Departmental Overview 2019-20

Department for Business, Energy & Industrial Strategy

National Audit Office

January 2021

This overview summarises the work of the Department for Business, Energy & Industrial Strategy between September 2019 and December 2020, including what it does, how much it costs, recent and planned changes and what to look out for across its main business areas and services.

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The National Audit Office (NAO) presented overviews of the Department's work in 2018 and 2019.

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About the Department

The Department's work

The Department for Business, Energy & Industrial Strategy (the Department) has a wide-ranging policy remit.

The Department plays a key role in delivering major government policies and strategic priorities, including:

- Climate change and the net zero commitment
- Energy and decommissioning
- Support to businesses
- Research, development and innovation
- The Industrial Strategy
- Supporting EU Exit
- Responding to the COVID-19 pandemic and supporting the "green recovery"

The Department set out four priorities to focus on during 2019-20:

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

The COVID-19 pandemic has led to significant changes in how the Department carries out its work and where it spends its money.

The Department leads on a number of aspects of government's pandemic response to support businesses and people. The extra spending will continue to be reflected in its future annual accounts.

The nature of the Department's work to support the economy during the pandemic means its focus has shifted from designing policy to more actively delivering it in combination with other actors, including other government departments, its partner organisations and the private sector.

The need to respond at pace means the Department has reallocated people and resources away from other priorities.

The Department's work with partner organisations

The Department for Business, Energy & Industrial Strategy (the Department) works with around 40 partner organisations to deliver government policy across a range of areas and sectors. Examples include:

UK Research and Innovation (UKRI)	The Nuclear Decommissioning Authority (NDA)	The British Business Bank	The UK Space Agency	Climate Change Committee
Launched in April 2018, UKRI brings together seven research councils, Research England and Innovate UK. It is the largest public funder of research and innovation in the UK, and has responsibility for meeting government's aim of spending 2.4% of GDP on research and development by 2027.	Established in 2004, the NDA is responsible for decommissioning and cleaning up the UK's civil nuclear legacy in 17 sites across the UK. The NDA estimates its work will be completed in 2120 at a projected total cost of £134.7 billion.	The Bank is 100% government owned but independently managed. It works with more than 130 partners, such as banks and leasing companies, to support small businesses with starting up, scaling up and access to finance.	The Agency leads UK civil space policy and building a national space capability through work such as establishing centres of excellence; coordinating strategic investment between industry and academia; and training space technologists and scientists.	The Committee is an independent, statutory body established under the Climate Change Act 2008. It advises government on emissions targets and reports to Parliament on progress made in reducing greenhouse gas emissions.

Spend in 2019-20 (£bn)[1]	UKRI	NDA	British Business Bank	UK Space Agency	Climate Change Committee
	7.8	2.4	0.5	0.5	0.005

The Department and its partner organisations employed 20,848 public servants on average in 2019-20.[2] A list of the Department's partner organisations can be found here.

Notes

1 2019-20 expenditure figures included are net of income. For example, for the NDA, the figure is the net expenditure figure and includes £0.8 billion of income from commercial activities, mainly from the management of spent fuels and waste. The income will partially offset the Department's annual funding to the NDA.

2 This figure is taken from the Department's staff report in its 2019-20 Annual Report and Accounts. It does not include staff figures for all the Department's partner organisations due to reporting requirements. The Department's workforce management information collates staff data across the Department and a wider span of its partner organisations. It reports staff levels of 29,677 as at October 2020.

National Audit Office analysis of the Department for Business, Energy & Industrial Strategy's 2019-20 Annual Report and Accounts

How the Department spends its money

The Department and its partner organisations spent £14.1 billion in 2019-20 (2018-19: £12.1 billion).[1,2]

Of this, £3.1 billion related to the core Department and its agencies and £11.0 billion related to its partner organisations and designated bodies (see adjacent figure). Two bodies account for most of the Department's expenditure:

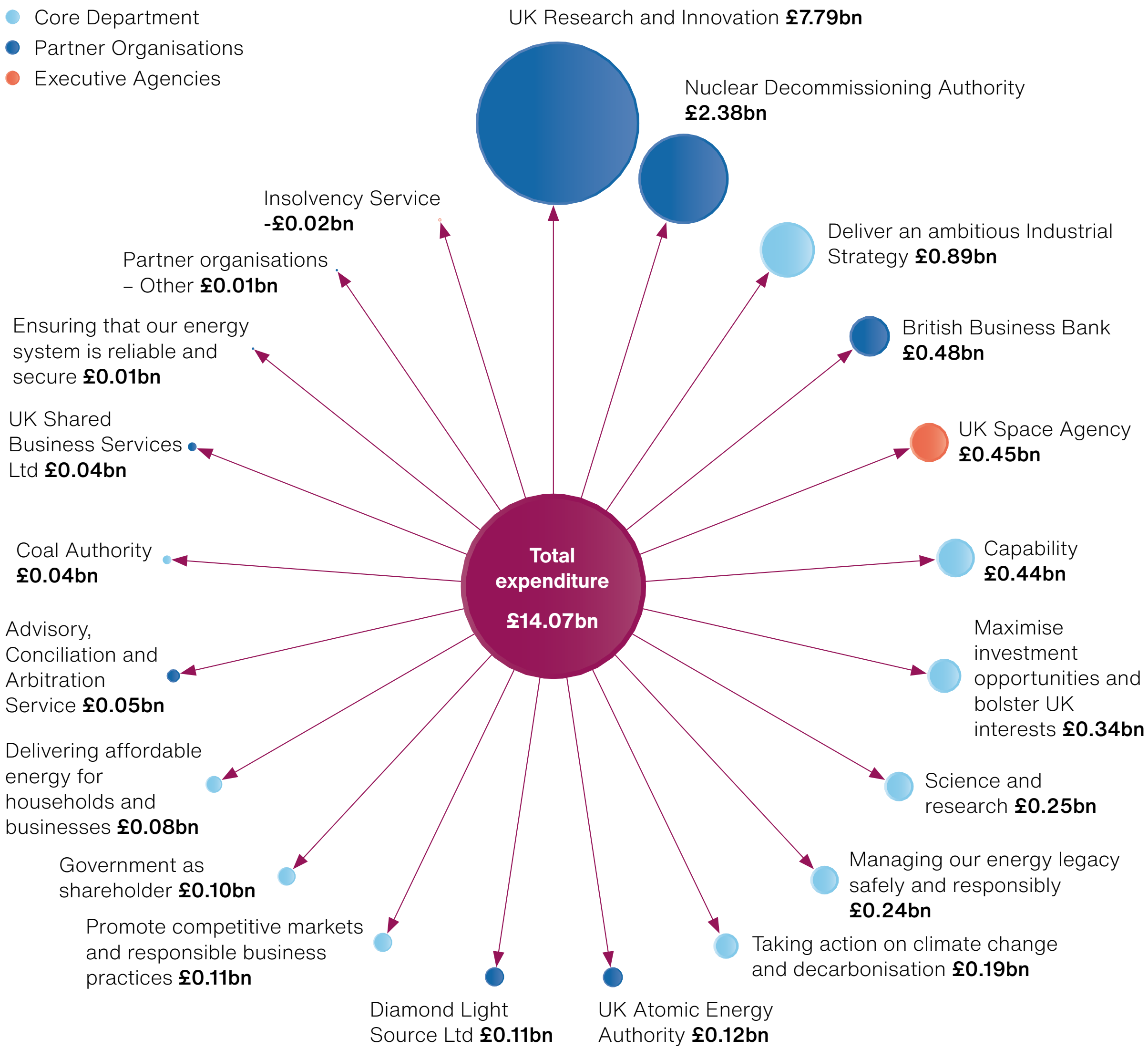
- UK Research and Innovation (UKRI) spent £7.8 billion on funding science and research; and
- Nuclear Decommissioning Authority (NDA) spent £2.4 billion on managing the nuclear energy legacy safely and responsibly.

Income and expenditure trends

The Department's net operating expenditure in 2019-20 was £10.6 billion[3] – an increase from the £9.7 billion recorded in 2018-19. Significant areas of expenditure and income in 2019-20 included:

- A £0.4 billion increase in science and research grant expenditure to £6.7 billion (2018-19: £6.3 billion); and
- A 15% reduction in income to the NDA as its nuclear reprocessing activities come to an end (2019-20: £703 million, 2018-19: £828 million).

Department for Business, Energy & Industrial Strategy spending 2019-20



Note

1 Figures may not add up to total expenditure due to rounding.

Source: Department for Business, Energy & Industrial Strategy's Annual Report and Accounts 2019-20

Notes

1 This spending is referred to as the Departmental Expenditure Limit (DEL). DEL expenditure is spending by the departmental group within the limits set at Spending Reviews. This spending is controllable and used to fund capital costs such as buildings, land and computer systems, and resource costs such as staffing or grants.

2 2019-20 expenditure figures included are net of income. For example, for the NDA, the figure is the net expenditure figure and includes around £800 million of income from commercial activities, mainly from the management of spent fuels and waste. This income will partially offset the Department's annual funding to the NDA.

