Department for Business, Energy and Industrial Strategy (BEIS)

Supplementary Estimate 2020-21: Estimates memorandum

1 Overview

1.1 Objectives

On 14th June 2020 the Department for Business, Energy and Industrial Strategy (BEIS) announced the following new priorities:-

1. Fighting coronavirus
2. Backing business
3. Unleashing innovation
4. Tackling climate change

Detail of which spending programmes relate to which priorities is given at Section 3.1.

1.2 Spending controls

BEIS's spending is broken down into several different spending totals, for which Parliament's approval is sought.

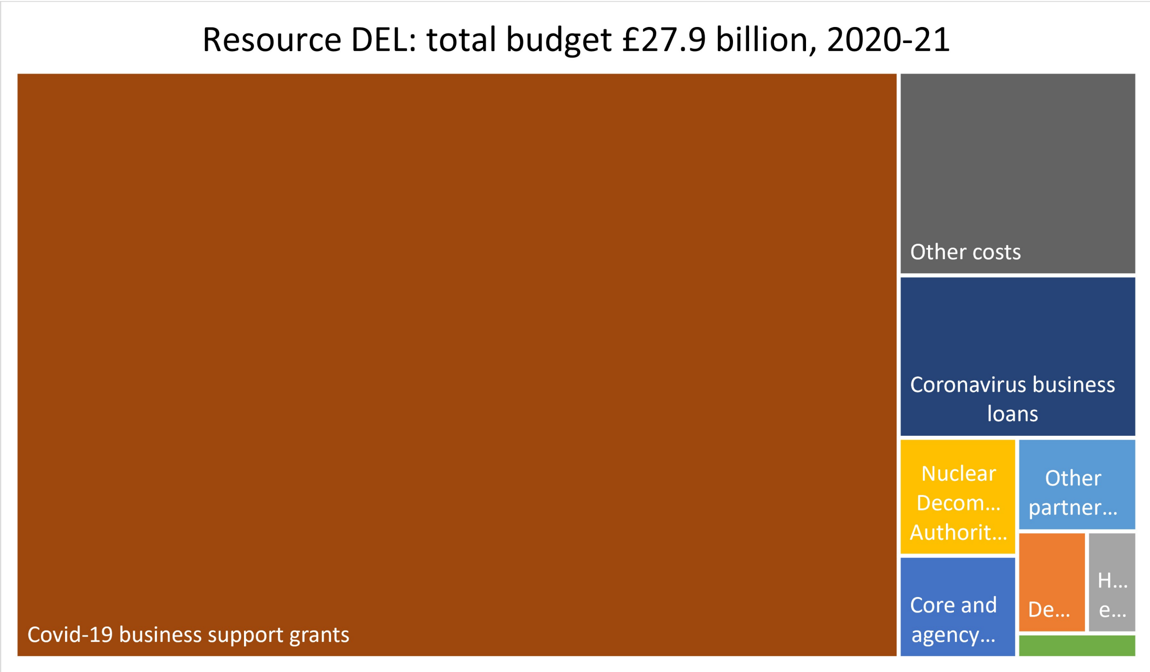
The spending totals which Parliament votes are:

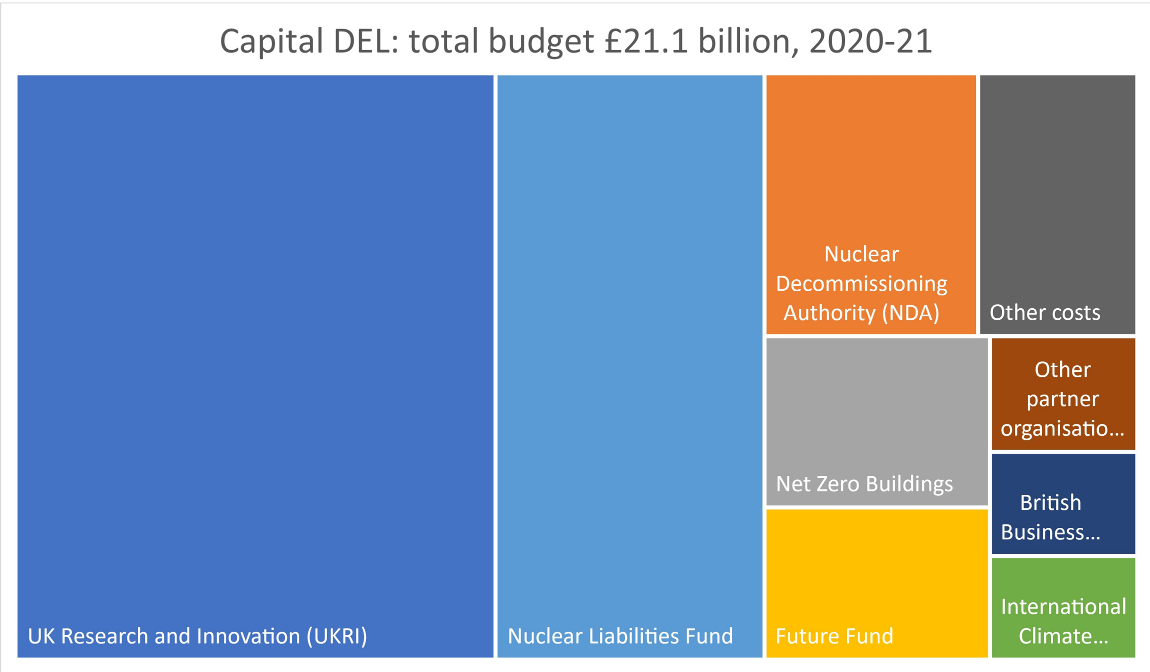
- Resource Departmental Expenditure Limit ("**Resource DEL**") - day to day running costs;
- Capital Departmental Expenditure Limit ("**Capital DEL**") - investment in infrastructure, Research and Development;
- Resource Annually Managed Expenditure ("**Resource AME**") - less predictable day to day spending: in BEIS's case, mainly the Renewable Heat Incentive, redundancy and shared parental leave payments and movements in the value of nuclear decommissioning and other provisions and movements in the fair value of liabilities incurred for Contracts for Difference (CFD) for the supply of low carbon electricity; and
- Capital Annually Managed Expenditure ("**Capital AME**") - largely movements in the Post Office Working Capital Loan and surpluses in Coal Pension schemes, plus for 2020-21 the financial guarantees provided to lenders for Coronavirus business loan schemes.

In addition, Parliament votes a net cash requirement, designed to cover the elements of the above budgets which require BEIS to pay out cash in-year.

1.3 Main areas of spending

The graphic below shows the main components of BEIS's proposed budget for the current year, after taking account of the latest Supplementary Estimate, and the proportions of funds spent on its main activities.

