Committee on Climate Change



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Committee on Climate Change

Annual Report and Accounts

1 April 2012 to 31 March 2013

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CHAIRMAN'S FOREWORD

I have always supported the Climate Change Act – I was part of the team that made the Climate Change Act happen and so it is a great privilege now to have been appointed the Chairman of the Committee on Climate Change.

This year is a pivotal time for the organisation as it marks its fifth anniversary and the end of the first carbon budget period. This provides us with an opportunity to reflect on progress the UK has made not only in meeting the first carbon budget but on the policies that have been implemented so far. We will also be reviewing our advice on the fourth carbon budget period and beginning work on advice for setting the fifth carbon budget.

We will continue to have a key role to play in shaping policy with the Government's Energy Bill going through its final stages in Parliament. This Bill will establish a legislative framework for delivering secure, affordable and low-carbon energy. However, there are some issues which need addressing. As always, we will provide advice based on the best evidence available, helping policy-makers to navigate difficult choices and pushing for strong policies and investment in the right low-carbon technologies.

As part of the Government's commitment to ensuring accountability in public life, all Non Departmental Public Bodies (NDPBs) are subject to a review every three years. Accordingly, the Committee is to go through this process this year and the findings of the review are expected to be announced in the autumn.

I would like to thank both Committees and our Secretariat for their exceptional hard work, commitment and continued high quality outputs which have made the Committee what it is today.

Lord Deben
Chairman,
Committee on Climate Change
20 June 2013

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CHIEF EXECUTIVE'S MESSAGE

We were delighted to have Lord Deben join as our new Chairman from September 2012. His long-standing experience in politics and business has already proved valuable in the past few months, and strengthens our ability to meet future challenges.

The last year has been our busiest to date. We provided advice to the UK Government on Electricity Market Reform, impacts of low-carbon policies on energy bills and competitiveness, the role of local authorities in meeting carbon budgets, inclusion of international aviation and shipping emissions in carbon budgets and approaches to managing the risks of floods and droughts.

The Government has given our advice serious consideration, and generally accepted our key recommendations.

We have also continued to advise the devolved governments, which the new Chairman has made one of his priorities.

On the corporate side we refreshed our website, which improved the user experience and transparency. We have also reviewed our governance and corporate policies to ensure they maintain best practice and are aligned to organisational needs.

Looking forward, we will be focusing on the review of the fourth carbon budget, and assessing whether any of the circumstances on which the budget was set have changed. We will consider the latest climate science, the international context and the economic arguments for investing in low-carbon technologies when macroeconomic circumstances are challenging and people are worried about their energy bills.

I would like to thank members of both Committees and the Secretariat for their continued commitment and hard work, and the wide range of stakeholders who make valuable contributions to our discussions and evidence base.

David Kennedy
Chief Executive,
Committee on Climate Change
20 June 2013

03

COMMITTEE ROLE AND HIGHLIGHTS

3.1 Committee Role

The Committee's role is to provide independent evidence-based advice to the UK Government on setting and meeting carbon budgets and on adapting to climate change. The Committee was established as a statutory, executive Non-Departmental Public Body on 26 November 2008 when the Climate Change Bill was enacted into legislation. It is jointly sponsored by the Department of Energy and Climate Change (DECC), the Department for Environment, Food and Rural Affairs (Defra), the Northern Ireland Executive, the Scottish Government and the Welsh Government.

The Committee:

- Advises on the appropriate level of the UK's carbon budgets and steps required to meet them. The budgets define the maximum level of CO_2 and other greenhouse gases which the UK can emit in each 5 year budget period, beginning with 2008-12,
- Monitors progress towards meeting carbon budgets and recommending actions to keep budgets on track,
- Advises on the preparation of the UK Climate Change Risk Assessments and progress towards implementation of the UK Government's National Adaptation Programme,
- Advises on other requests for advice from national authorities in regard to carbon budgets, progress in reducing emissions and adaptation,
- Conducts independent analysis into climate change science, economics and policy, and
- Engages with a wide range of organisations and individuals to share evidence and analysis

The Committee is responsible to the UK Parliament, the Secretary of State for Energy and Climate Change, the Secretary of State for the Environment, Food and Rural Affairs and Climate Change and Environment Ministers from the devolved administrations of Northern Ireland, Scotland and Wales.

3.2 Our Business Objectives for 2013-14

Business Objective 1: Fulfilling our statutory duties as set out under the Climate Change Act 2008, including reporting on the progress made in meeting carbon budgets, review of the fourth carbon budget and preparedness to adapt to climate change.

We will achieve this by:

- Assessing progress against indicators and milestones for meeting carbon budgets including an assessment of progress and next steps on Electricity Market Reform,
- Reviewing the fourth carbon budget, assessing implications of abatement policies for industry costs and competitiveness, including an assessment of leakage and the UK's carbon footprint,
- Responding to ad hoc requests for advice from the national authorities,
- Assessing progress in preparing for the major risks identified by the first Climate Change Risk Assessment. This assessment will form part of the evidence base for the Committee's report on implementation of the UK Government's National Adaptation Programme, and

- Working with the Government to develop a way forward on preparations for the next Climate Change Risk Assessment.

Business Objective 2: Ensuring that the Committee's governance arrangements remain fit for purpose, enabling it to operate as a responsible and effective NDPB, meeting statutory and other requirements.

We will achieve this by:

- Undertaking appropriate financial and risk management, internal controls, and corporate governance to ensure resources are managed efficiently and effectively,
- Ensuring corporate and human resources processes facilitate the hiring, retention and development of a skilled and motivated workforce,
- Operating sustainable and effective environmental policies, and
- Implementing an effective communications strategy for internal and external stakeholders.

3.3 The Committee's performance highlights for 2012-13

Carbon budgets

- In April 2012, the Committee published advice on the inclusion of international aviation and shipping (IA&S) in carbon budgets as required under the Climate Change Act to inform a formal decision by Parliament on whether the net carbon account should be defined to include international aviation and shipping. The report concluded that it is essential to include international aviation and shipping emissions in the 2050 target. It also concluded that there was no longer any reason to exclude international aviation and shipping emissions in carbon budgets. However, the Committee subsequently recommended that inclusion should be delayed, given developments in the European Union Emissions Trading Scheme (EU ETS) as regards international aviation emissions.

  The Government accepted the Committee's advice, clarifying the inclusion of aviation and shipping emissions in the 2050 target, and noting that the issue of inclusion in carbon budgets should be revisited when there is more clarity over international approaches to aviation emissions.
- In May 2012, we provided advice to the Minister of State for Energy and Climate Change on the role of local authorities in reducing emissions. In our report, we identified areas where local authorities could make the biggest contribution to carbon reduction and preparing for climate change. We also considered approaches that could be adopted to drive emission reductions and prepare for the impacts of climate change. Additionally, we made recommendations on providing a supportive framework for local authority action, which could include provision of additional funding.

  In July, the Government issued guidance to English local authorities under the Home Energy Conservation Act (HECA) which included reference to the Committee's report and in particular to the development of low-carbon plans. The Government has also awarded funding to eight cities across England to help them kick-start the Green Deal, and made funding available as part of the DECC Local Authority Competition to improve energy efficiency of homes across local authority areas.
- In June 2012, the Committee published its fourth annual progress report to Parliament. The report found that whilst greenhouse gas emissions fell by 7% in 2011, only 0.8% of this was linked directly to implementation of proactive, carbon-lowering measures. The report concluded that the pace of measures to reduce emissions needed to increase fourfold to meet future budgets and urged the Government to move rapidly from planning to delivering change.
- In December 2012, the Committee published its second comprehensive analysis of the impact of meeting carbon budgets on energy bills of households together with commercial and industrial consumers. This report confirmed that annual household energy bills could increase by £100 to 2020 to support development of low-carbon technologies, concluding that it was economically sensible to insure against future high prices by investing in a portfolio of low-carbon technologies over the next two decades.

- In January 2013, the Committee reported on the progress made by the Welsh Government in reducing emissions and preparing for climate change. The report concluded that Wales continued to make good progress in reducing emissions, particularly through residential energy efficiency improvement and waste policies. However, whilst Welsh targets remained very challenging, more was needed on renewable heat, and renewable power generation. The report found that, as in England, there is a need for higher levels of investment in flood defences and more careful planning of new development to manage the increasing risk from flooding expected with climate change.
- In March 2013, the Committee published its second progress report on emission reductions in Scotland following a request by Scottish Ministers under the Climate Change (Scotland) Act (2009). The review concluded that Scotland had made good progress in delivering on emission reduction measures to date. This laid the foundation for meeting ambitious Scottish emission targets and building a low-carbon economy in Scotland. However, the report recommended that the Scottish Government now focus on fully developing its policy proposals and ensuring these and existing policies are delivered to their full potential.

Also in March, the Committee neared completion of its report on carbon footprint and competitiveness, to assess production and consumption emissions and impact of carbon budgets on UK competitiveness, preparing for publication in April 2014.

Further, the Committee has contributed to debates on Electricity Market Reform (EMR) – analysing benefits, providing evidence at select committee hearings and making recommendations on the funding for low-carbon technologies (i.e. Levy Control Framework) and carbon intensity target. The Government has accepted the former and partially accepted the latter (acknowledging the benefit of a target, but proposing to delay setting this until 2016 at the earliest).

