0%	1.18%	0.70%	2.00%	(1.27%)
Cash outflows expected after 10 years	3.08%	2.0%	1.06%	0.71%	2.00%	(1.27%)

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.

1.23 Insurance and reinsurance contracts

Insurance contracts are contracts under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified future event (the insured event) adversely affects the policyholder and are accounted for under IFRS 4 'Insurance Contracts'. Where IFRS 4 was found not to be prescriptive in some areas, guidance was taken from the standard issued to replace it in the future, IFRS 17 'Insurance Contracts'. The core department has recognised a reinsurance liability in relation to the Trade Credit Reinsurance Scheme (note 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.

1.24 Contingent assets and liabilities

Contingent liabilities

Where an outflow of economic benefits from a past event is possible but not probable, the departmental group discloses a contingent liability. In addition to contingent liabilities disclosed in these financial statements in accordance with IAS 37 ‘Provisions, Contingent Liabilities and Contingent Assets’, certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote are disclosed in the accountability report for Parliamentary reporting and accountability purposes. Remote contingent liabilities reported in the accountability report are stated at the amounts reported to Parliament.

Contingent assets

Where an inflow of economic benefits from a past event is probable, the departmental group discloses a contingent asset.

Estimates of the financial effects are disclosed where practicable; where the time value of money is material, contingent liabilities and assets are stated at discounted amounts and the amount reported to Parliament separately noted.

1.25 Third party assets

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

1.26 Judgements, estimates and assumptions

Preparation of financial statements requires management to make judgements, estimates and assumptions based on experience and expected events that affect the reported amounts of assets and liabilities, income and expenditure. 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.

Key accounting judgements and estimates applied in these statements are described below.

Funding to Bulb Energy Ltd (in special administration) (notes 4.1 and 11.3)

The core department has provided funding to Bulb Energy Ltd which has been recognised as a financial asset measured at FVTPL under IFRS 9. The loan was measured at the date of recognition and has been assessed again for any changes to risk at the reporting date, significant judgements in relation to the fair value measurement of the loan are set out in note 11.3. The amount of the funding which has a low likelihood of repayment has been recognised consistently with the Conceptual Framework for Financial Reporting and IFRS. 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) and post-conversion equity 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. Significant judgements in relation to the fair value measurement of the Future Fund scheme are set out in note 12.2.

Post Office Limited (note 20.2)

The core department has undertaken to provide an amount of funding to the Post Office to support payments made to individuals (postmasters and former postmasters) under three compensation schemes. The valuation of these provisions is the Post Office management’s best estimate of the most likely outcome of potential future payments. The provisions require a number of significant estimates and assumptions to be made including number of eventual claimants, distribution of heads of loss and assessments of loss of earnings. Further information can be found in the Post Office Limited’s published accounts.

The department has also recognised a provision in relation to the “GLO” (Group Litigation Order) scheme to provide additional compensation for members of the group litigation: Alan Bates and others v Post Office Limited. This scheme is in its infancy and to date, only a small number of claims have been settled. This increases the level of estimation uncertainty but represents the core department’s best estimate of the future liability at the reporting date.

Energy Price Guarantee (various notes)

Suppliers apply judgements only in limited, specific areas of calculating the Energy Price Guarantee discount. For example, some suppliers use booked consumption volumes to determine their fixed tariff floor adjustments, other suppliers use the industry deemed position for consumption volumes and use this to determine consumption of fixed tariff customers and associated adjustments. For the latter, the value is reconciled as volume reconciliations are provided.

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.

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, Restart Grant and Additional Restrictions 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, Omicron Hospitality and Leisure Grant and Additional Restrictions Grant

Grant scheme	Reconciled percentage (value)	Central estimate £ m*	Confidence interval
Restart	97%	3,038.4	99%
OHLG	97%	483.0	99%
Additional Restrictions	90%	2,117.9	99%

Notes

*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 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.

Energy Price Guarantee (various notes)

Under the Energy Price Guarantee, the amount customers could be charged per unit of gas or electricity was reduced to an annual equivalent of around £2,500 for a typical household in Great Britain and Northern Ireland. However, energy suppliers estimate the energy supplied to customers between the date of the last meter reading and the claim date. This is estimated through settlement systems, estimates of consumption not yet processed through selling systems, price estimates, billing systems, using historical consumption patterns, on a customer-by-customer basis, taking into account weather patterns, load forecasts and the difference between actual meter readings being returned and system estimates. Actual meter readings have continued to be compared to estimates between the end of the financial year and the date that the accounts were certified for issue. There is an ongoing industry standard volume reconciliation to address any over or under payment relating to the Energy Price Guarantee which will reconcile these estimates.

Energy Bill Relief Scheme (various notes)

Under the Energy Bill Relief Scheme, payments are made to energy suppliers based on the amounts that are billed to customers for each claim period. As with the Energy Price Guarantee detailed above, some energy suppliers estimate the energy supplied to customers between the date of the last meter reading and the latest billing date upon which claims are based. There is an ongoing industry standard volume reconciliation to address any overpayment or underpayment relating to the Energy Bill Relief Scheme.

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 Addendum Schemes (closed), 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 2021-22 accounts, and the current estimate of expenditure is a small increase of £1.3 million as reflected in note 5.4. We have reconciled ~95% (in value) of the scheme's funding and so a 99% confidence interval shows little expected variation in the final expenditure for this scheme.

The table below shows the value of the expenditure estimate and also includes the estimate of spend included in the 2021-22 accounts for comparison.

	Central Estimate	Confidence interval
Current estimate	£5,350.0 million	99%
2021-22 estimate	£5,345.5 million	99%

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, uncertainty over forward macroeconomic conditions; and, for BBLS, uncertainty in relation to levels of fraudulent borrowing.

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.

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

			2022–23	2021–22
	Permanently employed staff	**Others**	**Total**	**Total**
	£m	**£m**	**£m**	**£m**
Wages and salaries	1,187	152	1,339	1,221
Social security costs	131	-	131	158
Other pension costs	294	-	294	280
Sub total	1,612	152	1,764	1,659
Less recoveries in respect of outward secondments	(7)	(2)	(9)	(27)
Total net costs	**1,605**	**150**	**1,755**	**1,632**
Of which				
Core department and agencies	555	43	598	560
NDPBs and other designated bodies	1,050	107	1,157	1,072
Total net costs	**1,605**	**150**	**1,755**	**1,632**

See the staff report and remuneration report for further information on staff costs and numbers. The staff report also includes staff costs for nuclear site licence companies (SLCs). SLCs staff costs are not included here 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

	2022–23		2021–22	
	Core department and agencies	Departmental group	Core department and agencies	Departmental group
	£m	£m	£m	£m
Rentals under operating leases	2	6	-	5
Accommodation and office equipment costs	46	307	48	268
Legal, professional and consultancy costs	251	398	181	406
Finance, HR, IT and support costs	116	189	143	189
Training and other staff costs	11	36	9	33
Travel and subsistence costs	8	40	2	18
Advertising and publicity	20	35	6	22
Programme management and administration of grants and awards	76	799	113	587
Capacity Market payments	-	680	-	856
Professional and international subscriptions	589	963	414	743
Enforcement costs of employment related policies	39	39	29	29
Donations	-	25	-	38
Funding Paternity, Adoption and Shared Parental Leave policy	100	100	73	73
Purchase of geographical and scientific equipment	-	77	23	91
Purchase of weather information and weather related services	125	125	120	120
Redundancy payments service	264	264	261	261
Payment of taxes and levies	-	65	-	182
Subsidy to Post Office Limited	53	53	50	50
Coronavirus Business Interruption Loan Scheme (CBILS)	(51)	(51)	917	917
Bounce Back Loan Scheme (BBLS)	(29)	(29)	327	327
Energy intensive industries and other subsidies	(539)	(539)	1,445	1,445
Other purchase of goods and services cost	85	488	88	234
Total	**1,166**	**4,070**	**4,249**	**6,894**

Core department

CBILS and BBLS

The core department has provided assistance to borrowers under the CBILS and BBLS loan guarantee schemes (note 36) by bearing the cost of lender fees for CBILS loans and of interest payments due for the first 12 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's special administrators worked closely with the department and Ofgem to ensure that exit from administration achieves the best outcome practicable for energy customers, taxpayers, and the industry. During 2022-23 the administrators completed the sale of Bulb assets and will continue to operate the company until the special administration regime comes to end.

The funding to Bulb is repayable (note 11.3), but the repayment of the amounts provided during 2021-22 was not considered probable when the assessment was made as at 31 March 2022 and the funding was reported as subsidy in the table above. During 2022-23 following the sale of Bulb assets and reassessment of the likelihood of the loan repayment to the department, a reversal totalling £727 million of the previously reported expenditure was recognised.

Departmental group

Redundancy Payments Service

Redundancy payments are made to employees whose employers have failed to make payments or who were insolvent. Redundancy Payment Service (RPS) claims are financed from the National Insurance Fund. They are processed and approved by the Insolvency Service (INSS), an agency of the department.

Associated income arises from 2 sources:

- solvent recovery – money is recovered from solvent employers to meet the RPS redundancy payments
- insolvent recovery – INSS becomes a creditor and receives a dividend if there are sufficient funds in the insolvency of the employer

RPS expenditure in 2022–23 totalled £294 million (2021–22: £285 million) against income of £28 million (2021–22: £24 million). The net amount totalled £266 million (2021–22: £261 million).

Capacity market payments

Capacity Market payments of £680 million were recognised in 2022-23 (2021-22: £856 million).

Audit fees

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

			31-Mar-23			31-Mar-22
	Core department	Agencies	Other POs in departmental group	Core department (restated)	Agencies	Other POs in departmental group
	£	£	£	£	£	£
Core department	1,350,000	-	-	1,345,000	-	-
UKAEA Pension Scheme accounts	50,685	-	-	77,000	-	-
Trust statement	20,000	-	-	20,000	-	-
Nuclear Decommissioning Funding accounts	5,000	-	-	5,000	-	-
Total NAO audit services	**1,425,685**	**335,475**	**2,675,826**	**1,447,000**	**288,000**	**2,433,523**
NAO non-audit services	-	-	-			
Non-NAO audit services	**-**	**-**	**979,710**	**-**	**-**	**655,350**
Non-NAO non-audit services	-	-	43,313	-	-	78,585
Total audit services	**1,425,685**	**335,475**	**3,698,849**	**1,447,000**	**288,000**	**3,088,873**

4.2 Depreciation and impairment charges

		2022–23		2021–22
	Core department and agencies	Departmental group	Core department and agencies	Departmental group
	£m	£m	£m	£m
Amortisation of recoverable contract costs	-	139	-	111
Depreciation	60	321	57	295
Amortisation	8	34	6	42
Impairment of property, plant and equipment	-	51	9	43
Impairment of investments and remeasurement of expected credit losses	6	48	50	43
Total	**74**	**593**	**122**	**534**

4.3 Provision, financial guarantee and other liabilities expenses

	2022–23		2021–22	
	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	(116)	(115,956)	43	90,512
Increase/(decrease) in other provisions due to changes in discount rate	(119)	(4,652)	35	2,818
Other provision movements relating to nuclear provisions			83	12,770
Other provision movements excluding bad debt provisions and financial guarantee liabilities	3,600	15,236	559	944
Total increase/(decrease) in provisions excluding bad debt provisions and financial guarantee liabilities	**3,365**	**(105,372)**	**720**	**107,044**
Loss on inception of financial guarantees	-	17	(16)	(16)
Total increase/(decrease) in loan commitment liabilities	-	-	-	48
Trade Credit Reinsurance	(7)	(7)	(11)	(11)
Total increase/(decrease) in CLBILS	(64)	(64)	(235)	(235)
Total increase/(decrease) in BBLS	1,175	1,175	(2,893)	(2,893)
Total increase/(decrease) in CBILS	(18)	(18)	(697)	(697)
Total increase/(decrease) in Recovery Loan Scheme	174	174	300	300
Total	**4,625**	**(104,095)**	**(2,832)**	**103,540**

The significant change in the provision 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 increased from (1.27%) in 2021-22 to 1.06% in 2022-23. 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 discount rate for Coal Authority's provisions.

Further detail of movements in other provisions can be found in note 20.2 for Other Provisions.

Further information on the movements in the financial guarantee liabilities can be found in note 21.

4.4 Grants expenditure

	2022–23		2021–22	
	Core department and agencies	Departmental group	Core department and agencies	Departmental group
	£m	£m	£m	£m
Grant in aid	13,292	-	12,220	-
Market frameworks	75	75	73	73
Science and Research	740	8,078	578	7,416
International Climate Fund	220	227	312	311
Renewable Heat Incentive	1,001	1,001	920	920
Heat Infrastructure team	100	100	64	64
Innovation programmes	224	831	174	643
Social Housing and Public Sector Decarbonisation Grant schemes	409	409	599	599
Green Homes Grant scheme	(176)	(176)	465	465
Home Upgrade Grant scheme	46	46	152	152
Local Restriction Support Grant schemes	1	1	(223)	(223)
New burdens funding	15	15	53	53
Grants to central government bodies	24	24	5,632	5,632
Restart Grant	(6)	(6)	3,045	3,045
Omicron Hospitality and Leisure Grant scheme	4	4	479	479
Additional Restrictions Support Grant	(12)	(12)	499	499
Other grants	126	141	91	109
Post Office Network Reform	75	75	-	-
Energy Price Guarantee	20,424	20,424	-	-
Energy Bills Support Scheme	11,821	11,821	-	-
Offshore wind manufacturing investment support scheme	58	58	-	-
Energy Bill Relief Scheme	7,480	7,480	-	-
Alternative Fuel Payment	549	549	-	-
Other Energy Schemes	110	110	-	-
	56,600	**51,275**	**25,133**	**20,237**

Core department

In 2021-22 the department paid £5,610 million to the Nuclear Liabilities Fund, 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. There we no such payment made in 2022-23.

The reduction of expenditure of £176 million under the Green Homes Grant scheme relates to clawbacks that were recognised on earlier phases of the Green Homes Grant Local Authority Delivery (LAD) scheme (2021-22: £466 million).

Energy bill support

During 2022-23 the core department initiated a number of energy affordability schemes to support energy users in light of significant increases in the cost of energy.

Energy Bills Support Scheme

Under the Energy Bills Support Scheme (EBSS) payments of £11,821 million were made to support domestic energy customers with the costs of rising energy bills by providing £400 to each eligible household through discounts applied to customers' bills or as vouchers (Great Britain: £11,489 million and Northern Ireland: £332 million). This scheme closed on 31 March 2023. A year-end accrual for the final month's payment is recognised in Note 15.

Energy Bill Relief Scheme

Under the Energy Bill Relief Scheme (EBRS), payments of £7,480 million were made to limit the price non-domestic customers pay for electricity and gas by providing grant funding to energy suppliers for discounts provided to their customers. This scheme closed on 31 March 2023. Year-end accruals for the final payments are recognised in Note 15.

Energy Price Guarantee

Under the Energy Price Guarantee (EPG) payments of £20,424 million were made to limit the price domestic customers pay for electricity and gas by providing grant funding to energy suppliers for discounts provided to their customers (Great Britain: £20,172 million and Northern Ireland: £252 million). This scheme was extended in November 2022 and will close on 31 March 2024. A year-end accrual for the final month's payment is recognised in Note 15 and a provision recognised for the expenditure expected to be incurred between 1 April 2023 and 30 June 2023. A current receivable has been recognised in relation to volumetric and reduced tariff floor adjustments.

Alternative Fuel Payment

Under the Alternative Fuel Payment payments of £549 million were made to cover domestic energy users that would not receive the full benefit of the Energy Price Guarantee as they are not connected to the mains gas grid and use alternative fuels as the main source of heating (Great Britain:£383m million and Northern Ireland: £166m million). Most of the domestic users eligible under this scheme received the £200 automatically as a credit to their electricity bills.

Customers that are also not connected to the main electricity grid (and therefore do not receive the automatic to their electricity bill) apply for the £200 support via the Alternative Fuel Payment – Alternative Fund (AFP AF). This scheme was open for applications until 31 May 2023.

Other energy schemes

The £110 million total for Other Energy Schemes consists of EBSS Alternative Funding (EBSS AF) of £44 million and Non-Domestic Alternative Fuel Payment of £66 million.

EBSS AF covers those customers without a direct relationship to a domestic energy supplier. Eligible customers are required to apply for a £400 non-repayable discount to their fuel bills. The scheme closed to new applicants on 31 May 2023.

The Non-Domestic Alternative Fuel Payments provides a £150 fixed payment to non-domestic customers if their property is not connected to the gas grid, the electricity grid and a customer purchased alternative fuels for use at the property between September 2022 and January 2023. This scheme closed to new applicants on 28 April 2023.

COVID-19 business support grants

In 2020-21 and 2021-22 the department provided COVID-19 support to businesses through several grant schemes. No new funding was provided under these schemes in the current year. An estimate of expenditure was made for those schemes where reconciliations were not complete at 31 March 2023. These estimates have been updated to reflect further completed reconciliations, further details can be found in note 1.26.

5. Finance expense

	2022–23		2021–22	
	Core department and agencies	Departmental group	Core department and agencies	Departmental group
	£m	£m	£m	£m
Change in fair value - financial assets	121	374	(34)	(640)
Net loss/(gain) on foreign exchange	-	(2)	-	1
Unrealised foreign exchange rate losses/(gains)	1	(22)	1	(6)
Bank charges and interest payable	-	54	-	57
Interest charges under finance leases	1	3	1	3
Expected return on funded pension scheme assets	-	(56)	-	(38)
Interest on pension liabilities	-	44	-	33
Borrowing costs on provisions	(25)	(2,958)	(11)	(56)
Total	**98**	**(2,563)**	**(43)**	**(646)**

'Changes in fair value – financial assets' for the core department and agencies of £121 million (2021-22: (£34) million) includes fair value movement on the Future Fund scheme £166 million (2021-22: (£6) million) relating to scheme implemented by the core department in response to the COVID-19 pandemic. Further detail of the Future Fund scheme can be found in note 12.2 other loans and investments.

The impact of HM Treasury-prescribed negative discount rates for provisions in 2021–22 was to increase undiscounted liabilities for the departmental group, the unwinding of which gives rise to a negative expense for borrowing costs on provisions. In 2022–23, HM Treasury's prescribed equivalent real discount rates remained negative and increased for cashflows expected within 2 years, whereas cashflows expected in over 2 years were positive. The large increase in borrowing costs on provisions, from a £56 million gain for the departmental group in 2021–22 to £3.0 billion in 2022–23, is due to the change in discount rates (which are set by HMT) and subsequent unwinding of discount related to the provision. 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

		2022–23		2021–22
	Core department and agencies	Departmental group	Core department and agencies	Departmental group
	£m	£m	£m	£m
Fees, charges and recharges to/ from external customers and central government organisations	388	555	549	812
Levy income	16	783	13	1,204
Sales of goods and services	9	1,048	8	727
Miscellaneous income	12	95	7	59
European Union funding	-	20	-	9
Current grants and capital grants	56	185	73	229
Other operating income	6	7	-	-
Total	**487**	**2,693**	**650**	**3,040**

Core department and agencies

'Fees, charges and recharges to/from external customers and central government organisations' for the Core department and agencies of £388 million (2021–22: £549 million) includes premium fee income of £214 million (2021–22: £373 million) relating to schemes implemented by the core department in response to the COVID-19 pandemic. The premium fee income of £214 million includes £167 million (2021–22: £250 million) from the Coronavirus Business Interruption Loan Scheme, £21 million (2021–22: £31 million) from the Coronavirus Large Business Interruption Loan Scheme and £19 million from the Recovery Loan Scheme (2021–22: £15 million).

Departmental group

Within levy income, ESC's income from capacity market suppliers was £680 million (2021–22: £856 million).

Within 'sales of goods and services', NDA's revenue was £1,021 million (2021–22: £640 million).

Further details can be found in the NDA's annual report and accounts.

6.2 Finance income

	2022–23		2021–22	
	Core department and agencies	**Departmental group**	**Core department and agencies**	**Departmental group**
	£m	**£m**	**£m**	**£m**
Effective Interest from FVTPL assets	9	8	16	17
Effective Interest from amortised cost assets	22	22	39	39
Interest income from FVTPL assets	19	75	16	65
Interest income from amortised cost assets	15	114	9	111
Dividend income from FVTPL assets held at the period end	-	39	-	72
Dividend income from investments in joint ventures, associates and public dividend capital	116	116	98	14
Dividend income for joint venture and associates	-	(2)	-	2
Total	**181**	**372**	**178**	**320**

Departmental group

Total dividend income was £153 million (2021–22: £88 million). Of this, dividends receivable from Urenco was £88 million (2021–22: £67 million).