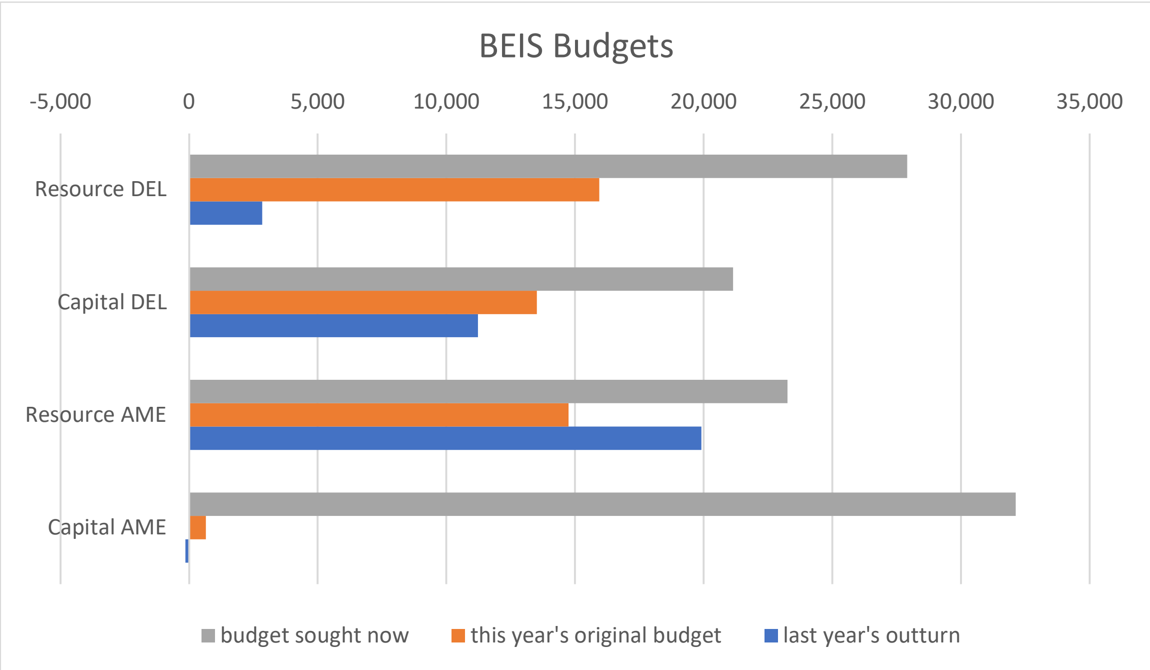

Resource DEL: total budget £27.9 billion, 2020-21
Other costs
Coronavirus business loans
Nuclear Decom… Authorit…
Other partner…
Core and agency…
De…
H… e…
Covid-19 business support grants


Capital DEL: total budget £21.1 billion, 2020-21
Nuclear Decommissioning Authority (NDA)
Other costs
Other partner organisatio…
Net Zero Buildings
British Business…
UK Research and Innovation (UKRI)
Nuclear Liabilities Fund
Future Fund
International Climate…

1.4 Comparison of spending totals sought

The table and graphic below show how the totals sought for BEIS compare with the Main Estimate and outturn for last year:

Spending total **Amounts sought this year** **(Supplementary Estimate 2020-21)**		**Compared to original budget this year** **(Main Estimate 2020-21)**		**Compared to final outturn last year** **(Outturn 2019-20)**	
		£ m	**%**	**£m**	**%**
Resource DEL	£27,913.1m	+£11,972.3m	+75.1%	+£25,074.7m	+883.4%
Capital DEL	£21,139.4m	+£7,616.5m	+56.3%	+£9,911.5m	+88.3%
Resource AME	£23,262.5m	+£8,515.0m	+57.7%	+£3,348.4m	+16.8%
Capital AME	£32,127.8m	+£31,478.1m	+4,844.9%	+£32,264.7m	+23.568.1%



1.5 Key drivers of spending changes since original budget

The main causes of the changes in Resource DEL are:

- Significant increases to tackle the Coronavirus pandemic:-
  - £10,370.0 million funding from the Reserve for Coronavirus Business Support Grants;
  - £1,684.0 million funding from the Reserve for Vaccines Taskforce;
  - £634.0 million funding from the Reserve for British Business Bank for Covid-19 Loan schemes;
- £84.0 million Reserve claim for Expected Credit Losses following the implementation of IFRS9 in budgets;

- £141.0 million funding from the Reserve for the Nuclear Decommissioning Authority (NDA) (offset by surrenders of Capital DEL budget);
- £94.0 million funding from the Reserve for Net Zero buildings;
- £84.0 million in various other Reserve claims;
- Net £20.9 million increase due to transfers to/from Other Government Departments (OGDs);
- Net £(3.5) million switch from Resource to Capital for UKRI;
- £(28.0) million reduction in budget for EU ETS allowance sales;
- £(220.0) million additional income arising from the Trade Credit Reinsurance scheme; and
- £(888.1.) million surrender of unused funding including for Coronavirus Business Support Grants, depreciation and impairments and South Tees Site Company.

The main causes of the changes in Capital DEL are:

- £5,070.0 million funding from the Reserve for the Nuclear Liabilities Fund;
- Significant increases in funding from the Reserve to tackle the Coronavirus pandemic:-
    - £1,100.0 million for Future Fund;
    - £170.0 million for Trade Credit Reinsurance[1];
    - £56.0 million for Travel Bonding;
    - £22.0 million for Sustaining University Research Expertise Fund (SURE); and
    - £18.4 million for Vaccines Taskforce;
- £1,240.0 million funding from the Reserve for Net Zero buildings;
- £259.8 million increase in British Business Bank budgets, reflecting re-profiling and the Bank's high forecast of loans to be made;
- £3.5 million switch from Resource to Capital for UKRI;
- £(87.0) million reduction in budget for EU ETS allowance sales;
- £(281.0) million surrender of unused funding for NDA (partially offset by increased Resource DEL funding);
- £(696.6) million surrender of unused funding including for Official Development Assistance, EU Exit costs, Coronavirus Business Interruption Loans (due to change in classification) and British Business Bank; and
- Net £(7.9) million decrease due to transfers to/from OGDs.

The main causes of the changes in Resource AME are:

- £20.3 billion increase for Horizon Europe and Euratom provisions;
- £1.2 billion for Trade Credit Reinsurance
- £(11.5) billion decrease for return of the budget from the Main Estimate for the Bounce Back Loans Scheme (BBLS), Coronavirus Business Interruption Loan Scheme (CBILS) and Coronavirus Large Business Interruption Loan Scheme (CLBILS), following confirmation of the accounting treatment (see Capital AME below);
- £(10.8) billion credit arising from the utilisation of a provision for Covid-19 business support grants included in 2019-20 accounts and paid on 1st April 2020;
- £8.0 billion increase for Low Carbon Contracts Company for the movement in the fair value of liabilities incurred for Contracts for Difference (CFD) for the supply of low carbon electricity;
- £0.4 billion increase in NDA provisions following updated estimates and annual inflation and the unwinding of the discount rate;
- £224.0 million increase for redundancy payments; and
- £107.0 million increase in Coal Authority provisions largely due to changes in discount rates.