Adaptation

- In July 2012, the ASC published its third report on the UK's preparedness for climate change. The report looked at two of the largest risks facing the country from climate change: flooding and water scarcity. The report found that there could be a fourfold increase in the number of households and businesses in England at risk of flooding in the next twenty years if further steps were not taken to prepare for climate change. The report advised greater investment in flood defences, more careful planning of new housing in the floodplain, and more action to incentivise reduction in household water use to help manage these climate change risks.
- Over the year, the ASC also provided Defra with specific advice in relation to other aspects of the Climate Change Act.
  - In November 2012, the ASC wrote to Lord de Mauley, the Defra Adaptation Minister, advising on the Government's strategy for the second round of the Adaptation Reporting Power (ARP) and identified three broad principles that would help to ensure that the ARP made a positive contribution to the national adaptation effort – usefulness, robustness and cost-effectiveness.
  - In December 2012, the ASC also wrote to the Defra Chief Scientific Adviser setting out advice to inform early preparations of the Government on the second climate change risk assessment.

Corporate

We continued to develop a wide range of organisational capabilities to underpin our effectiveness. Highlights for the year included a review of governance and corporate polices to ensure they reflected good practice and were aligned to organisational needs.

In March 2013, we launched a new website to promote better understanding of our work, improve user experience, enhance web security and increase transparency. This included making the content simple and clear, providing easy navigation with quick access to our reports and supporting analysis and also unlocking the possibility of making the site much more responsive through social media.

3.4 Deliverables in 2013-14

The Committee's deliverables for the year 2013-14 are outlined below.

Carbon budgets

- **Carbon footprint and competitiveness:** Following a request from the Minister of State for Energy and Climate Change, the Committee provided advice on the UK's carbon footprint and the impact of low-carbon policies on UK competitiveness in April. The report found that although production emissions had reduced by around 20% over the last two decades, the UK's carbon footprint had increased by 10% or more due to increased imports as incomes have grown and manufacturing has shifted to other countries as part of the broader globalisation process. However the report concluded that carbon policies had not contributed significantly to this shift. The results will feed into future reports, particularly the review of the fourth carbon budget.
- **Advice on Electricity Market Reform (EMR) delivery plan:** This report was published in May and covered key aspects of the EMR delivery plan, as part of the broader process for reporting on progress towards meeting carbon budgets. In particular, the report set out scenarios which should underpin the medium-term objective of the EMR and assessed the relative economics of decarbonisation scenarios compared to the alternative of a 'dash for gas' in the 2020s. The report concluded by drawing out implications for the contracting strategy under EMR and required funding for low-carbon technologies (Levy Control Framework).
- **Progress report to Parliament:** The Committee's annual progress report will be published in June 2013. The report will review latest emissions data, together with evidence on underlying emission drivers including weather, economic activity and implementation of abatement measures.
- **Review of the fourth carbon budget** to be published in December 2013. This will consider whether changes in circumstances since the fourth carbon budget was legislated require a revision to the budget. We will consider the latest evidence on international and EU circumstances, climate science, prospects for UK emissions and opportunities to reduce them, competitiveness (drawing on our April 2013 report), differences between England and the devolved administrations, and other relevant criteria.
- **Advice to the Devolved Administrations:**
  We will deliver the following pieces of advice to the devolved administrations:
  - Advice to the Welsh Government on progress in reducing emissions and preparing for climate change, by March 2014.
  - Advice to the Scottish Government on progress in reducing emissions in line with legislated targets, by March 2014.
  - Advice to Northern Ireland's Environment Minister on the review of the methodology to measure GHG emissions per unit of commodity output at the farm-gate, by March 2014.

Adaptation

The **ASC**'s analytical work programme in 2013-14 will focus on:

Assessment of UK preparedness: This year's progress report to be published in July will extend the work of the Committee on preparedness to some of the key ecosystem services provided by the land. It will explore the way land is used and the extent to which decisions about the land are helping the country to prepare for climate change.

04

MANAGEMENT STRUCTURE

4.1 Committee on Climate Change

The Committee on Climate Change (the Committee) is an independent body established under the Climate Change Act 2008 to provide independent advice to the UK and devolved governments and UK Parliament on reducing carbon emissions. It is made up of experts from the fields of climate change, science and economics.

The Committee is jointly sponsored by the Department of Energy and Climate Change (DECC), the Northern Ireland Executive, the Scottish Government and the Welsh Government.

During the year, the membership of the Committee was:

Lord Turner	Chairman (to June 2012)
Professor Dame Julia King	Interim Chair (from June – September 2012)
Lord Deben	Chairman (from September 2012)
David Kennedy	Chief Executive

Professor Samuel Fankhauser
Sir Brian Hoskins
Paul Johnson (from August 2012)
Lord Krebs
Lord May
Professor Jim Skea CBE

Biographical details of Committee members are published on the Committee's website at http://www.theccc.org.uk/about/structure-and-governance/committee-on-climate-change.

4.2 Adaptation Sub-Committee

The Adaptation Sub-Committee (ASC) was set up on 1 April 2009, to support the Committee in its scrutiny of the Government's work to ensure that the UK is adapting to climate change.

The ASC is jointly sponsored by the Department for Environment, Food and Rural Affairs (Defra), the Northern Ireland Executive, the Scottish Government and the Welsh Government.

During the year, the membership of the Committee was:

Lord Krebs	Chairman

Professor Samuel Fankhauser
Professor Jim Hall
Professor Dame Anne Johnson
Professor Martin Parry
Sir Graham Wynne

Biographical details of the ASC members are published on the Committee's website at http://www.theccc.org.uk/about/structure-and-governance/asc-members/.

4.3 Audit Committee

The Audit Committee advises the Accounting Officer and Committee on matters of governance, risk, financial accountability, internal control and assurance.

During the year, the membership of the Audit Committee was:
Professor Dame Julia King (Chair)
Professor Samuel Fankhauser
Lord May

4.4 The Secretariat

The Committee employs a Chief Executive and a Secretariat of 30 staff. This comprises 24 analytical staff (of which six are working to support the ASC), one secondee funded by the Devolved Administrations specialising in regional analysis and five staff providing corporate support including specialists in finance and communication.

The Committee is committed to the Civil Service Recruitment principles of fair and open competition and selection on merit. Our staff have been recruited externally, as well as from within the civil service. We promote equality of opportunity for all staff irrespective of their race, sex, disability, age, sexual orientation or religion. The challenging nature of our work means we need to attract and retain people who are at the forefront of their field. We place high importance on supporting our people, including investing in development opportunities to enhance their knowledge and skills.

The Committee is strongly committed to managing the social and environmental impacts of its activities and encourages staff to share their skills in the community and actively seeks opportunities to reduce its impact on the environment. This has included working on a report for Pro Bono Economics and staff volunteering for the London 2012 Olympics.

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MANAGEMENT COMMENTARY

5.1 Our Operations

Service Arrangements

The Committee has procured the following service arrangements for its operations:

- Payroll, procurement, accounting and human resources through Defra Shared Services (Defra SSD),
- IT infrastructure and services through the Defra's E-nabling Agreement with IBM, and
- Accommodation on the first floor of Holbein Place leased from Heritage Lottery Fund (HLF).

Priorities for accommodation, IT and shared services delivery are kept under review to ensure they remain efficient, effective and provide value for money.

Supplier Payment

The Committee uses Defra SSD to administer payments to suppliers on its behalf. The standard terms of payment for all contracts is 30 days from receipt of a valid invoice. Defra SSD is committed to the Government's prompt payment target to pay valid invoices within 5 days of receipt.

According to the statistics that have been provided to us, between 1 April 2012 and 31 March 2013, 95.81% of valid invoices received by the Committee were paid within the 5-day target (97.47% in 2011-12).

No interest was payable under the Late Payment of Commercial Debts (Interest) Act 1998 (2011-12, Nil).

Sickness Absence

During the period ended 31 March 2013 the average number of working days lost due to sickness absence was 1.46 days per full-time equivalent (2011-12, 0.62 days).

Personal Data Related Incidents

There were no personal data related incidents for the period ended 31 March 2013. (2011-12, Nil)

Financial Instruments

The Committee is not exposed to liquidity, interest rate or currency risk. Details of financial assets and liabilities are provided in note 6 to the accounts.

Pension Liabilities

Committee employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The details of this and pension liabilities are given in the Remuneration Report and accounting policy notes.

Register of Interests

A register of interests of Committee members and senior staff is maintained. A copy can be obtained on request.

5.2 Financial Summary

Accounts Direction

These financial statements have been prepared in accordance with a Direction issued by the Secretary of State for Energy and Climate Change in accordance with Schedule 1 of the Climate Change Act 2008.

Results

The accounts cover the fourth full year of the Committee's operation from 1 April 2012 to 31 March 2013 and have been prepared in accordance with the Financial Reporting Manual (FReM) issued by HM Treasury. The comparative period runs from 1 April 2011 to 31 March 2012.

During the year, the Committee on Climate Change (the Committee) was wholly funded by the Department of Energy and Climate Change (DECC), the Department for Environment, Food and Rural Affairs (Defra) and the devolved administrations.

Resource allocation during the year was £3,409,289 (2011-12, £4,151,289). The total Grant-in-Aid funding drawn down during the year was £3,148,121 (2011-12, £4,328,662). The Committee's net operating cost for the year was £3,411,830 (2011-12, £3,777,723). This decrease has been achieved mainly through a reduction in research spend and efficiency savings.

Total assets as at 31 March 2013 were reported as £293,672 (2011-12, 512,938). The decrease is mainly attributable to the amount of cash held at this date and also impacted on the net current liabilities, which increased to £288,817 (2011-12, £8,010).

Going concern

The accounts show a deficit on the Statement of Comprehensive Net Expenditure of £3,411,830 for the year ended 31 March 2013 and net liabilities of £419,689 on the Statement of Financial Position principally driven by our trade and other payables.

Our funding for 2013-14 has been agreed with DECC and set out in the Main Supply Estimate 2013-14. On this basis we consider it appropriate to prepare these financial statements on a going concern basis.

Fixed Assets

In the year to 31 March 2013, the book value of fixed assets was £177,646 (2011-12, £215,110). Of this, £12,714 related to recognition of the capital element of the service concession assets for procurement of information technology support through Defra's E-nabling Agreement with IBM as detailed in the accounting policy (£37,267 in 2011-12). The future service cost under this agreement is disclosed separately.