7. Property, plant and equipment

								Departmental group 2022–23	
	Land	Buildings	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
Cost or valuation									
Balance at 1 April 2022	**250**	**2,926**	**98**	**281**	**6,439**	**26**	**428**	**812**	**11,260**
Additions	2	5	(1)	11	65	2	10	1,099	1,193
Disposals	-	(7)	(2)	(32)	(48)	(2)	(2)	-	(93)
Impairments	-	(8)	-	-	-	-	(2)	(18)	(28)
Transfers	3	-	-	(1)	1	-	-	-	3
Reclassifications	(7)	170	22	20	94	2	2	(303)	-
Revaluations	58	208	-	4	123	-	26	-	419
At 31 March 2023	**306**	**3,294**	**117**	**283**	**6,674**	**28**	**462**	**1,590**	**12,754**
Depreciation									
Balance at 1 April 2022	**-**	**(1,204)**	**(47)**	**(171)**	**(5,537)**	**(15)**	**(130)**	**-**	**(7,104)**
Charged in year	-	(70)	(11)	(40)	(131)	(4)	(22)	-	(278)
Disposals	-	7	2	31	47	2	2	-	91
Impairments	-	(3)	-	-	(20)	-	-	-	(23)
Reclassifications	-	1	-	-	(1)	-	-	-	-
Revaluations	-	(42)	-	(2)	(69)	-	(7)	-	(120)
At 31 March 2023	**-**	**(1,311)**	**(56)**	**(182)**	**(5,711)**	**(17)**	**(157)**	**-**	**(7,434)**
Carrying amount at 31 March 2023	**306**	**1,983**	**61**	**101**	**963**	**11**	**305**	**1,590**	**5,320**

	Departmental group 2022–23								
	Land	Buildings	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
Carrying amount at 1 April 2022	**250**	**1,722**	**51**	**110**	**902**	**11**	**298**	**812**	**4,156**
Asset financing									
Owned	306	1,983	61	101	963	11	305	1,590	5,320
Carrying amount at 31 March 2023	**306**	**1,983**	**61**	**101**	**963**	**11**	**305**	**1,590**	**5,320**
Of the total									
Core department and agencies	32	173	51	11	68	4	-	52	391
NDPBs and other designated bodies	274	1,810	10	90	895	7	305	1,538	4,929
Carrying amount at 31 March 2023	**306**	**1,983**	**61**	**101**	**963**	**11**	**305**	**1,590**	**5,320**

								Departmental group 2021–22	
	Land	Buildings	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
Cost or valuation									
At 1 April 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	-	(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 1 April 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	-	-	-	-	(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**

									Departmental group 2021–22
	Land	Buildings	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
Asset financing									
Owned	250	1,722	51	110	902	11	298	812	4,156
Carrying amount at 3 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

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 2023 were held by Nuclear Decommissioning Authority (NDA) and UK Research and Innovation (UKRI). UKRI's STFC land and buildings at the Rutherford Appleton Laboratory were professionally valued during 2022-23 as at 31 March 2023 by Avison Young Limited, Chartered Surveyors, an independent valuer.

Assets under construction additions as at 31st March 2023 include £839 million (31st March 2022: £nil) relating to nuclear new build activities at Sizewell C. This includes costs incremental and necessary to the development of low carbon power generators, such as planning, site preparation, associated development, safety compliance and cost of developing supply chain contracts. Construction at Sizewell C is subject to the government's final investment decision.

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 2022–23				
	Land	Buildings	Plant and machinery	Transport equipment	Total
	£m	£m	£m	£m	£m
Cost or valuation					
Balance at 1 April 2022	**99**	**310**	**8**	**13**	**430**
Additions	-	20	-	13	33
Disposals	(1)	(24)	-	(1)	(26)
Remeasurements	-	(22)	-	-	(22)
Transfers	(5)	1	-	-	(4)
Revaluations	9	(2)	-	-	7
At 31 March 2023	**102**	**283**	**8**	**25**	**418**
Depreciation					
Balance at 1 April 2022	**(31)**	**(70)**	**(6)**	**(7)**	**(114)**
Charged in year	(1)	(43)	(1)	(6)	(51)
Disposals	-	17	-	1	18
Transfers	-	(1)	-	-	(1)
Revaluations	(2)	(1)	-	-	(3)
At 31 March 2023	**(34)**	**(98)**	**(7)**	**(12)**	**(151)**
Carrying amount at 31 March 2023	**68**	**185**	**1**	**13**	**267**
Carrying amount at 31 March 2022	**68**	**240**	**2**	**6**	**316**
Of the total					
Core department and agencies	1	50	-	9	60
NDPBs and other designated bodies	67	135	1	4	207
Carrying amount at 31 March 2023	**68**	**185**	**1**	**13**	**267**

					Departmental group 2021–22
	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	-	(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 2022-23					
	Information technology	Software licences	Websites	Patents	Assets under construction	Total
	£m	£m	£m	£m	£m	£m
Cost or valuation						
Balance at 1 April 2022	**260**	**97**	**1**	**371**	**42**	**771**
Additions	2	1	-	-	30	33
Disposals	(10)	(1)	-	-	-	(11)
Reclassifications	34	2	-	-	(36)	-
Transfers	6	-	-	(1)	(5)	-
Revaluations	-	-	-	22	-	22
At 31 March 2023	**292**	**99**	**1**	**392**	**31**	**815**
Amortisation						
Balance at 1 April 2022	**(220)**	**(88)**	**(1)**	**(299)**	**-**	**(608)**
Charged in year	(17)	(4)	-	(13)	-	(34)
Disposals	10	1	-	-	-	11
At 31 March 2023	**(227)**	**(91)**	**(1)**	**(312)**	**-**	**(631)**
Carrying amount at 31 March 2023	**65**	**8**	**-**	**80**	**31**	**184**
Carrying amount at 1 April 2022	**40**	**9**	**-**	**72**	**42**	**163**
Asset financing						
Owned	65	8	-	80	31	184
Carrying amount at 31 March 2023	**65**	**8**	**-**	**80**	**31**	**184**
Of the total						
Core department and agencies	43	1	-	-	28	72
NDPBs and other designated bodies	22	7	-	80	3	112
Carrying amount at 31 March 2023	**65**	**8**	**-**	**80**	**31**	**184**

	Departmental group 2021-22					
	Information technology	**Software licences**	**Websites**	**Patents**	**Assets under construction**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Cost or valuation						
At 1 April 2021	**190**	**168**	**1**	**385**	**24**	**768**
Additions	4	1	-	-	28	33
Disposals	(2)	(12)	-	-	-	(14)
Reclassifications	70	(60)	-	-	(10)	-
Transfers in/(out)	(2)	-	-	-	-	(2)
Revaluations	-	-	-	(14)	-	(14)
At 31 March 2022	**260**	**97**	**1**	**371**	**42**	**771**
Amortisation						
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 agencies	22	2	-	-	34	58
NDPBs and other designated bodies	18	7	-	72	8	105
Carrying amount at 31 March 2022	**40**	**9**	**-**	**72**	**42**	**163**

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 reclassified as IT.

10. Derivative financial instruments

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

10.1 Contracts for Difference – accounting policies

Contracts for difference (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.

10.2 Estimates - valuation of CfD liabilities and assets

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.

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. Previously, LCCC has used the DDM model for the CfD valuation, however, following review against current independent industry recognised price series which are updated more frequently (the DDM was last updated in summer 2022), LCCC's management determined that the available DDM series did not provide a fair representation of prices at 31 March 2023 to use in the CfD valuation. Accordingly, LCCC has used an independent industry recognised price series for the CfD valuation at 31 March 2023. The independent industry recognised price series applied was not an outlier of other industry recognised price series.

10.3 Significant areas of judgement

Fair value measurement of HPC CfD

LCCC entered into the HPC 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. At the date the departmental group entered into the HPC CfD, commercial and public sector modelling of the electricity system did not extend out beyond 2040, and the departmental group concluded that the CfD did not meet the IFRS recognition criteria on the grounds that it was not possible to provide a single reliable fair value estimate for Hinkley Point C CfD. By 2019-20, the availability of long term price forecasts had improved to the extent that it was then able to recognise the HPC CfD in a similar manner to other CfDs.

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.

10.4 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 2023 LCCC was counterparty to 165 contracts, including HPC (at 31 March 2022: 69 contracts).

10.4.1 Measurement differences relating to day one recognition

All CfDs (including Hinkley Point C) are issued for £nil consideration through the CfD auction process, this being deemed the transaction price. 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 table below represents the difference between the CfD liability at initial recognition and at the reporting date:

	LCCC CfDs (exc. HPC) Assets	LCCC CfDs (exc. HPC) Liabilities	LCCC HPC Liabilities	Departmental group Total
	£m	£m	£m	£m
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)**
Liabilites to assets	(1,469)	1,469	-	-
Re-measurement of the CfD liability	2,201	(1,752)	(9,396)	(8,947)
Payments to the CfD generators	231	39	-	271
Deferred difference recognised during the year	(288)	(1,051)	-	(1,339)
CfD liability as at 31 March 2022 recognised on the Consolidated Statement of Financial Position	**676**	**(17,026)**	**(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	**676**	**(17,026)**	**(10,598)**	**(26,948)**
Liabilites to assets	(3,965)	3,965	-	-
Remeasurement of the CfD liability	9,908	3,101	1,861	14,870
Receipt from/Payments to the CfD generators	(154)	170	-	16
Deferred difference recognised during the year	(335)	(1,045)	-	(1,379)
CfD liability as at 31 March 2023 recognised on the Consolidated Statement of Financial Position	**6,130**	**(10,834)**	**(8,738)**	**(13,441)**
Other non-CfD liabilities as at 31 March 2023	-	-	-	-
Carrying value of non-current derivative liabilities as at 31 March 2023	**6,130**	**(10,834)**	**(8,738)**	**(13,441)**

During the year, there is a net reduction of £13,491 million (2021–22: net increase of £10,286 million) in the fair value of CfDs is recognised in the Consolidated Statement of Comprehensive Net Expenditure.

10.4.2 Movement

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

	LCCC CfDs net liability exc. HPC	LCCC HPC	Departmental group Total
	£m	£m	£m
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**
Measurement differences deferred during the year	1,786		1,786
Measurement differences recognised relating to terminated CfDs	(8)		(8)
Deferred measurement differences recognised during the year	(1,371)		(1,371)
Deferred measurement differences as at 31 March 2023	**20,239**	**50,826**	**71,065**

10.4.3 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 an independent price series.

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

It is highly probable that the departmental group will receive future funding to pay for the CfDs through the Supplier Obligation Levy and LCCC's management believe it is appropriate to recognise an asset for the timing difference. Therefore, a Supplier Obligation Levy non-current asset is recognised in the Consolidated Statement of Financial Position to match the timing difference with a corresponding entry in the Consolidated Statement of Comprehensive Net Expenditure. For the purposes of fair presentation, this recognition is capped at the amount at which the CfDs are measured in the Consolidated Statement of Financial Position. This would result in the departmental group's Consolidated Statement of Comprehensive Net Expenditure remaining neutral to the impact of the CfD valuation movements.

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	Level 2	Level 3	Total
	£m	£m	£m	£m
Contractual fair values - liabilities	-	-	97,591	97,591
Contractual fair values - assets	-	-	-	-
Balance at 31 March 2022	-	-	97,591	97,591
Contractual fair values - liabilities	-	-	87,104	87,104
Contractual fair values - assets	-	-	(2,598)	(2,598)
Balance at 31 March 2023	-	-	84,506	84,506

Reconciliation of CfDs

The following table shows the impact of the fair values of CfDs, classified under level 3, by using the assumptions described below. The split for CfDs exc. HPC is based on the current valuation over the full remaining life of the contracts.

	CfDs exc. HPC (losses)	CfDs exc. HPC (gains)	HPC CfD	Departmental group total
	£m	£m	£m	£m
Balance at 31 March 2021	**36,903**	**(1)**	**52,028**	**88,930**
Change in fair value during the year	(450)	-	9,397	**8,947**
CfDs terminated during the year	(15)	-	-	**(15)**
Payments to the CfD generators	(271)	-	-	**(271)**
Balance at 31 March 2022	**36,167**	**(1)**	**61,425**	**97,591**
Recognition of Hinkley Point C CfD during the year	-	-	-	**-**
Additions during the year	-	-	-	**-**
Remeasurement of the CfD liability	(9,636)	(3,358)	(1,861)	**(14,855)**
Deferred during the year	1,025	761	-	**1,786**
Receipt from/Payments to the CfD generators	(16)	-	-	**(16)**
Balance at 31 March 2023	**27,540**	**(2,598)**	**59,564**	**84,506**

CfDs (excluding HPC) summary

The table below summarises the CfD portfolio and illustrates the movement in the contractual fair value of CfDs. The table excludes terminated CfDs and HPC.

	Number of CfDs	Fair value at initial recognition	Fair value at 31 March 2023	CfD Asset/ Liability in the Statement of Financial Position	Unamortised deferred difference at reporting date
		£	£	£	£
CfDs assessed as gains at 31 March 2023	**32**	**-**	**-**	**-**	**-**
CfDs assessed as gains at initial recognition	14	(224,166)	(594,119)	(369,953)	(224,166)
CfDs assessed as losses at initial recognition	18	1,454,616	(2,003,595)	(3,458,211)	1,454,616
CfDs assessed as losses at 31 March 2023	**132**	**-**	**-**	**-**	**-**
CfDs assessed as gains at initial recognition	9	(42,245)	26,627	68,872	(42,245)
CfDs assessed as losses at initial recognition	123	24,757,743	27,513,222	8,462,621	19,050,601
Total	**164**	**25,945,948**	**24,942,135**	**4,703,329**	**20,238,806**

10.4.4 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 an independent price series (In 2022 the DDM price series was used). Energy price series 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 nondomestic sectors and smart meter usage.

The forecast trajectory of electricity prices is uncertain. In the valuation, management has used an industry recognised independent price series which is not an outlier. The internal model used to calculate the fair value has been updated for short-term prices, installed capacities, TLM, and load factors.

åIn the valuation, the wholesale price has been reduced to reflect the price the wind generator is likely to receive. Additionally, wholesale electricity forward prices have been used for the liquid trading horizon (covering the nearest 2 years period).

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 2 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 2023.

If a CfD in relation to Sizewell C is entered into before the reactor one start date, then the applicable strike price shall be reduced with effect from the date of satisfaction of the Sizewell C condition by £3/MWh. There have been legal developments around RAB and government investment during the year and management recognise that the likelihood of Sizewell C entering in to a CfD is greater than the prior year and have recognised 50% of the strike price adjustment, using £91.00/MWh (2022 - £92.50/MWh) in the valuation, the remaining 50% will be recognised on the government's final investment decision. The impact of the strike price adjustment crystalising either way is included in the sensitivity analysis in note below.

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.

10.4.5 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'. LCCC's management has decided to use the reference case scenario of an industry recognised independent forecast that is not an outlier.

An additional element in the calculation of the CfD liability is the discount rate that is applied. Uncertainty increases with time and so the choice of discount rate plays a significant part in determining how much uncertainty is weighted into a present value calculation, a higher discount rate places less weight on increasingly more uncertain years of a present value calculation.

In line with 2021/22, 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:

2023-24	-2.19%
2024-25	1.28%
2025-26	1.92%
2026-27	1.05%
2027-28 and thereafter	-0.10%

For future year-on-year comparability we include an undiscounted valuation of the CfDs to compare with table above:

Undiscounted valuation of CfDs

	LCCC CfDs net liability exc. HPC £m	LCCC HPC CfD £m	Departmental group Total £m
As at 31 March 2022	34,844	58,381	93,225
As at 31 March 2023	25,627	60,424	86,051

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	31,810	52,605	84,415
DDM Low Case	(16,964)	(29,169)	(46,133)
Discount rate of 3.5%	30,203	5,874	36,077
Discount rate of 0.7%	7,905	835	8,740
Undiscounted	(860)	(685)	(1,545)
Specific to other CfDs exc. HPC:			
10% more load factor	-	(2,490)	(2,490)
10% less load factor	-	2,490	2,490
Estimated Commissioning Date moves backward by one year	-	(2,839)	(2,839)
Generation starts at the earliest possible date	-	2,957	2,957
Specific to HPC CfD:			
10% less load factor	5,956	-	5,956
Generation brought forward one year	840	-	840

	Favourable/ (Unfavourable) changes HPC CfD	Favourable/ (Unfavourable) changes Other CfDs	Favourable/ (Unfavourable) changes Total Impact
	£m	£m	£m
Generation start date delayed 15 months from estimated start date	(773)	-	(773)
Sizewell C strike price adjustment (-50% £1.5)	1,793	-	1,793
Sizewell C strike price adjustment (+50% £1.5)	(1,793)	-	(1,793)

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	Valuation technique	Significant unobservable input	Market Price Range	Units
	£m			Min-Max	
2022	97,591	DCF	Electricity prices	37.84-244.00	£/MWh
2023	84,506	DCF	Electricity prices	39.07-141.35	£/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 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**
Transfers in	1	-	(34)	(33)	(1)	-	(34)
Additions	787	-	2,340	3,127	(1,044)	-	2,083
Disposals	(5)	-	-	(5)	5	-	-
Redemptions	-	-	(283)	(283)	203	-	(80)
(Impairments) / Impairment reversal	-	-	(747)	(747)	6	-	(741)
Revaluations	-	-	1,124	1,124	(1)	-	1,123
Unwinding of discount	-	-	1	1	-	-	1
Balance at 31 March 2023	**3,612**	**65**	**4,179**	**7,856**	**(4,248)**	**611**	**4,219**

11.1 Ordinary Shares in other public sector bodies

	31 March 2023		31 March 2022	
	Core department and agencies	Departmental group	Core department and agencies	Departmental group
	£m	£m	£m	£m
Balance at 1 April 2022	**2,829**	**1,277**	**2,609**	**1,244**
Transfers In	1	-	-	-
Additions	787	-	420	125
Disposals	(5)	-	(65)	-
(Impairments) / Impairment reversal	-	-	(6)	-
Revaluations	-	(1)	(129)	(92)
Balance at 31 Mar 2023	**3,612**	**1,276**	**2,829**	**1,277**
Comprising				
Ordinary Shares held within the Departmental boundary - held at cost	2,946	-	2,163	-
Ordinary Shares held outside the Departmental boundary - held at fair value	666	1,276	666	1,277
Balance at 31 March 2023	**3,612**	**1,276**	**2,829**	**1,277**

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.

Sizewell C (Holding) Ltd (SZC)

- The core department through the Secretary of State (SoS) holds 11,468,409 ordinary shares (31 March 2022: nil), each with a nominal value of £1. The core department invested in additional share capital during the year of £363 million (31 March 2022: £nil million). The core department's holding had a cost of £363 million at 31 March 2023 (31 March 2022: £nil million).
- The principal objective of the company is the development of the Sizewell C nuclear power station in Suffolk.
- The carrying value of the assets and liabilities are brought into the consolidated financial statements from 29 November 2022, the share purchase date. The net assets acquired are recorded as a non-operating gain through net expenditure of £541 million, £322 million is attributable to non-controlling interest. The material asset held by the subsidiary company, NNB Generation Company (SZC) Ltd, is the asset under construction of £839 million included in note 7 Property, plant and equipment.

British Business Bank Plc (BBB)

- The core department through the Secretary of State (SoS) holds 2,580,311,265 ordinary shares (31 March 2022: 2,155,711,265), each with a nominal value of £1. The core department invested in additional share capital during the year of £424 million (31 March 2022: £295 million). The core department's holding had a cost of £2,580 million at 31 March 2023 (31 March 2022: £2,156 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 2022: 900), each with a nominal value of £1.

The core department's holding had a cost less provision for impairment of £Nil million at 31 March 2023 (31 March 2022: £5 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 2023 (31 March 2022: £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 2023 (31 March 2022: £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 2023 (31 March 2022: £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.

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 £nil (31 March 2022: £125 million). The fair value of the investments, held by the core department, as at 31 March 2023 was £nil (31 March 2022: £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 2023 was £337 million (31 March 2022: £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 2023 was £135 million (31 March 2022: £127 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 2023 was £91 million (31 March 2022: £104 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 2023 was £102 million (31 March 2022: £108 million).

Departmental group

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 £610 million as at 31 March 2023 (31 March 2022: £611 million).

Name	Nature of business	Country of incorporation	Holding entity	Proportion of ordinary shares held
Rutherford Indemnity Limited	Nuclear insurance	Guernsey	NDA	100%
Direct Rail Services Limited	Rail transport services within the UK	UK	NDA	100%
Pacific Nuclear Transport Limited (i)	Transportation of spent fuel, reprocessing products and waste	UK	NDA	72.00%
International Nuclear Services Limited	Contract management and the transportation of spent fuel, reprocessing products and waste	UK	NDA	100%
Radioactive Waste Management	Responsible for planning and delivering geological disposal in the UK	UK	NDA	100%
NDA Properties Limited	Property management	UK	NDA	100%
NDA ARCHIVES LIMITED	Archives activities	UK	NDA	100%
Sellafield	Cleaning-up the UK's highest nuclear risks and hazards to safeguarding nuclear fuel, materials and waste	UK	NDA	100%
Dounreay Site Restoration Ltd (DSRL)	responsible for the clean-up and decommissioning of the Dounreay fast breeder reactor research site on the north coast of Scotland.	UK	NDA	100%
Magnox	Responsible for the safe and secure clean-up of 12 nuclear sites and operation of one hydro-electric plant	UK	NDA	100%
Low Level Waste Repository Ltd	Waste management across the UK	UK	NDA	100%
International Nuclear Services France SAS (i)	Transportation of spent fuel	France	NDA	100%
International Nuclear Services Japan KK (i)	Transportation of spent fuel	Japan	NDA	100%

(i) Ownership through International Nuclear Services Limited.