[1] https://www.gov.uk/government/news/trade-credit-insurance-backed-by-10-billion-guarantee

The main causes of the changes in Capital AME are:

- £31.4 billion increase for financial guarantees provided to lenders for the Bounce Back Loans (£27.5 billion), Coronavirus Business Interruption Loans (£3.5 billion) and Coronavirus Large Business Interruption Loan Scheme (£0.5 billion), in line with the decision by the Office for National Statistics that the guarantees be recorded as standardised in nature and at the time the guarantees are provided, reflecting our best estimate of lifetime calls under the guarantees; and
- £46.9 million increase arising from a reduction in BIS (Postal Services Act 2011) Company receipts, reflecting a change in accounting treatment.

1.6 New policies and programmes; ambit changes

The main changes in budgets in the Supplementary Estimate are driven by the Government's response to the Coronavirus Pandemic. Due to the urgent nature of some of this expenditure, the Department requested a number of Contingencies Fund Advances to enable the expenditure to be made ahead of this Supplementary Estimate.[2]

New programmes relating to the Covid-19 response are as follows:-

- Within Resource DEL:-
    - A net additional £9.6 billion for business support grants delivered through Local Authorities, including the Closed Business Lockdown Payment, Additional Restrictions Grant, the Christmas Support Payment for wet-led pubs and the Local Restrictions Support Grant[3];
    - The Bounce Back Loans Scheme, with costs of £1,.0 billion for interest rate subsidies and (together with CBILS) running costs of £59.9 million; and
    - Vaccines Taskforce, including Covax, with a budget for 2020-21 of £1.8 billion;
- Within Capital DEL:-
    - Funding of £1.1 billion for the Future Fund;
    - £170.0 million for Trade Credit Reinsurance;
    - £67.2 million for Vaccines Taskforce;
    - £22.2 million for Sustaining University Research Expertise Fund (SURE);
    - £56.0 million for Travel Bonding;
    - £30.3 million for Innovate UK Covid support loans for SME's within Financial Transactions (offset by the surrender of General Capital DEL): and
    - £30.0 million for a loan to Celsa steel (UK) Limited[4].
- Within Resource AME:-
    - A credit of £11.0 billion, relating to the first business support grants which were scored as a provision in 2019-20, thus creating an AME credit in 2020-21 when the majority of the grants were distributed in April 2020;
    - A provision of £9.9 million for SURE;
- Within Capital AME:-
    - A budget of £31.4 billion for the guarantees associated with the BBLS, CBILS and the CLBILS.

In addition, further investment in World Class Labs of £300.0 million was announced on 1st July 2020; funding for Net Zero Buildings of £100.0 million Resource and £1.2 billion Capital DEL is included as

[2] https://questions-statements.parliament.uk/written-statements/detail/2020-07-20/hcws388; https://questions-statements.parliament.uk/written-statements/detail/2020-11-25/hcws604; https://questions-statements.parliament.uk/written-statements/detail/2021-01-13/hcws703; https://questions-statements.parliament.uk/written-statements/detail/2021-02-09/hcws775

[3] https://www.gov.uk/government/publications/local-restrictions-support-grants-lrsg-and-additional-restrictions-grant-arg-guidance-for-local-authorities

[4] https://www.gov.uk/government/news/government-agrees-support-package-to-uk-steel-company

part of the £3.0 billion funding announced by the Chancellor of the Exchequer on 8th July 2020; and, up to £200.0 million for the Sustainable Innovation Fund delivered through Innovate UK was announced on 27th June 2020[5].

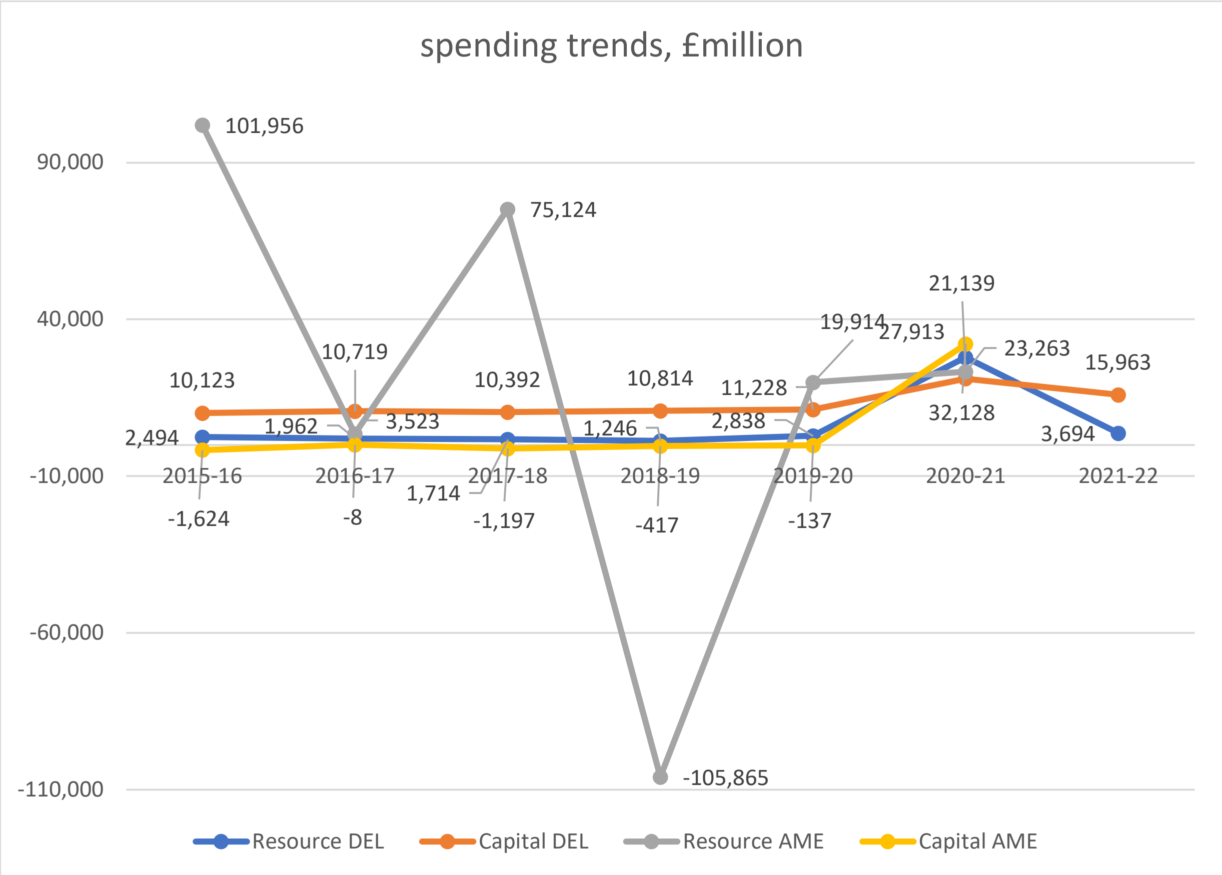
The ambit has been updated to include the following:

- Non-Budget expenditure – "Prior Period Adjustments".