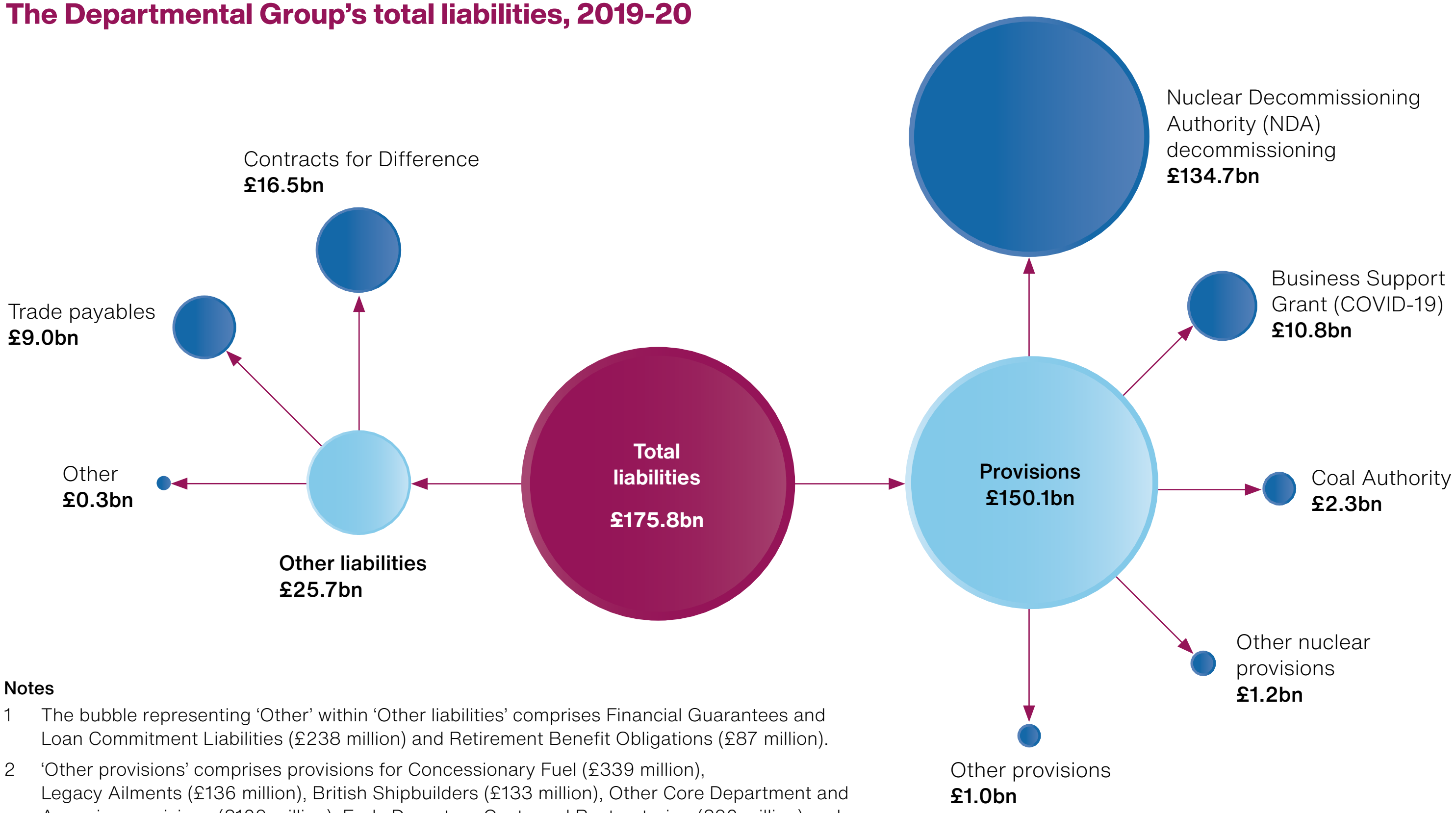
3 This figure is for net operating expenditure less provision expenditure, which has a distorting effect due to a very significant change in the discount rates used in 2018-19. Provision expenditure is recorded in the Statement of Comprehensive Net Expenditure and reflects upwards movements in a provision in the financial year (see page 6 for more on provisions).

The Department's financial management

The Department manages a significant proportion of the government's liabilities. We expect to see an increase in these liabilities in 2020-21.

Accounting standards require the Department to recognise its best estimate of future liabilities as 'provisions' in its annual report and accounts. Provisions represent the majority of the Department's liabilities, and its financial statements contain nearly half the value of all provisions across government (see figure).

The Departmental Group's total liabilities, 2019-20



Notes

1 The bubble representing 'Other' within 'Other liabilities' comprises Financial Guarantees and Loan Commitment Liabilities (£238 million) and Retirement Benefit Obligations (£87 million).

2 'Other provisions' comprises provisions for Concessionary Fuel (£339 million), Legacy Ailments (£136 million), British Shipbuilders (£133 million), Other Core Department and Agencies provisions (£109 million), Early Departure Costs and Restructuring (£90 million) and Other provisions relating to non-core bodies within the BEIS reporting group (£237 million).

3 'Other Nuclear Provisions' comprises provisions for British Energy (£783 million), UK Atomic Energy Authority decommissioning (£425 million) and for Contract Losses (£40 million).

4 Figures may not add up to total expenditure due to rounding.

Source: Department for Business, Energy & Industrial Strategy's Annual Report and Accounts 2019-20

The Department's 2019-20 accounts included liabilities for the Departmental Group of £175.8 billion (2018-19 £157.1 billion), with provisions of £150.1 billion. These included:

- **A £134.7 billion provision for nuclear decommissioning,** which increased by £4.8 billion from 2018-19. This increase largely relates to a proportionately significant increase in the Magnox nuclear provision (page 27).
- **Government's response to COVID-19** – the Department has included a £10.8 billion provision in its accounts for two of its programmes that respond to COVID-19 (see page 11). These cover the expected outflow of cash to eligible businesses from the Small Business Grant Fund and the Retail, Hospitality and Leisure Grant Fund. The Department has also recognised £151 million as a grant accrual in respect of these schemes.

Financial audit insight

The Comptroller and Auditor General added an emphasis of matter paragraph to the Department's audit certificate to draw attention to the complexity and inherent uncertainty in the accounting estimates for the NDA provision and Contracts for Difference (see next page). The value of these liabilities may change significantly over time.

The Department’s financial management continued

Contracts for Difference account for another significant liability in the Department’s accounts

The Department’s other significant liabilities in its 2019-20 accounts are for its Contracts for Difference (CfD) that incentivises investment in low carbon electricity generation technologies by guaranteeing a fixed future price for the supplier. If the fixed price is lower than market rates then the supplier will receive a top-up payment for the difference. Conversely, if the fixed price is higher than the market rate, the supplier will pay back the difference. The Low Carbon Contracts Company (LCCC), a private company owned by the Department, is responsible for issuing and managing the CfD.

In 2019-20, the Department estimated that total top-up payments will be £89.6 billion, up from £35.2 billion in 2018-19. It recognises £16.5 billion as a liability in its accounts, up from £12.9 billion in 2018-19.

The significant increase in the 2019-20 accounts reflects the Department including the CfD for Hinkley Point C, a new nuclear power station, for the first time. The Department had been unable to include it in previous accounts due to a lack of available long-term electricity price forecasts up to the year 2060.

Look out for

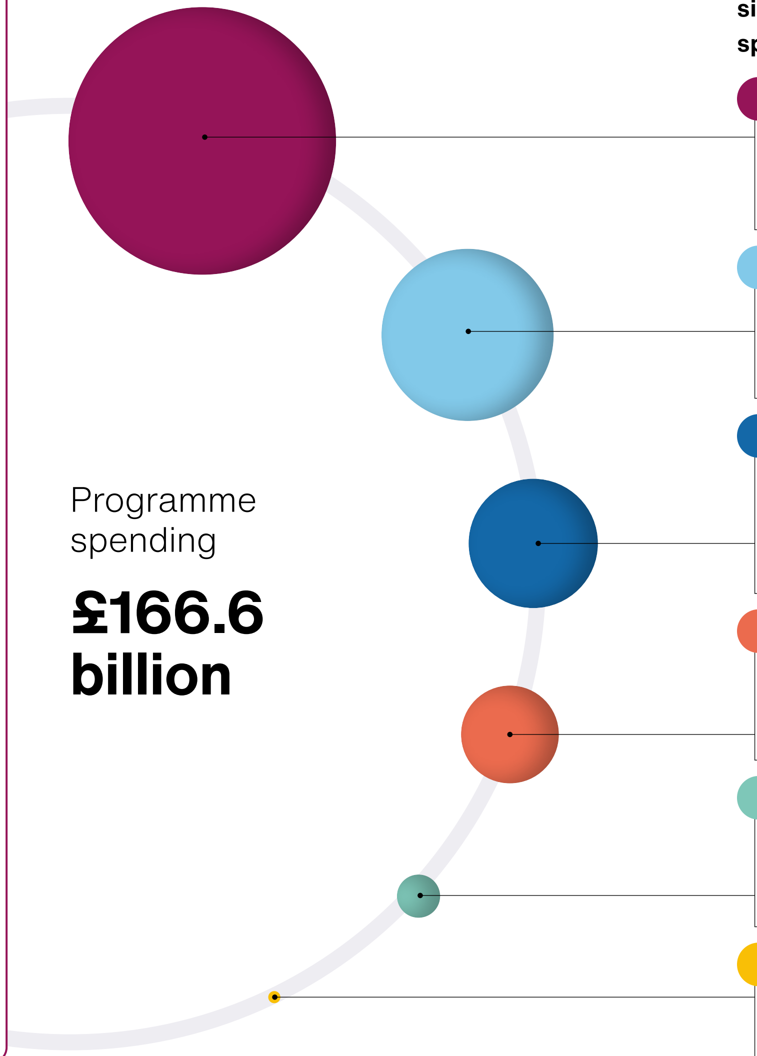
The fourth round of CfD auctioning in 2021 and the changes introduced by government to support net zero.