11.2 Public Dividend Capital

	UK Intellectual Property Office	Met Office	Total
	£m	£m	£m
Balance at 1 April 2021	**6**	**59**	**65**
Additions	-	-	-
Redemptions	-	-	-
Impairments	-	-	-
Balance at 31 March 2022	**6**	**59**	**65**
Additions	-	-	-
Redemptions	-	-	-
Impairments	-	-	-
Balance at 31 March 2023	**6**	**59**	**65**

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	Met Office
	£m	£m
Net Assets/(Liabilities) at 31 March 2022	123	287
Turnover	164	258
Surplus/profit (deficit/loss) for the year before financing	33	12
Net Assets/(Liabilities) at 31 March 2023	134	296
Turnover	154	261
Surplus/profit (deficit/loss) for the year before financing	15	12

The information presented for the reporting year was derived from the draft unaudited accounts of the entities. The information for 2021–22 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 2023		31 March 2022	
	Core department and agencies	Departmental group	Core department and agencies	Departmental group
	£m	£m	£m	£m
Balance at 1 April	**1,778**	**525**	**1,427**	**416**
Transfers	(34)	(34)	-	-
Additions	2,340	2,082	584	249
Repayments	(283)	(80)	(131)	(40)
Unwinding of Discount	1	1	14	14
Impairments	(747)	(741)	(23)	(6)
Revaluations	1,124	1,124	-	-
Loans repayable within 12 months transferred to current assets	-	-	(93)	(108)
Balance at 31 March 2023	**4,179**	**2,877**	**1,778**	**525**

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 2023 is £238 million (31 March 2022: £281 million), of which the non-current element, reported in the table above, is £172 million (31 March 2022: £219 million) and the current element, reported in note 16, £66 million (31 March 2022: £62 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 2023 is £551 million (31 March 2022: £632 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 2023 is £373 million (31 March 2022: £292 million). These are equity investments by BEIS in these entities and therefore held 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 2023 is £236 million (31 March 2022: £230 million), of which the non-current element, reported in the table above, is £205 million (31 March 2022: £202 million) and current element, reported in note 16, £31 million (31 March 2022: £28 million). The loans are reported at amortised cost under IFRS 9.

The loans are to a non-consolidated body and not eliminated on consolidation.

Bulb Energy Ltd (in special administration)

The core department has provided a loan to Bulb Energy Ltd (in administration) to ensure that special administration regime and exit from administration achieves the best outcome practicable for energy customers, taxpayers, and the industry. The loan is repayable by the company to the extent that it has the financial resources to do so. The loan is measured at fair value through profit or loss under IFRS 9. The fair value at 31 March 2023 is £2,406 million ((31 March 2022: £Nil million). This is different to the actual amount that is expected to be repaid by Bulb under the terms of the funding agreement.

An external expert has been engaged to support the Department in determining the year end fair value. Both the external expert and the Department provided inputs and assumptions to the fair value calculation. Overall responsibility for the valuation remains with the Department.

The fair value was calculated using the income approach. The objective of using a valuation technique is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. Given the specific circumstances of this loan, we have considered a discounted cash flow (DCF) analysis of the probability weighted expected recoverable amount under a range of different scenarios to be the most appropriate methodology.

The range of potential outcomes was summarised into several scenarios to estimate the projected value and timing of cashflows to repay the loan. The scenarios consider the risk of potential material movements in the wholesale price of energy and the implications this may have on the wider trading environment.

The discount rates appropriate for the expected recoverable cash flows are estimated using the risk-free rates based on the SONIA zero rate curve (providing a different rate for each payment date) and based on a mid-point adjusted spread of 1.75% derived from the analysis of comparable debt to the loan.

As a final step, probability weightings were assigned to each scenario based on the assessment of their likelihood. The approach to determining the probability weighting percentages to apply to each of the scenarios makes use of all available information allowing us to come to an informed judgment of the expectancy of any of the considered scenarios materialising.

The value of £2,406 million represents the mid-point discount rate estimate of the fair value valuation as at the valuation date within a range between £2,358 million and £2,454 million. We have estimated low and high values based on low and high spreads of 0.75% to 2.75% (+/-1% around the mid-point of 1.75%).

The loan is 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 includes a summary of the significant terms of shareholding, and not a comprehensive record. 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 SOFP.

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

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
  - 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
  - the giving of consent in respect of the issue of shares by, the sale of shares in or amendments to the Articles of Association of various subsidiaries in certain case

EDF Energy Nuclear Generation Limited (formerly British Energy Generation Ltd) - £1 Special Share

- British Energy Generation Ltd Special Share created in 1996 is held solely by the Secretary of State for Business, Energy and Industrial Strategy.

- The consent of the Special Shareholder, which can only be refused on grounds of national security (except in relation to an amendment to the company's Articles of Association), is required in respect of:
  - various amendments to the company's Articles of Association
  - the disposal of any of the nuclear power stations owned by the company
  - 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
  - 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
  - the company to change its accounting reference date

OneWeb Holdings Limited - $0.01USD Special Share

- 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
  - 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

12. Other financial assets

		31 March 2023		31 March 2022	
		Core department and agencies	Departmental group	Core department and agencies	Departmental group
	Note	£m	£m	£m	£m
Balance at 1 April		**1,967**	**7,099**	**1,769**	**5,713**
Additions		15	1,238	269	1,724
Repayments		(283)	(1,285)	(102)	(1,024)
Effective Interest		7	7	15	15
Unwinding of Discount		2	2	3	3
Amortisation		-	5	-	4
Revaluations		(113)	(294)	38	703
Impairments		-	(32)	(25)	(39)
Balance at 31 Mar		**1,595**	**6,740**	**1,967**	**7,099**
Comprising					
Repayable launch investments	12.1	252	252	463	463
Other loans and investments	12.2	1,343	6,488	1,504	6,636
Balance at 31 Mar		**1,595**	**6,740**	**1,967**	**7,099**

Other financial assets analysed between current and non-current assets

	31 March 2023		31 March 2022	
	Core department and agencies	Departmental group	Core department and agencies	Departmental group
	£m	£m	£m	£m
Due within 12 months	-	-	223	223
Due after 12 months	1,595	6,740	1,744	6,876
Total	**1,595**	**6,740**	**1,967**	**7,099**

12.1 Repayable launch investments

	31 March 2023		31 March 2022	
	Core department and agencies	Departmental group	Core department and agencies	Departmental group
	£m	£m	£m	£m
Balance at 1 April	463	463	485	485
Repayments	(261)	(261)	(49)	(49)
Effective Interest	7	7	15	15
Revaluations	43	43	12	12
Balance at 31 Mar	**252**	**252**	**463**	**463**

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
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 1 April 2022	**42**	**-**	**1,954**	**762**	**3,878**	**-**	**6,636**
Additions	-	1	345	85	807	-	1,238
Redemptions	(38)	-	(536)	(14)	(436)	-	(1,024)
Revaluations	(3)	-	(87)	(139)	(108)	-	(337)
Unwinding of Discount	-	-	2	-	-	-	2
Impairments	-	-	(32)	-	-	-	(32)
Amortisation	-	-	5	-	-	-	5
Reclassifications	-	-	(199)	206	(7)	-	-
Balance at 31 March 2023	**1**	**1**	**1,452**	**900**	**4,134**	**-**	**6,488**
Of the total							
Core department and agencies	-	-	447	657	239	-	1,343
NDPBs and other designated bodies	1	1	1,005	243	3,895	-	5,145
Balance at 31 March 2023	**1**	**1**	**1,452**	**900**	**4,134**	**-**	**6,488**

Core department

The most significant loans and investments are detailed below.

Future Fund: 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.

	Private sector loans £m	Private sector shares £m	Total £m
Balance at 1 Apr 2022	**516**	**520**	**1,036**
Additions	-	-	-
Transfers (conversions to equity)	(199)	199	-
Fair value gains/(losses)	(62)	(104)	(166)
Exits	(11)	(8)	(19)
Balance at 31 Mar 2023	**244**	**607**	**851**

Measurement and carrying values

Future Fund Convertible Loan Notes (CLNs) and equity shares 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. Future Fund holdings in the form of equity shares arise primarily as a result of a convertible loan converting into shares following a financing event. Equity interests also arise following a sale or an IPO in which investors, including Future Fund, receive share consideration in the form of shares in the acquiring entity.

The estimates for CLNs and equity shares 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.

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. The valuation considers market data alongside company specific data in arriving at the estimated fair values. Post-conversion, equity values are reassessed for any key events, or risk factors.

The assumptions which have been assessed as being most significant to the fair value estimates with respect to the CLNs 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 3 April 2023 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.

For equity shares, conversion or exit events (i.e. shares issued in a new company in exchange for existing shares) are used as an equity value anchor point for each position given that at this point, BEIS's equity amount is known, and corresponding equity value estimates are able to be informed based on the contractual conversion mechanisms or agreed terms for shareholders. Equity values from converted position are manually reviewed quarterly on a triggered basis, subject to agreed thresholds relating to various factors (see below). Equity values from exit events are also reviewed each quarter and updated based on information submitted or prevailing capital market pricing.

Some factors that impact these assessments include:

- Actual or potential events of default of borrowers.
- Actual or potential further financing rounds of the borrowers and the pricing of these rounds.
- Market and sector movements, including movements in sector indices.
- Borrower specific information, including financial and non-financial information such as cash balances, revenue and EBITDA, employee growth and KPI improvement/deterioration.

The valuation of converted equity relies primarily on the Average Price per share (APPS), which is derived from observable market parameters such as recent funding rounds and conversion events. The APPS is then overlaid with adjustments which are based on market movements, individual company performance, and an assessment cash depletion. These adjustments are not applied as valuation inputs to derive the APPS, rather, they are 'topside' adjustments made to account for various factors that impact the individual portfolio companies.

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 fair value of the Future Fund at the reporting date, 31 March 2023, was £851 million (31 March 2022: £1,036 million).

Departmental group

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 2023, £1,005 million of loans were held by NDPBs and other designated bodies (31 March 2022: £1,243 million).

The value of loans held by BBB as at 31 March 2023 was £503 million (31 March 2022: £527 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. BBB provides invoice discount finance and peer to peer lending through the investment programme funds which were valued at £155 million at 31 March 2023 (31 March 2022: £176 million). BBB provides loans to start ups and small businesses via The Start Up Loans Company which were valued at £182 million at 31 March 2023 (31 March 2022: £179 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 2022–23, FFL made loans of £nil million (31 March 2022: £126 million) to private companies through the Enable Loan Programme scheme. The value of loans held by FFL as at 31 March 2023 was £355 million (31 March 2022: £569 million).

Private sector shares

At 31 March 2023 £213 million of private sector shares were held by NDPBs and other designated bodies (31 March 2022: £180 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 2023 was £3,895 million (31 March 2022: £3,646 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 £2,989 million at 31 March 2023 (31 March 2022: £2,788 million). The most significant investment is a long-term venture and growth capital investment fund in British Patient Capital valued at £1,222 million at 31 March 2023 (31 March 2022: £1,169 million). BBB also has investments as part of their non-peer to peer investment programme which were valued at £623 million at 31 March 2023 (31 March 2022: £542 million), the Business Finance Partnership valued at £224 million at 31 March 2023 (31 March 2022: £248 million), and the Enterprise Capital Fund valued at £440 million at 31 March 2023 (31 March 2022: £426 million).

The fair value of the investments in BIS (Postal Services Act 2011) Company Limited (BPSA) as at 31 March 2023 was £118 million (31 March 2022: £140 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 2023 were £992 million (31 March 2022: £3,071 million). Further details can be found in NDA's annual report and accounts.

Recoverable contract costs relating to nuclear provisions

	Departmental group	Departmental group
	31 March 2023	31 March 2022
	£m	£m
Gross recoverable contract costs	**4,461**	**6,626**
Less applicable payments received on account	(3,452)	(3,152)
Less associated contract loss provisions	(17)	(403)
Balance at 31 Mar	**992**	**3,071**

The balances above relate to the NDA. The table below shows the movements in gross recoverable contract costs during the year.

Movements in gross recoverable contract costs

	Departmental group	Departmental group
	31 March 2023	31 March 2022
	£m	£m
Gross recoverable contract costs at 1 April	**6,626**	**4,895**
Increase/(decrease) in year	(1,700)	2,051
Unwinding of discount	(72)	(6)
Release in year - continuing operations	(254)	(203)
Amortisation of recoverable contract costs	(139)	(111)
Balance at 31 Mar	**4,461**	**6,626**

The gross balance of recoverable contract costs of £4,461 million (31 March 2022: £6,626 million) comprises £1,164 million (31 March 2022: £1,303 million) of past costs which were incurred before the revenue recognition period of the related contracts and will be amortised in future years in line with revenue and £3,297 million (31 March 2022: £5,323 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			Departmental group		
	31 March 2023			31 March 2022		
	Historic costs	Future costs	Total costs	Historic costs	Future costs	Total costs
	£m	£m	£m	£m	£m	£m
Balance at 1 April	**1,303**	**5,323**	**6,626**	**1,414**	**3,481**	**4,895**
Increase/(decrease) in the year	-	(1,700)	(1,700)	-	2,051	2,051
Unwinding of discount	-	(72)	(72)	-	(6)	(6)
Amortisation	(139)	-	(139)	(111)	-	(111)
Release in year	-	(254)	(254)	-	(203)	(203)
Balance at 31 Mar	**1,164**	**3,297**	**4,461**	**1,303**	**5,323**	**6,626**

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 shown below.

	Departmental group			Departmental group		
	31 March 2023			31 March 2022		
	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	**808**	**495**	**1,303**	**883**	**531**	**1,414**
Amortisation	(82)	(57)	(139)	(75)	(36)	(111)
Balance at 31 Mar	**726**	**438**	**1,164**	**808**	**495**	**1,303**

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 not related to or dependent on the future payments still to be made under each contract and therefore a credit loss impairment is not required.

14. Investments in joint ventures and associates

	31 March 2023		31 March 2022	
	Core department and agencies	Departmental group	Core department and agencies	Departmental group
	£m	£m	£m	£m
Balance at 1 April	**376**	**1,504**	**348**	**1,395**
Additions	-	(13)	-	55
Dividends	-	(87)	(1)	(85)
Disposals	-	20	-	(30)
Profit/(loss)	(52)	306	29	159
Impairments	-	-	-	(15)
Revaluations	-	78	-	25
Balance at 31 Mar	**324**	**1,808**	**376**	**1,504**

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 2023 17.6% (31 March 2022: 17.6%) 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 2023 is £324 million (31 March 2021: £376 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	2022–23	2021–22
	£m	£m
Current assets	398	880
Non-current assets	2,054	1,541
Current liabilities	(176)	(82)
Non-current liabilities	(306)	(216)
Revenue	25	7
Profit/(loss) from continuing activities	(293)	(285)

Other financial information	2022–23	2021–22
	£m	£m
Cash and cash equivalents	183	366
Current financial liabilities (excl trade and other payables and provisions)	(49)	(53)
Non-current financial liabilities (excl trade and other payables and provisions)	(296)	(204)
Interest income	-	-
Finance costs and interest expense	(17)	(9)

Department group

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 2022: 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 2023 is £316 million (31 March 2022: £301 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	2022–23	2021–22
	£m	£m
Non-current assets	482	532
Current assets	155	73
Current liabilities	(81)	(43)
Revenue	210	178
Profit/(loss) from continuing activities	(9)	(14)

Other financial information	2022–23	2021–22
	£m	£m
Cash and cash equivalents	12	46
Depreciation and amortisation	(35)	(38)
Capital commitments	5	5

Urenco

Urenco is an international supplier of enrichment services. The department holds 33% (31 March 2022: 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 2023, the departmental group's holding is valued at £839 million (31 March 2022: £549 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	2022–23	2021–22
	£m	£m
Non-current assets	5,332	4,017
Current assets	2,038	1,701
Current liabilities	(396)	(657)
Non-current liabilities	(4,326)	(3,288)
Revenue	(1,463)	(1,435)
Income tax expense	104	178
(Profit)/loss from continuing activities	(1,000)	(313)

Other financial information	2022–23	2021–22
	£m	£m
Cash and cash equivalents	654	470
Current financial liabilities (excluding trade and other payables and provisions)	148	(461)
Non-current financial liabilities (excluding trade and other payables and provisions)	1,252	(970)
Depreciation and amortisation	(315)	(285)
Interest income	188	(60)
Interest expense	(247)	115

Other

There are other joint ventures and associates which are not material and further information can be found in the financial statements of UKRI, UKAEA and UKCI.

15. Trade and other receivables

	2022–23		2021–22	
	Core department and agencies	**Departmental group**	**Core department and agencies**	**Departmental group**
	£m	**£m**	**£m**	**£m**
Amounts falling due within 1 year				
Trade receivables	1,703	1,967	84	537
Other receivables				
VAT and other taxation	42	234	30	199
Staff receivables	1	1	1	1
RPS receivables	35	35	30	30
Other	1,272	1,542	2,156	2,193
Contract assets	-	44	-	63
Prepayments and accrued income	344	832	366	866
	3,397	**4,655**	**2,667**	**3,889**
Amounts falling due after more than 1 year				
Trade receivables	22	72	18	74
RPS receivables	48	48	43	43
Other receivables	315	354	440	445
Contract assets	-	5	-	5
Prepayments and accrued income	4	31	3	31
	389	**510**	**504**	**598**
Total receivables at 31 March	**3,786**	**5,165**	**3,171**	**4,487**

Core department

Other receivables due within one year held by the core department includes £271 million (2021-22: £1.9 billion) in relation to estimated COVID-19 business support grants 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 estimates are included in note 1.26.

Other receivables for the core department include amounts of £140 million (31 March 2022: £140 million) due within one year and £312 million (31 March 2022: £435 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 2023 is £488 million (31 March 2022: £631 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.

Energy Support Schemes

Trade receivables due within one year includes £1,554 million in relation to the Energy Price Guarantee Scheme.

Other receivables due within one year includes £284 million in relation to the Energy Business Support Scheme and £216 million in relation to the Energy Bills Support Scheme Alternative Funding.

Further details on Energy Support Schemes is included in note 4.4.

Agencies

The Redundancy Payment Service (RPS) receivable is shown net of expected credit losses. The expected credit loss is calculated by the Insolvency Service using a model which is approved by HMRC. The model calculates the recoverable debt as £83 million as at 31 March 2023 (31 March 2022: £73 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 6.6% for non-preferential and 33.5% for preferential (31 March 2022: 6.2% for non-preferential and 34.6% for preferential).

16. Investments and loans in public sector bodies: current

	31 March 2023		31 March 2022	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
	£m	£m	£m	£m
Balance at 1 April	**562**	**561**	**588**	**572**
Transfers	30	30	-	-
Additions	3,362	3,362	2,693	2,693
Repayments	(3,334)	(3,334)	(2,812)	(2,812)
Loans repayable within 12 months transferred from non-current assets	4	4	93	108
Balance at 31 Mar	**624**	**623**	**562**	**561**

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 2025. The outstanding balance on these facilities at 31 March 2023 was £522 million (31 March 2022: £467 million) which is included in the £624 million total above (31 March 2022: £562 million).

17. Cash and cash equivalents

	31 March 2023		31 March 2022	
	Core department and agencies	Departmental group	Core department and agencies	Departmental group
	£m	£m	£m	£m
Balance at 1 April	**4,412**	**5,821**	**1,952**	**3,444**
Net change in cash and cash equivalent balances	(2,546)	(2,392)	2,460	2,377
Balance at 31 Mar	**1,866**	**3,429**	**4,412**	**5,821**
The following balances were held at				
The Government Banking Service (GBS)	1,865	2,917	4,411	5,503
Commercial banks and cash in hand	1	512	1	318
Balance at 31 Mar	**1,866**	**3,429**	**4,412**	**5,821**

18. Trade payables and other liabilities

	31 March 2023		31 March 2022	
	Core department and agencies	Departmental group	Core department and agencies	Departmental group
	£m	£m	£m	£m
Amounts falling due within 1 year				
VAT, social security and other taxation	14	125	12	119
Trade payables	(25)	337	50	391
Other payables	362	1,068	101	883
Contract liabilities (see note 18.1)	-	754	1	648
Other accruals and deferred income	4,372	6,476	1,778	3,598
Amounts issued from the Consolidated Fund for supply but not spent at year end	1,735	1,735	4,273	4,273
Consolidated Fund extra receipts due to be paid to the Consolidated Fund:				
Received	131	149	140	148
	6,589	**10,644**	**6,355**	**10,060**
Amounts falling due after more than 1 year				
Trade payables	-	4	-	5
Contract liabilities (see note 18.1)	-	1,437	-	1,626
Other payables, accruals and deferred income	1,848	2,265	1,650	2,006
	1,848	**3,706**	**1,650**	**3,637**
Total payables at 31 Mar	**8,437**	**14,350**	**8,005**	**13,697**

18.1 Contract liabilities

	31 March 2023		31 March 2022	
	Core department and agencies	Departmental group	Core department and agencies	Departmental group
	£m	£m	£m	£m
Balance at 1 April	**1**	**2,274**	**1**	**1,958**
Additions	-	289	1	12
Change in measurement	-	304	-	123
Release to SOCNE	(1)	(676)	(1)	181
Balance at 31 Mar	-	2,191	1	2,274
Of the total				
Due within 1 year	-	754	1	648
Due in over 1 year	-	1,437	-	1,626
Balance at 31 Mar	**-**	**2,191**	**1**	**2,274**

Included under Other payables, accruals and deferred income are:

Core department

Promissory note liabilities with maturities of less than one year of £19 million (31 March 2022: £63 million) and with maturities greater than one year of £1,874 million (31 March 2022: £1,649 million) which relate to various ODA (official development assistance) programmes to which the department has contributed.