The addition of Non-Budget expenditure relates to the Prior Period Adjustments set out in Part III: Note F. As set out in the Note, these changes would not have resulted in a control total breach in any relevant year.

1.7 Spending trends

The charts below show overall spending trends for the last five years, plans presented in Estimates for 2020-21, and current future spending plans for 2021-22.



- All 2020-21 budgets are impacted by additional expenditure in response to the Covid-19 pandemic as outlined in this Memorandum. DEL budgets for 2021-22 are as set out in Spending Review 2020. DEL depreciation and AME budgets will be finalised for inclusion in the forthcoming Main Estimate
- 2018-19 Resource DEL is lower than other years primarily due to a one-off Coal Pension surplus receipt of £(475.0) million;

[5] https://www.gov.uk/government/news/government-unveils-200-million-package-to-help-innovative-businesses-bounce-back

- Capital DEL has, from 2017-18 onwards, seen significant increases in Science and Research including additional funding announced in Autumn Statement 2016 for Research and Development from the National Productivity Investment Fund (NPIF). Alongside the increases for Covid-19, 2020-21 includes an additional £5.1 billion payment for the Nuclear Liabilities Fund;
- Resource AME is subject to significant fluctuation from year to year due to non-cash costs arising from movements in the fair value of Contracts for Difference and the impact of changes to discount rates on provisions, particularly the large, long-term provision for nuclear decommissioning held by the NDA (which can be seen in 2015-16, 2017-18 and 2018-19); and
- Capital AME is also subject to significant fluctuation from year to year due to privatisation receipts (for Royal Mail and Green Investment Bank) and Coal Pension receipts. The material change in 2020-21 arises from the inclusion of financial guarantees for Coronavirus business loans.
- .

1.8 Administration costs and efficiency plans

Administration costs are set to increase by 22.4% in 2020-21 compared to last year's final outturn, reflecting additional work required to respond to the Covid-19 pandemic, funding for Net Zero work, and the transfer of budget for former Department for Exiting the European Union (DExEU) staff and functions now part of the Department.

Spending total **Amounts sought this year** **(Supplementary Estimate 2020-21)**		**Compared to original budget this year** **(Main Estimate 2020-21)**		**Compared to final outturn last year** **(Outturn 2019-20)**	
		£ m	**%**	**£m**	**£ m**
Administration costs	£614.8 m	+£41.4 m	+7.2%	+£112.3 m	+22.4%

The Department has received an additional £68.5 million in Administration budget from the Reserve in this Supplementary Estimate, including funding for Vaccines Taskforce (£32.7 million), Net Zero Buildings (£6.0 million – part of the £3.0 billion Net Zero package), Trade Credit Reinsurance (£3.6 million) and SURE (£1.3 million). Also included in the £68.5 million is an increase of £19.0 million to reflect the accounting implications of unused staff annual leave accrued during the Covid-19 pandemic.

The Department has also surrendered unused ringfenced funding for EU Exit (£17.2 million) and the Nuclear Decommissioning Authority (£9.8 million).

1.9 Funding: Spending Review and Budgets

The levels of DEL funding for BEIS for 2020-21 are based on plans published in Spending Round 2019 and for Capital DEL initially published in Spending Review 2015 (SR15). Since that time, the

Government has made a number of changes to 2020-21 spending plans including announcements of some additional funding in the Budget and further announcements during the year. Details of funding changes are set out in the Table at Annex B.

Notable amongst these changes are:

- Machinery of Government changes establishing BEIS from BIS and DECC;
- additional funding of just under £2.0 billion for Research and Development announced in Autumn Budget 2016;
- additional funding in the Main Estimate for Coronavirus business support grant schemes (£12.4 billion RDEL) and Coronavirus Business Interruption Loans (£1.0 billion RDEL and £324.0 million CDEL);
- additional funding announced at Budget 2020 (£31.0 million RDEL and £622.7 million CDEL);
- the addition of ESA10 CDEL budgets for Research & Development costs classified as Resource DEL at the time of SR15 (£5.3 billion);
- routine re-profiling of budgets for the British Business Bank in line with forecasts for 2020-21;
- additional funding in the Main Estimate for EU Exit (£74.0 million CDEL).
- routine re-profiling of budgets for the British Business Bank in line with their latest forecasts for 2020-21;
- claims on the Reserve in this Supplementary Estimate totalling £14.2 billion for costs incurred in tacking the Coronavirus pandemic. These are for £12.7 billion Resource DEL (£38.7 million is within the Administration budget) and £1.4 billion Capital DEL.;
- in addition EU Exit business readiness communications funding has been transferred from the Cabinet Office (£1.6 million Resource DEL), along with £1.4 million for Covid-19 communications costs; and
- £12.0 million additional funding from the Department for Digital, Culture, Media and Sport for Citizens Advice Bureau for Covid-19 as announced on 23rd May 2020[6].

1.10 Funding: other spending announcements

Spending announcements made during the year not listed at Annex B or referred to in paragraph 1.6 above relate to the allocation of money within existing planned limits, rather than additional money.

These include:

- allocation of funding from the National Productivity Investment Fund;
- allocation of International Climate Finance funding;
- allocation of funding from the Industrial Strategy Challenge Fund;
- grant funding for projects developing novel technology and processes that reduce the cost of deploying CCUS (carbon capture, usage and storage) and
- funding for Catapult centres.

[6] https://www.gov.uk/government/news/up-to-15-million-to-support-the-citizens-advice-service-during-covid-19-pandemic

2. Spending detail

2.1 Explanations of changes in spending

Resource DEL

The table below shows how BEIS's spending plans for Resource DEL compare with earlier this year.

Subheads	Description	**Resource DEL**				
		£ million			%	
		This year (2020-21 Supplemen -tary Estimates budget sought)	*This year (2020-21 Main Estimates budget approved)*	change from Main Estimate		see note number
A, K	Deliver an ambitious industrial strategy	21,961.9	12,737.4	**9,224.5**	**72.4%**	1
B	Maximise investment opportunities and bolster UK interests	87.1	65.1	**22.0**	**33.8%**	2
C, L	Promote competitive markets and responsible business practices	266.9	252.7	**14.1**	**5.6%**	
D	Delivering affordable energy for households and businesses	133.8	34.3	**99.5**	**290.3%**	3
E, M	Ensuring that our energy system is reliable and secure	16.1	14.2	**1.9**	**13.1%**	
F, N	Taking action on climate change and decarbonisation	68.0	20.9	**47.0**	**224.5%**	4
G, O	Managing our energy legacy safely and responsibly	249.7	241.0	**8.7**	**3.6%**	
H, P	Science and Research	2,062.7	283.3	**1,779.4**	**628.1%**	5
I, Q	Capability	656.3	707.8	**-51.5**	**-7.3%**	
J, R	Government as Shareholder	1,759.4	1,064.0	**695.4**	**65.4%**	6
S, T	Nuclear Decommissioning Authority	651.2	520.0	**131.2**	**25.2%**	7
	Total voted and non voted	**27,913.1**	**15,940.8**	**11,972.3**	**75.1%**	

Differences of more than 10% which are more than £10 million are explained below. Numbers relate to the relevant row in the table above. Further detail of spending within these totals is given in the Table at Annex A.