Commitments on future spending programmes

The Department's spend mirrors the wide-ranging policy portfolio it manages

Most of its spending in 2018-19 went to support the delivery of research funding, nuclear decommissioning work, and policies to support energy, clean growth and supporting businesses. The Department spends the majority of its funding through its partner organisations.

Over the past year, the Department's remit has expanded further in response to the COVID-19 pandemic and to support government's aims, such as achieving net zero. This is reflected in the Department's spend. It is not yet possible to obtain precise figures as much of this spend was after 31 March 2020 (end of the 2019-20 financial year) or is a future commitment, and therefore was not reflected in the 2019-20 annual report and accounts. Our review of programmes that the Department has publicly committed to supporting in the past 20 months identified spending commitments of £166.6 billion (see adjacent figure).[1]



Our review of spending commitments entered into by the Department since 1 April 2019, undertaken in December 2020, identified programme spending of £166.6 billion, including:

£92.1 billion

Business support during the COVID-19 pandemic, including:
Supporting businesses – £85.3 billion
Supporting the COVID-19 Vaccine programme – £6.2 billion

£38.1 billion

Projects listed in the Government Major Projects Portfolio (GMPP), including:
Smart Meters Implementation programme – £20.1 billion
Geological Disposal Facility programme – £12.7 billion

£21.5 billion

Spending on other programmes not announced in the Department's 2019-20 annual report, including:
Trade Credit Insurance Guarantee – £10.0 billion
National Productivity Investment Fund – £7.0 billion

£12.3 billion

Programmes aiming to tackle climate change, including:
Increased contributions to International Climate Finance – £11.6 billion
Investment in green projects – £142.9 million

£2.4 billion

Programmes aiming to address the challenges facing UK society, including:
Funding to develop automotive technologies – £1.0 billion
Investment in health and life science innovations – £600 million

£189 million

Programmes aiming to support businesses and employees, including:
Investment to close the 'productivity gap' – £88 million
Investment in business productivity – £56 million

Notes

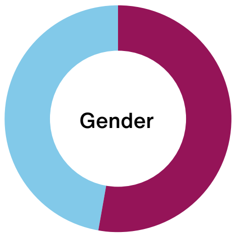
1 This figure is based on a review of expenditure that the Department and its partner organisations have publicly committed to. Our review took place in October 2020 and was updated in December 2020 to reflect the latest spend data for COVID-19 financing schemes. It included a review of the Department's 2019-20 Annual Report and Accounts, government spending announcements, the GMPP and the National Audit Office's past reports. Some programmes and spending commitments outlined above are undertaken jointly with other government departments.

2 Totals in the table may not sum due to rounding.

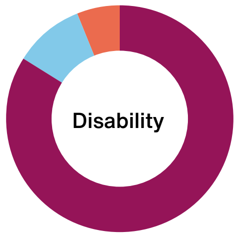
Source: National Audit Office analysis of the Department for Business, Energy & Industrial Strategy's 2019-20 Annual Report and Accounts, government spending announcements, the Government Major Project Portfolio and the National Audit Office's past reports

Spending on staff pay

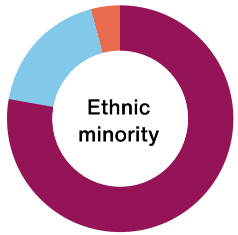
Staff composition 2019-20[1,2]



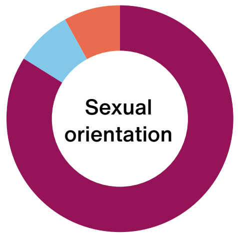
Male	53%
Female	47%



Non-disabled	84%
Disabled	10%
Preferred not to say	6%



White	78%
Ethnic minorities	18%
Preferred not to say	4%



Straight	84%
LGBT+	8%
Preferred not to say	8%

Staff breakdown (full-time equivalent) and cost in 2019-20[3]

	Total staff		Net costs[4]	
	2019-20	**2018-19**	**2019-20 (£m)**	**2018-19 (£m)**
Number of staff by category				
Core Department and agencies	6,447	5,805	390	330
Non-departmental public bodies (NDPBs) and other designated bodies	14,401	14,562	850	789
Total	**20,848**	**20,367**	**1,240**	**1,119**

Pay multiples 2019-20[5]

	2019-20	2018-19
Band of highest paid director's total remuneration (£000)[6]	200–205	185–190
Median total remuneration (£)	40,464	38,971
Ratio of highest paid director to median	5.00:1	4.81:1
Remuneration range of workforce including directors (£)[6]	17,031–218,484	18,200–194,747

Notes

1. Staff composition data have been adjusted to account for non-respondents.
2. Values in the pie charts are for the Department and its agencies.
3. Figures in the staff breakdown table above include data from the core department, its agencies, and its NDPBs and other designated bodies. See footnote 2 on page 4 for staff data for the Department and a greater number of its partner organisations.
4. Net cost comprises wages and salaries, social security costs and pension costs less any recoveries in respect of outward secondments.
5. The pay multiple tables include data from the Department and two agencies: Insolvency Service and UK Space Agency.
6. One member of staff employed had remuneration that exceeded the highest paid director's.

Sources: Department for Business, Energy & Industrial Strategy Annual Report and Accounts 2019-20, Department for Business, Energy & Industrial Strategy: gender pay gap report, 2019

Civil Service Annual People Survey

The Department for Business, Energy & Industrial Strategy's (the Department's) People Survey 2019 results compared with 2018 and civil service average

Theme	Result in 2019 (%)	Result in 2018 (%)	Change (Percentage points)	Civil service average in 2019 (%)
Employee engagement index[4]	62	62	0	63
My work	78	80	-2	77
Organisational objective and purpose	80	80	0	83
My manager	73	73	0	71
My team	85	84	1	82
Learning and development	64	64	0	55
Inclusion and fair treatment	83	83	0	79
Resources and workload	75	74	1	74
Pay and benefits	39	37	2	34
Leadership and managing change	57	57	0	49

Source: National Audit analysis of the Department for Business, Energy & Industrial Strategy's Civil Service People Survey 2019

The annual Civil Service People Survey looks at civil servants' attitudes to, and experience of, working in government departments. The most recent survey was carried out during October and November 2019.

The results of the Departmental People Survey are largely the same as the previous year (see adjacent figure).

Overall, the Department outperforms the rest of the civil service in **8 out of 10** metrics.

Increase

Decrease

No change

Notes

1 Result (%) is the proportion who selected either 'agree' or 'strongly agree' for a survey question.

2 The index score for each theme represents the average level of engagement in that section of the survey and ranges from 0 to 100. An index score of 0 represents all respondents in that unit saying they strongly disagree to all five engagement questions and a score of 100 represents all respondents saying they strongly agree to all five engagement questions.

3 The Department's 2020 People Survey scores to be published early 2021.

4 'Employee Engagement Index' summarises the results of five questions that measure employee pride, advocacy, attachment, inspiration and motivation.

Part One

Supporting business through the pandemic

The costs of supporting businesses during the pandemic

The Department has led 20 projects as part of government's response to the pandemic. As at December 2020, these had an estimated cost of £92.1 billion. Of these projects, the majority (£85.3 billion) is allocated to supporting businesses.

Most of the Department's response to the COVID-19 pandemic has been directed to support businesses.[1]

The Department leads government's response on 20 COVID-19 response programmes with an estimated spend of **£92.1 billion[2]**

Supporting businesses

Estimated known costs £85.3 billion

1 The Small Business Grant Fund, and the Retail, Hospitality and Leisure Grant Fund
2 Coronavirus Business Interruption Loan Scheme
3 Coronavirus Large Business Interruption Loan Scheme
4 Support for innovative companies
5 Safeguarding high streets
6 Bounce Back Loan Scheme
7 Discretionary Grant Fund
8 Trade Credit Reinsurance Scheme
9 Support for research universities
10 Cutting emissions and driving economic recovery from COVID-19
11 Small Business Training
12 Future Fund
13 Last resort business interventions

Supporting the COVID-19 vaccine programme

Estimated known costs £6.2 billion[3]

1 Secure access to promising vaccine(s) for the UK population
2 Make provision for the international distribution of vaccines
3 Support the Industrial Strategy by helping build a permanent vaccine capability sufficient to support a future pandemic response

Supporting global efforts to find a vaccine

Estimated known costs £0.6 billion

1 Enable low- and middle-income countries to access a vaccine
2 Ensure the UK has access to vaccines

Other support

Estimated known costs £0.02 billion

1 Support for the Citizens Advice service
2 Supporting the development of new technologies and services

Notes

1 Our COVID-19 Cost Tracker brings together data from across the UK government, and provides estimates of the cost of measures announced in response to the pandemic, and how much government has spent on these measures so far. At the time of writing, the cost tracker was last updated in September 2020. We have updated the data in this report where more current cost information has become available on www.gov.uk and through our recent reports on government's response to the pandemic.