Other accruals and deferred income amounts falling due within 1 year include £986 million for the Energy Price Guarantee and £1,926 million for the Energy Bill Relief Scheme.

Departmental group

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 £737 million (31 March 2022: £637 million) and after one year of £1,437 million (31 March 2022: £1,625 million); more details are available in the Nuclear Decommissioning Authority's accounts.

19. Lease liabilities

	31 March 2023		31 March 2022	
	£m		£m	
	Core and agencies	**Departmental group**	**Core and agencies**	**Departmental group**
Land				
Not later than one year	-	1	-	1
Later than one year and not later than 5 years	-	3	-	3
Later than 5 years	-	13	-	15
	-	17	-	19
Less interest element	-	(3)	-	(5)
Present value of obligations	**-**	**14**	**-**	**14**
Buildings				
Not later than one year	24	40	28	42
Later than one year and not later than 5 years	18	62	45	87
Later than 5 years	10	108	31	132
	52	**210**	**104**	**261**
Less interest element	(3)	(31)	(3)	(35)
Present value of obligations	**49**	**179**	**101**	**226**
Other				
Not later than one year	4	6	3	6
Later than one year and not later than 5 years	5	6	-	1
Later than 5 years	-	-	-	-
	9	**12**	**3**	**7**

	31 March 2023		31 March 2022	
	£m		£m	
	Core and agencies	Departmental group	Core and agencies	Departmental group
Less interest element	-	-	-	-
Present value of obligations	**9**	**12**	**3**	**7**
Total present value of obligations	**58**	**205**	**104**	**247**
Current	28	45	31	49
Non-current	30	160	73	198

	31 March 2023		31 March 2022	
	£m		£m	
Lease liability - additional analysis	Core and agencies	Departmental group	Core and agencies	Departmental group
Interest on lease liabilities	1	4	1	4
Income of sub-leasing right-of-use assets	(2)	(1)	(2)	(2)
Expenses relating to short term liabilities	-	1	-	3
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	1	10	1	4
Gains or losses arising from sale and leaseback transactions	-	-	-	-

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’.

20. Provisions for liabilities and charges

		31 March 2023		31 March 2022	
		Core department and agencies	Departmental group	Core department and agencies	Departmental group
	Note	£m	£m	£m	£m
Current liabilities					
Not later than 1 year		3,678	7,685	269	3,598
Total current liabilities		3,678	7,685	269	3,598
Non-current liabilities					
Later than 1 year and not later than 5 years		1,161	16,642	1,310	16,990
Later than 5 years		542	108,724	706	224,899
Total non-current liabilities		1,703	125,366	2,016	241,889
Total at 31 March		**5,381**	**133,051**	**2,285**	**245,487**
Total provisions					
Nuclear	20.1	868	126,034	1,058	238,256
Other	20.2	4,513	7,017	1,227	7,231
Total at 31 March		**5,381**	**133,051**	**2,285**	**245,487**

The provision liabilities in tables 31.1 and 31.2 below have been discounted to present value using discount rates as provided by HM Treasury. Discounting as at 31 March 2022 and 31 March 2023 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 2023			31 March 2022		
	Nominal discount rate	**Inflation rate**	**Equivalent real discount rate**	**Nominal discount rate**	**Inflation rate**	**Equivalent real discount rate**
Cash outflows expected within 2 years	3.27%	7.40%	(3.85%)	0.47%	4.00%	(3.39%)
Cash outflows expected between 2-5 years	3.27%	1.65%	1.59%	0.47%	2.15%	(1.64%)
Cash outflows expected between 5-10 years	3.20%	2.00%	1.18%	0.70%	2.00%	(1.27%)
Cash outflows expected after 10 years	3.08%	2.00%	1.06%	0.71%	2.00%	(1.27%)

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 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**
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**
Net amount deducted from recoverable contract costs	-	-	-	-	387	**387**
Unwinding of discount	(16)	(7)	(23)	(3,042)	(3)	**(3,068)**
Change in discount rate	(73)	(43)	(116)	(115,953)	113	**(115,956)**
Provided in the year	88	-	88	10,536	-	**10,624**
Provisions not required written back	(4)	(12)	(16)	-	(919)	**(935)**
Recoverable contract costs - release in year	-	-	-	-	-	**-**
Provisions utilised in the year	(123)	-	(123)	(3,141)	(10)	**(3,274)**
Balance at 31 March 2023	**441**	**427**	**868**	**125,166**	**-**	**126,034**
Estimated forward discounted cash flows as at 31 March 2023						
Not later than one year	95	30	125	3,933	-	**4,058**
Later than one year and not later than 5 years	318	233	551	15,244	-	**15,795**
Later than 5 years	28	164	192	105,989	-	**106,181**
Total forward cash flows as at 31 March 2023	**441**	**427**	**868**	**125,166**	**-**	**126,034**

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 2023 is £442 million (31 March 2022: £569 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 2023, at prices as at the reporting date so excluding the impact of future inflation, is £442 million (31 March 2022: £508 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 2023 is £455 million (31 March 2022: £489 million); the undiscounted liability at 31 March 2023, at prices as at the reporting date so excluding the impact of future inflation, is £434 million (31 March 2022: £447 million).

Departmental group

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 £62 billion out of the total £124 billion provision (31 March 2022: £73 billion out of £237 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 £124 billion at 31 March 2023 (31 March 2022: £237 billion). The undiscounted equivalent of this reported liability is £173 billion at 31 March 2023 (31 March 2022: £149 billion). The Departmental Group auditors continue to include an emphasis of matter paragraph in their audit certificate concerning the overall measurement uncertainty.

The NDA reviews the cost estimates each year, reflecting changes in the site lifetime plans and other assumptions. Major changes applied in the reporting period included:

- A change in the estimate of the Magnox and Dounreay programme, reflecting updated estimates of the cost, duration and timing of the decommissioning of the sites. In particular for the Magnox sites, the learnings from Trawsfyndd (the lead and learn site) has been reflected in cost estimates for the other sites. The impact of the overall change (discounted) was an increase of £9.1 billion.
- Updates to the Sellafield lifetime plan, reflecting multiple changes in the estimates of the cost, duration and timing of projects, operations and decommissioning on the site. The impact of this (discounted) was an increase of £0.5 billion.

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 overall decrease in the provision was £112 billion (2022: £101 billion increase) of which the Authority estimates that £18 billion related to changes in price levels (2022: £7 billion). The change in discount rates (see page 52) in the current financial year produced a decrease of £134 billion (2022: £84 billion increase). The undiscounted value of the nuclear provision is £173 billion (2022: £149 billion). The effect of applying discounting is to reduce the provision by £48 billion (2022: increase the provision by £88 billion). The discounted value of the nuclear provision is currently lower than the undiscounted value due to the real terms discount rates being positive (see page 52).

An increase of 0.5% in the discount rate (producing a more positive discount rate) would reduce the provision to £110 billion (2022: £195 billion), whilst a decrease in discount rate of 0.5% (producing a negative, or less positive, discount rate) would increase the provision to £143 billion (2022: £294 billion).

Analysis of expected timing of discounted cash flows for the NDA Nuclear Provision is as follows:

	Sellafield	Magnox	Nuclear Waste Services	Nuclear Transport Services	2022-23 Total	2021-22 Total
	£m	£m	£m	£m	£m	£m
Up to 1 year	2,929	843	161	0	**3,933**	3,265
2 to 5 years	11,066	3,472	707	10	**15,255**	15,192
6 to 20 years	30,048	9,553	3,504	75	**43,180**	54,366
21 to 50 years	26,072	11,273	3,430	0	**40,775**	77,380
50 years +	13,745	5,000	2,507	0	**21,252**	86,774
	83,860	**30,141**	**10,309**	**85**	**124,395**	**237,004**
Deduction in respect of Site Licence Companies pension receivable from NDA					771	(211)
Total NDA Decommissioning Provisions					**125,166**	**236,766**

	Waste	Research	Sellafield	Fuel M&G	2022-23 Total	2021-22 Total
Sensitivity	£m	£m	£m	£m	£m	£m
Increase	59,276	3,014	15,886	3	78,179	245,695
Reduction	(9,954)	(3,014)	(2,855)	(6)	(15,829)	(43,894)

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 Geological Disposal Facility (GDF), the Low Level Waste Repository, and activities at the Springfields and Capenhurst sites with the key sensitivities being in the timing and costs of constructing and operating the GDF, which have sensitivities ranging from a reduction of £2,629 million to an increase of £15,773 million dependent on the location and construction requirements of the facility. The current planned date for the facility to receive waste is 2050. NDA has identified a risk that the construction and opening of the facility may be delayed beyond 2050 (see the Governance Statement – in 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.

  Sensitivities for the other elements of waste activities range from a reduction of £226 million to an increase of £113 million.

- Sellafield represents activities associated with operation of the site, reprocessing and eventual decommissioning, and includes all site overheads. Principal sensitivities are around the cost of delivering the plan, particularly the costs of new construction, decommissioning and post operational clean out (POCO) work in the long-term (beyond the next twenty years). The potential costs range from a £9,954 million reduction against the current estimate, to a £59,726 million increase.

- The programme of work at the Magnox sites and Dounreay includes a combination of hazard reduction, a Care and Maintenance period (at certain sites) followed by final site clearance. The current cost estimate represents management's assessment of the most probable estimate of the required duration and cost of decommissioning and long-term management of the sites. A 10% variation in the cost estimate would increase or decrease costs by £3,014 million.

Further details are reported in the financial review on page 46 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 2023 is £nil million (31 March 2022: £433 million). Further detail, including movement on the gross provision, can be found in the accounts of the NDA.

20.2 Other provisions

	Energy schemes	Post Office Limited	Concessionary fuel	Legacy ailments	Business support grant	Other	Total core and agencies	Coal Authority	Early departure costs and restructuring	Other	Total departmental droup
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
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**
Change in discount rate	-	3	(59)	(56)		(7)	**(119)**	(4,466)	6	(73)	**(4,652)**
Provided in the year	3,130	180	176	75		449	**4,010**	1,062		12	**5,084**
Provisions not required written back	-	(122)	-	-		(360)	**(482)**	-	(8)	(21)	**(511)**
Provisions utilised in the year	-	(43)	(35)	(20)		(23)	**(121)**	(43)	(7)	(3)	**(174)**

	Energy schemes	Post Office Limited	Concessionary fuel	Legacy ailments	Business support grant	Other	Total core and agencies	Coal Authority	Early departure costs and restructuring	Other	Total departmental droup
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Unwinding of discount	-	3	(4)	(1)		-	**(2)**	40	(1)	2	**39**
Other movements	-	-	-	-	-	-	**-**	-	-	-	**-**
Balance at 31 March 2023	**3,130**	**600**	**360**	**274**	**-**	**149**	**4,513**	**2,211**	**61**	**232**	**7,017**
Estimated forward discounted cash flows as at 31 March 2023											
Not later than 1 year	3,130	239	43	27	-	114	**3,553**	49	10	15	**3,627**
Later than 1 year and not later than 5 years	-	361	139	91	-	19	**610**	210	7	20	**847**
Later than 5 years	-	-	178	156	-	16	**350**	1,952	44	197	**2,543**
Total forward cash flows as at 31 March 2023	**3,130**	**600**	**360**	**274**	**-**	**149**	**4,513**	**2,211**	**61**	**232**	**7,017**

Core department

Energy schemes

The provision covers the cost to the core department relating to:

a. The Energy Bills Discount Scheme (EBDS) - On 9 January 2023, the government announced the Energy Bills Discount Scheme and came into force on 26 April, which was designed to support businesses with high energy costs and it's expected to run until 31 March 2024.

The value of the provision is based on the expected baseline support as quoted by Office of Budget Responsibility (OBR) economic and fiscal outlook March 2023. The total liability as at 31 March 2023 is £144 million

b. The Energy Price Guarantee (EPG) - 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. The scheme was expected to run for two years until 30 September 2024. A further announcement on 17 October 2022 stated that the Energy Price Guarantee was expected to run to April 2023 (i.e. the scheme ends 31 March 2023). The Chancellor subsequently announced in the Autumn Statement on 17 November 2022 that the Energy Price Guarantee would be extended to 31 March 2024.

The value of the provision is based on the cost to the department to compensate energy suppliers for the discounts applied to consumer tariffs and is based on the difference between the reference price (i.e., the OFGEM price cap) and the Energy Price Guarantee price. The total liability as at 31 March 2023 is £2,986 million.

Post Office Limited

Post Office Limited has undertaken to make payments to individuals (postmasters and former postmasters) in three schemes to compensate a) those who had been wrongly convicted of fraud, theft and false accounting, later overturned by the court (compensation for Overturned Convictions), b) those who were affected by financial discrepancies related to previous versions of Post Office's Horizon IT system (the Horizon Shortfall Scheme (HSS)), and c) postmasters who were not previously paid during a period of suspension (Postmaster Suspension Pay). 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. Furthermore, the department is itself delivering a scheme (the "GLO scheme") to provide additional compensation for members of the group litigation Alan Bates and others v Post Office Limited.

The liability estimate is based on information provided by the Post Office (for the HSS and for compensation for postmasters with overturned convictions and for unpaid suspension pay) and BEIS for the GLO scheme. These liabilities are uncertain both in relation to total amount and timing of payments. The main uncertainties will be described in the Post Office accounts for 2022-23 and relate principally to the distribution of heads of loss.

The total discounted liability as at 31 March 2023 is estimated at £600 million (31 March 2022: £579 million); the undiscounted liability as at 31 March 2023 is £614 million (31 March 2022: £584million).

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 29,749 beneficiaries at 31 March 2023, 26,073 have opted for the cash alternative at an average cost per beneficiary of £1,288 per annum; the average annual cost of solid fuel for the remainder is £1,244 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 2082. The discounted liability as at 31 March 2023 is £361 million (31 March 2022: £282 million); the undiscounted liability as at 31 March 2023, at prices as at the reporting date so excluding the impact of future inflation, is £379 million (31 March 2022: £255 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 2023 is £106 million (31 March 2022: £132 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 2023 is £168 million (31 March 2022: £144 million). The undiscounted liability, at prices as at the reporting date so excluding the impact of future inflation, is £178 million (31 March 2022: £129 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.

Departmental group

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 2023 is £2,344 million (31 March 2022: £5,618 million). The undiscounted liability at 31 March 2023 is £3,511 million (31 March 2022: £8,459 million). Further details are reported in the Coal Authority annual report and accounts.

Early departure costs and restructuring

£50 million (31 March 2022: £57 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 2023. These payments include those made to the date at which the recipients would have reached normal retirement age, and those which continue for the remainder of the recipients' lives. The provision is calculated using UK life expectancy estimates published by the Office of National Statistics and is subject to the uncertainty inherent in those estimates. A variance from the life expectancy estimate of one year would increase or decrease the future cash flows by approximately £5 million discounted).

21. Financial guarantees, loan commitment liabilities and reinsurance contracts

	31 March 2023		31 March 2022	
	Core Department and Agencies	**Departmental Group**	**Core Department and Agencies**	**Departmental Group**
	£m	**£m**	**£m**	**£m**
Balance at 1 April	**16,213**	**16,406**	**19,902**	**20,048**
Additions	526	580	2,440	2,546
Net remeasurement	451	414	(4,653)	(4,712)
Repayment	(48)	(48)	(993)	(993)
Called	(5,833)	(5,833)	(483)	(483)
Balance at 31 March	**11,309**	**11,519**	**16,213**	**16,406**
Comprising				
Financial guarantee liabilities	11,296	11,296	15,837	15,837
Loan commitment liabilities	-	210	346	538
Reinsurance contracts	13	13	30	31
Balance at 31 March	**11,309**	**11,519**	**16,213**	**16,406**
Of which				
Current liability	11,304	11,343	16,195	16,234
Non-current liability	5	176	18	172
Balance at 31 March	**11,309**	**11,519**	**16,213**	**16,406**

Core department

Financial guarantees

The total estimated liability for financial guarantees of £11,296 million as at 31 March 2023 for the core department (31 March 2022: £15,837 million) relates to the following schemes:

Scheme	31 March 2023	31 March 2022
	£m	£m
Bounce Back Loans Scheme (BBLS)	9,708	13,953
Coronavirus Business Interruption Loan Scheme (CBILS)	1,102	1,439
Coronavirus Large Business Interruption Loan Scheme (CLBILS)	52	115
Recovery Loan Scheme (RLS)	422	299
Other guarantee schemes	12	31
Total	11,296	15,837

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. From the four guarantee schemes established by the department in response to the COVID-19 pandemic only Recovery Loan Scheme (RLS) remains open.

The Recovery Loan Scheme supports small and medium sized businesses to access the finance they need to grow and invest. The scheme was extended to borrowers on 1 August 2022, with maximum borrowing per GB business of £2 million and £1m 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.

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 original 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 uncertainty, in particular arising from the unconventional credit policy and underwriting of the underlying loans compared to any other loan portfolio in the lending industry. 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 as standalone excluding sensitivities to future macroeconomic conditions and fraud risk.

Sensitivity analysis: Impact on model liability estimate of changes to probabilities of default	BBLS	CBILS	RLS
	£m	£m	£m
Probabilities of default for BBLS loans lower by 20%	(837)	-	-
Probabilities of default for loans lower by 33%	-	(195)	(81)
Model liability estimate	9,348	1,026	391
Probabilities of default for loans higher by 50%	-	269	110
Probabilities of default for BBLS loans higher by 25%	961	-	-

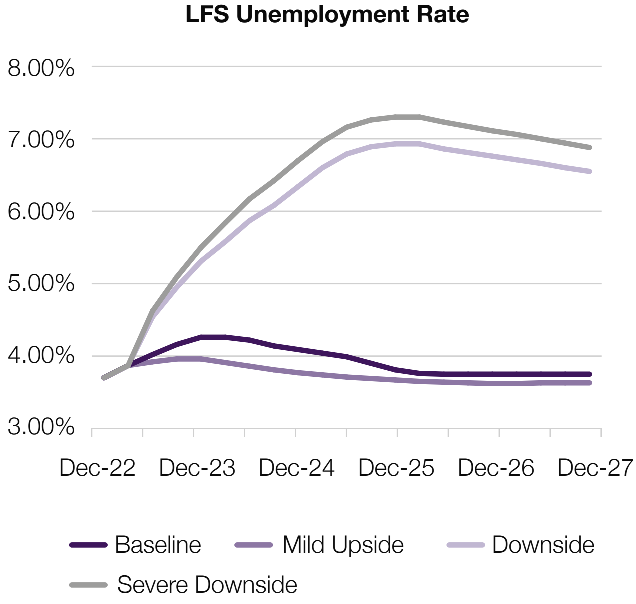
The percentage changes are relative, meaning (by way of an illustrative example only) that an increase of 20% to a probability of default of 1% would increase probability of default to 1.2%. The percentage changes take into account the risk profiles of the individual schemes. The CBILS and RLS loan portfolio 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.

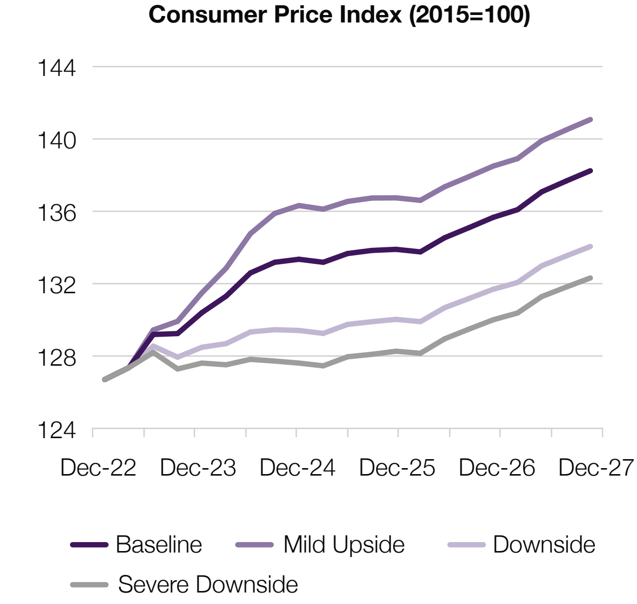
The model adjusts the estimate of probability of default for each loan facility to take account of i) forward macroeconomic conditions and, for BBLS, ii) levels of borrowing in breach of scheme rules due to fraud or error:

i) Forward macroeconomic conditions

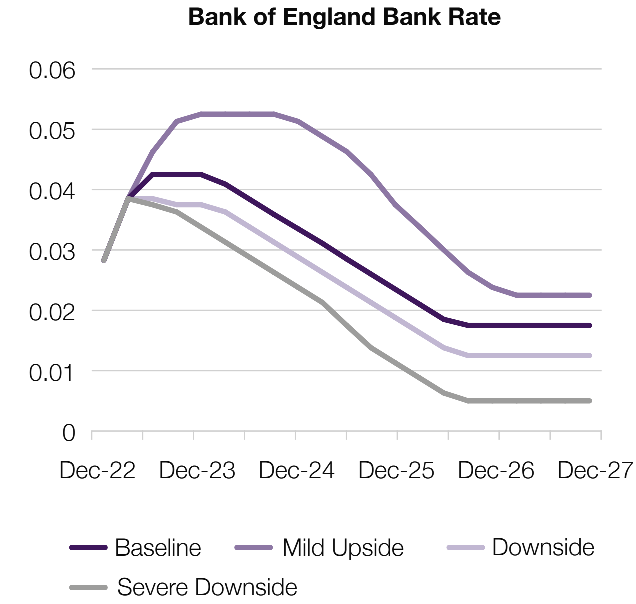
A probability weighted view of forward economic conditions is applied by the model to adjust probability of default, based on potential scenarios provided by an independent specialist economic forecasting firm.