Events since the end of the financial year

There are no events that have happened since the end of the financial year to materially affect the contents of these financial statements. The Annual Report and Accounts were authorised for issue by the Accounting Officer on 20 June 2013.

Auditors

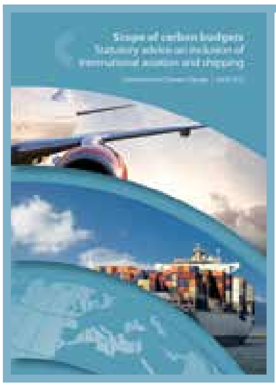
The accounts of the Committee are audited by the Comptroller and Auditor General under Schedule 1, Section 24(4) of the Climate Change Act 2008. His certificate and report appear on pages 32 to 33. The audit fee charged in the Income and Expenditure Account was £20,000 (2011-12, £20,000). The auditors received no fees for non-audit services.

So far as I am aware, there is no relevant audit information of which the Committee's auditors are unaware, and I have taken all steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Committee's auditors are aware of that information.

David Kennedy

David Kennedy
Accounting Officer
20 June 2013

06 FEATURES



6.1 Scope of carbon budgets – statutory advice on inclusion of international aviation and shipping emissions

In April the Committee produced a major report on the inclusion of international aviation and shipping emissions in carbon budgets as required under the Climate Change Act.

Emissions from international aviation and shipping were initially left out of carbon budgets and the 2050 target when the Climate Change Act became law in 2008, with the decision on inclusion delayed to 2012.

The report concluded that it is essential to include international aviation and shipping emissions in the 2050 target. It also concluded that there was no longer any reason to exclude international aviation and shipping emissions in carbon budgets. However, the Committee subsequently recommended that inclusion should be delayed, given developments in the European Union Emissions Trading Scheme (EU ETS) as regards international aviation emissions.

The report was welcomed by the majority of stakeholders and received excellent coverage across the national press, broadcast media and social media channels.

The Government accepted the Committee's advice, clarifying the inclusion of international aviation and shipping emissions in the 2050 target, and that the issue of inclusion in carbon budgets should be revisited when there is more clarity over international approaches to aviation emissions.

David Kennedy, Chief Executive said:
'We are pleased that the Government has confirmed international aviation and shipping emissions in the 2050 target. Recent changes to the EU ETS for aviation mean formal inclusion of international aviation emissions as we previously recommended is not now possible. It is therefore sensible to postpone the formal inclusion of international aviation and shipping emissions in carbon budgets – but it will be important to revisit this once current uncertainties are resolved, for example when we advise on the fifth carbon budget in 2015.'

6.2 Local Authorities – how they can reduce their emissions and manage climate risk

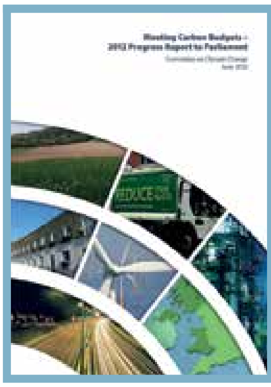
The Committee was commissioned by DECC to provide advice on the role of local authorities in reducing emissions. The report found that local authorities have a crucial role to play in contributing to emissions reductions and helping the UK meet its carbon targets.

It highlighted the need for additional funding in order for local authorities to fulfil this role, and suggested a possible statutory duty for local authorities to set out and implement a low-carbon plan.

The report found that carbon reduction programmes could bring a range of benefits to local communities in the form of reduced energy bills, economic regeneration and jobs, and improved health.

Professor Dame Julia King, our interim Chair noted:
'The research we've done shows local authorities have the potential to significantly impact on the UK's scale and speed of emissions reductions. There is a wealth of good work being done already at local and regional levels but many opportunities remain untapped. It is essential that these opportunities are delivered if we are to meet our national carbon targets'.

In July, the Government issued guidance to English local authorities under the Home Energy Conservation Act (HECA) which included reference to the Committee's report and in particular to development of low carbon plans. The Government has also awarded funding to eight cities across England to help them kick-start the Green Deal, and made funding available as part of the DECC Local Authority Competition to improve energy efficiency of homes across local authority areas.



6.3 2012 Progress Report to Parliament

At the end of June, the Committee published its fourth annual progress report to Parliament assessing progress towards meeting carbon budgets.

The headline message was that the pace of measures to reduce emissions needs to increase fourfold to meet future budgets and the report urged the Government to move rapidly from planning to delivering change. Although emissions fell by 7% in 2011 this was mainly due to a combination of mild weather, rising fuel prices and falling incomes. Only 0.8% of the reduction in emissions was linked directly to implementation of proactive, carbon-lowering measures.

The report highlighted challenges including: lack of investment across renewable energy and low-carbon power technologies; slow progress on loft, cavity and solid wall insulation; limited improvement in new van emissions and a lack of policies to encourage changes in travel behaviour.

The report made recommendations on:

- **Electricity Market Reform** – this needs a clear carbon objective, and resolution of detailed design issues, to encourage investor confidence. It is crucial that the programme to fund CCS demonstration proceeds urgently, with projects selected by the end of 2012 and contracts signed by the end of 2013. Within this, there should be at least one gas CCS project.

- **Green Deal & Energy Company Obligation** – incentives should be strengthened to increase delivery rates. New arrangements are needed to support uptake of renewable heat in the residential sector. This should include: extending the Renewable Heat Incentive; providing finance to cover up-front investment costs; and addressing market barriers such as households lacking information and confidence in renewable heat technologies.
- **Surface Transport** – there is scope for strengthening policy incentives to encourage reduction of new van emissions. The decision on company car tax relief for electric vehicles announced at the last budget should be reversed. The Government should clarify how it will roll out sustainable travel programmes across the country.

6.4 Is the UK preparing for flooding and water scarcity?

The Adaptation Sub-Committee published its third report on the UK's preparedness for climate change.

This year the report focussed on two of the largest risks facing the country from climate change: flooding and water scarcity. It found that there could be a four fold increase in the number of households and businesses in England at risk of flooding in the next twenty years if further steps were not taken to prepare for climate change.

The report also indicated that water scarcity is likely to become more common in some parts of the country in the future due to the combined effects of climate change and population growth. This is likely to be exacerbated by levels of household water consumption that are among the highest in northwest Europe.

We advised that there should be greater investment in flood defences, more careful planning of new housing in the floodplain, and more action to incentivise household water use to help manage these climate change risks.

The report received wide coverage across national media, with much of the focus on the flooding angle.

Lord Krebs, Chair of the Adaptation Sub-Committee said:
`Extreme weather is likely to become more common in the future as a result of climate change. We must take adaptation more seriously if we are to manage the growing risks of floods and droughts. This can be done by investing more in flood defences, faster roll-out of water meters and giving serious consideration to where and how we build our housing and infrastructure. Without action by households and businesses to prepare for these inevitable weather extremes the country faces rising costs, unnecessary damage and future disruption.'

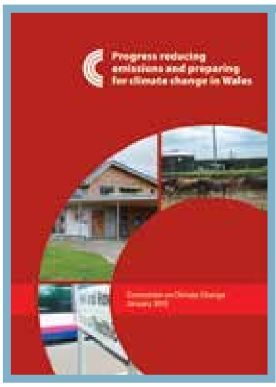
The Association of British Insurers said:
'Adaptation Sub-Committee report provides a stark reminder of the scale of flood risk – the UK's biggest climate challenge'.

6.5 Energy prices and bills – impacts of meeting carbon budgets

In December, the Committee published its second assessment of the impact of carbon budgets on energy bills of households, together with commercial and industrial consumers.

The report confirmed that annual household energy bills could increase by £100 in 2020 to support development of low-carbon technologies. However, bill increases beyond 2020 are likely to be limited. In contrast, bills would continue to increase with continued reliance on unabated gas-fired generation, due to the rising carbon price and possible increases in the gas price.

The report found that the primary causes of energy bill increases since 2004 have been an increase in the international price of gas and investment in electricity/gas networks. Whilst low-carbon policies have impacted energy bills, this impact remains small and these policies provide affordability and fuel poverty benefits.

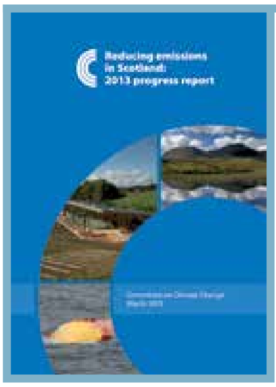


6.6 Progress on reducing emissions across the devolved administrations

In January 2013, the Committee reported that Wales had made good progress towards reducing carbon emissions and preparing for climate change, despite a sharp emissions increase in 2010 due to particularly cold winter temperatures.

There has been good progress in the residential and waste sectors and in residential energy efficiency improvement and investment in renewable heat. However, continued and increased effort will be required across all sectors, to meet Wales' challenging emission targets. More is needed on energy efficiency improvement, renewable heat, and renewable power generation, and opportunities to reduce surface transport emissions should also be further explored if targets are to be achieved.

The Welsh Government also asked the Committee to assess potential climate change provisions in the context of the upcoming Environment Bill. This provides an opportunity to put the current approach on a statutory basis. It could be helpful in addressing uncertainty and strengthening incentives if statutory targets were to be based on a robust assessment of cost-effective abatement potential and within the Welsh Government's sphere of influence.



In March 2013, the Committee published its second progress report to Scottish Ministers, as requested under the Climate Change (Scotland) Act (2009).

Scotland is committed to a series of annual emission reductions targets, which are currently legislated from 2010 to 2027. The report assessed progress against the first (2010) target, finding that although the target was missed by just over 1 $MtCO_2e$ (2%), this could be attributed to the exceptionally cold winter months which increased energy demand for heating, particularly in the residential sector. In a normal year for temperature, the report suggests that the target would have been achieved.