2 The latest cost estimate of £92.1 billion is for 18 of the 20 programmes outlined above as at 10 December 2020. This figure includes £69.7 billion of financing programmes which government is likely to get some return from, and £0.61 billion of programmes with only estimates of maximum costs. We do not have access to cost estimates for the remaining two programmes. A financial audit of this expenditure has not been undertaken yet; data are presented as provided by government departments.

3 This is the total amount of investment the Department has made into the procurement of a COVID-19 vaccine, which we reported on in December 2020. It excludes investment of £4.9 billion by the Department of Health & Social Care.

4 Totals may not sum due to rounding.

Source: National Audit Office analysis

The costs of supporting businesses during the pandemic continued

The costs of the Department's response to the pandemic are large and uncertain.

Like the rest of government, the Department needed to respond at pace with urgent and additional spending commitments. The number of ministerial directions issued to the Department reflects this urgency.

Since November 2019, the Department has issued 10 ministerial directions, the most of any government department.

Ministerial directions issued to the Department for Business, Energy & Industrial Strategy from November 2019 to June 2020

Year	Date	Category	Direction
2019	19/11	British Steel	Continuation of Official Receiver's indemnity
2020	22/03	Coronavirus	Coronavirus Business Interruption Loan Scheme
2020	23/03	Coronavirus	The Small Business Grant Fund; The Support Fund for Retail, Hospitality and Leisure Businesses
2020	02/04	Coronavirus	Changes to the Coronavirus Business Interruption Loan Scheme
2020	16/04	Coronavirus	Coronavirus Large Business Interruption Loan Scheme
2020	01/05	Coronavirus	Local Authority Discretionary Grants Fund; Coronavirus Bounce Back Loan Scheme
2020	19/05	Coronavirus	The Future Fund
2020	26/06	Company purchase	Purchase of OneWeb satellite company

Note

1 Ministerial directions for British Steel and for the purchase of OneWeb are not part of the government's response to COVID-19.

Source: National Audit Office analysis

What is a ministerial direction?

Ministerial directions are formal instructions from ministers telling their department to proceed with a spending proposal, despite an objection from their permanent secretary. Once a direction is issued, the minister, rather than the permanent secretary, becomes responsible for the spending. Since April 2011, HM Treasury (HMT) guidance has required the publishing of ministerial directions.

Financial audit insight

The Comptroller and Auditor General qualified his audit opinion on the Department's 2019-20 annual report and accounts. While the Department had accounted for its spend appropriately, it had breached its spending limit (known as the resource annually managed expenditure – RAME) by £4.9 billion.

The Department's response to the pandemic was launched in March 2020, a month after the Supplementary Estimate (which sets out the Department's RAME limit) was published. At the time of submitting its Supplementary Estimate, the Department could not have anticipated the impact of the pandemic or the urgent action that it would require to support the economy. This breach requires an Excess Vote from HMT and leads to a regularity qualification in the audit opinion.

Business support schemes during the pandemic

The Department quickly put in place several urgent response packages to support businesses of different sizes and in various sectors.

On page 11, we set out the number of COVID-19 schemes the Department delivered from March 2020 to support businesses in withstanding the impact of government measures to limit the spread of the virus. These include the Bounce Back Loan Scheme, aimed at small enterprises, the Coronavirus Business Interruption Loans Scheme and the Coronavirus Large Business Interruption Loans Scheme. The adjacent figure sets out the number and value of the loans provided under each scheme as at 17 December 2020.

We reported that the three business loan support schemes have provided around £55 billion in loans between March and September 2020. This is close to the total lent to small- and medium-sized enterprises in all of 2019 (£57 billion).

The Department had lent more than £43 billion by mid-December 2020 under the Bounce Back Loan Scheme. These loans target the smaller end of small- and medium-sized enterprises and the amount lent was substantially more than it initially expected.

As of September 2020, around 90% of the loans under the scheme went to very small (micro) businesses in the UK (see adjacent figure).

Uptake of business support schemes since the start of the pandemic, as at 17 December 2020

Business loan support scheme[1]	Total number of loans provided	Total value of loans (£bn)
Coronavirus Business Interruption Loan Scheme	82,618	19.6
Coronavirus Large Business Interruption Loan Scheme	675	5.0
Future Fund	971	1.0
Bounce Back Loan Scheme	1,431,987	43.5
Total	**1,516,251**	**69.1**

Note

1 The Coronavirus Business Interruption Loan Scheme, Coronavirus Large Business Interruption Loan Scheme and Bounce Back Loan Scheme were launched on 23 March 2020, 20 April 2020 and 4 May 2020 respectively. The Future Fund was launched on 20 May 2020.

Source: National Audit Office analysis of HM Treasury scheme data

Total value and number of loans provided by the Bounce Back Loan Scheme by business size as at August 2020

Business size[1]	Total number of loans provided	Total value of loans provided (£m)
Micro	1,038,662	29,437
Small	113,849	5,471
Medium	2,575	107
Mid-sized	2,739	115
Large	121	5
Total	**1,157,946**	**35,135**

Notes

1 Business sizes are defined by turnover; micro businesses have a turnover below £632,000; small businesses have a turnover between £632,000 and £10.1 million; medium businesses are between £10.2 million and £24.9 million; mid-sized businesses have a turnover between £25 million and £500 million; and large businesses have a turnover greater than £500 million.

2 The Bounce Back Loan Scheme was launched on 4 May 2020.

Source: National Audit Office analysis of British Business Bank data published on 7 September 2020

Business support schemes during the pandemic continued

Our report reviewing the Coronavirus Job Retention Scheme found that businesses in retail, construction, accommodation and food services, manufacturing and transportation drew the largest amount of financial support from government's COVID-19 support schemes, including Bounce Back Loans (see figure below).

Sectors accessing the most financial support from the CJRS, SEISS and Bounce Back Loans

There is overlap between the employment support schemes and the Bounce Back loans

Rank	Coronavirus Job Retention Scheme (CJRS) take-up by value	Self-Employment Income Support Scheme (SEISS) take-up by value	Bounce Back Loan market share
1	Wholesale and retail, repair of motor vehicles	Construction	Real estate, professional services and support activities
2	Accommodation and food services	Unknown and other	Wholesale and retail trade
3	Manufacturing	Transportation and storage	Construction

Note

1 Bounce Back Loans support small businesses with loans of up to £50,000 or a maximum of 25% of turnover. The scheme was developed by HM Treasury, the Department for Business, Energy & Industrial Strategy and the British Business Bank. It launched on 4 May 2020 and was expected to last for six months.

Source: National Audit Office analysis of HM Revenue & Customs' data on CJRS and SEISS and National Audit Office analysis of British Business Bank and Bank of England data from our report on Bounce Back Loans. This figure was originally produced for our October 2020 report, *Implementing employment support schemes in response to the COVID-19 pandemic*

The Department also introduced other support to businesses in response to the COVID-19 pandemic

Administrative easing

The Department introduced measures to support the economy during the first wave of the pandemic that focused on easing administrative and regulatory burdens on businesses and their workers. These measures included:

- temporarily suspending sections of the insolvency law to help companies to continue to trade during the pandemic; and
- amending Working Time Regulations 1998 to allow workers affected by the pandemic to carry over their leave into the next two years.

Procuring services during the pandemic

Government's procurement of supplies and services changed in response to the pandemic as public sector bodies, including the Department, bought goods and services with extreme urgency. In March 2020, the Cabinet Office issued information and guidance on public procurement regulations in response to the pandemic, setting out the options available to public bodies, including the use of direct awards to suppliers without any competition.

Between 1 January and 31 July 2020, government procured 8,652 contracts related to its response to the pandemic, with a value of £18.0 billion. Of these, the Department entered into 221 contracts with a value of £133 million. This ranks third in the number of contracts entered into across government, and sixth in total value of contracts procured.

Business support schemes during the pandemic continued

The Department has provided financing of just under £70 billion as at 13 December 2020, but is at risk of failing to recover a significant proportion of payments.

The 2019-20 financial statements do not reflect the full costs the Department expects to incur in its response to COVID-19. Examples include the full impact of schemes announced close to year-end (such as the Coronavirus Business Interruption Loan Scheme) and after the end of the 2019-20 financial year (such as the Bounce Back Loan Scheme). Only committed spend at 31 March 2020 was included in the 2019-20 accounts.

The Department's 2019-20 financial statements do not reflect estimated losses due to customer defaults on COVID-19 loan schemes repayments (see adjacent figure).

Look out for

The trend in default rates as government extends some COVID-19 schemes through its Winter Economy Plan.

The Department for Business, Energy & Industrial Strategy (the Department) is at risk of failing to recover a significant proportion of its COVID-19 business loans

Scheme	Total financing[1,2] (£m)	Maximum payout[3] (%)	Estimate of defaults of payment Lower (%)	Upper (%)
Bounce Back Loan Scheme (BBLS)[5]	43,540	100	35	60
Coronavirus Business Interruption Loan Scheme (CBILS)	19,640	80	10	25
Coronavirus Large Business Interruption Loan Scheme (CLBILS)	4,970	80	5	20
Future Fund Scheme	976	N/A[4]	N/A[4]	N/A[4]
Enterprise Finance Guarantee	539	33	N/A[4]	N/A[4]
Total	**69,665**	–	–	–

Notes

1 Total financing figures for the four COVID-19 business support schemes above are as at 13 December 2020, from HM Treasury coronavirus (COVID-19) business loan scheme statistics.