1. Deliver an ambitious industrial strategy

Resource DEL spending under these subheads is, overall, forecast to increase by £9,224.5 million, or 72.4% since the Main Estimate.

This is driven largely by:

- £10,369.9 million additional funding from the Reserve for Covid-19 business support grants distributed via Local Authorities (partially offset by the return by Local Authorities of £803.4 million unused funding for the original business support grants issued in March and April 2020);

- £(220.0) million net reduction in funding reflecting premium income for Trade Credit Reinsurance;
- a £(83.3) million decrease to align with final opening internal budgets;
- a £(28.0) million reduction in Resource DEL reflecting net profit on the disposal of EU ETS allowances;
- £(17.2) million surrender of unused funding for South Tees Site Company; and
- a £3.6 million transfer from Cabinet Office for EU Exit, for Business Readiness.

2. Maximise investment opportunities and bolster UK interests

Resource DEL spending under this subhead is, overall, forecast to increase by £22.0 million, or 33.8%, since the Main Estimate. This is due to the inclusion of additional funding for International Climate Finance (ICF) allocated in Spending Review 2019 (SR19) but held centrally against Capability in the Main Estimate.

3. Delivering affordable energy for households and businesses

Resource DEL spending under this subhead is, overall, forecast to increase by £99.5 million, or 290.3%, since the Main Estimate.

This is driven largely by:

- £89.2 million additional funding from the Reserve for Net Zero Buildings,
- an £11.8 million increase to align with final opening internal budgets; and
- £(5.9) million transfers to Other Government Departments from the Low Carbon Skills Fund (part of the Net Zero Buildings budget).

4. Taking action on climate change and decarbonisation

Resource DEL spending under these subheads is, overall, forecast to increase by £47.0 million, or 224.5%, since the Main Estimate.

This is driven largely by:

- a £30.0 million increase to align with final opening internal budgets;
- £11.7 million funding from the Reserve for Expected Credit Losses for Heat Networks; and
- £4.8 million funding from the Reserve for Net Zero Buildings for Salix.

5. Science and Research

Resource DEL spending under these subheads is, overall, forecast to increase by £1,779.4 million, or 628.1%, since the Main Estimate.

This is driven largely by:

- £1,684.0 million funding from the Reserve for Vaccines Taskforce
- £120.0 million of underspends from across Programme DEL recycled for Vaccines Taskforce;
- £6.9 million funding from the Reserve for Expected Credit Losses for Innovate UK loans (£6.5 million) and SURE loans (£0.4 million);
- the surrender of £(32.1) million unused ringfenced funding for depreciation, due to delays in assets being deployed and Institutes becoming independent reducing the numbers of assets being depreciated; and
- a £(5.0) million decrease to align with final opening internal budgets.

6. Government as Shareholder

Resource DEL spending under these subheads is, overall, forecast to increase by £695.4 million, or 65.4%, since the Main Estimate.

This is driven largely by:

- £633.9 million additional funding from the Reserve for running costs and interest rate subsidies for the Bounce Back Loans Scheme and Coronavirus Business Interruption Loans Scheme;
- a claim on the Reserve for £65.0 million for British Business Bank for Expected Credit Losses;
- a claim on the Reserve for £5.8 million for British Business Bank for interest payments to the Nuclear Liabilities Fund;
- a £(10.5) million decrease to align with final opening internal budgets; and
- £1.3 million funding from the Reserve for EU Exit for the Business Support Helpline.

7.Nuclear Decommissioning Authority

Net Resource DEL spending under these subheads, is, overall, forecast to increase by £131.2 million, or 25.2%, since the Main Estimate.

This is due to:

- a £141.0 million claim on the Reserve (offset by underspends on Capital DEL, to match the expected split between Resource and Capital DEL for nuclear decommissioning costs; and
- a £(9.8) million surrender of unused Administration budget.

Capital DEL

The table below shows how spending plans for Capital DEL compare with the Main Estimate.

Subheads	Description	Capital DEL				
		£ million			%	
		This year (Supplementary Estimate 2020-21 sought)	*This year (Main Estimate 2020-21 approved)*	change from Main Estimate		see note number
A, K	Deliver an ambitious industrial strategy	238.6	-307.3	**545.9**	**-177.6%**	8
B	Maximise investment opportunities and bolster UK interests	492.0	492.1	**-0.1**	**0.0%**	
C, L	Promote competitive markets and responsible business practices	86.1	23.8	**62.3**	**262.0%**	9
D	Delivering affordable energy for households and businesses	1,240.5	89.7	**1,150.8**	**1,282.9%**	10
E, M	Ensuring that our energy system is reliable and secure	7.5	0.3	**7.2**	**2,400.0%**	
F, N	Taking action on climate change and decarbonisation	409.5	440.8	**-31.3**	**-7.1%**	
G, O	Managing our energy legacy safely and responsibly	5,095.7	11.6	**5,084.1**	**43,828.4%**	11
H, P	Science and Research	10,195.1	9,921.4	**273.8**	**2.8%**	
I, Q	Capability	7.4	153.7	**-146.3**	**-95.2%**	12
J, R	Government as Shareholder	1,562.0	610.8	**951.2**	**155.7%**	13
S, T	Nuclear Decommissioning Authority	1,805.0	2,086.0	**-281.0**	**-13.5%**	14
	Total voted and non voted	21,139.4	13,522.8	**7,616.5**	**56.3%**	

Differences of more than 10% which are more than £10 million are explained below.

8. Deliver an ambitious industrial strategy

Capital spending under these subheads is, overall, forecast to reduce by £545.9 million or 177.6%.

This is driven largely by:

- £524.2 million funding from the Reserve for:-
  - investment in OneWeb[7] (£318.8 million);
  - Trade Credit Reinsurance (£170.0 million);
  - £30.0 million for a loan for Celsa Steel (UK) Limited; and
  - £5.4 million for South Tees Site Company (offset by surrendered Resource DEL underspends);

[7] https://www.gov.uk/government/news/uk-government-to-acquire-cutting-edge-satellite-network; https://www.gov.uk/government/news/uk-government-secures-satellite-network-oneweb

- a £99.9 million increase to align with final opening internal budgets (largely due to ESA10 R&D payments to Met Office not confirmed at the time of Main Estimate); and
- a £(87.0) million decrease in total Capital DEL budgets reflecting income from the sale of EU ETS allowances.