The report concluded that Scotland made underlying progress in implementing low-carbon policy measures across most sectors, including: leading the UK on renewable power with 36% of electricity consumption met from renewable energy – exceeding the 2011 target of 31%, setting a 2030 decarbonisation target for the power sector; making steady improvements in the insulation of homes; legislating waste targets ahead of EU requirements; increasing tree planting rates and investing £1.7 million for peat land restoration from 2012-2015.

It is important for the Scottish Government to continue to develop the detail around these proposals and focus on implementing and delivering policies at the increased rate that will be required across all sectors to meet future targets.

07

SUSTAINABILITY

7. Sustainability

Our aim is for the Committee to follow sustainable business practices and be a low-carbon, resource efficient organisation by:

- Measuring, monitoring, reducing and off-setting our carbon emissions,
- Engaging in sustainable procurement practices, and
- Reducing waste and increasing recycling.

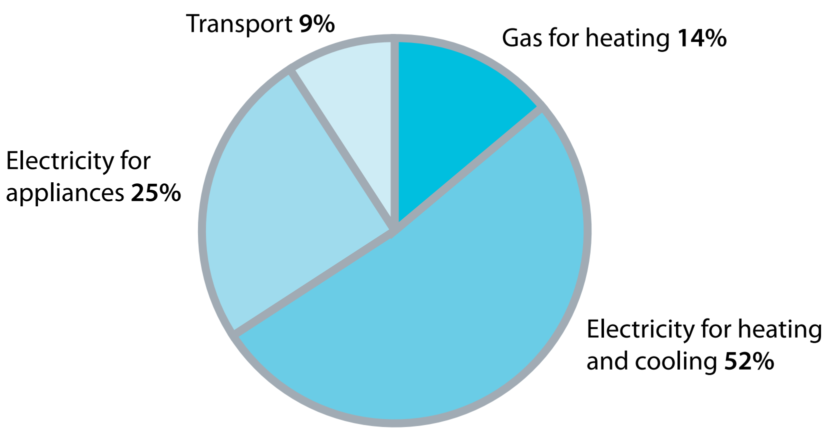
7.1 Measuring, monitoring, reducing and off-setting our carbon emissions

Committee's emissions in 2012-13

We estimate **59 tonnes CO_2e** was emitted by the Committee in 2012-13, a decrease of 1.6% over 2011-12.

Figure 1 shows how the emissions produced are split between gas used for heating, electricity used for heating, cooling and appliances (computers, lights, etc), and business travel.[1]

Figure 1: The Committee's Emissions (1 April 2012 to 31 March 2013)



Total emissions
59 tonnes CO_2e

1 This includes travel by members of the Secretariat for business purposes and excludes private commuting. It also includes travel undertaken by Committee members on Committee business.

The Committee has offset its emissions produced across all areas of the business through Carbon Retirement, which is covered by the UK Government's Quality Assurance Scheme for Carbon Offsetting and ensures best practice in carbon offsetting. The Committee was accredited with the Carbon Trust Standard in 2013, reflecting the emissions reduction we achieved over the previous year.

Emissions from heating and cooling: These account for the majority of emissions produced – 39 tonnes CO_2e (66%). This comprises gas for heating (8 tonnes CO_2e), which has increased by around a third since last year due to the long and cold winter, and the use of electricity for the heating and air-conditioning systems (31 tonnes CO_2e) which is around the same level as last year. These systems aren't under the Committee's control as the equipment is used across the whole building and is the responsibility of the landlord – Heritage Lottery Fund (HLF).[2] Since moving to our offices in Holbein Place, we have worked with HLF to improve the energy management in the building. HLF is undertaking a review of electricity consumption for the whole building. This involves installing meters on each floor to investigate power usage and undertaking enhanced maintenance to improve the efficiency of the electrical devices. The Committee will explore the scope for carrying out a Green Deal Assessment for the premises.

Emissions from electricity for equipment and appliances: This covers electricity consumption for equipment and appliances and accounts for 25% of our emissions (14 tonnes CO_2e). Last year we installed smart meters which measure electricity usage for our floor, and intelligent power strips which enable equipment to be automatically turned off when not in use. There is limited scope to further reduce these emissions as the appliances we use are already energy efficient and the consumption is mostly non-discretionary. However, the Committee will ensure that behavioural measures, such as switching of computers and monitors when staff are away from workstations continue to be reinforced, and that any replacement appliances are the most energy efficient on the market.

Emissions from transport: Around 9% of emissions are from transport for business travel (5.3 tonnes CO_2e). This encompasses car, rail and air travel undertaken by Secretariat staff and by Committee members when travelling on Committee business. It represents a reduction of over a third 2011-12 (8.7 tonnes CO_2e), primarily due to a reduction in rail and domestic air travel.

Most of our travel is by rail, with UK domestic flights used only in exceptional circumstances. The organisation is also committed to minimising the need for travel though the use of video/teleconferencing.

7.2 Sustainable procurement

The Committee integrates sustainability into its procurement practices by:

- Considering sustainability concerns as part of all procurement decisions, including when the Committee enters into contracts with new suppliers or tenders for services from external contractors.
- Printing limited numbers of reports in hardcopy, and by only working with sustainable publishing and printing agencies (e.g. using 100% recycled FSC certified paper, vegetable inks, uncoated paper and waterless printing).
- Setting printers to print double-sided as default and using 100% recycled paper.

2 Due to communal systems for gas used for heating and electricity for heating and cooling, we are unable to calculate the Committee's actual usage for these utilities and instead had to rely on data provided by the landlord for the whole building to assess our proportionate share, based on floor area.

7.3 Waste and recycling

We are working to use resources efficiently so that we produce less waste, and to reduce the amount of waste sent to landfill through increased recycling.

Key initiatives include:

- Reducing waste through striving to reduce the amount of stationery purchased and by purchasing recycled stationery products where possible.
- Minimising our impact by only using tap water in the office and at external events.
- Bin-less office with units for recycling office consumables (e.g. paper, card, cans, plastic bottles, toner cartridges) and food waste.

Work is ongoing to ensure that staff cut down on waste generally (e.g. paper usage) and increase the amount of waste that they recycle. The Committee has recycled 3.8 tonnes (2011-12, 3.4 tonnes) of waste through Viridor London, including paper, packaging and food waste. We also sent around 1 tonne of waste to landfill during the year which is at a similar level to last year.

08

REMUNERATION REPORT

8.1 Remuneration Policy

The Chief Executive's remuneration is determined by the Committee. This is on the basis of a performance evaluation by the Chair, and inter alia on recommendations by the Senior Salaries Review Body regarding Senior Civil Service pay.

Up to 9% of the Chief Executive's remuneration is subject to performance conditions. It is measured against delivery of objectives set by the Committee at the beginning of the year and is only triggered if all main performance targets are exceeded.

None of the remuneration of any Committee Member is subject to performance conditions.

8.2 Service contracts

Staff

Appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit following fair and open competition. The code also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

The Chief Executive is on a permanent contract that may be terminated by the Committee or the Chief Executive by giving three months notice.

Further information about the about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.co.uk.

Committee Members

All appointments to the Committee on Climate Change are made on behalf of the Secretary of State for Energy and Climate Change. Appointments to the Adaptation Sub-Committee are made on behalf of the Secretary of State for Environment, Food and Rural Affairs. These appointments are made in accordance with the Code of Practice for Ministerial Appointments to Public Bodies issued by the Office of the Commissioner for Public Appointments.

Chairs and Committee Members are normally appointed for a fixed period up to five years. Either party may terminate an appointment for any reason upon giving three months' notice in writing or the appointment may be terminated immediately by mutual consent. The Departments (DECC or Defra) may also terminate an appointment immediately should the member be guilty of any conduct that, in the opinion of the Department, renders them unsuitable to continue.

The remuneration for the Committee on Climate Change is determined by the Department of Energy and Climate Change. In 2012-13, the Chairman of the Committee for Climate was paid £1,000 per day with an average time commitment of 3 days per month. Committee members were paid £800 per day with an estimated time commitment of 2 days per month.

The remuneration for the Adaptation Sub-Committee is determined by the Department for Environment, Food and Rural Affairs. In 2012-13, the Chairman of the Adaptation Sub-Committee was paid £900 per day with an average time commitment of 3 days per month. Committee members were paid £800 per day with an estimated time commitment of 2 days per month.

8.3 Remuneration (including salary) and pension entitlements

The following sections provide details of the remuneration and pension interests of the Chief Executive and Committee Members and have been subject to audit.

Remuneration Salary and Benefits in Kind (audited information)

	2012-13		2011-12	
	Salary £000	Benefit in kind to nearest £100	Salary £000	Benefit in kind to nearest £100
Chief Executive				
David Kennedy	115-120	–	100-105	–
Performance pay (included in above)	5-10	–	10-15	–
Committee on Climate Change				
Committee Chair				
Lord Deben (from 11 September 2012 for 5 years)	20-25 (full-year equivalent 35-40)	100	–	–
Lord Turner (to 7 June 2012)	0-5 (full-year equivalent 15-20)	100	15-20	1,600
Committee Members				
Professor Samuel Fankhauser* (reappointed to 31 December 2016)	15-20	–	20-25	–
Professor Michael Grubb (to 17 April 2011)	–	–	–	300
Sir Brian Hoskins (reappointed to 21 December 2017)	5-10	–	10-15	–
Professor Dame Julia King (reappointed to 1 August 2018)	5-10	2,800	5-10	2,700
Lord May (reappointed to 21 December 2016)	5-10	900	5-10	800
Professor Jim Skea (reappointed to 31 December 2017)	10-15	700	10-15	–
Paul Johnson (from 9 August 2012 for 5 years)	5-10 (full-year equivalent 10-15)	–	–	–

* Professor Samuel Fankhauser is also a member of the ASC. The figures shown above comprise fee payment for both Committees.