2 The Enterprise Finance Guarantee scheme is not a COVID-19 business support scheme. It was in place before the pandemic and has been temporarily replaced by CBILS. Figures for the Enterprise Financial Guarantee are as at 18 August 2020, from the Department's 2019-20 Annual Report and Accounts. This scheme's figures have been included as they are in the Department's notes to the financial statements.

3 The maximum payout percentage is taken directly from the Events After the Reporting Date note to the Department's 2019-20 Annual Report and Accounts where available. The figure for the Enterprise Financial Guarantee is calculated based on the cash value outlined for the Department's maximum liability in note 22 of those accounts as a proportion of total financing.

4 No figures for expected default rates or exposure are available for the Future Fund scheme. No figures for expected default rates are available for the Enterprise Financial Guarantee.

5 The value of Bounce Back Loan Scheme facilities approved includes the extra value from a loan which has subsequently been 'topped up' to a higher amount.

Source: HM Treasury coronavirus (COVID-19) business loan scheme statistics and the Department for Business, Energy & Industrial Strategy Annual Report and Accounts 2019-20

Supporting businesses to recover from the economic impact of the pandemic

The Department has an important role to play in supporting the economy's recovery from the COVID-19 pandemic

The Department's work, and that of its partner organisations, is likely to come under increasing pressure as the full economic impact of the pandemic becomes clear. The scale of this challenge, and the impact on the public bodies involved, is exacerbated by continued policy uncertainty as government adapts to the effects of the pandemic.

Supporting the expected rise in company insolvencies

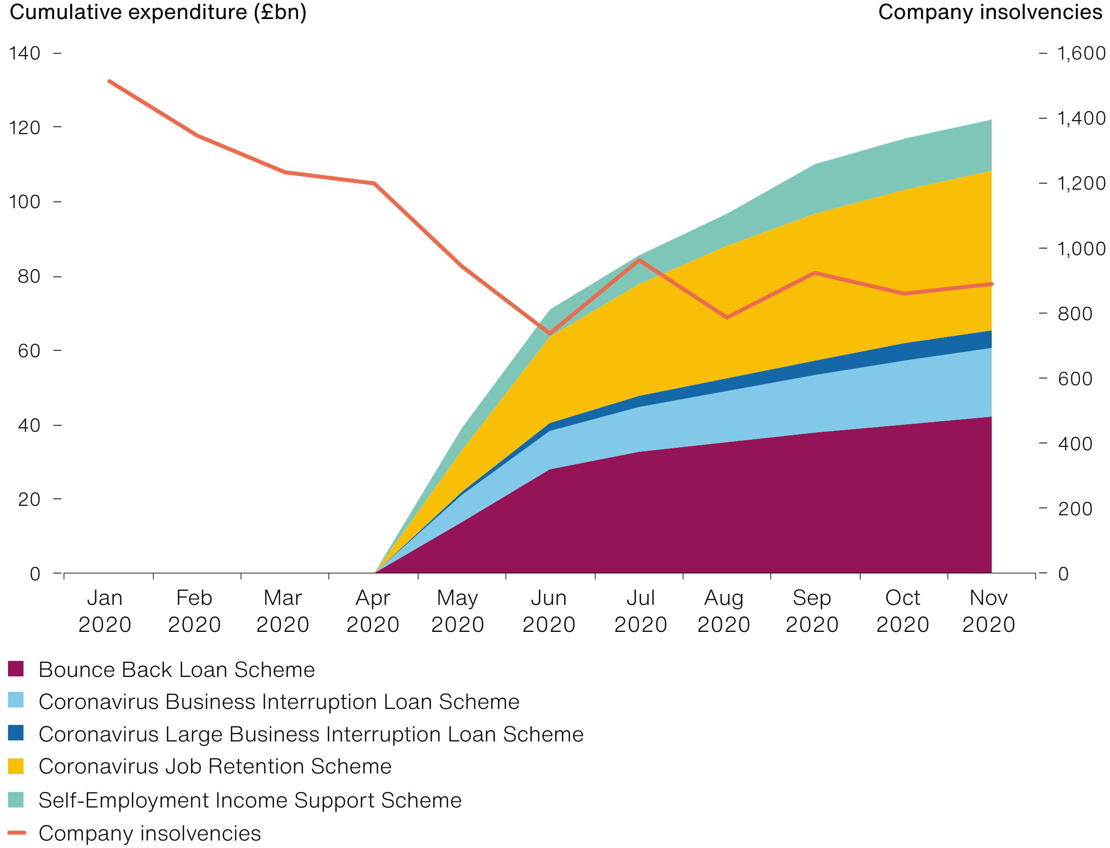
As the Department's business support schemes wind down, the number of insolvency applications are expected to increase. Data from the Insolvency Service show that the number of company insolvencies fell by around a third between April and June 2020 compared with insolvencies in the equivalent period in the previous year. It was also lower in August 2020 than in the previous year.

Our report *Implementing employment support schemes in response to the COVID-19 pandemic* noted it is likely that government schemes, including those the Department has led, supported some firms which would have otherwise failed.

Look out for

Increased pressure on the Insolvency Service as it processes a potential increase in insolvency applications alongside other complex work, including the settlement for payment protection insurance (PPI).

Government COVID-19 business support spending against company insolvencies, January to November 2020



Notes

1 The Coronavirus Job Retention Scheme (CJRS) provides grant payments to employers to help firms continue to keep people in employment. The Self-Employment Income Support Scheme (SEISS) provides a grant payment to self-employed individuals whose business has been 'adversely affected' by the pandemic. Both schemes are delivered by HM Revenue & Customs and HM Treasury.

2 The Coronavirus Large Business Interruption Loan Scheme, Coronavirus Business Interruption Loan Scheme and the Bounce Back Loan Scheme are all delivered by the Department for Business, Energy & Industrial Strategy and/or its partner organisations.

3 Monthly company insolvencies reflect the total number of insolvencies recorded each month. Spending data for coronavirus programmes reflect the cumulative total as at the mid-point of each month.

Source: National Audit Office analysis of HM Treasury coronavirus (COVID-19) business loan scheme statistics, Insolvency Service Official Statistics and HM Revenue & Customs Coronavirus Statistics

Part Two

Other support to businesses

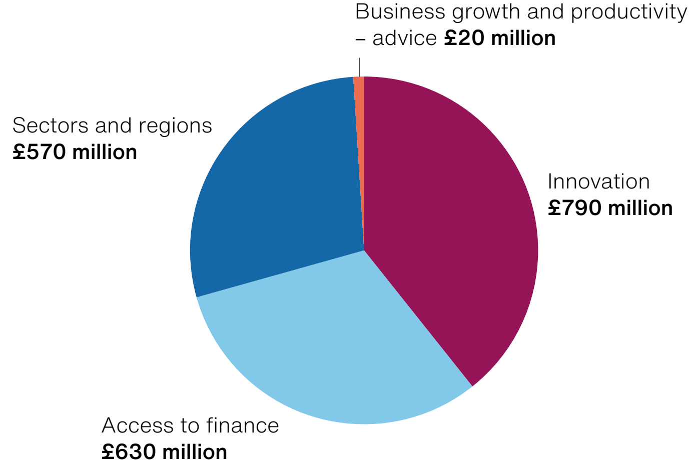
Other financial support provided to businesses

Government provides a range of support to businesses including tax reliefs, advice and finance in the form of grants and loans.

Our report Business support schemes set out that in 2016-17, government spent around £17 billion on support to businesses across 107 schemes (latest available data). The Department is responsible for 47 schemes – the most of any department – with an annual spend of £2.4 billion. Much of this is spent on innovation schemes (see adjacent figure).

The Department delivered a significant number of these business support schemes through partner organisations, such as the British Business Bank (the Bank), which was set up to improve access to finance for small- and medium-sized enterprises (SMEs). Self-employed owners and SMEs represent more than 99% of all UK businesses (see adjacent figure). Our report found the Bank had provided around £13.9 billion of extra finance within five years of its launch in 2014.