9. Promote competitive markets and responsible business practices

Capital spending under these subheads is, overall, forecast to increase by £62.3 million or 262.0%.

This is driven largely by:

- £56.0 million funding from the Reserve for Travel Bonding;
- a £2.5 million increase to align with final opening internal budgets; and
- £2.6 million increase in Insolvency Service Capital DEL (offset by a reduction in Insolvency Service Resource DEL budget).

10. Delivering affordable energy for households and businesses

Capital spending under these subheads is, overall, forecast to increase by £1,150.8 million or 1,282.9%.

This is driven largely by:

- £1.2 billion funding from the Reserve for Net Zero Buildings for:-
  - £600.0 million for Public Sector Decarbonisation Scheme;
  - £500.0 million for Green Homes Grant – Local Authority Delivery;
  - £75.0 million for Green Homes Grant; and
  - £65.0 million for Social Housing Decarbonisation Fund;
- a reduction of £(19.9) million reflecting the transfer of Public Sector Energy Efficiency budget to the Devolved Administrations and the Department for Education; and
- the transfer of £(65.2) million of Energy Efficiency Loans budget to Salix (on subhead *Taking action on climate change and decarbonisation*) following the inclusion of Salix within the BEIS group;
- a reduction of £(4.2) million to align with final opening internal budgets.

11. Managing our energy legacy safely and responsibly

Capital DEL spending under these subheads is, overall, forecast to increase by £5,084.1 million, or 43,828.4%, since the Main Estimate.

This is driven largely by:

- funding from the Reserve of £5,070.0 million for the Nuclear Liabilities Fund (NLF) in the form of a deposit in the National Loans Fund. This offers an alternative investment opportunity to the NLF, which otherwise would re-allocate monies within the next month into investments in its privately held asset portfolio. Such re-allocation would increase Public Sector Net Debt, and so this alternative funding arrangement avoids this immediate negative fiscal impact. The payment to the NLF is fiscally neutral;
- an increase of £10.2 million to align with final opening internal budgets; and
- a £2.6 million transfer from Security and Intelligence Agencies for Global Threat Reduction and Nuclear Security.

12. Capability

Capital spending under these subheads is, overall, forecast to decrease by £146.3 million or 95.2%.

This is driven largely by:

- a reduction of £(145.8) million reflecting the reallocation of unused Financial Transaction budgets to British Business Bank;
- the surrender of £(23.2) million unused funding for EU Exit; and
- partially offset by an increase of £23.8 million reflecting alignment to final opening budgets and internal allocation of funds held centrally at the time of the Main Estimate.

13. Government as Shareholder

Capital spending under these subheads is, overall, forecast to increase by £951.2 million or 155.7%.

This is driven largely by:

- £1,100.0 million funding from the Reserve for the Future Fund;
- £259.8 million increased funding from the Reserve (together with £145.8 million reallocation of unused Financial Transactions budgets across the Department) for British Business Bank, reflecting the high forecast for Financial Transactions. Budgets are set for British Business Bank to deal with a range of possible spending scenarios and ensure that the Bank can operate commercially without being unduly constrained by annual budgeting. This means that there is a possibility of funding being unutilised at the end of the year. The revised budget will provide sufficient buffer to fund committed drawdowns that could occur in the final quarter;
- partially offset by the return of unused funding of £(99.7) million for Life Sciences programme, European Investment Fund, and National Security Strategic Investment Fund (NSSIF);
- a £(123.5) million decrease to align with final opening internal budgets; and
- the surrender of £(324.0) million funding originally allocated in the Main Estimate for Coronavirus Business Loans, following confirmation of the budgetary treatment.

14.Nuclear Decommissioning Authority

Net Capital DEL spending under these subheads, is, overall, forecast to decrease by £281.0 million, or 13.5%, since the Main Estimate.

This is due to:

- a reduction of £(141.0) million underspends on Capital DEL, offset by a claim on the Reserve in Resource DEL, to match the expected split between Resource and Capital DEL for nuclear decommissioning costs; and
- a £(140.0) million surrender of unused Capital budget.

Resource AME

The table below shows how spending plans for Resource AME compare with Main estimates.

Subheads	Description	**Resource AME**				
		£ million			%	
		This year (2020-21 Supplementary Estimates sought)	*This year (2020-21 Main Estimates approved)*	change from Main Estimate		*note number*
U, AD	Deliver an ambitious industrial strategy	-9,619.6	-55.4	**-9,564.3**	**17,272.4%**	15
V, AE, AM	Promote competitive markets and responsible business practices	713.2	485.2	**228.0**	**47.0%**	16
W	Delivering affordable energy for households and business	94.0	0.0	**94.0**	**n/a**	17
X, AF	Taking action on climate change and decarbonisation	8,000.2	0.0	**8,000.2**	**n/a**	18
Y, AG, AL	Managing our energy legacy safely and responsibly	93.8	-29.4	**123.2**	**-418.8%**	19
Z, AH	Science and Research	20,502.6	81.4	**20,421.2**	**25,089.9%**	20
AA, AI	Capability	1.0	-71.2	**72.2**	**-101.4%**	21
AB, AJ	Government as Shareholder	431.5	11,610.9	**-11,179.5**	**-96.3%**	22
AC	Renewable Heat Incentive	1,150.0	1,150.0	**-**	**-**	
AK	Nuclear Decommissioning Authority	1,940.0	1,576.0	**364.0**	**23.1%**	23
	Total voted and non voted	23,306.5	14,747.5	**8,559.0**	**58.0%**	

Differences of more than 10% which are more than £10 million are explained below.

15. Deliver an ambitious industrial strategy

Resource AME spending on these subheads is forecast to be £9,564.3 million lower than forecast at Main Estimates. This is largely due to a credit of £10,824.2 million reflecting the utilisation of a provision raised in 2019-20 for the Covid-19 Business Support Grants issued on 1st April 2020. This is partially offset by a budget of £1,200.0 million for Trade Credit Reinsurance provisions, and a reduction of £54.4 million in notional income for Repayable Launch Investments.

16. Promote competitive markets and responsible business practices

Resource AME spending on these subheads is forecast to be £228.0 million higher than forecast at Main Estimates. This is largely due to a forecast increase of £224.0 million for redundancy payments, and an increase of £3.0 million for parental leave schemes in line with the latest forecasts and revisions to prior year outturn calculated by the Government Actuary’s Department.

17. Delivering affordable energy for households and business

Resource AME spending on this new subhead is forecast to be £94.0 million, reflecting the forecast for Green Homes Grant Vouchers issued by 31st March 2021 that won't have been redeemed.

18. Taking action on climate change and decarbonisation

Resource AME spending on this subhead is forecast to be £8,000.2 million higher than in the Main Estimate largely due to the addition of £8,000.0 million for the movements in the fair value of Contracts for Difference held by the Low Carbon Contracts Company. Although there will in practice be no net liability to government, accounting rules mean that the movement within the year in the estimated net present value of future payments to generators has to be recognised as a liability by the Low Carbon Contracts Company. As the matching receipts from electricity suppliers are classified as future taxation they cannot be recognised as an offsetting asset in the accounts.