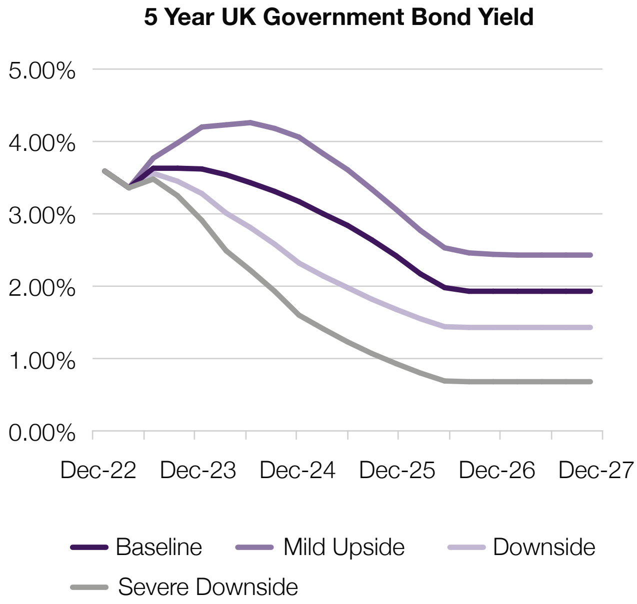
Source: Oxford Economics



Source: Oxford Economics



Source: Oxford Economics



Source: Oxford Economics

Economic scenarios provided by Oxford Economics for IFRS 9 ECL measurement, March 2023.

The above charts show the values of economic indicators for the different scenarios over the five year period from December 2022 which were applied in the model with the following weightings:

Scenario	Probability weighting in model
Mild upside	10 %
Base	55 %
Downside	25 %
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	(578)	(98)	(41)
Base	(563)	(94)	(40)
Model liability estimate	9,348	1,026	391
Downside	1,004	165	71
Severe Downside	1,167	199	83

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 probability estimate of default due to fraud or error for the outstanding BBLS loan facilities at 31 March 2023 is estimated to be 4.39% (31 March 2022: 3.49%). The model probability estimate of default due to fraud or error for the outstanding BBLS loan facilities is calculated based on the portfolio lifetime estimate of fraud and error 5.90% (31 March 2022: 4.24%) adjusted to remove the fraud that has already been observed in the portfolio through claimed and settled loan statuses 1.51% (31 March 2022: 0.75%). The portfolio lifetime estimate of fraud and error is made up of two components: the fraud incidence and the loss occurrence, these are detailed and explained in sections 1) and 2) 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.

The analysis in the table below shows the impact on the model liability estimate in the scenario that facilities that have not moved to the demand stage result in a loss, or in a scenario that these facilities repay in full with no loss.

Sensitivity analysis: Impact on model liability estimate of changes in fraud probability	BBLS ECL 31 March 2023	BBLS ECL 31 March 2022
	£m	£m
Probability of fraud with a lower fraud loss emergence rate 2.71% (2021-22: 1.49%)	(291)	(490)
Model liability estimate 4.39% (2021-22: 3.49%)	9,348	13,211
Probability of fraud with a higher fraud loss emergence rate 5.99% (2021-22: 7.25%)	274	919

1) Sampled loans

The portfolio lifetime fraud incidence was calculated based on a statistically significant sample of 1,067 loans which were analysed for fraud risk indicators. The model probability estimate of default due to fraud or error for the outstanding BBLS loan facilities included in the 2022-23 accounts is based on portfolio lifetime fraud incidence rate of 8.9% (31 March 2022: 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 did 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.
- The risk indicators identified and not considered in the sampling work performed include turnover inflation, misuse of funds, backdated director appointment, unusual activity, dissolution objections and sole traders. The department has worked to quantify the impact of these indicators on the fraud rate estimate. 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 either cannot be supported by verifiable or observable evidence, or it 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 spent a significant sum in producing its estimate and has determined that it would not be a good use of taxpayer's money to refine an estimate which is going to naturally become more robust over time as loans default, and claims are made on the guarantee due to fraud.

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

During 2021-22 and 2022-23, 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 suspected 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 suspected fraud, which is currently estimated as 66.32% (31 March 2022: 52.94%). The expected loss rate is applied to the fraud and error incidence rate of 8.9% (31 March 2022: 8.0%) to derive the portfolio lifetime fraud and error estimate of 5.90% (31 March 2022: 4.24%).

Data limitations

- The estimate of 66.32% loss as a result of fraud is based on the performance to date of the 95 loans from the sample that were identified as 'suspected 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.
- A loan classified as being suspected fraud but which was repaid in part or in full, for example, a borrower may have overstated turnover but still repaid the loan, which would not lead to fraud loss. 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 5.90% 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 2023 there have been 23,307 suspected fraud cases that have been claimed, settled or in default. This equates to 1.51% of the 1.54m BBLS loans provided. Subtracting the observed fraud from 5.90% results in an adjusted portfolio fraud rate of 4.39%.

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 and as such 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 2023 for CBILS and RLS is included in the table below:

Sensitivity analysis: Impact on model liability estimate of changes in fraud probability	BBLS ECL 31 March 2023	BBLS ECL 31 March 2022	Outstanding facilities-Repayments in arrears	Outstanding facilities -Repayments in default	Facilities fully repaid
	£m	£m	1.43 %	5.07 %	26.8 %
RLS	£3.4 bn	87.72 %	1.88 %	6.97 %	3.43 %

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 and RLS loan being awarded, this significantly reduced the risk within the portfolio. Therefore, losses as a result of fraud in the CBILS and RLS portfolio are not expected to be either materially different from a commercial lending book, or material in their own right.

As at 31 March 2023 the repayment data for these schemes shows an increase in the share of facilities in default which is the result of more borrowers in the portfolio failing. This is particularly prevalent given the market and economic conditions observed in the last year. Considering that the default rates for CBILS and RLS are trending proportionally to the expected credit losses as calculated by the ECL model, the department considers this as evidence that levels of fraud are consistent with the commercial lending levels.

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 2023. 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%	(360)	(104)	(40)
Model liability estimate	9,348	1,026	391
Recovery amounts lower by 40%	360	104	40

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 high inflation.

a) Inflation post model adjustment

Due to a model limitation, where the current economic environment of high inflation combined with below-inflation interest rates was not present in the historic data used to develop the model, a £470m PMA was implemented in the final valuation of the lifetime ECL across the all the schemes. The PMA is supported by benchmarking, which shows clear evidence of significant PMAs across all other lender's interim financial statements for related reasons.

The PMA caps the beneficial impact of inflation at the point where the model ceases to track well against actuals in the model's development period but allows the variable to move freely below this level. This method allows inflation to provide some positive effects while limiting the model to only produce outputs in a range that can be relied upon to be accurate and reasonable.

The breakdown of the reported liability for each scheme providing information on the total model liability and overlay adjustments based on expert management judgements are shown in the table below.

	BBLS £m	CBILS £m	RLS £m
Model liability estimate	9,348	1,026	391
Post model adjustments	360	77	31
Reported liability	**9,708**	**1,102**	**422**

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) funded defined benefit, final salary pension scheme (MRCPS).

Following the transfer of MRC research units and employees to universities, a University section was set up to account for the obligations to individuals that remain in the MRCPS. During the period obligations of £10.4 million were recognised under Section 75 (S.75) of the 1995 Pensions Act in respect of liabilities of transferred employees; the University section, has been set up within MRCPS to manage S.75 liabilities. These costs are reflected in the valuation of the 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 2023.

The key assumptions are discount rate of 4.65% (2021-22: 2.70%) and rate of increase in pension payments of 2.60% (2021-22: 3.00%). A decrease of 1% in the discount rate would lead to an increase of approximately 16% in the total liability, while a decrease of 1% in the rate of increase in pensions would lead to an approximate 10% reduction.

As at 31 March 2023, the weighted average maturity of the scheme as a whole is 16 years.

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 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 2023.

As at 31 March 2023, the weighted average duration of the combined schemes is 17.2 years.

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 6 defined benefit final salary pension schemes relating to the 4 SLCs comprising: a) the LLWR section of the CNPP (for LLW Repository Limited), b) the SLC section of the Magnox Electric Group of the 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 the SLCs schemes except for the ESPS for Magnox Limited (with most recent funding valuation undertaken at 31 March 2022). The actuaries rolled forward the results to determine approximate positions as at 31 March 2023.

As at 31 March 2023, the weighted average duration of the combined schemes is 17.2 years.

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 2023	31 March 2022
	Funded pension schemes £m	Funded pension schemes £m
Present value of defined benefit obligation at 1 April	**8,493**	**8,475**
Interest cost	218	169
Current service cost	218	238
Past service cost	-	7
Benefits paid, transfers in and expenses	(281)	(277)
Actuarial (gains)/losses in financial assumption	(544)	(107)
Actuarial (gains)/losses on defined benefit obligation due to demographic assumptions	(2,515)	(25)
Actuarial (gains)/losses arising from experience adjustments	86	(9)
Employee contributions	20	22
Present value of defined benefit obligation at 31 March	**5,695**	**8,493**
Fair value of assets at 1 April	**8,716**	**8,083**
Expected return on plan assets	226	161
Employer contributions	193	236
Benefits paid, transfers in and expenses	(281)	(277)
Actuarial gains/(losses)	(1,521)	491
Employee contributions	20	22
Fair value of assets at 31 March	**7,353**	**8,716**
Net (asset)/liability at 31 March	**(1,658)**	**(223)**

The prior year numbers have been represented to combine benefits paid and transfers in.

The decrease in the net liability at 31 March 2023 compared to 31 March 2022 is primarily due to an increase in the discount rate applied to all defined benefit obligations between 31 March 2022 and 31 March 2023. This is partially offset by the increase in inflation rate applied to all defined benefit obligations between 31 March 2022 and 31 March 2023.

Net (asset)/liability by scheme

	31 March 2023			31 March 2022		
	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 (a)	1,217	1,954	(737)	1,650	2,070	(420)
LLW Repository Ltd - LLWR section of CNPP (b)	27	34	(7)	50	36	14
Magnox Ltd - SLC section of Magnox Electric Group of ESPS (c)	2,203	2,519	(316)	3,006	3,398	(392)
Magnox Ltd - Magnox section of CNPPS (b)	108	140	(32)	180	159	21
Sellafield Ltd - Group Pension Scheme SLC section of CNPP	415	593	(178)	652	727	(75)
Sellafield Ltd - Sellafield section of CNPPS (b)	1,426	1,832	(406)	2,606	2,011	595
Dounreay Site Restoration Ltd - Dounreay section of CNPP	206	158	48	206	158	48
Nuclear Decommissioning Authority (b)	91	121	(30)	143	157	(14)
Total net (asset)/liability at 31 March	**5,693**	**7,351**	**(1,658)**	**8,493**	**8,716**	**(223)**

Pension scheme assets are recognised to the extent that they are recoverable and pension scheme liabilities are recognised to the extent that they reflect a constructive or legal obligation. The accounting judgements applied in recognising net assets for each pension scheme are summarised below:

(a) The net asset is recognised as UKRI derives benefits from the reduced contributions to the scheme.

(b) Accounting surpluses in respect of NDA and NDA Group businesses' participation in the non-GPS Sections of the CNPP can be recognised as an asset because the employers have an unconditional rght to a refund of surplus.

(c) The Principal Employer (with any other Participating Employer in respect of the relevant section) has an unconditional right to a refund of surplus.

Asset allocation

	31 March 2023	31 March 2022
	£m	£m
Equities	2,364	2,742
Property	1,086	1,174
Government bonds	856	2,051
Corporate bonds	477	492
Other growth assets	768	2,020
Other	1,800	237
Balance at reporting date	**7,351**	**8,716**

The Magnox schemes had a total asset balance of £2,659 million (31 March 2022: £3,557 million), of which £25 million (31 March 2022: £1,379 million) were government bond assets, £382 million (31 March 2022: £1,462 million) were other growth assets which were not quoted in an active market, £378 million (31 March 2022: £403 million) were property assets and £175 million (31 March 2022: £189 million) were corporate bonds. The Sellafield schemes had £2,424 million (31 March 2022: £2,738 million) of total assets, the majority of which, excluding the amount held in the Trustees' bank account and some private equity investments due to their illiquid nature, had a quoted market value in an active market. The UKRI - MRC scheme's total assets of £1,956 million (31 March 2022: £2,070 million) included £1,124 million (31 March 2022: £1,263 million) of quoted equities and £376 million (31 March 2022: £444 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 2023	31 March 2022
	£m	£m
UK Research and Innovation	21	23
LLW Repository Ltd – LLWR section of CNPP	2	2
Magnox Ltd – SLC section of Magnox Electric Group of ESPS	21	21
Magnox Ltd – Magnox section of CNPP	5	5
Sellafield Ltd – Group Pension Scheme SLC section of CNPP	5	5
Sellafield Ltd – Sellafield section of CNPP	90	90
Dounreay Site Restoration Ltd – DSRL section of CNPP	8	8
Nuclear Decommissioning Authority	0	0
Total	**152**	**154**

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)	
	2022–23	**2021–22**	**2022–23**	**2021–22**	**2022–23**	**2021–22**	**2022–23**	**2021–22**	**2022–23**	**2021–22**	**2022–23**	**2021–22**
Discount rate	2.6%	2.6%	4.7%	2.6%	4.7%	2.7%	4.7%	2.6%	4.7%	2.6%	4.7%	2.7%
Inflation (Retail Price Index)	3.5%	3.5%	3.1%	3.5%	3.3%	3.8%	3.1%	3.5%	3.1%	3.5%	3.2%	3.7%
Life expectancy in years at 65, currently aged 65 (male)	21.2	21.2	21.3	21.2	22.3	22.5	21.2	21.3	21.3	21.2	21.3	21.2
Life expectancy in years at 65, currently aged 45 (male)	22.6	22.6	22.6	22.6	22.9	23.2	22.6	22.4	22.6	22.6	22.6	22.6
Life expectancy in years at 65, currently aged 65 (female)	23.6	23.6	23.7	23.6	24.1	24.5	23.6	23.2	23.7	23.6	23.7	23.6
Life expectancy in years at 65, currently aged 45 (female)	25.1	25.1	25.1	25.1	24.9	25.3	25.0	24.5	25.1	25.1	25.1	25.1
Life expectancy in years at 60, currently aged 60 (male)					26.9	27.1	25.9	25.9				
Life expectancy in years at 60, currently aged 40 (male)					27.7	27.9	27.4	27.1				
Life expectancy in years at 60, currently aged 60 (female)					28.9	29.3	28.4	27.9				
Life expectancy in years at 60, currently aged 40 (female)					29.8	30.1	29.9	29.2				

Major actuarial assumptions for NDA and UKRI

	Nuclear Decommissioning Authority (Closed)		Nuclear Decommissioning Authority (Nirex)		UK Research and Innovation	
	2022–23	**2021–22**	**2022–23**	**2021–22**	**2022–23**	**2021–22**
Discount rate	4.7%	2.7%	4.7%	2.7%	4.7%	2.7%
Inflation (Retail Price Index)	3.2%	3.7%	3.2%	3.8%	n/a*	n/a*
Life expectancy in years at 65, currently aged 65 (male)	21.3	21.2	21.3	21.2	22.4	22.3
Life expectancy in years at 65, currently aged 45 (male)	22.6	22.6	22.6	22.6	24.0	23.9
Life expectancy in years at 65, currently aged 65 (female)	23.7	23.6	23.7	23.6	23.6	23.5
Life expectancy in years at 65, currently aged 45 (female)	25.1	25.1	25.1	25.1	25.1	25.0

*UKRI applies an consumer price index inflation rate rather than retail price index inflation rate. The inflation rates were 2.60% for 2022-23 (2021-22: 3.00%).

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**
1 percentage point decrease in annual discount rate						198
1 percentage point increase in inflation assumption						122
0.5 percentage point decrease in annual discount rate	27	4	157	210	9	
0.5 percentage point increase in inflation assumption	27	4	154	210	11	
1 year increase in life expectancy	7	1	100	53	3	40

23. Capital and other commitments

Total minimum payments for capital, lease and other commitments

		31 March 2023		31 March 2022	
		Core department and agencies	Departmental group	Core department and agencies	Departmental group
	Note	£m	£m	£m	£m
Contracted capital commitments	23.1	2	2,696	6	2,543
Other financial commitments	23.2	1,470	2,168	718	1,186
Total		**1,472**	**4,864**	**724**	**3,729**

23.1 Capital commitments

	31 March 2023		31 March 2022	
	Core department and agencies	Departmental group	Core department and agencies	Departmental group
	£m	£m	£m	£m
Contracted capital commitments not otherwise included in these financial statements				
Property, plant and equipment	-	449	2	332
Intangible assets	2	2	4	130
Loans, Investments	-	2,245	-	2,081
Total	**2**	**2,696**	**6**	**2,543**

Departmental group

Capital commitments as at 31 March 2023 include the following significant items:

- Property, plant and equipment commitments for United Kingdom Research and Innovation (UKRI) of £283 (31 March 2022: £297 million).
- Investment commitments of £2,174 million (31 March 2022: £1,870 million) for the British Business Bank (BBB) related to undrawn investment commitments, £111 million (31 March 2022: £125 million) for Northern Powerhouse Investment Limited relating to capital calls to be utilised over the next six years, £58 million (31 March 2022: £78 million) for Midlands Engine Investments Limited relating to capital calls to be utilised over the next seven years and £99 million (31 March 2022: £77 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 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 2023		31 March 2022	
	Core department and agencies	Departmental group	Core department and agencies	Departmental group
	£m	£m	£m	£m
Not later than one year	694	1,008	390	640
Later than 1 year and not later than 5 years	636	992	185	392
Later than 5 years	140	168	143	154
Total	**1,470**	**2,168**	**718**	**1,186**

23.2.1 International subscriptions

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

				Total	Total
	Within 1 year	Later than 1 year and not later than 5 years	Later than 5 years	31 March 2023	31 March 2022
Organisation	£m	£m	£m	£m	£m
International Atomic Energy Agency	15	63	86	**164**	179
European Space Agency	313	473	-	**786**	-
Other subscriptions	12	33	43	**88**	102
Total Core Department and Agencies	**340**	**569**	**129**	**1,038**	**281**
European Organisation for Nuclear Research (CERN)	167	104	-	**271**	231
Institut Laue Langevin (ILL)	21	60	-	**81**	35
Other subscriptions	126	192	28	**346**	191
Total Departmental Group	**654**	**925**	**157**	**1,736**	**738**

Notes

The departmental group is required to subscribe to a number of bodies on an on-going and continuous basis. These subscriptions are paid in euros, swiss francs and pounds sterling. The subscriptions described below are paid in euros or swiss francs and amounts paid are subject to fluctuations due to exchange rate differences.

a. The core department is responsible for paying in the UK's annual subscriptions to the International Atomic Energy Agency (IAEA). The IAEA is the UN-affiliated organisation responsible for ensuring the safe, secure and peaceful use of civil nuclear technologies, through monitoring nuclear safeguards, setting international standards and guidance for nuclear safety and security promoting nuclear applications for development.

b. The UK Space Agency pays international subscriptions to the European Space Agency (ESA) three times a year and these amounts are agreed several years in advance. The payments reported reflect existing commitments on forward exchange contracts placed with the Bank of England to cover periods to January 2026. The annual subscriptions are to be set at a minimum of €300 million and will be aligned with the agreed ESA programmes activity. It is expected that these amounts will be paid by means of forward exchange contracts or amounts translated on the date of payment.

c. United Kingdom Research and Innovation (UKRI) shares the funding of the capital and running costs of CERN with other major scientific nations. There is a notice of withdrawal period of 12 months after the end of the current calendar year.

d. The UK, through UKRI, has signed up to International Conventions, with respect to Institut Laue-Langevin (ILL). The 5th protocol of the Intergovernmental Convention was signed in July 2013 and will remain in force until 31 December 2023. Thereafter it shall be tacitly extended from year to year unless any of the governments give written notification to the other governments of its intention to withdraw from the Convention. Any such withdrawal will take effect upon the expiry of two years from the date of receipt of the notification by any of the other governments or on such later date as may be specified in the notification.