The Department for Business, Energy & Industrial Strategy (the Department) spends more on innovation schemes, delivered through Innovate UK, than any other category of business support



Notes

1 Data for the Department's schemes are for 2016-17, and for 2017-18 where schemes did not have cost data for 2016-17.

2 The chart excludes schemes that help businesses provide clean energy.

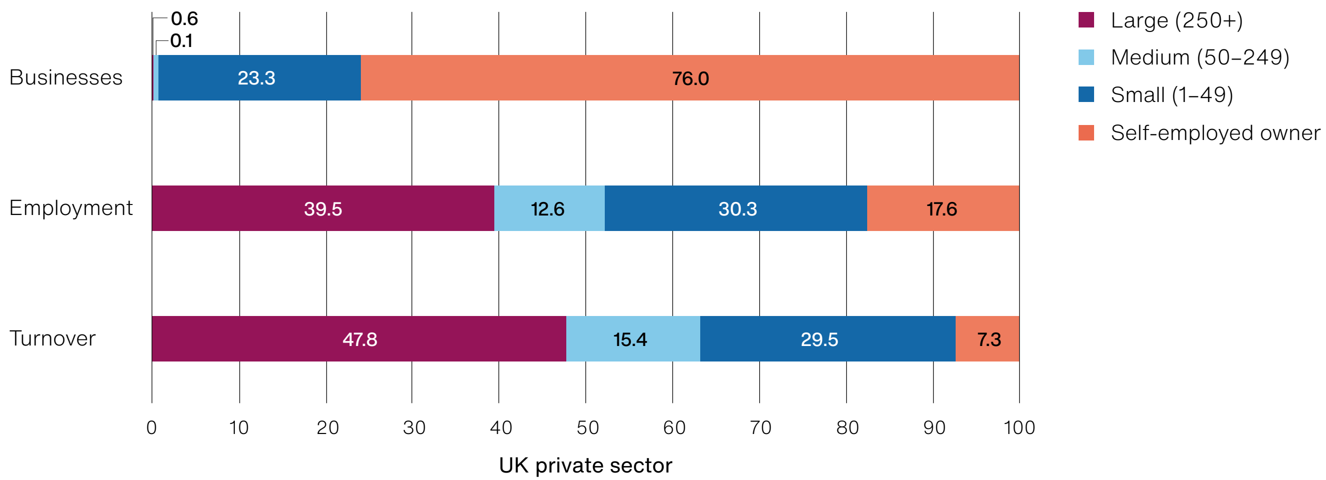
3 Access to finance schemes provide support through debt, equity and guarantee scheme programmes. Gross amounts are used here, and exclude any income arising from the programmes, or capital repayments.

4 Values are rounded to nearest £10 million so may not sum to total.

Source: National Audit Office analysis of the Department for Business, Energy & Industrial Strategy's and HM Treasury's business support costing project data

Proportion of UK private sector at the beginning of 2019, by size of business

Self-employed owners, small- and medium-sized enterprises represent more than 99% of all UK businesses



Source: National Audit Office analysis of Department for Business, Energy & Industrial Strategy, Business population estimates, 2019

Readying businesses for EU Exit

On 31 January 2020 the United Kingdom left the European Union and, under the terms of the Withdrawal Agreement between the UK and the EU, entered a transition period during which existing rules continued to apply. New rules on trade, travel and business between the UK and the EU came into effect on 1 January 2021.

The Department played a significant role in government's efforts to support the UK's departure from the European Union at the end of January 2020

In its 2019-20 annual report and accounts, the Department stated that one of its strategic priorities was to get businesses ready for EU Exit and to help them to take advantage of new trading relationships. It undertook work to support businesses through creating a £15 million Business Readiness Fund and a roadshow of around 30 events aimed at reaching and advising small businesses. As we reported in January 2020, the Department also contributed to government's 'Get Ready for Brexit' campaign, working with other departments to reach and advise small businesses.

In our March 2020 report, *The cost of EU Exit preparations*, we set out that the Department spent £249 million between June 2016 and January 2020 on its work to support EU Exit. It passed on around a third of its EU Exit spending allocation to its partner organisations. For example, it allocated £87 million to the UK Space Agency to address how the UK's participation in the EU space programmes would be affected in a no-deal scenario.

An average of 1,130 full-time equivalent staff in the Department worked on activities related to EU Exit during 2019-20. We have previously reported that the government had long-standing skills shortages in areas required to support an effective exit from the EU and that departments used consultants to fill specific gaps and more immediate staffing needs. In March 2020, we reported that the Department spent £51 million on external advice and expertise since June 2016.

Businesses have had to respond to the pandemic while also preparing for the new rules on trade, travel and business that came into effect on 1 January 2021

In November 2020, we reported on *The UK border: preparedness for the end of the transition period*. While the Department did not have responsibility for managing the UK's border, the report set out potential implications for businesses moving goods between the UK and the European Union from 1 January 2021. These included the potential for significant disruption at the approach to the short Channel crossings in the UK as many traders and third parties would not be ready for new EU controls.

Part Three

Developing and procuring a COVID-19 vaccine

Procuring and manufacturing a vaccine

The Department is responsible for securing the supply of a COVID-19 vaccine for the UK.

To deliver this programme, government created a Vaccines Taskforce in April 2020. The Department is responsible for supporting the research and development of potential vaccines; selecting which vaccines to purchase; securing UK access to sufficient quantities of vaccines; and developing manufacturing capacity to ensure supply.

The Department works closely with the Department of Health & Social Care, which is responsible for planning how to deploy the vaccine to the public in England.

We reported in December 2020 that the Department has worked at pace, starting from a position of uncertainty as to whether a vaccine could be found.

Developing any vaccine and delivering it to the public typically takes at least 10 years and involves several steps from research and development through to mass-manufacturing. The Department had been working to an accelerated timetable to make a vaccine available within 12–18 months. This necessitated different ways of working, including:

- making funding decisions based on information that is constantly changing;
- accepting that some of the money it had to invest may have to be written off if some of the vaccines purchased are not approved by the regulator. The Department agreed upfront payments of £914 million in the five contracts it signed prior to any vaccine being approved by the regulator. These payments have been used to start manufacturing and clinical trials. In all contracts, the payments will be used against future purchases of the vaccine if it is approved as safe and effective;
- changes to how projects and funding are approved to make faster decisions and increase the chances of purchasing vaccines; and
- purchasing several different types of vaccines at the same time, recognising the uncertainty over which, if any, would prove to be safe and effective (see next page).

£11.7 billion[1]

Total expected investment required from government to purchase and manufacture COVID-19 vaccines for the UK, deploy them in England and support global efforts to find vaccines.

£6.2 billion

The total expected investment by the Department up to 2022-23 for the procurement and manufacture of vaccines.

£619 million

The total investment by government in the global effort to find a vaccine for both UK and international supply.

Note

1 As at December 2020, the total expected investment by the Department of Health & Social Care into deploying vaccines in England was £4.9 billion.

Procuring and manufacturing a vaccine continued

In December 2020, we reported that the Department chose to purchase several different types of vaccines because it was uncertain which, if any, would prove to be safe and effective.

In April 2020, there were around 190 vaccines in development globally. The Vaccines Taskforce produced a short list of 23 potential vaccines based on whether the potential vaccine would begin clinical trials in 2020; the type of immune response the vaccine may provide; and the likelihood the pharmaceutical company could deliver what it was promising.

On this basis, it prioritised 12 of the vaccines to start due diligence assessments, and finally settled on seven vaccines, entering into contracts with five pharmaceutical companies (see adjacent figure) and non-binding agreements with a further two. In total, as at December 2020, these seven deals were expected to provide up to 357 million doses of seven different vaccines to the UK at an anticipated cost of £3.7 billion.

By December 2020, the Department for Business, Energy & Industrial Strategy had signed contracts with five pharmaceutical companies providing access to 267 million doses at an expected cost of £2.9 billion.

Source: National Audit Office analysis of Department for Business, Energy & Industrial Strategy data

Part Four

Research, development and innovation

The Department's work with UK Research and Innovation

The Department leads government policy on research and development (R&D) and innovation, working primarily with UK Research and Innovation (UKRI).

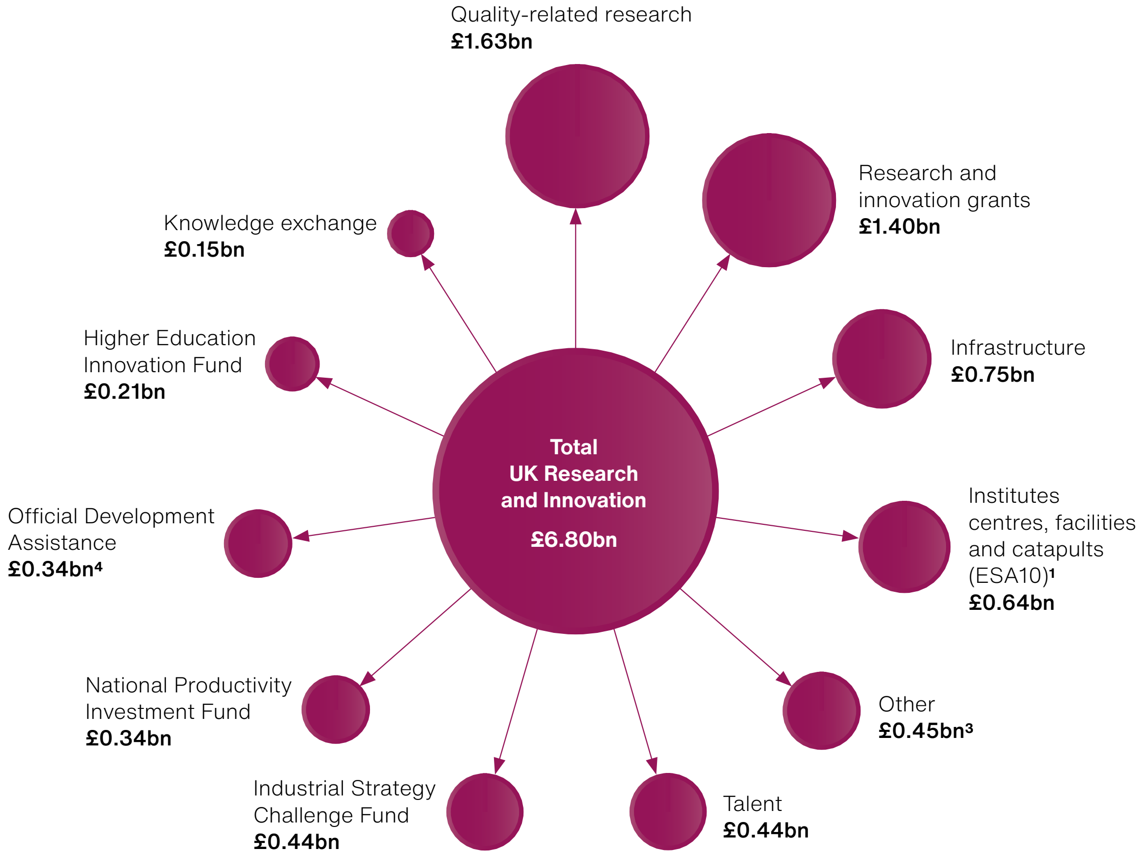
UKRI was established in 2018 and brought together seven research councils, as well as Innovate UK and Research England. It aims to meet the 'grand challenges' outlined in the Industrial Strategy, and to support R&D following the UK's exit from the European Union and the national effort to respond to the COVID-19 pandemic. In the 2020 Budget, government committed to increasing public funding into research and development to £22 billion per year by 2024-25.