Remuneration Salary and Benefits in Kind (audited information) (continued)

	2012-13		2011-12	
	Salary £000	Benefit in kind to nearest £100	Salary £000	Benefit in kind to nearest £100
Adaptation Sub-Committee				
Committee Chair				
Lord Krebs**	20-25	4,500	25-30	4,500
Committee Members				
Dr Andrew Dlugolecki (to 31 December 2011)	–	–	10-15 (full-year equivalent 15-20)	3,900
Professor Jim Hall	10-15	2,100	10-15	2,600
Professor Dame Anne Johnson	10-15	–	10-15	–
Professor Martin Parry	10-15	2,700	10-15	3,900
Professor Tim Palmer (to 31 December 2011)	–	–	0-5 (full-year equivalent 5-10)	600
Sir Graham Wynne	10-15	1,300	15-20	2,100
Highest paid Director's Total Remuneration***		115-120		100-105
Median Total Remuneration		48,203		46,975
Ratio		2.4		2.2

** Lord Krebs is also a member of the Committee on Climate Change. The figures shown above comprise fee payment for both Committees..

*** Reporting bodies are required to disclose the relationship between the salary of the most highly-paid director in their organisation and the median earnings of the organisation's workforce. The banded salary of the most-highly paid director in the CCC in the financial year 2012-13 was £115k-£120k (2011-12, £100k-£105k). This was 2.4 times (2011-12,2.2) the median salary of the workforce, which was £48,203 (2011-12, £46,975). In 2012-13, 0 employees received remuneration in excess of the most highly paid director (2011-12, 0).

Pension Benefit of Senior Staff (audited information)

Committee Members

Committee Members are not members of any pension scheme and no contributions are paid towards an individual's personal pension plan.

	Accrued pension age as at 31/03/13 and related lump sum £000	Real Increase in pension and lump sum at pension age £000	CETV at 31/03/13 £000	CETV at 31/03/12 £000	Real increase in CETV £000	Employer contribution to partnership pension accounts £
Chief Executive						
David Kennedy	20-25 plus a lump sum of £0	2.5-5 plus a lump sum of £0	248	187	45	–

8.4 Salary

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; and any other allowance to the extent that it is subject to UK taxation.

8.5 Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2012-13 relate to performance in 2012-13 and the comparative bonuses reported for 2011-12 relate to the performance in 2011-12.

8.6 Benefit in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. The Committee members were reimbursed for travel and subsistence costs incurred whilst attending Committee meetings, on which the Committee also paid the tax due.

8.7 Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (classic, premium or classic plus); or a 'whole career' scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with Pensions Increase legislation. Members who joined from October 2002 could opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 1.5% and 3.9% of pensionable earnings for classic and 3.5% and 5.9% for premium, classic plus and nuvos. Increases to employee contributions will apply from 1 April 2013. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and, immediately after the scheme year end, the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted, is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

Further details about the Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk.

8.8 Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

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

8.9 Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

David Kennedy
Accounting Officer

20 June 2013

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STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under Schedule 1, Section 24(2) of the Climate Change Act 2008, the Secretary of State for Energy and Climate Change has directed the Committee to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Committee and of its income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- Observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- Prepare the accounts on a going concern basis.

The Sponsoring Accounting Officer of DECC has designated the Chief Executive as Accounting Officer of the Committee. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Committee's assets, are set out in the Accounting Officers' Memorandum, issued by HM Treasury and published in Managing Public Money.

10

GOVERNANCE STATEMENT

Introduction

This statement sets out the governance, risk management and internal control arrangements that have operated in the Committee on Climate Change (the Committee) during the period 1 April 2012 to 31 March 2013.

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining effective governance and a sound system of internal control that supports the achievement of the Committee's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me within 'Managing Public Money'.

The Committee is responsible for providing independent advice to the UK and devolved governments and the UK Parliament on reducing carbon emissions. I operate within the terms of the Climate Change Act 2008 which sets out the legal duties of the Committee and the Framework Document established for the Committee's accountability with DECC, Defra and the devolved administrations.

We consult on our corporate plan with the Sponsor Group, comprising DECC, Defra and the devolved administrations. The plan includes our strategic and business objectives as framed by the Climate Change Act and any additional requests from sponsors for advice, together with corporate risks and financial plans.

The majority of the organisation's financial systems and processes are provided by Defra Shared Services (SSD) and therefore not directly governed and controlled by the Committee. We have received an opinion from Defra's Internal Audit on the review of the controls operated by Defra SSD. The review concludes that the overall control framework is sufficient. Further, we are in regular contact with Defra SSD to maintain oversight of their performance in delivering the service to the Committee.

In addition, I am not aware of any control issues relating to our arrangements for information technology support through Defra's E-nabling Agreement with IBM.

The Governance Framework

I am supported in my role of Accounting Officer by the Committee, the Audit Committee and the Senior Management Team.

The main **Committee**, led by the Chairman, sets the vision and strategic direction for the organisation and is responsible for the delivery of independent evidence-based advice on reducing carbon emissions and compliance with requirements for use of public funds.

Additionally, the **Adaptation Sub-Committee** is responsible for the delivery of advice on preparing for climate change.

The **Audit Committee** consists of three Committee members and meets three times a year along with representatives from NAO, Internal Audit and the Sponsor Group. It supports the Committee and me by providing advice on the appropriateness and adequacy of risk management, internal controls and governance arrangements.

The **Senior Management Team** consists of myself and the heads of teams and is responsible for implementing strategic decisions taken by the Committee.

It meets regularly to make appropriate decisions on day-to-day performance of the business including financial, risk and staff management issues.

Board Performance

The Committee's focus has been to deliver our strategic objective of providing independent statutory advice on reducing emissions and preparing for climate change.

The main Committee, Adaptation Sub-Committee and Audit Committee have undertaken a self-assessment of their effectiveness. This assessment concluded that the committees were operating effectively. In particular, there has been a successful transition to a new Chairman and decision-making was inclusive and effective. The assessment also concluded that that there should be a continued focus on ensuring the Committee had sufficient time to go through the intensive work programme. The recommendations and their implementation will be reviewed at upcoming meetings.

The Committee has complied with the UK Corporate Governance Code and the Government guidance in respect of its application in so far as is relevant and practical for a body of its size and complexity.

The table below shows attendance at meetings held by the Committee, Adaptation Sub-Committee and the Audit Committee during 2012-13.[1]

	CCC	ASC	Audit Committee
Total meetings held	**12**	**11**	**3**
Lord Deben (from September 12)	7	–	–
Lord Turner (until June 12)	1	–	–
Professor Samuel Fankhauser	11	10	3
Sir Brian Hoskins	8	–	–
Paul Johnson (from August 12)	6	–	–
Professor Dame Julia King	11	–	3
Lord May	10	–	2
Professor Jim Skea	9	–	–
Lord Krebs	8	11	–
Professor Jim Hall	–	11	–
Professor Dame Anne Johnson	–	9	–
Professor Martin Parry	–	7	–
Sir Graham Wynne	–	10	–

Risk and Internal Control Framework

The Committee operates a system of internal control which is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore provide reasonable rather than absolute assurance of effectiveness. The system of internal control is based on an ongoing assessment of risks that could affect the Committee's ability to achieve its aims and objectives, evaluation of the likelihood and impact of those risks being realised, and the efficient, effective and economic management of those risks.

1 Figures are based on 'whole days', and apportioned where a member is unable to attend the whole of a meeting.

The risk register is the main management tool used to identify, track and manage risks. It outlines the key risks faced by the Committee, their impact and likelihood and the relevant mitigating actions and controls. The register is reviewed and discussed at monthly management team meetings and Audit Committee meetings with emphasis on ensuring risks are managed at the right level and escalated to the main Committee as necessary. It forms the basis of the internal audit planning process.

Key risks

The key risks faced by the Committee relate to the successful delivery of our core statutory duty to produce independent, evidence-based advice to Parliament and Government on climate change.

They include potential loss of reputation due to our advice not being perceived as credible or independent, inability to deliver our statutory duties due to reduced funding, potential loss of experienced staff and an increase in the demands placed on our staff.

Our mitigating actions include consulting widely with stakeholders to seek their views and inputs, ensuring our advice and underpinning analysis is robust and making it transparent through a new improved website, undertaking continuous prioritisation of resources to deliver multiple deliverables and ensuring staff development and succession plans are in place.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of governance, risk management and internal control.

My review is informed by the work of the senior managers, the advice of the Committee, the Audit Committee, the views of Internal Audit and the Comptroller and Auditor General and his staff at the National Audit Office in their management letter and other reports. A plan is in place to address weaknesses and ensure continuous improvement of the system.

The internal audit strategy was to take a risk-based approach and accordingly two areas were chosen across the business to be tested.

The first was reviewing the Committee's preparations for stage one and two of the Triennial Review, including a self-assessment against key criteria used in other similar reviews to assess effectiveness. The review concluded that the organisation had made reasonable and effective preparations for the Triennial Review and also suggested ways in which we could improve our readiness.

The second audit reviewed the revised staff performance appraisal process. The audit concluded that the revised process was fit for purpose and reflected current good practice. Another audit has been planned next year to assess compliance with the revised appraisal process.

Overall, Internal Audit has concluded that management is operating a control environment adequate for an organisation of the Committee's size and maturity and confirmed their opinion that the system of internal control that operated within the Committee during 2012-13 was satisfactory.

Following HM Treasury's report on 'Review of quality assurance of Government analytical models', I can confirm that we have an up-to-date list of business critical models that is publicly available and an appropriate quality assurance framework is in place and is used for these models. Further, we are working to implement recommendations and best practice principles for quality assurance of models which are outlined in the report.