23.2.2 Other commitments

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

		Within one year	Later than one year and not later than 5 years	Later than 5 years	Total 31 March 2023	Total 31 March 2022
Organisation	**Note**	**£m**	**£m**	**£m**	**£m**	**£m**
Met Office	a	113	-	-	113	101
Various suppliers	b	33	21	-	54	110
Other commitments		208	46	11	42	226
Total Core Department and Agencies		**354**	**67**	**11**	**209**	**437**
Other commitments		-	-	-	224	11
Total Departmental Group		**354**	**67**	**11**	**433**	**448**

Core department

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.

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.

Departmental group

UKRI have contractual obligations for grant commitments which are not included in the table above. The total commitment as at 31 March 2023 is £9,511 million (31 March 2022: £10,527 million). Further details can be found in the UKRI annual report and accounts.

24. Financial instruments

The carrying amounts of financial instruments in each of the IFRS 9 categories are shown below.

		31 March 2023		31 March 2022	
		Core department and agencies	**Departmental group**	**Core department and agencies**	**Departmental group**
	Note	**£m**	**£m**	**£m**	**£m**
Financial assets					
At amortised cost					
Cash and cash equivalents	17	1,866	3,429	4,412	5,821
Receivables (i)	15	3,438	4,253	2,802	3,522
Loans to public sector bodies (ii) & (iii)	11.3, 16	1,665	1,094	1,735	1,086
Other financial assets and private sector loans	12.2	202	1,148	195	1,411
Total financial assets at amortised cost		**7,171**	**9,924**	**9,144**	**11,840**
Elected at fair value through other comprehensive income (FVTOCI)					
Ordinary shares in public sector companies (iv)	11.1	666	1,276	666	1,277
Other financial assets	12.2	51	77	42	67
Total financial assets elected at FVTOCI		**717**	**1,353**	**708**	**1,344**
Mandatory at fair value through profit or loss (FVTPL)					
Repayable launch investments	12.1	252	252	463	463
Derivatives - forward contracts		8	8	-	-
Derivatives - Contracts for Difference (CfD)	10	-	6,130	-	-
Loans to public sector bodies (ii) & (iii)	11.3, 16	2,592	2,406	150	-
Other financial assets and private sector loans (vii)	12.2	1,090	5,263	1,267	5,158

		31 March 2023		31 March 2022	
		Core department and agencies	Departmental group	Core department and agencies	Departmental group
	Note	£m	£m	£m	£m
Total financial assets mandatory at FVTPL		**3,942**	**14,059**	**1,880**	**5,621**
Public dividend capital					
Public dividend capital	11.2	65	65	65	65
Total public dividend capital		**65**	**65**	**65**	**65**
Financial liabilities					
At amortised cost					
Payables (ii)	18	(2,217)	(3,418)	(4,576)	(5,819)
Total financial liabilities at amortised cost		**(2,217)**	**(3,418)**	**(4,576)**	**(5,819)**
Mandatory at fair value through profit or loss (FVTPL)					
Derivatives - forward contracts		-	(1)	-	-
Derivatives - Contracts for Difference (CfD)	10	-	(19,572)	-	(26,948)
Total financial liabilities mandatory at FVTPL		**-**	**(19,573)**	**-**	**(26,948)**
Designated at fair value through profit or loss (FVTPL)					
Loan commitment liabilities	21	-	(210)	-	(194)
Total financial liabilities designated at FVTPL		**-**	**(210)**	**-**	**(194)**
Financial guarantee and loan commitment liabilities					
Financial guarantee liabilities (vi)	21	(11,296)	(11,296)	(15,837)	(15,837)
Loan commitment liabilities	21	-	-	(346)	(346)
Total financial guarantee and loan commitment liabilities		**(11,296)**	**(11,296)**	**(16,183)**	**(16,183)**

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 2022–23 excludes £546 million (2021–22: £452 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 £186 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 (2021–22: £31 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 £861 million (2021–22: £1,036 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 below.

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.
Core department	**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 2023 the core department was exposed to total guaranteed lending under these schemes of £41,894 million (31 March 2022: £59,065 million). The guarantees will expire over the next 10 years as the underlying debt is repaid. The department's reported liability of £11,284 million as at 31 March 2023 (31 March 2022: £15,806) 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 £80.6 million at 31 March 2023 (31 March 2022: £106 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 2023 the department had approved guarantee facilities totalling £2.3 billion under ENABLE (31 March 2022: £1.63 billion restated), of which £918 million was effective (31 March 2022: £500 million restated) with a potential maximum liability of £583 million (31 March 2022: £309 million restated). An aggregate liability of £12.3 million for both schemes as at 31 March 2023 (31 March 2022: £30.6 million) has been reported on the Statement of Financial Position.

Core department	**Loan commitments** The core department has measured expected credit losses on outstanding loan commitments as at 31 March 2023 at £nil million (31 March 2022: £346 million).
NDPBs and other designated bodies	The British Business Bank (BBB) investments are assessed by BBB's valuation committee. BBB produces credit risk ratings for its investments based upon a risk grading of the financial obligor and the estimated loss given default on that investment. Risk drivers which are assessed in setting the ratings include the financial viability and lending safety of the investment and, if available, the rating assigned by an external credit agency. This is mitigated by new product approval processes that assess default and loss rates, due diligence of delivery partners underwriting methods, and portfolio monitoring and default models being put in place.
NDPBs and other designated bodies	**Cash and cash equivalents** The departmental group held cash and cash equivalents of £3,429 million as at 31 March 2023 (31 March 2022: £5,821 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.
NDPBs and other designated bodies	**Loan commitment liabilities** BBB's ECF loan commitments were designated to be measured at FVTPL (fair value through profit or loss) and the credit risk is, therefore, reflected in their fair value. These had a fair value of £209 million as at 31 March 2023 (31 March 2022: £194 million).
NDPBs and other designated bodies	**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 £997 million (31 March 2022: £964 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.

Credit risk rating and loss allowance

The departmental group has these 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.

The loss allowance for trade receivables in the core department is shown below.

						31 March 2023
						Core department
	Current	1-30 days	31-60 days	61-90 days	91+ days	Total
Expected Loss rate	0%	0%	23%	1%	100%	
Gross carrying amount- trade receivables (excluding other government debt) (£m)	8	1	0	0	1	**10**
Loss allowance (£m)	0	0	0	0	1	**1**

						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	0	0	1	**20**
Loss allowance (£m)	0	0	0	0	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 2023		31 March 2022	
	Core department and agencies	Departmental group	Core department and agencies	Departmental group
	£m	£m	£m	£m
Balance at 1 April	9	17	14	20
Net remeasurement	1	3	(5)	(3)
Write-off	-	-	-	-
Balance at 31 Mar	**10**	**20**	**9**	**17**

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 (BBB), 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 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.

The table below shows 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 2023				31 March 2022			
	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**
Credit rating	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Low risk financial assets	1,698	-	-	1,698	1,931	-	-	1,931
Medium risk financial assets	310	42	-	352	308	17	11	336
High risk financial assets	168	49	-	217	182	54	-	236
Default financial assets	-	-	32	32	-	-	56	56
Gross carrying amount	**2,176**	**91**	**32**	**2,299**	**2,421**	**71**	**67**	**2,559**
Loss allowance	(16)	(15)	(26)	**(57)**	(16)	(13)	(34)	**(63)**
Net carrying amount	**2,160**	**76**	**6**	**2,242**	**2,405**	**58**	**33**	**2,496**

The departmental group does not hold any loans, bonds and term deposits measured at FVTOCI.

The movement in the allowance for impaired loans, bonds and term deposits at amortised cost during the year was as follows.

	31 March 2023				31 March 2022			
	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	16	13	34	**63**	18	18	49	**85**
Additions	10	-	3	**13**	9	1	1	**11**
Net remeasurement	(4)	1	(12)	**(15)**	(9)	(7)	(7)	**(23)**
Transfer to credit loss 12 month	-	3	2	**5**	-	1	1	**2**
Transfer to credit loss not impaired	(3)	-	1	**(2)**	(1)	-	(1)	**(2)**
Transfer to credit loss impaired	(2)	(1)	-	**(3)**	(1)	1	-	**-**
Written-off	(1)	(1)	(2)	**(4)**	-	(1)	(9)	**(10)**
Balance at 31 Mar	**16**	**15**	**26**	**57**	**16**	**13**	**34**	**63**

Market risk

This is the risk that fair values and future cash flows will fluctuate due to changes in market prices. Market risk generally comprises of foreign currency risk, interest rate risk and other market risk.

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	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	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 dollar and euros) to deal with day-to-day overseas transactions.

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.

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. While inflation rates have seen a substantial increase during the year, 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.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels are defined as:

- 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 table below shows the departmental group's financial assets and liabilities measured at fair value.

				31 March 2023					31 March 2022
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	Note	£m	£m	£m	£m	£m	£m	£m	£m
Financial assets									
FVOCI elected									
Equity investments									
Ordinary shares in public sector bodies	11.1	-	1,276	-	**1,276**	-	1,277	-	**1,277**
Private sector shares	12.2	3	49	24	**76**	5	41	23	**69**
Total financial assets at FVOCI		**3**	**1,325**	**24**	**1,352**	**5**	**1,318**	**23**	**1,346**
FVTPL mandatory									
Debt and venture capital investments									
Public sector loans	11.3	-	-	2,406	**2,406**	-	-	-	**-**
Repayable launch investments	12.1	-	-	252	**252**	-	-	462	**462**
Private sector loans	12.2	-	-	308	**308**	-	-	586	**586**
Investment funds	12.2	162	-	3,972	**4,134**	281	-	3,597	**3,878**
Equity investments									
Private sector shares	12.2	32	-	185	**217**	37	-	136	**173**
Future Fund shares	12.2	-	-	607	**607**	-	-	519	**519**
Derivatives – forward contracts		-	8	-	**8**	-	-	-	**-**
Derivatives – CfD		-	-	6,130	**6,130**	-	-		**-**
Total financial assets at FVTPL mandatory		**194**	**8**	**13,860**	**14,062**	**318**	**-**	**5,300**	**5,618**
Total financial assets measured at fair value		**197**	**1,333**	**13,884**	**15,414**	**323**	**1,318**	**5,323**	**6,964**

		31 March 2023				31 March 2022			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	Note	£m	£m	£m	£m	£m	£m	£m	£m
Financial liabilities									
FVTPL mandatory									
Loan commitment liabilities	21	-	-	(210)	**(210)**	-	-	(538)	**(538)**
Derivatives – CfD	10	-	-	(19,572)	**(19,572)**	-	-	(26,948)	**(26,948)**
Total liabilities at FVTPL mandatory		**-**	**-**	**(19,782)**	**(19,782)**	**-**	**-**	**(27,486)**	**(27,486)**
FVTPL designated									
Derivatives – forward contracts		-	(2)	-	**(2)**	-	-	-	**-**
Total financial liabilities at FVTPL designated		**-**	**(2)**	**-**	**(2)**	**-**	**-**	**-**	**-**
Total financial liabilities measured at fair value		**-**	**(2)**	**(19,782)**	**(19,784)**	**-**	**-**	**(27,486)**	**(27,486)**

Notes

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 CfD 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

We align the presentation of Contract for Differences as FVTPL mandatory in line with the financial instruments main table.

Changes in level 3 instruments

The tables below show the changes in level 3 instruments, excluding CFDs disclosed in note 10.

2023

	Ordinary shares in unlisted private equities	Public sector loans	Repayable launch investments	Investment funds and other financial investments	Loan Commitment Liabilities	Future Fund loans	Total
	£m	£m	£m	£m	£m	£m	£m
Balance at 1 April 2022	**159**	**-**	**462**	**3,667**	**(539)**	**1,035**	**4,784**
Additions	78	2,025	-	809	(451)	-	**2,461**
Repayments/ disposals	(1)	-	(261)	(326)	-	(18)	**(606)**
Revaluations	(21)	381	-	(89)	780	(166)	**885**
Transfers	7	-	-	(7)	-	-	**-**
Gains and losses recognised in SOCNE	(13)	-	51	(18)	-	-	**20**
Balance at 31 March 2023	**209**	**2,406**	**252**	**4,036**	**(210)**	**851**	**7,544**

2022

	Ordinary shares in unlisted private equities	Public sector loans	Repayable launch investments	Investment funds and other financial investments	Loan Commitment Liabilities	Future Fund loans	Total
	£m	£m	£m	£m	£m	£m	£m
Balance at 1 April 2021	**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 2022	**159**	**-**	**462**	**3,668**	**(539)**	**1,035**	**4,785**

Maturity profiles - discounted cashflows for CfDs

The table below shows the maturity profile of the discounted cashflows for the CfDs.

	less than 1 year	2-5 years	more than 5 years	Total
	£m	£m	£m	£m
As at 31 March 2022	(3,904)	2,639	28,213	26,948
As at 31 March 2023	(178)	1,252	18,498	19,572

25. Contingent liabilities

Core department – unquantifiable contingent liabilities

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.

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.

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.

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.

Claims for judicial review

A contingent liability exists in relation to claims for judicial review in relation to the transfer of the business of Bulb Energy Limited (in special administration). British Gas and E.ON have made applications in the Court of Appeal seeking permission to appeal the judgment of the High Court which found in favor of the Department. The financial impact is dependent on the outcome of the case which currently cannot be reliably estimated.

Energy Price Guarantee Scheme

The core department has recognised a provision for payments made under the Energy Price Guarantee (EPG) for the period from 1 April 2023 to 30 June 2023. From 1 July 2023, household energy bills fell below the EPG. However, should household energy bills increase above the Energy Price Guarantee price, the core department may need to make payments under the Energy Price Guarantee. The liability has not been estimated due to dependence on ongoing policy decisions.

Energy Bill Discount Scheme

The Energy Bill Discount Scheme (EBDS) was announced on 9 January and came into force on the 26 April. The EBDS will provide all eligible businesses and other non-domestic energy customers with a discount on high gas and electricity bills in the period between 1 April 2023 until 31 March 2024, following the end of the EBRS. It will also provide businesses in sectors with particularly high levels of energy use and trade intensity with a higher level of support as they are less able to pass these higher costs on to customers due to international competition. The price reduction will be linked to the wholesale element of a non-domestic customer’s gas and electricity bill and Government will reimburse suppliers in accordance with the scheme. The total cost of the scheme cannot be reliably estimated.

Core department – quantifiable contingent liabilities

Wave Hub transfer

The core department has indemnified Cornwall Council up to 2028 in respect of the transfer of Wave Hub to a maximum of £5 million.

EBSS Alternative Funding

The core department has made a commitment under the EBSS Alternative Funding. Applications remained open until 31 May 2023, with payments being finalised by 30 June 2023. The total cost of the EBSS Alternative Funding is estimated to be £19 million.

EPG Alternative Fuel Payment Alternative Fund

The core department has made a commitment under the EPG Alternative Fuel Payment Alternative Fund. Applications remained open until 31 May 2023, with payments being finalised by 31 July 2023. The total cost of the EPG Alternative Fuel Payment Alternative Fund is estimated to be £13 million.

Non-Domestic Alternative Fuel Payment Scheme

The core department has made a commitment under the Non-Domestic Alternative Fuel Payment Scheme. Applications remained open until 28 April 2023. The total cost of the EBSS Alternative Funding and EPG Alternative Fuel Payment Alternative Fund is estimated to be £1.7 million.

EPG PPM

In the Spring Budget on 15 March 2023, the Chancellor announced that the government will align charges for comparable direct debit and Pre-Payment Meter customers, ensuring that customers on Pre-Payment Meters no longer pay a premium for their energy costs. This scheme applies to customers in Great Britain only and runs from 1 July 2023 to 31 March 2024, the end of the Energy Price Guarantee. Looking ahead, the government will ensure the Pre-Payment Meter premium is ended on a permanent basis. OFGEM is reviewing Pre-Payment Meter costs and is considering additional regulatory options, including options for ending the Pre-Payment Meter standing charge premium for readiness to be implemented from April 2024. The estimated cost is £59 million, with a range of £45 million to £99 million, based on Q3 Ofgem price cap projections and the best available evidence on the number of Pre-Payment Meter customers.

Departmental group - unquantifiable contingent liabilities

The departmental group has the following unquantifiable contingent liabilities. Other liabilities are disclosed in our partner organisation accounts.

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.

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 either present obligations or probable obligations where reliable estimates cannot be made or possible obligations where the Agency has issued civil proceedings through the courts, and the outcome is dependent on court rulings and findings not wholly within the agency’s control. The agency has 66 contingent liabilities relating to defended cases where it is possible but not probable that payment may be made in the future. The aggregate value of these cases has been estimated using a standard multiplier which we have applied to agency costs on these cases. This methodology is based on observed trends in historic settlements. There are 50 cases liabilities estimated to crystalise within 1-year and the remaining 15 to crystalise within 1 – 2-years.

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.

NDA – Renewal of an uncapped indemnity in the Sellafield Replacement Sea Line (RSL) Lease

NDA has entered with two landlords, The Crown Estate and Baron Egremont, for the renewal of an uncapped indemnity in the Sellafield Replacement Sea Line (RSL) Lease.

A pipeline runs from the Sellafield Nuclear Plant site over foreshore and seabed owned by two separate third party landowners, The Crown Estate (TCE) and Baron Egremont of the Leconfield Estate (Egremont). The Replacement Sea Line (RSL) is a critical asset for the delivery of nuclear safety and the environmental performance of the Sellafield Site.

These are long standing liabilities, with the lease arrangement for the unlimited liabilities in place since 1991. This lease pre-dates the formation of NDA in 2004, following the introduction of new guidelines and status of Sellafield as part of central Government (2016) meant such indemnities now require government approval.

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.

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.

Departmental group - quantifiable contingent liabilities

The departmental group has the following contingent liabilities 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.

NDA – AGR Transfer (£18,515 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 £18,515 million (undiscounted) in its most recently published financial statements.

26. Contingent assets

Core department - quantifiable contingent assets

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 12 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 - unquantifiable contingent assets

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 28 'List of bodies within the departmental group' – these bodies are regarded as related parties and various material transactions have taken place during the reporting period between members of the departmental group. The related parties of the consolidating bodies are disclosed in their respective accounts. The core department is also the sponsor of 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.

Ministers, board members, key managers of the departmental group or other related party who have undertaken any material transactions with the core department during the year are listed below. Details of the department's ministers and senior managers are shown in the Remuneration Report.

A family member of a minister of the core department (Amanda Solloway MP) is a member of Nottinghamshire Borough Council. The department provided New Burdens funding of £0.3 million to help local councils with the administrative burden of working on grant schemes.

The partner of a former minister of the core department (Jackie Doyle-Price MP) is a member of Thrurrock Borough Council. The department provided £10.5 million to Thurrock Borough Council. This is working with local authorities to recover irregular grant payments made as a result of fraud or error in the various business support grant schemes and to help with the administrative burden of working with New Burdens grant schemes.

A former minister of the core department (Jane Hunt MP) is a member of Charnwood Borough Council. The department provided Energy Bill Support Scheme funding of £0.6 million to Charnwood Borough Council. This scheme is part of the government's support to households which is delivered by local authorities.

The Permanent Secretary of the core department, Sarah Munby, is an unpaid Non-Executive of UK Government Investments (UKGI) which is a government company wholly owned by HM Treasury and for which the department was charged £3.5 million for the provision of shareholder services.

A close family member of Sarah Munby is a board member of Defence Science and Technology Laboratory (DSTL) which is an executive agency of the Ministry of Defence. The core department incurred £3.6 million worth of transactions with DSTL, mainly in the form of R&D grant funding.

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. List of bodies within the departmental group

The table below shows the list of BEIS organisations included in the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2022 - known as the Designation Order. And amendments from the Government Resources and Accounts Act 2000 (Estimate and Accounts) (Amendment) Order 2022 - known as the Amendment Order. Additionally, Sizewell C has been consolidated as a result of an in-year share puchase which missed the Amendment Order cut off date, the consolidation has been agreed and directed by HM Treasury.

Section (a) includes bodies consolidated within the departmental group accounts. Section (b) includes bodies within the departmental group but not consolidated - such as where net assets are not considered material to the departmental group accounts.

As a result of changes made in the 2022–23 Designation Order and Amendment Order some additional bodies are now included in the departmental group accounts boundary. Boundary changes have not impacted on previously reported financial results.