In 2019-20, UKRI spent £6.8 billion on research and innovation programmes. This is more than half of the Department's overall annual funding.

Look out for

The Department and UKRI's plans to manage government's funding announcement of £22 billion per year in research and development spending by 2024-25.

Where UK Research and Innovation spent its money in 2019-20



Notes

1 ESA 10 is the latest revision of the European System of Accounts (ESA). Eurostat (the European statistical body) requires European Union countries to compile specified statistical returns on the basis of ESA.

2 Figures may not sum due to rounding.

3 Expenditure marked as 'Other' comprises Administration (£1.98 million), Competitive (£93.67 million), International (£15.90 million), Managed Programmes (£319.75 million), and Other costs (£23.23 million).

4 Expenditure marked as 'Official Development Assistance' comprises spending on the Newton Fund (£64.59 million) and the Global Challenges Research Fund (£279.58 million).

5 This figure outlines UK Research and Innovation's (UKRI's) spending on the figures for Research and Innovation expenditure in its Consolidated Statement of Comprehensive Net Expenditure (SoCNE). It does not include other areas of expenditure – for example, staff costs or depreciation. Figures in UKRI's SoCNE vary from those outlined in our bubble diagram on page 5, which are prepared on a different basis. Those figures are based on UKRI's outturn against budgets, which are prepared in accordance with HM Treasury's budget framework. This has different requirements to the accounting standards which UKRI's main financial statements are prepared to.

Source: National Audit Office analysis of UK Research and Innovation Annual Report 2019-20

Major programme and funding announcements between September 2019 and September 2020

2019

Sep 2019

Up to £1 billion additional funding to develop supply chains for the large-scale production of electric vehicles and automotive technologies.

Nov 2019

£1.2 billion investment towards a supercomputer to improve severe weather and climate forecasting.

Dec 2019

£22 billion annual investment in public research and development (R&D) by 2024-25. Projects include investment in net zero and COVID-19 vaccines.

2020

Mar 2020

Government announces its plans to establish the Advanced Research Projects Agency (ARPA), a "high risk, high payoff" research agency. Government has said that it will invest at least £800 million.

May 2020

£400 million to support regional R&D projects across the UK through the Strength in Places Fund announced. This includes zero-emissions technology for maritime vessels, smart-packaging to cut food waste, and new health products to combat infections.

Jul 2020

The purchase of OneWeb: The Department has led government's work to invest $500 million to finance the purchase of OneWeb, a start-up company with the ambition to provide global broadband.

Jul 2020

A new 'place-based' strategy for research and development: UKRI will identify opportunities for research and development investment in the regions and nations.

Sep 2020

£200 million towards the UK Biobank's whole genome sequencing project, which aims to improve the prevention, diagnosis and treatment of serious and life-threatening illnesses through genetic research.

Source: National Audit Office analysis of the Department for Business, Energy & Industrial Strategy's 2019-20 Annual Report and Accounts

Look out for

- How the new Advanced Research Projects Agency will operate, particularly vis-à-vis UKRI.

What UK Research and Innovation (UKRI) funded in 2019-20

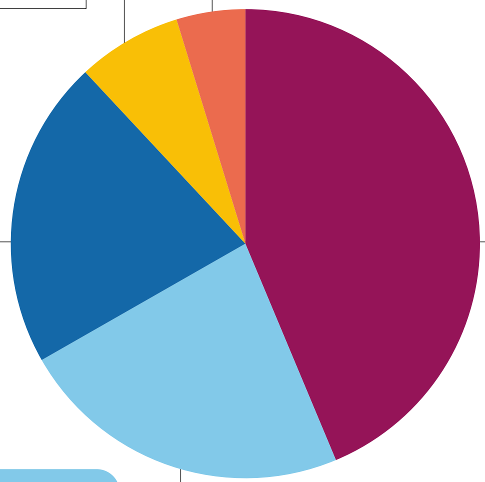
UKRI's work in 2019-20 in research, development and innovation focused on the following areas

People – £0.5 billion (7%)

This includes programmes to train the next generation of early and advanced career researchers, which support more than 27,000 studentships and 1,500 fellowships. Also includes the Global Talent Visa programme and the Innovation Scholars programme.

International programmes – £0.4 billion (5%)

Programmes include the Global Challenges Research Fund and the Newton Fund.



Business, environment and place – £1.6 billion (21%)

Funded programmes include the Industrial Strategy Challenge Fund, the Strategic Priorities Fund and Strength in Places Fund.

Ideas – £3.3 billion (44%)

UKRI distributed a recurrent research grant of £1.7 billion for the academic year 2019-20. Of this, £1.1 billion was mainstream quality-related research funding, a year-on-year increase of £45 million.

Infrastructure – £1.7 billion (23%)

UKRI invested in more than 320 nationally and internationally significant infrastructures, ranging from supercomputers to biomedical labs.

Note

1 This chart sets out UKRI's budget outturn excluding administrative spend across the Corporate Hub and Councils, Corporation Tax, capital receipts from the Medical Research Council sale of its Mill Hill site, depreciation and amortisation costs and Annually Managed Expenditure in 2019-20. The total of spending outlined here varies from the £7.8 billion outlined in page 5.

Source: National Audit Office analysis of UK Research and Innovation Annual Report and Accounts 2019-20

Look out for

The further expansion of Innovate UK Loans Ltd (a UKRI subsidiary) and how the Department and UKRI manage the balance between loans and grants paid out to support innovation programmes.

Part Five

Energy, climate change and decommissioning

The Department's work on energy

The Department is responsible for energy policy and for ensuring the UK meets statutory targets for reducing greenhouse gas emissions.

Its strategic objectives on energy are:

1. to ensure the UK's energy system is reliable and secure;
2. deliver affordable energy for households and businesses; and
3. support clean growth and promote global action to tackle climate change.

In November 2020, government announced a £12 billion Ten Point Plan for a "green industrial revolution" with funding towards clean energy transport, nature and innovative technologies in support of its net zero target (see next page). It includes: investing to quadruple offshore wind capacity by 2030; accelerating the shift to electric vehicles; and investing £1 billion in carbon capture, usage and storage technology.

In December 2020, government published an energy white paper, *Powering our net zero future*, setting out its ambitions to transform the UK's energy system and create 220,000 jobs over the next 10 years. The strategy builds on the Ten Point Plan, with a focus on three issues: transforming energy production; supporting a green recovery from the pandemic; and creating a fair deal for consumers through providing at least £6.7 billion over the next six years to support low–income households with their energy bills.

New nuclear energy

The Ten Point Plan set out government's aim to support nuclear energy through both large-scale nuclear developments and small modular reactors. In December 2020, government confirmed that it was to begin negotiating a deal with EDF Energy to build a new nuclear power station, Sizewell C, in Suffolk. The Department will be considering options to "enable investment in at least one nuclear power station" by the end of this Parliament in 2024.

Through the Industrial Strategy Challenge Fund, the Department and UKRI provided £18 million in match-funding to the low-cost nuclear challenge, which aims to develop small modular reactors capable of producing electricity cost-effectively.

Look out for

- The decisions government takes on the Sizewell C project following a value-for-money assessment and other approvals.
- How the Department coordinates the spend of £12 billion available across government to support "the green industrial revolution" outlined in its Ten Point Plan.
- Whether government's plans to support the deployment of carbon capture, utilisation and storage technology is more successful than previous efforts.

The Department's work on net zero

The net zero target for greenhouse gas emissions

In June 2019, government passed legislation committing it to achieving 'net zero' greenhouse gas emissions by 2050. Net zero means the UK's total greenhouse gas emissions should be equal to or less than the emissions the UK removes from the environment. In December 2020, government announced a new accelerated target of reducing greenhouse gas emissions by 68% from 1990 levels by 2030.

In 2018, the UK emitted 496 million tonnes of carbon dioxide equivalent (the unified measure of greenhouse gas emissions combining all greenhouse gases). This is 28% less than in 2008. All sectors of the economy have reduced greenhouse gas emissions, although the size of the reduction varies considerably (see adjacent figure).

Our December 2020 report *Achieving net zero* set out the Department's responsibility in government for achieving net zero. It has primary responsibility for ensuring cross-government arrangements are working effectively. We found that government's reorganisation of its approach to tackling climate change reflects the high political priority attached to achieving net zero and the cross-government nature of the challenge, but it is yet to put in place all the essential components for effective cross-government working.