The Committee also undertook the annual self-assessment using the Information Assurance Maturity Model (IAMM) under the Communications-Electronics Security Group (CESG) framework. This self-assessment was facilitated by DECC and Internal Audit provided an independent challenge role. The review concluded that although some parts of the assessment were not applicable to the Committee since it procured a secure IT system under the Defra E-nabling Agreement, the underpinning processes and evidence presented support the results of an IAMM rating '2', which is the optimal rating for an organisation of our size.

We have undertaken a review of corporate governance policies to ensure they reflect latest guidance and good practice and are complying with the Cabinet Office requirement to undertake a spend recovery audit by the end of the year to detect overpayments to suppliers and improve processes and enhance performance from accounts payable systems.

External audit is performed by the Comptroller and Auditor General and his staff at the National Audit Office. So far as I am aware, there is no relevant audit information of which the Committee's external auditors are unaware, and I have taken all the steps that ought to have been taken to make myself aware of any relevant audit information and to establish that the Committee's external auditors are aware of that information.

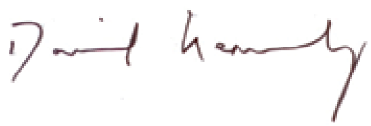
Whilst both the internal and external audit reports give assurance that the majority of controls the Committee has developed are well designed and will give good assurance in the future, the Committee continues to acknowledge and implement their recommendations, where appropriate, to ensure that the framework for risk and financial management continues to evolve.

Information risk

I am not aware of any breaches of security or any loss of personal protected information during the year.

Other relevant governance issues that have arisen during the financial year

There were no significant control issues in 2012-13 which required intervention from me or the Committee.



David Kennedy
Accounting Officer
20 June 2013

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THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I certify that I have audited the financial statements of the Committee on Climate Change for the year ended 31 March 2013 under the Climate Change Act 2008. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Committee, Accounting Officer and auditor

As explained more fully in the Statement of Responsibilities, the Chief Executive as designated Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Climate Change Act 2008. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Committee on Climate Change's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Committee on Climate Change; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate and report.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on Regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Committee on Climate Change's affairs as at 31 March 2013 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Climate Change Act 2008 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions issued under the Climate Change Act 2008; and
- the information given in the Management Structure, Management Commentary and Sustainability sections included within the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

24 June 2013

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FINANCIAL STATEMENTS

Statement of Comprehensive Net Expenditure

For the period ended 31 March 2013

	Note	**2012-13** **£**	2011-12 £
Expenditure			
Staff Costs	3a	2,085,665	2,118,893
Depreciation	5	22,845	41,509
Provisions	10	–	33,600
Other Expenditure	4	1,303,320	1,583,721
		3,411,830	**3,777,723**
Income			
Income from activities		–	–
Other income		–	–
Net expenditure		**3,411,830**	**3,777,723**
Interest payable/receivable		–	–
Net expenditure after interest		**3,411,830**	**3,777,723**

Other Comprehensive Expenditure

	2012-13 £	2011-12 £
Net gain/(loss) on the revaluation of Property, Plant and Equipment	–	–
	–	–
Total Comprehensive Expenditure for the year ended 31 March 2013	**3,411,830**	**3,777,723**

All income and expenditure is derived from continuing operations.

The notes on pages 38 to 52 form part of these accounts.

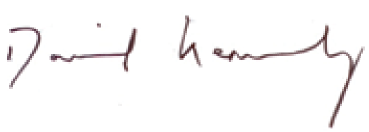
There was no income or gains and losses other than the reported expenditure and there was no comprehensive expenditure other than that shown above.

Statement of Financial Position

As at 31 March 2013

			31 March 2013		31 March 2012
	Note	£	£	£	£
Non-current assets:					
Property, plant & equipment	5	177,646		215,110	
Total non-current assets			177,646		215,110
Current assets					
Trade and other receivables	7	20,830		72,773	
Cash and cash equivalents	8	95,196		225,055	
Total current assets			116,026		297,828
Total assets			**293,672**		**512,938**
Current liabilities					
Trade and other payables	9	(582,489)		(520,948)	
Total current liabilities			(582,489)		(520,948)
Non current assets plus/(less)					
Net current assets/(liabilities)			**(288,817)**		**(8,010)**
Non-current liabilities					
Provisions	10	(109,200)		(109,200)	
Other payables	9	(21,672)		(38,770)	
			(130,872)		(147,970)
Assets less liabilities			**(419,689)**		**(155,980)**
Taxpayers' equity					
General reserve			(419,689)		(155,980)
			(419,689)		**(155,980)**

The financial statements on pages 34 to 37 were approved by the Committee on 20 June 2013 and signed on its behalf by:



David Kennedy
Accounting Officer
20 June 2013

The notes on pages 38 to 52 form part of these accounts.

Statement of Cash Flows

For the period ended 31 March 2013

	Note	**Year to 31 March 2013 £**	Year to 31 March 2012 £
Cash flows from operating activities			
Net deficit after interest		(3,411,830)	(3,777,723)
Adjustments for depreciation	5	22,845	41,509
Increase in provisions	10	–	33,600
Revaluation of PFI Contract Assets	5	16,979	76,303
(Increase)/Decrease in trade and other receivables	7	51,943	(67,469)
Increase/(Decrease) in trade payables	9	69,756	(459,428)
Increase/(Decrease) in payables not passing through the Net Expenditure Account	9	(17,098)	(70,146)
Utilisation of provisions	10	–	(30,000)
Net cash outflow from operating activities		**(3,267,405)**	**(4,253,354)**
Cash flows from Investing activities			
Purchase of property, plant and equipment	5	(2,360)	(24,572)
		(2,360)	**(24,572)**
Cash flows from financing activities			
Grant from parent department		3,148,121	4,328,662
Capital element of payments in respect of finance leases and on-balance sheet PFI and Service Concession Agreements	9	(8,215)	(20,968)
		3,139,906	**4,307,694**
Net Financing			
Net increase/(decrease) in cash and cash equivalents in the period		**(129,859)**	**29,768**
Cash and cash equivalents at the beginning of the period	8	**225,055**	**195,287**
Cash and cash equivalents at the end of the period	8	**95,196**	**225,055**

The notes on pages 38 to 52 form part of these accounts.

Statement of Changes in Taxpayers' Equity

For the 12 months ended 31 March 2013

	General Reserve £
Balance at 31 March 2011	(706,919)
	(706,919)
Changes in Taxpayers' Equity 2011-12	
Grants from Parent	4,328,662
Comprehensive Expenditure for the year	(3,777,723)
Balance at 31 March 2012 under IFRS	**(155,980)**
Changes in Taxpayers' Equity 2012-13	
Grants from Parent	3,148,121
Comprehensive Expenditure for the year	(3,411,830)
Balance at 31 March 2013 under IFRS	**(419,689)**

The notes on pages 38 to 52 form part of these accounts.

13

NOTES TO ACCOUNTS

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2012-13 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Committee for the purposes of giving a true and fair view has been selected. The particular policies adopted by the Committee are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and inventories.

1.2 Going concern

The statement of financial position at 31 March 2013 shows net liabilities of £419,689 (2011-12, net liabilities of £155,980). This reflects the inclusion of liabilities falling due in future years that may be only met by future Grants-in-Aid from the sponsoring departments, DECC, Defra and devolved administrations. This is because under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need.

In common with other government departments, the future financing of the Committee (including the ASC) is to be met by Grants-of-supply to DECC, Defra and the devolved administrations and the application of future income, both to be approved annually by Parliament. Such approval for amounts required for 2013-14 has already been given and there is no reason to believe that future approvals will not be forthcoming. IAS 10 also states that for non-trading entities the anticipated continuation of the provision for that service is normally sufficient evidence of going concern. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.3 Property, plant and equipment

Assets are capitalised as property, plant and equipment if they are intended for use on a continuing basis and their original purchase cost, on an individual or group basis, is £2,000 or more, including VAT. These assets are carried at fair value.

The Committee does not hold any financial interest in land or buildings. During the period covered by these financial statements, the Committee rented premises from Heritage Lottery Fund (HLF).

The FReM states that all non-current assets should be valued using the revaluation model as prescribed in IAS 16. The PFI asset has been revalued based on the present value of the minimum lease payments in accordance with IAS 17.

In accordance with the FReM, the Committee has opted to value the remaining non-property assets on a depreciated historical cost (DHC) basis, as a proxy for fair value as these assets have short useful lives or are of low value or both.

Internally developed property, plant and equipment are recognised as assets under construction (AUC) and treated as capital expenditure but not depreciated until the completed asset is brought into service. AUC are not revalued.

1.4 Depreciation

Property, plant and equipment assets are depreciated at rates calculated to write them down to their estimated residual value on a straight line basis over their estimated useful lives. Depreciation is not charged on assets under construction. Assets are normally depreciated over the following periods:

Furniture and fittings:	remaining life of lease
Information technology:	3–5 years
Plant and machinery:	remaining life of lease

A full month's depreciation is charged to the net expenditure account in the month following acquisition and in the month of disposal.

Management reviews the residual values and estimated lives of property, plant and equipment at least annually at each reporting date.

1.5 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Committee becomes a party to the contractual provisions of an instrument.

The Committee has no borrowings and relies primarily on Grant-in-Aid from DECC, Defra and the devolved administrations for its cash requirements and is therefore not exposed to liquidity risks. All material assets and liabilities are denominated in sterling so it is not exposed to currency risk.

1.6 Grant-in-Aid

Grant-in-Aid received used to finance activities and expenditure which support the statutory and other objectives of Committee are treated as financing and credited to the General Reserve, because they are regarded as contributions from a controlling party.