19. Managing our energy legacy safely and responsibly

Resource AME spending on these subheads is forecast to be £123.2 million higher than in the Main Estimate due largely to movements in provisions for Coal Authority (£107 million), Coal Health liabilities (£3.0 million), Concessionary Fuel (£(13.8) million) and British Energy liabilities (£9.8 million), primarily driven by changes in the discount rate; together with the inclusion of a provision for the Oil and Gas Authority of £9.0 million for possible decommissioning costs.

20. Science and Research

Resource AME spending on these subheads is forecast to be £20,421.2 million higher than forecast at Main Estimates. This is largely due to a £20,308.0 million provision for the Horizon Europe and Euratom (representing the value of UK association over the seven year period of operation), a £101.1 million increase in provisions for UK Research and Innovation, primarily for pensions and decommissioning costs, and a provision of £9.9 million for SURE.

21. Capability

Resource AME spending on these subheads is forecast to increase by £72.2 million from the Main Estimate. This is largely due to increases to core Department provisions for Estates costs, partially reflecting the removal of a credit included in the AME budget in the Main Estimate for a reduction in onerous lease provisions, which were ultimately included in the final 2019-20 Annual Report and Accounts.

22. Government as Shareholder

Resource AME spending on these subheads is forecast to be £11,179.5 million lower than in the Main Estimate driven by the return of £11.6 billion included in the Main Estimate for provisions associated with the Coronavirus Business Interruption Loan Scheme (CBILS) following confirmation of the accounting treatment, partially offset by additional budget for Post Office Limited (£285.0 million), Future Fund (£50.0 million) and Enrichment Holdings

Limited (£17.2 million to account for reduced sterling value of Urenco dividend due to current exchange rates).

23. Nuclear Decommissioning Authority

Resource AME spending on this subhead is forecast to increase by £364.0 million compared to the Main Estimate, following updated estimates and annual inflation and the unwinding of the discount rate being applied to the nuclear provision.

Capital AME

The table below shows how spending plans for Capital AME compare with Main estimates.

Subheads	Description	**Capital AME**				
		£ million			%	
		This year (2020-21 Supplementary Estimates sought)	*This year (2020-21 Main Estimates approved)*	change from Main Estimate		*note number*
U, AD	Deliver an ambitious industrial strategy	10.0	10.0	**-**	**-**	
X, AF	Taking action on climate change and decarbonisation	3.3	-	**3.3**	**n/a**	
Y, AG, AL	Managing our energy legacy safely and responsibly	-115.1	-113.0	**-2.0**	**-1.8%**	
Z, AH	Science and Research					
AB, AJ	Government as Shareholder	32,229.6	752.7	**31,476.9**	**4,181.7%**	24
	Total voted and non voted	32,127.8	649.7	**31,478.1**	**4,844.9%**	

24. Government as Shareholder

Capital AME expenditure on these subheads is forecast to be £31,476.9 million higher than in the Main Estimate due to the inclusion of £31,430.0 million cover for the Financial Guarantees arising from the Coronavirus Business Loan schemes (BBLS, CBILS and CLBILS), together with a decrease in income of £46.9 million for the BIS (Postal Services Act 2011) company due to a change in the accounting for this body.

2.3 Ring fenced budgets

Within the totals, the following elements are ring fenced i.e. savings in these budgets may not be used to fund pressures on other budgets without express permission from HM Treasury.

Spending total **Amounts sought this year** **(Supplementary Estimate 2020-21)**		**Compared to original budget this year** **(Main Estimate 2020-21)**		**Compared to final outturn last year** **(Outturn 2019-20)**	
		£m	**%**	**£m**	**%**
Science and Research* (Capital DEL) *Of which:*	£7,273.1m	+£302.6m	+4.3%	+£1,006.2m	+16.1-x.x%
Infrastructure	*£1,550.0m*	+£291.8m	+23.2%	*+£572.0m*	*+58.5x%*
R&D	*£5,159.0m*	*+£88.7m*	*+1.7%*	*+£352.7m*	*+7.3%*
Global Challenges / Newton Fund	*£564.1m*	*-£77.9m*	*-12.1%*	*+£81.5m*	*+16.9%*
International Climate Finance (ICF) ODA (Official Development Assistance) (Resource DEL)	£87.1m	+£22.0m	+33.8%	+£13.8m	+18.9%
International Climate Finance ODA (Capital DEL)	£490.0m	-£0.1m	-0.0%	+£226.1m	+85.1%
Financial transactions *Of which:*	£1,917.2m	+£1,725.3m	+899.2%	+£1,777.5m	+1,272.3%
British Business Bank	*£494.9m*	*+£436.0m*	*+93,335.9%*	*+£195.4m*	*+65.2%*
Northern Powerhouse	*£70.3m*	*-£2.8m*	*-3.9%*	*+£26.2m*	*+59.3%*
Midlands Engine	*£73.2m*	*+£2.9*	*+4.1%*	*+£32.2m*	*+78.4%*
British Technology Investments	*£16.0*	*-£34.0m*	*-68.0%*	*n/a*	*n/a*
Future Fund	*£1,100.0m*	*+£1,100.0m*	*n/a*	*n/a*	*n/a*

OneWeb	*£318.8*	*+£318.8m*	*n/a*	*n/a*	*n/a*
ICF ODA	*£84.0m*	*+£84.0m*	*n/a*	*+£52.9m*	*+170.1%*
Heat Networks	*£36.0m*	*-£32.0m*	*-47.1%*	*+£36.0m*	*n/a*
Met Office	*£43.2m*	*+£0.4m*	*+1.0%*	*+£16.4m*	*+61.3%*
UK Research and Innovation (UKRI)	*£41.1m*	*+£30.3m*	*+280.2%*	*+£36.6m*	*+810.9%*
Launch Investments	*-£327.2m*	*-£1.7m*	*+0.5%*	*+£12.5m*	*-3.7%*
Other	*-£55.2m*	*-£198.7m*	*-138.4%*	*-£87.6m*	*-270.1%*
Nuclear Decommissioning Authority (Resource DEL)	£651.2m	+£131.2m	+25.2%	+£69.1m	+11.9%
Nuclear Decommissioning Authority (Capital DEL)	£1,805.0m	-£281.0m	-13.5%	+£7.8m	+0.4%
EU Exit Funding (Resource DEL)	£108.4m	-£8.7m	-7.4%	-£5.5m	-4.8%
EU Exit Funding (Capital DEL)	£50.3m	-£23.7m	-32.1%	+£12.6m	+33.6%
EII compensation	£127.0m	-	-	+£25.8m	+25.5%
South Tees Site Company	£34.0m	-£9.0m	-20.9%	+£12.9m	+61.3%
Companies House anti-money laundering activities	£8.0m	-	-	n/a	n/a
Covid-19 business support (Resource DEL)	£23,619.6m	+£10,200.6m	+76.0%	n/a	n/a
Covid-19 business support (Capital DEL)	-	-£324.0m	-100.0%	n/a	n/a
Depreciation	£301.0m	-£35.7m	-10.6%	-£30.5m	-9.2%

* Science and Research figures exclude £1.5 billion NPIF additional funding from Autumn Statement 2016

2.4 Changes to contingent liabilities

The list of contingent liabilities shown in Part III: Note K has been updated in line with those included in the BEIS 2019-20 Annual Report and Accounts. In addition, the Contingent Liability notified to Parliament on 26th November 2020[8] for the Human Challenge Project has been included.