(a) Bodies consolidated in departmental group accounts for 2022–23

Designated body	Status	Notes
Agencies		
Companies House	Executive agency	-
Insolvency Service	Executive agency	-
UK Space Agency	Executive agency	-
NDPBs and other designated bodies		
Advisory, Conciliation and Arbitration Service[1]	NDPB	-
Central Arbitration Committee	NDPB	Consolidated by ACAS
Certification Office for Trade Union and Employers' Associations	Other public body	
BIS (Postal Services Act 2011) Company Limited	Other public body	-
British Business Bank plc	Other public body	-
BBB Patient Capital Holdings Limited		Consolidated by British Business Bank plc
British Business Investments Ltd		
British Business Finance Ltd		
British Business Financial Services Ltd		
British Business Aspire Holdco Ltd		
British Patient Capital Limited		
Capital for Enterprise Fund Managers Limited		
Capital for Enterprise (GP) Limited		
Capital for Enterprise Limited		
The Start-Up Loans Company		
British Technology Investments Limited	Other public body	-
Civil Nuclear Police Authority[1]	NDPB	-

Designated body	Status	Notes
Coal Authority[1]	NDPB	-
Committee on Fuel Poverty	NDPB	Costs are included in the core department's expenditure
Committee on Radioactive Waste Management	NDPB	Costs are included in the core department's expenditure
Competition Service	NDPB	-
Competition Appeal Tribunal	NDPB	-
The Copyright Tribunal	NDPB	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	-
Council for Science and Technology	Expert committee	No accounts produced as costs are included in the core department's expenditure.
Diamond Light Source Limited	Other public body	This is a special purpose vehicle for the government's investment in Urenco Limited.
Enrichment Holdings Ltd	Other public body	-
Enrichment Investments Limited		Consolidated by Enrichment Holdings Limited.
Electricity Settlements Company Ltd	Other public body	-
Fleetbank Funding Limited	Other public body	This is a vehicle for the government to facilitate the Enable Funding Scheme.
The Financial Reporting Council Limited	Other public body	-
UK Accounting Standards Endorsement Board Limited		Consolidated by The Financial Reporting Council Limited
Great British Nuclear Limited	Other public body	-
Harwell Science and Innovation Campus Public Sector Limited Partnership	Other public body	Joint venture owned by UKRI and UK Atomic Energy Authority
Industrial Development Advisory Board	Expert committee	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	-
Low Pay Commission	NDPB	No accounts produced as costs are included in the core department's expenditure
Midlands Engine Investments Limited	Other public body	-

Designated body	Status	Notes
The NESTA Trust	Other public body - charitable trust	-
Northern Powerhouse Investments Limited	Other public body	-
Nuclear Decommissioning Authority[1]	NDPB	-
Magnox Limited		Consolidated by Nuclear Decommissioning Authority
Radioactive Waste Management Limited		
Sellafield Limited		
Dounreay Site Restoration Limited		
LLW Repository Limited		
Nuclear Waste Services Limited		Consolidated by LLW Repository Limited
Nuclear Liabilities Financing Assurance Board	Expert committee	Costs are included in the core department's expenditure.
Office of Manpower Economics[1]	Office of department	No accounts produced as costs are included in the core department's expenditure.
Oil and Gas Authority operating as North Sea Transition Authority	NDPB	-
Postal Services Holding Company Limited	Other public body	Company in liquidation. Former holding company for the government's investment in Post Office Limited.
Regulatory Policy Committee	NDPB	No accounts produced as costs are included in the core department's expenditure.
Salix Finance Ltd	NDPB	-
Sizewell C Limited	Other public body	Consolidated from acquisition date (29th November 2022) in agreement with HMT.
Sizewell C (Holding) Limited	Other public body	Consolidated from acquisition date (29th November 2022) in agreement with HMT.
UK Climate Investments LLP	Other public body	Limited Liability Partnership between BEIS and UK Green Investment Bank

Designated body	Status	Notes
UK Climate Investments Apollo Limited		Consolidated by UK Climate Investments LLP
UK Climate Investments Dazzle Limited		
UK Climate Investments Etna Limited		
UK Climate Investments H1 Limited		
UK Climate Investments Indigo Limited		
UK Climate Investments Kijani Limited		
UK Climate Investments Lakeside Limited		
UK Climate Investments VC Limited		
UK Green Infrastructure Platform Limited	Other public body	Investment vehicle managed by UK Green Investment Bank Limited on behalf of BEIS.
United Kingdom Research and Innovation	NDPB	
Medical Research Council[1]		Former Research Council now part of UKRI
Innovate UK Loans Limited		Consolidated by UKRI
Knowledge Transfer Network Limited		
STFC Innovations Limited		
UK Shared Business Services Limited	Other public body	-
United Kingdom Atomic Energy Authority[1]	NDPB	gov.uk/government/organisations/uk-atomic-energy-authority (corporate)
		ccfe.ukaea.uk (fusion research)
AEA Insurance Limited		Consolidated by United Kingdom Atomic Energy Authority
UK Fusion Solutions Ltd		

(b) Bodies not consolidated in departmental group accounts for 2022–23

Designated body	Status	Notes
British Hallmarking Council	NDPB	Turnover and net assets are not material to departmental group accounts.
Climate Change Committee (formerly the Committee on Climate Change)[1]	NDPB	Turnover and net assets are not material to departmental group accounts.
Daresbury SIC (PubSec) LLP	Other public body	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	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	Turnover and net assets are not material to departmental group accounts.
NDA Archives Limited	Other public body	subsidiary of NDA. Turnover and net assets are not material to departmental group accounts.
Pubs Code Adjudicator	Other public body - office holder	Turnover and net assets are not material to departmental group accounts.
Research Sites Restoration Limited	Other public body	Subsidiary of NDA. No costs or activities incurred in 2022-23 as the activities transferred to Magnox in 2016-17.
Rule Committee (as mentioned in section 127(2) of the Land Registration Act 2002)	NDPB	Turnover and net assets are not material to departmental group accounts.
Small Business Commissioner	NDPB	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.

29. Events after the reporting period

Non-adjusting events

Transfer of UK Climate Investments to FCDO

On 31st March 2023, the department entered into an agreement to transfer UK Climate Investments to the Foreign Commonwealth and Development Office. The transfer is planned to take place when the transfer price is known, which will be determined when the BEIS accounts are signed. The department has determined that the event is a non-adjusting subsequent event, accordingly the statement of financial position has not been adjusted.

OneWeb

On 26 July 2022 Eutelsat Communications and OneWeb's leading shareholders signed a Memorandum of Understanding with a view to a business combination between the two companies via a share exchange transaction, aimed at creating a global leader in connectivity. The Extraordinary General Meeting of Eutelsat shareholders approved the combination on 28 September 2023, resulting in the successful completion of the transaction. Upon completion, HMG took ownership of approximately 11% of Eutelsat Group's shares, which are listed on the Paris and London Stock Exchanges.

Horizon Europe and Copernicus

On 7th September 2023, the UK government and European Commission concluded negotiations and reached an agreement in principle on the association of the UK to Horizon Europe and Copernicus under the Trade and Cooperation Agreement. Following the announcement, both parties are working together with the aim of promptly adopting the necessary legal instruments subject to prior approval by the Council of the European Union. It is estimated that the UK will contribute €2.6 billion per year on average for its participation in these programmes.

29.1 Date Accounts authorised for issue

BEIS's Accounting Officer has authorised these Accounts to be issued on the same day as they were certified.

Trust statement

Innovation. Photo of a researcher in a white jacket looking through a gadget.

Foreword by the Accounting Officer

The Trust Statement accounts for the income BEIS collects as an agent of the HMT Consolidated Fund. In 2022-23, BEIS collected income for the 5 schemes listed below.

EU emissions trading scheme

EU emissions trading scheme (EU ETS) is the largest emissions trading system to reduce GHG emissions. It caps the amount of GHG emissions participants can emit and allows trading of allowances so that total emissions stay within the cap. The UK left EU ETS on 31 December 2020, after the end of the transition period. Northern Ireland electricity generators remain in EU ETS by virtue of the Ireland/Northern Ireland Protocol. So, EU ETS remains an income stream.

UK emissions trading scheme

UK Emissions trading scheme (UK ETS) replaced the UK's participation in the EU ETS on 1 January 2021. The UK ETS caps the total amount of certain GHG that can be emitted by participants. Participants receive free allowances and can also buy emission allowances at auction or on the secondary market which they can trade with other participants as needed.

Carbon reduction commitment

Carbon reduction commitment (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.

Climate change agreements

Climate change agreements (CCA) is voluntary energy efficiency scheme 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.

Energy saving opportunity scheme

Energy saving opportunity scheme (ESOS) is a mandatory energy assessment scheme for all large organisations in the UK. Qualifying organisations must audit the energy use of their buildings, industrial processes, and transport every 4 years, to identify cost-effective energy saving measures. The scheme runs until 5 December 2027. Phase III runs until 5 December 2023.

Governance statement

The department's governance statement covers the accounts and 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 353 to 359. 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 (BEIS)** 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 BEIS 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

10 October 2023

The 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 2023 under the Exchequer and Audit Departments Act 1921.

The financial statements comprise the Trust Statement's:

- Statement of Financial Position as at 31 March 2023;
- 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 financial statements:

- give a true and fair view of the state of the Trust Statement's affairs as at 31 March 2023 and its net revenue for the Consolidated Fund for the year then ended; and
- 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 and Regularity of Public Sector Bodies in the United Kingdom (2022)*. 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 Trust Statement 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 Trust Statement'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 Trust Statement'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 Trust Statement 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 is anticipated that the services which they provide will continue into the future.

Other information

The other information comprises information included in the Performance Report, Accountability Report and Foreword to the Trust Statement, but does not include the financial statements and my auditor's report thereon. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

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 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:

- Adequate accounting records have not been kept by the Trust Statement or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; 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
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities for the Trust Statement, the Accounting Officer is responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Department from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- ensuring that the financial statements give a true and fair view and are prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;

- ensuring that the Performance Report, Accountability Report and Foreword to the Trust Statement is prepared in accordance with HM Treasury directions made under the Exchequer and Audit Departments Act 1921; and
- assessing the Trust Statement'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 nature of the sector, control environment and operational performance including the design of the Trust Statement's accounting policies.
- inquired of management, the Department's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Trust Statement's policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of 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 the Exchequer and Audit Departments Act 1921, Managing Public

Money, the Greenhouse Gas Emissions Trading Scheme Order 2020 and the Greenhouse Gas Emissions Trading Scheme Auctioning Regulations 2021;

- inquired of management, the Department's head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations;
  - they had knowledge of any actual, suspected, or alleged fraud,
- discussed 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 Trust Statement for fraud and identified the greatest potential for fraud in the following areas: revenue recognition and posting of unusual journals and complex transactions. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Trust Statement's framework of authority and other legal and regulatory frameworks in which the Trust Statement operates. I focused 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 Greenhouse Gas Emissions Trading Scheme Order 2020 and the Greenhouse Gas Emissions Trading Scheme Auctioning Regulations 2021.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed 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;
- I enquired of management, the Department's Audit and Risk Assurance Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed 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, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated 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 risks of fraud 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 certificate.

Other auditor's responsibilities

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

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 I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General

13 October 2023

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

Statement of revenue, other income and expenditure

for the period ended 31 March 2023

		2022–23	2021–22
	Note	£'000	£'000
Revenue			
License fees and taxes			
EU ETS auction income	2.1	57,003	85,916
UK ETS auction income	2.1	6,048,951	5,753,639
CRC allowance sales	2.1	(191)	-
CCA buy-out payments income	2.1	47	35,539
Total licence fees and taxes		**6,105,810**	**5,875,094**
Fines and penalties			
Civil penalties – EU ETS		46,658	(2,316)
Civil penalties – ESOS		1,514	398
Civil penalties – CRC		2	(33)
Civil penalties – CCA		2	60
Total fines and penalties	2.2	**48,176**	**(1,891)**
Total revenue and other income		**6,153,986**	**5,873,203**
Expenditure			
Foreign exchange and interest - EU ETS	3.1	157	(74)
Credit losses – debts written off	3.2	(39,035)	(130,570)
Total expenditure		**(38,878)**	**(130,644)**
Net revenue for the Consolidated Fund		**6,115,108**	**5,742,559**

The notes on pages pages 353 to 359 form part of this statement.

Statement of Financial Position

as at 31 March 2023

	Note	31 March 2023 £'000	31 March 2022 £'000
Current assets			
Receivables and accrued fees	4	11,123	10,349
Cash and cash equivalents	5	37,939	29,466
Total current assets		**49,062**	**39,815**
Current liabilities			
Payables	6	(634)	(371)
Total current liabilities		**(634)**	**(371)**
Net current assets		**48,428**	**39,444**
Total net assets			
Represented by:		-	-
Balance on Consolidated Fund Accounts		**48,428**	**39,444**

The notes on pages 353 to 359 form part of this statement.

Sarah Munby
Permanent Secretary and Principal Accounting Officer

10 October 2023

Statement of Cash Flows

for the period ended 31 March 2023

	Note	2022–23 £'000	2021–22 £'000
Net cash flows from operating activities	A	**6,114,597**	**5,877,051**
Cash paid to the Consolidated Fund	7	(6,106,124)	(5,882,482)
Increase/(decrease) in cash in this period	B	**8,473**	**(5,431)**

Notes to the Statement of Cash Flows

	Note	2022–23 £'000	2021–22 £'000
A: Reconciliation of Net Cash Flow to Movement in Net Funds			
Net Revenue for the Consolidated Fund	7	6,115,108	5,742,559
(Increase)/decrease in receivables and accrued fees	4	(774)	136,918
Increase/(decrease) in payables	6	263	(2,426)
Net cash flows from operating activities		**6,114,597**	**5,877,051**
B: Analysis in changes in Net Funds			
Increase/(decrease) in cash in this period		8,473	(5,431)
Net Funds as at 1 April (net cash at bank)	5	29,466	34,897
Net Funds as at 31 March (closing balance)	5	**37,939**	**29,466**

Notes to the trust statement

1. Accounting policies

1.1 Basis of Preparation

On 7 February 2023, the prime minister announced a major machinery of government change which redistributed the activities of several existing government departments, including BEIS, and created three new departments, the Department for Business and Trade, the Department for Science, Innovation and Technology, and the Department for Energy Security and Net Zero. The Trust Statement has been designated to the Department for Energy Security and Net Zero with Accounting Officer responsibilities formally transferred from 1st April 2023. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements' after 1 April 2023.

1.2 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 BEIS (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.

1.3 Accounting convention

The Trust Statement has been prepared in accordance with the historical cost convention.

1.4 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.

1.5 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.

1.6 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 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.

1.7 Financial liabilities

For the purposes of this Trust Statement the department holds financial liabilities in the following category:

- Other financial liabilities – which 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.

1.8 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

	2022–23	2021–22
	£'000	£'000
EU ETS		
EU ETS - auctions income	57,003	85,916
UK ETS		
UK ETS – auctions income	6,048,951	5,753,639
CRC		
CRC allowance sales	(191)	-
CCA		
CCA buy-out payment income receivable	47	35,539
Total	**6,105,810**	**5,875,094**

EU ETS

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

UK ETS

Auction dates for UK Emission Allowances are available on the Intercontinental Exchange website at www.theice.com/emissions/auctions/uk-emission-allowances

CCA

In 2022-23, the income from buy-out payments generated £47,310 (2021–22: £35.54 million). This decrease is due to 2021-22 being the primary reporting period income for Target Reporting Period IV.

2.2 Revenue from civil penalties

			2022–23		2021–22
	Number of penalties	Revenue before adjustments and refunds[1] £'000	Revenue £'000	Number of penalties	Revenue £000
Levied under EU ETS	153	46,574	46,658	21	(2,316)
Levied under CRC	1	2	2	1	(33)
Levied under CCA	3	2	2	13	60
Levied under ESOS	89	1,514	1,514	32	398
Total	**246**	**48,092**	**48,176**	**67**	**(1,891)**

Notes

1. Revenue before adjustments and refunds in relation to prior years

3. Expenditure and disbursements

3.1 Costs incurred in the collection of receipts

	2022–23	2021–22
	£'000	£'000
Foreign currency translation (gains)/losses - EU ETS	(157)	72
Interest charges on Euro auction bank account - EU ETS	-	2
Total	**(157)**	**74**

3.2 Credit losses

	2022–23	2021–22
	£'000	£'000
De-recognition of EU ETS penalties	37,639	130,570
Impairment of doubtful debts during the year	1,396	
Total	**39,035**	**130,570**

During the year, receivables of £37.6 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 the schemes 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.

	2022-23	2021–22
	£	£
EU ETS	293,673	1,723,811
UK ETS	1,837,085	647,955
CRC	76,677	21,916
CCA	370,025	310,376
ESOS	1,102,727	1,421,948

4. Receivables and accrued fees

	2022–23	2021–22
	£'000	£'000
Civil Penalties receivable	11,123	10,349
Total	**11,123**	**10,349**

5. Cash and cash equivalents

	2022–23	2021–22
	£'000	£'000
Balance as at 1 April	29,466	34,897
Net change in cash and cash equivalent balances	8,473	(5,431)
Balance at 31 March 2023	**37,939**	**29,466**
The following balances at 31 March 2023 were held at		
Government Banking Service	37,939	29,466
Total	**37,939**	**29,466**

6. Payables

	2022–23	2021–22
	£'000	£'000
Other	634	371
Total	**634**	**371**

7. Balance on the Consolidated Funds accounts

	2022–23	2021–22
	£'000	£'000
Balance on the consolidated Fund as at 1 April	39,444	179,367
Net revenue for the Consolidated Fund	6,115,108	5,742,559
Less amounts paid to the Consolidated Fund	(6,106,124)	(5,882,482)
Balance on the Consolidated Fund as at 31 March 2023	**48,428**	**39,444**

8. Financial Instruments

8.1 Classification and categorisation of financial instruments

	2022–23	2021–22
	£'000	£'000
Financial assets		
Cash	37,939	29,466
Civil penalties receivable	11,123	10,349
Total financial assets	**49,062**	**39,815**
Financial liabilities		
Other Payables	-634	(371)
Total financial liabilities	**-634**	**(371)**

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 £157,000 exchange rate gain incurred as at 31 March 2023, (31 March 2022: loss of £74,000).

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. The level of credit risk varies depending on the level of penalties being issued, and increases when they relate to entities in administration.

UK ETS

UK ETS is not exposed to foreign currency risk, interest rate or liquidity risk. It's 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 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

Annex D

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 2023 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") 2022-23.
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

15 December 2022

Appendix 1 to annex D

Trust Statement for the year ended 31 March 2023

1. The Trust Statement shall include:
   - a Foreword by the Principal Accounting Officer
   - a Statement of the Principal Accounting Officer's Responsibilities
   - a Governance Statement
   - a Statement of Revenue, Other Income and Expenditure
   - a Statement of Financial Position
   - a Cash Flow Statement
   - such notes as may be necessary to present a true and fair view
2. The Notes shall include among other items:
   - the accounting policies, including the policy for revenue recognition and estimation techniques and forecasting techniques together with statements explaining any significant uncertainty surrounding estimates and forecasts
   - a breakdown of material items within the accounts
   - any assets, including intangible assets and contingent liabilities
   - summaries of losses, write-offs and remissions
   - post balance sheet events
   - any other notes agreed with HM Treasury and the National Audit Office.

Appendix 2 to annex D

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

Innovation. Photo of a computer chip.

Annex A: Common core tables

Table 1 - Total departmental spending, 2018-19 to 2022-23

This table provides a summary of departmental net expenditure using the same headings as voted within the Estimate.