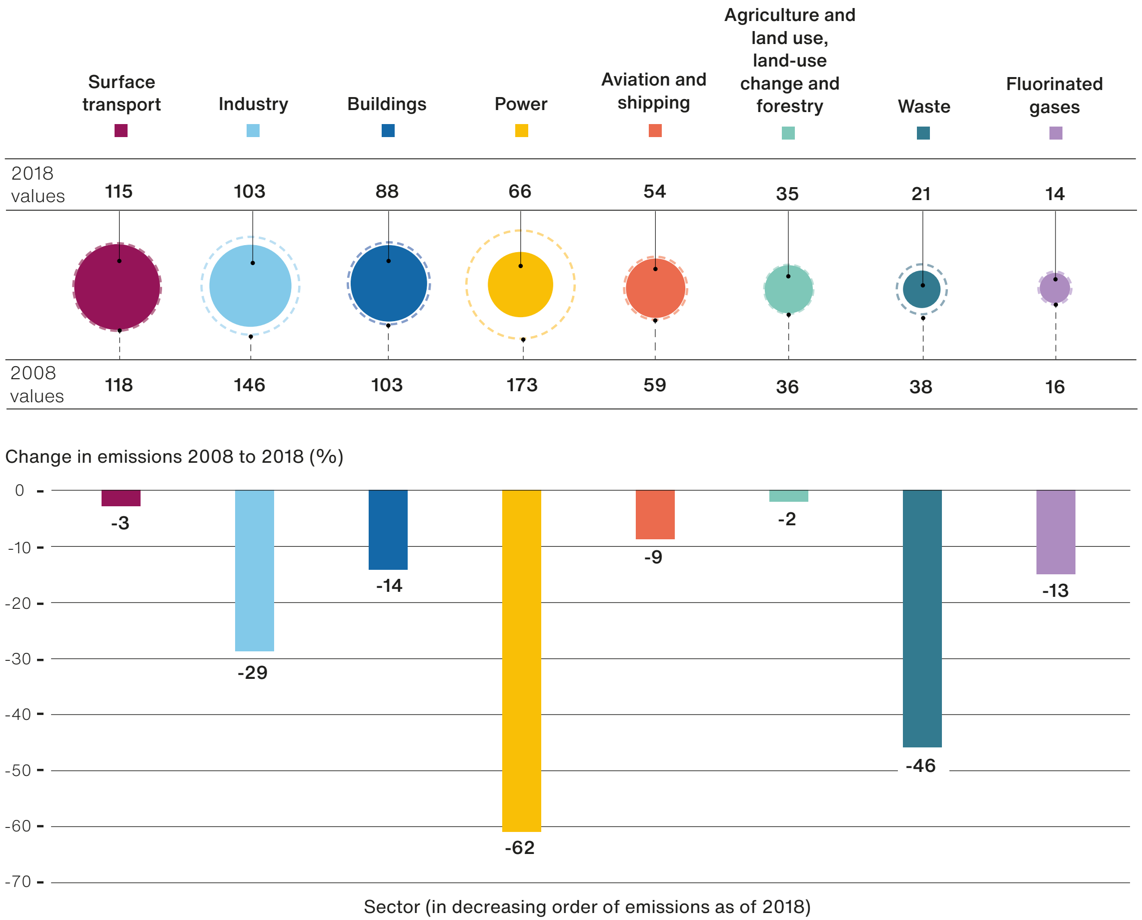
Look out for

- The UN Climate Change Conference of the Parties (COP26), scheduled to take place in Glasgow in November 2021 after its postponement due to the pandemic.
- The Department's net zero strategy, which it aims to launch before COP26.

UK emissions reductions by sector, between 2008 and 2018

All sectors had emissions reductions between 2008 and 2018, but progress was unevenly distributed; the sector responsible for the most emissions in 2018 – surface transport – saw emissions decline by only 3% in the previous 10 years

Greenhouse gas emissions (million tonnes carbon dioxide equivalent)



Note

1 Percentage changes are shown rather than total changes by sector. As a result, a small sector that has seen a greater percentage reduction may not have contributed as much to overall emissions reductions when compared with a larger sector with a smaller reduction.

Source: National Audit Office analysis of Department for Business, Energy & Industrial Strategy (2020) data

The Department's work to decommission energy assets

The Department is responsible for ensuring that arrangements are in place to decommission energy assets. These arrangements differ by sector (see adjacent figure).

Decommissioning nuclear facilities involves dismantling plants; removing and storing spent fuel, radioactive and other waste safely; and decontaminating the land. For oil and gas, this involves plugging the wells, and removing or burying pipelines and associated infrastructure.

Onshore and offshore oil and gas wells

Our report *Fracking for shale gas in England* set out that the Department recognises its responsibility for decommissioning offshore oil and gas infrastructure, but not for onshore wells. The Department says landowners may be liable for decommissioning costs of onshore wells if an operator is unable to fund them, but these arrangements are unclear and untested.

New arrangements for decommissioning the advanced gas-cooled reactor (AGR) stations

EDF Energy owns and operates eight nuclear power plants in the UK that contribute about 17% of the UK's current electricity generation. Seven of the stations are due to stop operating between 2023 and 2030. In September 2019, the Department announced it was in talks with EDF Energy over the future decommissioning arrangements of the AGR stations, the cost of which will be met by the Nuclear Liabilities Fund. The Department made a £5.1 billion contribution to the Fund in July 2020.

Look out for

- The outcome of the Department's negotiations with EDF Energy over the future decommissioning arrangements for the AGR stations.
- Any further financial contributions the Department makes to the Nuclear Liabilities Fund to cover the costs of decommissioning the AGR stations.

Different arrangements are in place to meet the responsibility and cost of decommissioning facilities

Nuclear facilities managed by the Nuclear Decommissioning Authority (NDA) (see our 2018 report)	Taxpayers pay for the costs of decommissioning 17 nuclear sites built in the 1950s and 1960s. The NDA took over the management of these sites in 2005 and is responsible for decommissioning them safely. Some of the NDA's work generates commercial income, which offsets some of the costs of decommissioning.
Advanced gas-cooled reactors (AGR) owned by EDF Energy	The Nuclear Liabilities Fund is responsible for meeting the decommissioning costs of the AGR power stations. The taxpayer will meet these costs if the Fund's assets are insufficient to meet the total costs.
Hinkley Point C owned by NNB Generation Company (HPC) Limited (see our 2017 report)	A funded decommissioning plan was agreed between government and operators. Revenues that operators pay into the plan during operations will be reinvested to generate a return that will cover future decommissioning and waste disposal costs. We reported that there are still potential risks to the taxpayer in meeting the costs of waste disposal.
Offshore oil and gas installations (see our 2019 report)	Operators or past operators meet the costs of decommissioning offshore oil and gas infrastructure. Government is the decommissioner of last resort, with taxpayers meeting the costs if operators do not.
Onshore oil and gas installations, including shale gas wells (see our 2019 report)	Landowners may be liable for meeting the costs of decommissioning onshore oil and gas infrastructure if operators fail to do so. Government has not clarified who will meet decommissioning costs if landowners and operators fail to.

Source: National Audit Office analysis

The costs of decommissioning energy assets

The estimated costs of decommissioning are challenging to calculate because of uncertainty over the work and the time it takes to complete it.

Costs of decommissioning legacy nuclear facilities

The NDA is responsible for decommissioning 17 legacy nuclear sites across the UK on behalf of the Department.

The NDA's estimate for the future costs of decommissioning these sites (called the 'nuclear provision') is one of the largest accounting estimates in government accounts. The cost of decommissioning Sellafield represents around three-quarters of NDA's estimated £134.7 billion future costs.[1,2] In 2019-20, the NDA's overall provision increased by £4.8 billion, mostly as a result of increases in estimates to decommission its 12 Magnox sites.

In October 2020, we reported on the NDA's management of the termination of its contract with Cavendish Fluor Partnership (CFP) for decommissioning works at the Magnox sites. We found the NDA successfully maintained a working relationship with CFP but that there is still significant uncertainty about the final cost to taxpayers of decommissioning these sites.

Notes

1 The nuclear provision and the change in estimate values quoted above are based on the discounted provision at the values outlined in the NDA's accounts.

2 The nuclear decommissioning provision estimates costs over 100 years into the future and is therefore inherently uncertain. In its 2019-20 annual report and accounts, the NDA estimates that the total undiscounted costs of decommissioning its estate ranges between £115 billion and £246 billion.

Oil and gas estimates

The Oil and Gas Authority's central estimate in 2020 of the costs of decommissioning oil and gas installations was £51 billion, which equates to a 19% reduction in the cost to decommission assets that were also included in its 2017 estimate.

For onshore oil and gas wells, the estimate is much less certain. In our report *Fracking for shale gas in England*, the Department estimated the costs of decommissioning an onshore oil and gas well, including a shale gas well, to be between £195,000 and £1 million.

Look out for

- The NDA's planned reassessment of the cost estimates to decommission Sellafield, which may have a significant impact on its overall nuclear provision. The NDA expects to complete this work in 2021-22.
- The outcome of the NDA's consultation on when to begin decommissioning the Magnox stations, a decision likely to have cost and socioeconomic implications.