New contingent liabilities since 2018-19 are as follows:

- Core Department – Horizon 2020 funding;
- Low Carbon Contracts Company – Legal Dispute; and
- UKRI – Tax status change (business rates).

Contingent Liabilities were also notified to Parliament for the Covid-19 business loan scheme guarantees (for BBLS, CBILS and CLBILS) and for Trade Credit Reinsurance. The guarantees for the business loan schemes are included within Capital AME budgets and a provision for Trade Credit Insurance is included within Resource AME. Although there is some uncertainty, the expected values of these schemes have been included with the Supplementary Estimate at fair value. Therefore, there is no disclosure in relation to these schemes as a contingent liability.

[8] https://questions-statements.parliament.uk/written-statements/detail/2020-11-26/hcws605

3. Priorities and performance

3.1 How spending relates to objectives

The table below shows how expenditure against each subhead contributes to Departmental priorities.

Objective>>>> Estimates subheads	1: Fighting Coronavirus	2: Backing business	3: Unleashing innovation	4: Tackling climate change
A, K, U, AD	X	X	X	
B				X
C, L, V, AE, AM		X	X	
D, W			X	X
E, M			X	X
F, N, X, AF			X	X
G, O, Y, AG, AL				X
H, P, Z, AH	X	X	X	X
I, Q, AA, AI	X	X	X	X
J, R, AB, AJ	X	X	X	X
S, T, AK				X
AC				X

For 2021-22, new priorities will be included in the Operational Delivery Plan for the Department.

3.2 Measures of performance against each priority

BEIS's Single Departmental Plan (see here) set out the high-level objectives, and measures of performance, for the department.

The latest update to these performance measures is here.

3.3 Major projects

The Department is responsible for eight major projects, three are nuclear energy or decommissioning projects, and most of the remaining portfolio relates to energy networks and systems:

- Geological Disposal Facility Programme (GDF)
- Heat Networks Investment Project

- Local Land Charges (LLC) Programme
- Magnox & RSRL PBO Competition
- New Polar Research Vessel
- Smart Metering Implementation Programme
- The Next Magnox Operating Model
- Future Shared Services Programme (closed in 2020).

The Infrastructure and Projects Authority reports on delivery of major projects annually. Data for BEIS can be found here.

4. Other information

4.1 Breakdown of Administration Budget

Spending total **Amounts sought this year** **(Supplementary Estimate 2020-21)**		**Compared to original budget this year** **(Main Estimate 2020-21)**	
	£ million	**£ million**	**%**
Wages and salaries	347.0	+79.1	+29.5
Purchase of goods and services/other	142.8	-40.2	-22.0
Rentals	35.8	+9.7	+37.3
Notional Audit Fee	0.7	+0.0	+0.8
Depreciation	11.6	-4.0	-25.8
Sales of goods & services/fees & charges income	-9.8	-+2.5	-20.1
OGD income for Committee on Climate Change	-2.0	-	-
Total core department & Agency administration	**526.0**	**+47.1**	**+9.8**
UKRI (depreciation)	9.6	+5.3	+123.3
ACAS	7.9	-	-
Competition Service	0.7	-	-
Civil Nuclear Police Authority	3.1	-	-
UK Shared Business Services	1.6	+0.1	+6.7
Committee on Climate Change	5.7	+0.5	+10.4
Coal Authority	5.0	+0.1	+2.1
Oil and Gas Authority	0.0	-	-
Postal Services Holding Co and BIS (Postal Services Act 2011) Co	0.0	-	-
Nuclear Decommissioning Authority	55.2	-9.8	-15.1
Total Partner Organisations administration	**88.8**	**-5.7**	**-6.0**
Total Administration Budget	**614.8**	**+41.4**	**+7.2**

4.2 Additional tables for Nuclear Decommissioning Authority

NDA DEL Budgets	£ million			
	2018-19 outturn	2019-20 outturn	2020-21 plans	2021-22 plans
Resource DEL expenditure	1,175.3	1,330.2	1,284.2	1,506.0
Resource DEL income	-978.4	-748.1	-633.0	-990.0
Net Resource DEL	**197.0**	**582.1**	**651.2**	**516.0**
of which Admin	*50.6*	*52.9*	*55.2*	*66.0*
Capital DEL expenditure	2,002.7	1,797.2	1,805.0	2,035.0
Capital DEL income	-	-	-	-
Net Capital DEL	**2,002.7**	**1,797.2**	**1,805.0**	**2,035.0**
Total Net DEL	**2,199.7**	**2,379.3**	**2,456.2**	**2,551.0**

NDA AME Budgets	£ million		
	2018-19 outturn	2019-20 outturn	2020-21 plans
Depreciation/Impairments	206.9	144.8	35.0
Movement in Provisions/other non-cash	-101,998.2	4,226.9	1,905.0
Total AME	**-101,791.3**	**4,371.7**	**1,940.0**

NDA Outturn 2015-16 to 2017-18	£ million		
	2015-16	2016-17	2017-18
Resource DEL expenditure	1,417.7	1,290.3	1,257.6
Resource DEL income	-977.8	-1,029.6	-1,179.7
Net Resource DEL	**440.0**	**260.7**	**78.0**
of which Admin	*35.0*	*38.2*	*42.1*
Capital DEL expenditure	1,827.7	1,970.7	2,051.0
Capital DEL income	-51.6	-	-
Net Capital DEL	**1,776.1**	**1,970.7**	**2,051.0**
Total Net DEL	**2,216.0**	**2,231.4**	**2,129.0**

AME Depreciation/Impairments	54.4	29.0	305.8
AME Movement in Provisions/other non-cash	89,743.6	2,821.5	69,606.0
Total AME	**89,797.9**	**2,850.5**	**69,911.9**

5. Accounting Officer Approval

This memorandum has been prepared according to the requirements and guidance set out by the House of Commons Scrutiny Unit, available on the Scrutiny Unit website.

The information in this Estimates Memorandum has been approved by Kim Humberstone as co-Director of Finance, on behalf of Sarah Munby, Head of Department and Accounting Officer of the Department for Business, Energy and Industrial Strategy, who is responsible for this Estimate.

Kim Humberstone

Co-Director of Finance

Department for Business, Energy and Industrial Strategy

22 February 2021