	2018-19 Outturn £'000	2019-20 Outturn £'000	2020-21 Outturn £'000	2021-22 Outturn £'000	2022-23 Outturn £'000
Resource DEL					
Deliver an ambitious industrial strategy	182,286	908,525	18,822,515	4,140,456	307,905
Maximise investment opportunities and bolster UK interests	70,705	73,225	90,816	131,652	39,031
Promote competitive markets and responsible business practices	116,245	81,333	123,553	208,835	229,534
Delivering affordable energy for households and businesses	44,155	38,974	83,933	90,117	12,623,329
Ensuring that our energy system is reliable and secure	4,756	4,723	5,789	903,253	(360,436)
Taking action on climate change and decarbonisation	24,829	32,518	53,099	83,176	61,192
Managing our energy legacy safely and responsibly	251,870	234,186	216,909	195,797	196,899
Science and Research	4,608	6,159	29,390	43,497	8,901
Capability	393,848	415,591	482,229	486,262	553,709
Government as Shareholder	41,017	36,273	1,595,733	1,314,153	(13,836)
Deliver an ambitious industrial strategy (ALB) net	15,147	21,077	13,127	-	-
Promote competitive markets and responsible business practices (ALB) net	52,749	53,634	61,407	59,308	63,367
Ensuring that our energy system is reliable and secure (ALB) net	(2,667)	(2,756)	(2,297)	(3,039)	(1,621)
Taking action on climate change and decarbonisation (ALB) net	6,069	8,260	11,217	15,733	22,668
Managing our energy legacy safely and responsibly (ALB) net	32,075	28,719	32,055	39,668	39,193
Science and Research (ALB) net	276,226	231,165	227,334	238,498	236,192
Capability (ALB) net	30,475	34,693	11,103	12,379	14,576
Government as Shareholder (ALB) net	(18,838)	49,962	(7,246)	20,266	39,977
NDA and SLC expenditure (ALB) net	1,175,337	1,330,218	1,245,231	1,427,904	1,539,120
Deliver an ambitious industrial strategy (CFER)	-	-	-	(1,454)	(773)
Science and Research (CFER)	-	-	-	(555)	(106)
Nuclear Decommissioning Authority Income (CFER)	(978,373)	(748,104)	(599,466)	(693,853)	(1,033,030)
Total Resource DEL	**1,245,244**	**2,838,375**	**22,496,431**	**8,712,053**	**14,565,791**

	2018-19 Outturn £'000	2019-20 Outturn £'000	2020-21 Outturn £'000	2021-22 Outturn £'000	2022-23 Outturn £'000
Of which:					
Staff costs	605,821	682,747	816,131	867,646	989,564
Purchase of goods and services	1,936,315	3,394,359	3,142,383	2,990,283	2,932,952
Income from sales of goods and services	(996,751)	(764,171)	(615,649)	(713,994)	(1,054,157)
Current grants to local government (net)	22,388	183,159	8,121,959	3,936,064	66,030
Current grants to persons and non-profit bodies (net)	133,554	177,281	187,621	200,733	12,595,256
Current grants abroad (net)	72,274	51,593	75,568	98,113	37,505
Subsidies to private sector companies	141,423	100,481	12,481,812	1,439,916	166,067
Subsidies to public corporations	61,530	50,081	53,903	953,283	(325,805)
Net public service pensions[2]	(12)	(13)	(19)	-	-
Rentals	37,077	46,630	49,830	2,538	(934)
Depreciation[1]	310,652	331,470	270,073	335,950	327,126
Take up of provisions	-	(32,162)	37,965	(33,722)	5,337
Change in pension scheme liabilities	547	579	228	243	26
Other resource	(1,079,574)	(1,383,659)	(2,125,372)	(1,365,000)	(1,173,176)

Resource AME					
Deliver an ambitious industrial strategy	(312,599)	10,733,189	(10,747,128)	(62,525)	(94,470)
Maximise investment opportunities and bolster UK interests	6,044	701	(1,217)	(703)	(636)
Promote competitive markets and responsible business practices	79,228	72,282	89,422	72,940	104,991
Delivering affordable energy for households and businesses	-	-	-	-	31,138,640
Ensuring that our energy system is reliable and secure	(295)	478	(4,108)	338,849	(346,917)
Taking action on climate change and decarbonisation	-	-	667	241	(2,843)
Managing our energy legacy safely and responsibly	(297,497)	(203,397)	(208,322)	(78,851)	(29,702)
Science and Research	205,985	54,912	86,053	109,627	19,707
Capability	(12,990)	(55,895)	(41,033)	5,305	(16,731)
Government as Shareholder	807	10,006	17,150	178,940	(69,604)
Renewable Heat Incentive	817,898	846,092	848,139	919,555	1,001,880
Deliver an ambitious industrial strategy (ALB) net	(14,444)	36,202	(71,456)	473	43,059

	2018-19 Outturn £'000	2019-20 Outturn £'000	2020-21 Outturn £'000	2021-22 Outturn £'000	2022-23 Outturn £'000
Promote competitive markets and responsible business practices (ALB) net	57	973	(221)	375	(47)
Taking action on climate change and decarbonisation (ALB) net	(2,971,284)	3,543,428	468,485	10,015,257	(13,507,265)
Managing our energy legacy safely and responsibly (ALB) net	(2,022,249)	22,826	231,227	3,112,786	(3,385,547)
Science and Research (ALB) net	41,299	149,372	64,982	192,049	77,990
Capability (ALB) net	1	4	-	10	-
Government as Shareholder (ALB) net	47,451	(99,851)	(354,185)	(520,071)	90,013
Nuclear Decommissioning Authority (ALB) net	(101,791,292)	4,371,679	1,027,590	100,605,107	(110,365,377)
Promote competitive markets and responsible business practices	319,330	431,123	441,841	260,991	263,156
Total Resource AME	**(105,904,550)**	**19,914,124**	**(8,152,114)**	**115,150,355**	**(95,079,703)**
Of which:					
Staff costs	4,404	5,165	5,714	6,164	5,520
Purchase of goods and services	145,292	164,120	150,800	44,400	79,650
Income from sales of goods and services	(3)	(5)	-	-	-
Current grants to persons and non-profit bodies (net)	416,439	513,128	540,717	482,671	20913090
Subsidies to private sector companies	817,898	846,092	848,814	777,246	8,361,800
Subsidies to public corporations	-	-	-	345,889	(345,889)
Rentals	(2,198)	(2,069)	(2,035)	(2,585)	(2,488)
Depreciation[1]	(1,882,868)	5,575,119	2,602,318	9,815,622	(12,857,824)
Take up of provisions	(101,359,925)	17,774,375	4,017,592	106,997,559	(108,306,175)
Release of provision	(3,078,344)	(3,035,901)	(13,944,296)	(3,350,663)	(3,340,776)
Change in pension scheme liabilities	29,717	32,501	29,005	40,871	32,396
Unwinding of the discount rate on pension scheme liabilities	37,782	38,348	33,467	33,125	44,363
Other resource	(1,032,744)	(1,996,749)	(2,434,210)	(39,944)	336,630
Total Resource Budget	**(104,659,306)**	**22,752,499**	**14,344,317**	**123,862,408**	**(80,513,912)**
Of which:					
Depreciation[1]	(1,572,216)	5,906,589	2,872,391	10,151,572	(12,530,698)

	2018-19 Outturn £'000	2019-20 Outturn £'000	2020-21 Outturn £'000	2021-22 Outturn £'000	2022-23 Outturn £'000
Capital DEL					
Deliver an ambitious industrial strategy	(54,606)	(14,440)	227,102	240,578	50,265
Maximise investment opportunities and bolster UK interests	243,957	265,872	492,700	299,682	210,137
Promote competitive markets and responsible business practices	5,940	6,643	23,159	19,956	(4,952)
Delivering affordable energy for households and businesses	32,718	44,502	1,184,722	1,256,203	365,904
Ensuring that our energy system is reliable and secure	(626)	291	277	1,005,678	2,076,559
Taking action on climate change and decarbonisation	73,121	154,227	239,432	281,860	221,570
Managing our energy legacy safely and responsibly	4,278	3,461	5,074,050	5,620,909	11,836
Science and Research	563,177	691,794	787,076	727,173	979,710
Capability	30,305	19,703	35,399	28,012	23,367
Government as Shareholder	172,613	61,445	1,069,581	322,341	142,010
Deliver an ambitious industrial strategy (ALB) net	-	-	(8)	-	-
Promote competitive markets and responsible business practices (ALB) net	1,236	2,030	1,682	2,010	1,830
Ensuring that our energy system is reliable and secure (ALB) net	-	-	-	-	840,898
Taking action on climate change and decarbonisation (ALB) net	255	27	284	2,500	1,629
Managing our energy legacy safely and responsibly (ALB) net	12,128	12,919	17,915	25,769	24,290
Science and Research (ALB) net	7,530,042	7,786,590	9,125,825	8,691,692	9,567,396
Capability (ALB) net	2,482	30	2,298	3,558	3,313
Government as Shareholder (ALB) net	337,642	395,639	368,759	456,799	199,646
NDA and SLC expenditure (ALB) net	2,002,699	1,797,184	1,799,723	2,023,096	2,192,595
Deliver an ambitious industrial strategy (CFER)	-	-	-	(13,333)	(13,333)
Science and Research (CFER)	-	-	-	(2,091)	(2,102)
Total Capital DEL	**10,957,361**	**11,227,917**	**20,449,976**	**20,992,392**	**16,892,568**
Of which:					
Staff costs	502,376	535,339	612,263	691,071	718,255
Purchase of goods and services	833,595	819,845	837,114	2,909,334	3,195,835
Income from sales of goods and services	(260,137)	(273,845)	(261,268)	(306,808)	(193,794)
Current grants to persons and non-profit bodies (net)	5,744,797	6,274,041	7,204,570	7,085,874	7,619,449

	2018-19 Outturn £'000	2019-20 Outturn £'000	2020-21 Outturn £'000	2021-22 Outturn £'000	2022-23 Outturn £'000
Current grants abroad (net)	340,794	346,659	401,898	412,292	598,307
Subsidies to private sector companies	-	-	-	-	343
Subsidies to public corporations	-	4,808	21	31	22
Capital support for local government (net)	5,826	1,588	1,151,761	652,693	(133,474)
Capital grants to persons & non-profit bodies (net)	888,564	725,074	841,616	496,632	658,859
Capital grants to private sector companies (net)	35,518	96,127	160,355	285,675	218,138
Capital grants abroad (net)	308,624	449,475	697,326	485,802	515,894
Capital support for public corporations	204,229	94,985	74,703	1,462,994	2,551,211
Purchase of assets	2,345,321	2,176,780	2,285,092	448,235	1,220,727
Income from sales of assets	(23,144)	(36,518)	(138,116)	(9,659)	(15,040)
Net lending to the private sector and abroad	163,080	88,455	1,654,821	798,760	(17,919)
Other capital	(132,082)	(74,896)	4,927,820	5,579,466	(44,245)

Capital AME					
Promote competitive markets and responsible business practices	-	-	-	151	-
Managing our energy legacy safely and responsibly	35,412	29,419	29,382	23,091	18,677
Science and Research	1,212	1,263	1,247	1,271	1,266
Capability	-	-	-	144	-
Government as Shareholder	(120,000)	37,000	19,718,443	(3,596,201)	1,321,715
Deliver an ambitious industrial strategy (ALB) net	(16,387)	365	(8,954)	(13,310)	4,140
Taking action on climate change and decarbonisation (ALB) net	-	-	-	54	74
Managing our energy legacy safely and responsibly (ALB) net	-	-	-	-	558
Science and Research (ALB) net	(59,692)	(59,496)	(53,610)	(57,467)	(75,887)
Government as Shareholder (ALB) net	(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)
Total Capital AME	**(312,409)**	**(136,900)**	**19,543,887**	**(3,789,642)**	**1,128,143**
Of which:					
Staff costs	(15,325)	(14,078)	(19,813)	(17,149)	(18,269)
Purchase of goods and services	(2,330)	(4,890)	3,149	(1,169)	(778)
Take up of provisions	-	-	-	349	632

	2018-19 Outturn £'000	2019-20 Outturn £'000	2020-21 Outturn £'000	2021-22 Outturn £'000	2022-23 Outturn £'000
Capital grants to private sector companies (net)	-	-	19,781,449	(3,524,201)	1,266,715
Capital support for public corporations	(120,000)	37,000	(63,006)	(72,000)	55,000
Net lending to the private sector and abroad	(169,341)	(145,086)	(151,575)	(160,685)	(138,260)
Other capital	(5,413)	(9,846)	(6,317)	353,213	(36,897)
Total Capital Budget	**10,644,952**	**11,091,017**	**39,993,863**	**17,202,750**	**18,020,711**
Total Departmental spending[3]	**(92,442,138)**	**27,936,927**	**51,465,791**	**130,913,586**	**(49,962,503)**
Of which:					
Total DEL	11,891,953	13,734,822	42,676,336	29,368,495	31,131,233
Total AME	(104,334,091)	14,202,105	8,789,455	101,545,091	(81,093,736)

Referenced notes:

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.

Other 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 Vaccines 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.

Resource DEL expenditure for Nuclear Safeguards Development in 2017-18 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 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 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).

In their role as administrator of the Government's GB Renewable Heat Incentive scheme, Ofgem made payments to scheme participants totalling £1,009,748,110.29 in the financial year 2022-23. 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 2022-23 is between the upper and lower limits of £9,256,397 and £5,078,679. Based on the same assumptions, the most likely estimated value of error for the same period is £7,167,538. This is 0.7 per cent of scheme spend in 2022-23.

Table 2 - Administration budget, 2018-19 to 2022-23

	2018-19 Outturn £'000	2019-20 Outturn £'000	2020-21 Outturn £'000	2021-22 Outturn £'000	2022-23 Outturn £'000
Resource DEL					
Promote competitive markets and responsible business practices	4,680	5,093	5,372	4,083	4,220
Science and Research	-	(2)	-	-	1
Capability	350,166	384,234	446,132	459,170	539,053
Promote competitive markets and responsible business practices (ALB) net	8,783	7,779	8,553	8,989	9,467
Taking action on climate change and decarbonisation (ALB) net	3,353	5,354	4,465	4,098	6,047
Managing our energy legacy safely and responsibly (ALB) net	6,912	4,833	5,112	4,485	2,816
Science and Research (ALB) net	5,547	7,410	7,120	6,182	4,011
Capability (ALB) net	30,475	34,693	11,103	12,379	14,576
Government as Shareholder (ALB) net	62	105	61	74	109
NDA and SLC expenditure (ALB) net	50,612	52,929	54,925	35,456	30,323
Total Administration Budget	**460,590**	**502,428**	**542,843**	**534,916**	**610,623**
Of which:					
Staff costs	385,642	434,897	482,310	478,830	522,963
Purchase of goods and services	177,288	162,338	167,999	193,797	238,556
Income from sales of goods and services	(10,220)	(3,726)	(3,092)	(2,345)	(3,353)
Current grants to persons and non-profit bodies (net)	425	325	818	437	790
Current grants abroad (net)	184	538	572	423	720
Subsidies to public corporations	28	-	-	4	2
Net public service pensions	(12)	(13)	(19)	-	-
Rentals	22,485	33,391	35,883	324	163
Depreciation	18,850	26,902	28,914	38,075	41,044
Take up of provisions	-	3	-	-	-
Change in pension scheme liabilities	141	205	100	60	(6)
Other resource	(134,221)	(152,432)	(170,642)	(174,689)	(190,256)

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 below will not tie directly to the published ALB accounts as they include 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 (SLCs) 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

							2022-23
				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	(348)	61,828	61,450	5,759	408	234	18
UK Space Agency	(1)	650	648	259	17	2	5
Insolvency Service	(60)	410	350	1,581	78	87	10
Companies House	(89)	106	17	1,210	50	125	10
Competition Service	-	5	5	21	3	-	-
Diamond Light Source Ltd	(104)	118	14	690	51	111	3
Financial Reporting Council Ltd	(51)	51	-	418	39	-	1
UK SBS Ltd	(48)	49	1	581	26	41	3
National Endowment for Science Technology and the Arts	(3)	14	42	-	-	-	-
United Kingdom Atomic Energy Authority	(255)	261	(2)	1,704	113	603	36
ACAS	(4)	62	58	921	47	53	-
BIS (Postal Services Act 2011) Company Limited	-	(1)	(9)	-	-	-	-
Enrichment Holdings Limited	-	-	(333)	-	-	-	-
BBB PLC	(94)	176	145	562	52	-	4
Oil And Gas Authority	(36)	36	-	195	19	4	-
Northern Powerhouse Investment Limited	(1)	3	-	-	-	-	-
NDA	(974)	(103,758)	(107,709)	360	47	52	4
Coal Authority	(17)	(3,371)	(3,348)	319	19	13	1

							2022-23
				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
Civil Nuclear Police Authority	(134)	130	(4)	1,575	98	16	-
Radioactive Waste Management	(106)	106	-	397	40	100	14
Electricity Settlements Company	(686)	686	-	-	-	-	-
UK Climate Investments LLP	(1)	4	-	-	-	-	-
Sellafield Limited	-	-	-	-	-	-	-
Low Carbon Contracts Company	13,472	19	-	107	10	10	-
Midlands Engine Investments Limited	(9)	2	-	-	-	-	-
UK Green Infrastructure Platform	-	-	-	-	-	-	-
Cornwall and Isles of Scilly	-	-	-	-	-	-	-
Salix	(1)	11	10	125	6	4	-
Sizewell C	-	-	-	-	-	-	-
UKRI	(281)	9,571	9,282	7,035	482	1,595	39
Consolidation adjustments	(12,862)	(13,629)	(27,046)	-	-	-	1
Total Departmental Group	**(2,693)**	**(46,461)**	**(66,429)**	**23,819**	**1,605**	**3,050**	**149**

Notes

(i) Note that the UKRI figures do not contain intragroup UKRI eliminations, as these are shown within the total Consolidation Adjustments row.

Annex C: Glossary

ACAS: Advisory, Conciliation and Arbitration Service

AFP NI: Alternative Fuel Payment Northern Ireland

AGR: Advanced Gas-cooled Reactor

ALB: Arm's-Length Bodies

AME: Annually Managed Expenditure

AQuA: Analytical Quality Assurance

ARAC: Audit and Risk Assurance Committee

ARG: Additional Restrictions Grants

BBB: British Business Bank Plc

BBLS: Bounce Bank Loan Scheme

BCSSS: British Coal Staff Superannuation Scheme

BEIS: Department for Business, Energy and Industrial Strategy

BNFL: British Nuclear Fuels Ltd

BVCA: British Venture Capital Association

CBILS: Coronavirus Business Interruption Loan Scheme

CARS: Coal Authority Restructuring Schemes

CCA: Climate Change Agreements

CCC: Climate Change Committee

CCUS: Carbon Capture Usage and Storage

CETV: Cash Equivalent Transfer Values

CFER: Consolidated Fund Extra Receipts

CfD: Contracts for Difference

CLBILS: Coronavirus Large Business Interruption Loan Scheme

CNPA: Civil Nuclear Police Authority

CNPP: Civil Nuclear Pension Plan

CO: Cabinet Office

COVID-19: Coronavirus pandemic

CRC: Carbon Reduction Commitment

CSOPS: Civil Servant and Other Pension Scheme

CSP: Christmas Support Package

DA: Devolved Administration

DBT: Department for Business and Trade

DCMS: Department for Digital, Culture, Media & Sport

DDM: Dynamic Dispatch Model

DEL: Departmental Expenditure Limit

DESNZ: Department for Energy Security and Net Zero

DLUHC: Department for Levelling Up, Housing and Communities

DSIT: Department for Science, Innovation and Technology

EBRS: Energy Bill Relief Scheme

EBSS: Energy Bills Support Scheme

EBSS NI: Energy Bills Support Scheme Northern Ireland

ECL: Expected Credit Loss

EDI: Equality Diversity and Inclusion

EPG: Energy Price Guarantee

ESA: European Space Agency

ESC: Electricity Settlements Company

EU: European Union

EU ETS: EU Emissions Trading Scheme

EUV: Existing-Use Value

FCDO: Foreign Commonwealth and Development Office

FDP: Funded Decommissioning Programme

FF: Future Fund scheme

FIDeR: Financial Investment Decision Enabling for Renewables

FRA: Fraud Risk Assessment

FReM: Government Financial Reporting Manual

FVTOCI: fair value through other comprehensive income

FVTPL: fair value through profit or loss

GBN: Great British Nuclear

GDF: Geological Disposal Facility

GDP: Gross Domestic Product

GIAA: Government Internal Audit Agency

GID: Government Investment Decision

GGC: Greening Government Commitments

GHG: Green House Gas

GMPP: Government Major Projects Portfolio

GRAA: Government Resources and Accounts Act

GSG: Government Security Group

HMG: HM Government

HMT: HM Treasury

HPC: Hinkley Point C

IAS: International Accounting Standards

ICF: International Climate Fund

IETF: Industrial Energy Transformation Fund

IFRS: International Financial Reporting Standards

ILL: Institut Laue-Langevin

INSS: Insolvency Service

IPEV: International Private Equity and Venture Capital

IRIG: Integrated Review Implementation Group

ISPF: International Science Partnerships Fund

LADGF: Local Authority Discretionary Grant Fund

LCCC: Low Carbon Contracts Company Ltd

LCREE: Low Carbon and Renewable Energy Economy

LRSG: Local Restriction Support Grants

MOG: Machinery Of Government

MPM: Managing Public Money

MRC: Medical Research Council

NAO: National Audit Office

NATIS: National Investigation Service

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

NNBG: NNB Generation Company (HPC) Limited

NNHL: National Nuclear Holdings 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

OHLG: Omicron Hospitality and Leisure Grant

ONS: Office for National Statistics

PCFP: Parliamentary Contributory Pension Fund

PCSPS: Principal Civil Service Pension Scheme

PDC: Public Dividend Capital

PES: Public Expenditure System

PIC: Projects and Investment Committee

PO: Partner Organisations

POL: Post Office Ltd

POPCO: People and Operations Committee

PPE: Property, Plant and Equipment
PSED: Public Sector Equality Duty
PSFA: Public Sector Fraud Authority
PV: Present Value

QA: Quality Assurance

R&D: Research and Development
RHLGF: Retail, Hospitality and Leisure Grant Fund
RLS: Recovery Loans Scheme
RPS: Redundancy Payment Services
RSL: Replacement Sea Line

SBGF: Small Business Grant Fund
SCS: Senior Civil Servant
SDG: Sustainable Development Goals
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
SOSIA: Secretary of State Investor Agreement
STFC: Science and Technology Facilities Council

TCA: Trade and Cooperation Agreement
TCD: Target Commissioning Date
TCW: Target Commissioning Window
TLM: Transmission Loss Multiplier
TME: Total Managed Expenditure

UKAEA: UK Atomic Energy Authority
UKRI: UK Research and Innovation
UKSA: UK Space Agency
UKSBS: UK Shared Business Services Ltd

VAT: Value-Added Tax

WTC: Waste Transfer Contract

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