1.7 Pensions

Pension benefits are provided through the Principal Civil Service Pension Scheme (PCSPS). From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (classic, premium or classic plus); or a 'whole career' scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with changes in the Pensions Increase legislation. Members who joined from October 2002 could opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (partnership pension account). PCSPS disclosures are set out in full in the Remuneration report.

1.8 Value added tax (VAT)

All of Committee's activities are outside the scope of VAT and therefore all expenditure is shown including the irrecoverable VAT.

1.9 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to control the use of an asset. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are capitalised and included in property, plant and equipment at their fair value, or if lower, at the present value of the minimum lease payments, each determined at the inception of the lease.

Rentals due under operating leases are charged to the Statement of Comprehensive Net Expenditure over the lease term on a straight-line basis.

1.10 Service Concessions

The Committee procures information technology support through the Defra's E-nabling Agreement with IBM. Although, the Committee has a rolling twelve month contract with Defra, Defra's contract with IBM is for a term of eight years from February 2010. The Defra contract falls within the scope of IFRIC 12 and is disclosed within the accounts as a service concession arrangement. A lease liability has been included to reflect the capital value payments to IBM to lease IT infrastructure assets throughout the duration of the 8 year contract. A matching asset has been raised to reflect the benefit that the Committee will derive from having access to IBM's IT infrastructure assets. Depreciation has been applied on a straight line basis consistent with the Committee's depreciation policy. These IT infrastructure assets, which consist of laptops, servers and hardware, are classed as one tangible service concession asset under property, plant and equipment.

Due to the fact the asset will depreciate quicker than the liability is released in the early stages of the contract there will be a net expenditure impact. In the later stages of the contract the impact of unwinding the finance charge at an increasing rate will result in a negative expenditure impact. Overall however, the impact over the duration of the contract will be zero.

1.11 Estimation techniques

The annual leave accrual required under IAS 19 is based on employees' annual leave records as at the end of the financial year. The value is calculated using average employee salary cost based on a working year of 260 days.

1.12 Impending application of newly issues accounting standards not yet effective

There is no anticipated material impact to the Committee in respect of International Financial Reporting Standards (IFRSs) that have been issued by the International Accounting Standards Board but are not yet effective at the end of the reporting period.

2. Analysis of Net Expenditure by Segment

For the period ended 31 March 2013

	Committee on Climate Change £	Adaptation Sub-Committee £	Total £
Staff costs			
Committee members	81,483	85,754	167,237
Staff	1,537,545	380,883	1,918,428
Total staff costs	**1,619,028**	**466,637**	**2,085,665**
Other costs			
Research	405,008	230,994	636,002
Recoveries for research	–	(30,000)	(30,000)
Rentals under operating leases	104,044	26,012	130,056
Occupancy	131,955	31,768	163,723
Shared services	45,580	11,395	56,975
PFI service charges	87,080	21,771	108,851
PFI finance charges	2,872	718	3,590
Printing and publications	73,748	15,014	88,762
Travel and subsistence	8,965	3,821	12,786
Corporate services	44,909	11,227	56,136
Learning and development	23,496	5,407	28,903
Telephony	1,273	318	1,591
Web development and hosting	15,198	1,722	16,920
Conferences and events	3,922	4,278	8,200
Auditor's remuneration	16,000	4,000	20,000
Other	660	165	825
Total	**964,710**	**338,610**	**1,303,320**
Total operating costs	**2,583,738**	**805,247**	**3,388,985**

The purpose and working of the Committee on Climate Change (the Committee) and the Adaptation Sub-Committee is provided in Sec 3.1 and 3.2. The split between the Committee and Adaptation Sub-Committee is based on actual figures, where available. For elements where the cost is shared it has been apportioned on the basis of headcount. All assets and liabilities are held centrally by the Committee and therefore not appropriate to apportion.

For the period ended 31 March 2012

	Committee on Climate Change £	Adaptation Sub-Committee £	Total £
Staff costs			
Committee members	80,993	111,469	192,462
Staff	1,564,835	361,596	1,926,431
Total staff costs	**1,645,828**	**473,065**	**2,118,893**
Other costs			
Research	613,958	234,711	848,669
Recoveries for research	(13,275)	(37,461)	(50,736)
Rentals under operating leases	135,392	33,848	169,240
Occupancy	120,322	30,080	150,402
Shared services	45,600	11,400	57,000
PFI service charges	81,985	20,496	102,481
PFI finance charges	5,246	1,312	6,558
Printing and publications	107,867	17,424	125,291
Travel and subsistence	20,340	5,498	25,838
Corporate services	70,874	17,718	88,592
Learning and development	8,869	5,801	14,670
Telephony	2,838	710	3,548
Web development and hosting	1,485	643	2,128
Conferences and events	4,210	3,011	7,221
Auditor's remuneration	16,000	4,000	20,000
Other	10,255	2,564	12,819
Total	**1,231,966**	**351,755**	**1,583,721**
Total operating costs	**2,877,794**	**824,820**	**3,702,614**

3. Staff numbers and related costs

(a) Staff costs

	2012-13 Permanent staff* £	2012-13 Other* £	2012-13 Total £	Year to 31 March 2012 Total £
Committee Members' remuneration**	167,237	–	167,237	192,462
Wages and salaries***	1,458,946	27,332	1,486,278	1,538,102
Social security costs****	158,457	5,216	163,673	175,178
Other pension costs	302,813	148	302,961	298,362
Sub total	**2,087,453**	**32,696**	**2,120,149**	**2,204,104**
Less recoveries for secondments	(30,233)	(4,251)	(34,484)	(85,211)
Total net costs	**2,057,220**	**28,445**	**2,085,665**	**2,118,893**

* 'Permanent' comprises staff employed on a permanent basis on the Committee's terms and conditions. 'Other' comprises staff either employed by other government departments or agencies, whether recharged or not, inclusive of VAT where applicable or employed directly on a short/ fixed term basis by the Committee. This also includes temporary staff.

** Remuneration for Committee members are fees paid for attending meetings and other work performed on behalf of the Committee during the period 1 April 2012 to 31 March 2013.

*** Wages and salaries include an accrual of £49,315 for total performance bonuses related to the 2012-13 financial year (2011-12, £54,652). Further it also includes a movement of (£11,482) in staff leave accrual (2011-12, £12,154).

**** Social security costs include £16,499 for employers national insurance paid on Committee fees (2011-12, £21,103).

No severance payments were made in the financial year (2011-12, £0).

(b) Pensions

'The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Committee is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation www.civilservice-pensions.gov.uk.

For 2012-13, employers' contributions of £293,172 (2011-12, £276,675) were payable to the PCSPS at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2012-13 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £9,077 (2011-12, £8,285) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £765, 0.8% of pensionable pay (2011-12, £758), were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £760 (2011-12, £690). Contributions prepaid at that date were £0 (2011-12, £0).

(c) The average number of persons employed:

	2012-13 Permanent staff £	2012-13 Others £	2012-13 Total £	Year to 31 March 2012 Total £
Chief Executive Office	2.1	0.1	2.2	3.0
ASC	5.7	–	5.7	5.7
CCC	16.3	1.4	17.7	18.8
Corporate Team	4.9	0.4	5.3	4.7
	29.0	**1.9**	**30.9**	**32.2**

4. Other Expenditure

	£	2012-13 £	£	2011-12 £
Administration Costs				
Research	636,002		848,669	
Recoveries for research*	(30,000)		(50,736)	
Rentals under operating leases	130,056		169,240	
Occupancy	163,723		150,402	
Shared services	56,975		57,000	
PFI service payments	108,851		102,481	
Finance charges on PFI	3,590		6,558	
Printing and publications	88,762		125,291	
Travel and subsistence	12,786		25,838	
Corporate services	56,136		88,592	
Learning and development	28,903		14,670	
Telephony	1,591		3,548	
Web development and hosting	16,920		2,128	
Conferences and events	8,200		7,221	
Auditor's remuneration	20,000		20,000	
Other	825		12,819	
		1,303,320		1,583,721
Non-Cash Items				
Depreciation		22,845		41,509
Dilapidations provision		–		33,600
Total Expenditure		**1,326,165**		**1,658,830**

* Recoveries for research represent contributions from other government bodies to the Committee's work programme. This comprises of £30,000 from the Welsh Government.

5. Property, plant and equipment

	Furniture & Fittings £	Information Technology £	Plant & Machinery £	Assets under construction £	Total £
Cost					
At 1 April 2012	189,359	108,854	–	–	298,213
Additions	2,360	–	–	–	2,360
Disposals	–	–	–	–	–
Transfers	–	–	–	–	–
Revaluations	–	(16,979)	–	–	(16,979)
At 31 March 2013	**191,719**	**91,875**	**–**	**–**	**283,594**
Depreciation					
At 31 March 2012	(11,516)	(71,587)	–	–	(83,103)
Charged in year	(15,271)	(7,574)	–	–	(22,845)
Disposals	–	–	–	–	–
At 31 March 2013	**(26,787)**	**(79,161)**	**–**	**–**	**(105,948)**
Net Book Value at 31 March 2013	**164,932**	**12,714**	**–**	**–**	**177,646**
Net Book Value at 31 March 2012	**177,843**	**37,267**	**–**	**–**	**215,110**
Asset financing					
Owned	164,932	–	–	–	164,932
Finance leased	–	12,714	–	–	12,714
Net Book Value at 31 March 2013	**164,932**	**12,714**	**–**	**–**	**177,646**

'Information technology' relates to assets raised to reflect the benefit the Committee will derive from having access to IBM's IT infrastructure assets as part of the Defra E-nabling agreement, as covered in Note 13.

	Furniture & Fittings £	Information Technology £	Plant & Machinery £	Assets under construction £	Total £
Cost					
At 1 April 2011	181,512	209,842	6,251	164,787	562,392
Additions	–	–	–	24,572	24,572
Disposals	(181,512)	(24,685)	(6,251)	–	(212,448)
Transfers	189,359	–	–	(189,359)	–
Revaluations	–	(76,303)	–	–	(76,303)
At 31 March 2012	**189,359**	**108,854**	**–**	**–**	**298,213**
Depreciation					
At 31 March 2011	(165,859)	(82,500)	(5,683)	–	(254,042)
Charged in year	(27,169)	(13,772)	(568)	–	(41,509)
Disposals	181,512	24,685	6,251	–	212,448
At 31 March 2012	**(11,516)**	**(71,587)**	**–**	**–**	**(83,103)**
Net Book Value at 31 March 2012	**177,843**	**37,267**	**–**	**–**	**215,110**
Net Book Value at 31 March 2011	**15,653**	**127,342**	**568**	**164,787**	**308,350**
Asset financing					
Owned	177,843	–	–	–	177,843
Finance leased	–	37,267	–	–	37,267
Net Book Value at 31 March 2012	**177,843**	**37,267**	**–**	**–**	**215,110**

6. Financial Instruments

As the cash requirements of Committee are met through Grant-in-Aid provided by DECC, Defra and devolved administrations, financial instruments play a more limited role in creating and managing risks than would apply to a non-public sector body.

The majority of financial instruments relate to contracts to buy non-financial items in line with the Committee's expected purchase and usage requirements and the Committee is therefore exposed to little credit, liquidity or market risk.

In general, financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Committee in undertaking its activities.

Market Risk

Market Risk is the risk that fair values and future cash flows will fluctuate due to changes in market prices. Market risk generally comprises of currency risk, interest rate risk and other price risk.

- **Foreign currency risk:** The Committee did not have any foreign currency income and expenditure and therefore had no exposure to foreign currency risk during the year.
- **Interest rate risk:** The Committee does not invest or access funds from commercial sources and so is not exposed to significant interest rate risks.
- **Other price risk:** The Committee does not have any significant holding of financial instruments that are traded in an active market and as such is not directly exposed to other price risks.

Credit risk

The Committee does not have any significant credit risk exposure given the nature and characteristics of its assets.

Liquidity risk

The Committee has no borrowings and is therefore not exposed to liquidity risks.

7. Trade receivables and other current assets

	31 March 2013 £	31 March 2012 £
Amounts falling due within one year:		
Trade receivables	–	39,759
Deposits and advances	9,436	6,918
Other receivables	594	26,096
Prepayments and accrued income	10,800	–
Total	**20,830**	**72,773**

The following table analyses total receivables balances across the categories shown:

	Amounts falling due within one year: 31 March 2013 £	Amounts falling due within one year: 31 March 2012 £
Balances with other central government bodies	–	65,273
Balances with local authorities	–	450
Sub total	**–**	**65,723**
Balances with bodies external to government	20,830	7,050
Total receivables	**20,830**	**72,773**

8. Cash and cash equivalents

	31 March 2013 £	31 March 2012 £
Balance at 1 April	225,055	195,287
Net change in cash and cash equivalent balances	(129,859)	29,768
Balance at 31 March	**95,196**	**225,055**
The following balances at 31 March were held at:		
Amounts held in Government banking service accounts	95,196	225,055
Commercial banks and cash in hand	–	–
Balance	**95,196**	**225,055**

9. Trade payables and other current liabilities

	31 March 2013 £	31 March 2012 £
Amounts falling due within one year		
Other taxation and social security	37,649	47,127
Trade payables	39,211	210,724
Other payables	726	742
Current part of finance leases	6,173	8,215
Capital creditors and accruals	–	–
Accruals and deferred income	437,345	186,914
Pension contributions	31,096	25,454
Staff unpaid leave accrual	30,289	41,772
	582,489	**520,948**
Amounts falling due in more than 1 year		
Finance leases	21,672	38,770
	21,672	**38,770**
Total payables	**604,161**	**559,718**

The finance lease comprises the future liability to pay for the capital element of the service concession assets to IBM as part of the Defra E-nabling agreement.

The following table analyses total payable balances across the categories shown:

	Amounts falling due within one year: 31 March 2013 £	Amounts falling due after more than one year: 31 March 2013 £	Amounts falling due within one year: 31 March 2012 £	Amounts falling due after more than one year: 31 March 2012 £
Balances with other central government bodies	124,764	21,672	157,673	38,770
Balances with local authorities	–	–	–	–
Balances with NHS bodies	–	–	–	–
Balances with public corporations and trading funds	–	–	–	–
Sub total	**124,764**	**21,672**	**157,673**	**38,770**
Balances with bodies external to government	457,725	–	363,275	–
Total creditors at 31 March	**582,489**	**21,672**	**520,948**	**38,770**

10. Provision for liabilities and charges

	31 March 2013 £	31 March 2012 £
Dilapidations balance:	109,200	105,600
Provision Utilised	–	(30,000)
Provision Written Back	–	(75,600)
Provided in the year	–	109,200
Total	**109,200**	**109,200**

The dilapidation provision relates to the Committee's current premises at Holbein Place. This estimate has been provided by DTZ and represents the obligation to make good the condition of the premises when the lease expires in September 2024. The provision has not been discounted as the effect would be immaterial. The provision will be revalued at the first break clause in the lease at 31 March 2015.

	31 March 2013 £	31 March 2012 £
Expected timing of cash flows:		
No later than one year	–	–
Later than one year and not later than five years	–	–
Later than 5 years	109,200	109,200
Total	**109,200**	**109,200**

11. Capital Commitments

	31 March 2013 £	31 March 2012 £
Contracted capital commitments at 31 March not otherwise included in these financial statements		
Property plant and equipment	–	–
Total	**–**	**–**

12. Commitments under operating leases

Total future minimum lease payments under operating leases are given in the table below:

	31 March 2013		31 March 2012	
	Land & Buildings £	Other £	Land & Buildings £	Other £
Obligations under operating leases comprise:				
Not later than one year	196,963	1,649	187,595	1,649
Later than one year and not later than 5 years	196,962	825	375,189	2,474
Later than five years	–	–	–	–
	393,925	**2,474**	**562,784**	**4,123**

The lease payments represent the future lease commitments for 7 Holbein Place through to the first break clause in the lease on 31 March 2015.

13. Commitments under PFI and other service concession arrangements contracts

	31 March 2013 £	31 March 2012 £
Total obligations under on-balance sheet		
(SoFP) service concession arrangements for the following periods comprises:		
Not later than one year	6,583	8,881
Later than one year and not later than 5 years	27,481	41,406
Later than five years	–	11,526
	34,064	**61,813**
Less interest elements	(6,249)	(14,858)
	27,815	**46,955**

	31 March 2013 £	31 March 2012 £
Present value of obligations under on-balance sheet (SoFP) service concession arrangements for the following periods comprise		
Not later than one year	6,143	8,215
Later than one year and not later than 5 years	21,672	31,516
Later than five years	–	7,224
	27,815	**46,955**

13. Commitments under PFI and other service concession arrangements contracts (continued)

The Committee has a rolling 12 month contract to procure information technology support through Defra. In turn, Defra has a contract with IBM for the provision of IT services and infrastructure assets which was reframed on 1 February 2010. It aims to support Defra by providing a modernised IT infrastructure; in line with the wider government IS strategy, which will give Defra access to cost effective IT services and infrastructure.

During the life of the contract, Defra has the right to use assets owned by IBM and IBM are obliged to provide a consistent level of performance as set out in the contract. This includes underlying IT product developments commissioned by the Department.

The contract prices are subject to an annual incremental increase, applied from 1 April. This increase is based on the Consumer Price Index (CPI) as at the end of January in the previous financial year.

There is flexibility in terms of termination providing the option to end the service or key aspects thereof. The financial penalty for termination is on a sliding scale depending on several factors, including time left on the contract. There are no beneficial entitlements at the end of the contract, although the Department has the option to purchase specified assets at net book value on exiting the contract. This gives the Department control of the assets during the life of the contract.

The information technology assets are included in the Consolidated Statement of Financial Position under Property, Plant and Equipment, together with those detailed in Note 5.

14. Charges to the income and expenditure and future commitments

The total amount charged in the Statement of Comprehensive Net Expenditure in respect of off-balance sheet (SoFP) PFI and other service concession arrangements transactions and the service element of on-balance sheet (SoFP) PFI and other service concession arrangements transactions was £108,851 (2011-12, £102,481) and the payments to which the Committee is committed is as follows:

	31 March 2013 £	31 March 2012 £
Not later than one year	186,108	134,653
Later than one year and not later than 5 years	692,483	507,998
Later than five years	–	100,076
	878,591	**742,727**

15. Contingent liabilities disclosed under IAS 37

There are no legal claims against the Committee or other contingent liabilities.

16. Related-party transactions

The Committee on Climate Change is a non-departmental public body of the Department of Energy and Climate Change (DECC) and receives its Grant-in-Aid funding from DECC, on behalf of DECC, Defra and the devolved administrations comprising the Scottish Government, the Welsh Government and the Northern Ireland Executive.

DECC have provided a consolidated Annual Report and Accounts for the reporting period 2012-13, incorporating its NDPB's within the consolidation boundary. The Committee forms part of this consolidation.

During the period ending 31 March 2013, the Committee had a number of transactions with other government departments. The Committee has also carried out a number of material transactions with other bodies in the normal course of business. The quantum of the transactions between the Committee and these bodies was as follows:

	Grant in aid		Project funding		Purchased services	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Related parties:						
Department of Energy and Climate Change	3,148,121	4,328,662	–	13,275	–	63,293
Department for Environment, Food and Rural Affairs	–	–	–	–	175,733*	276,984
Forum for the Future	–	–	–	–	600	500
Heritage Lottery Fund	–	–	–	–	253,841*	179,609
Imperial College, London	–	–	–	–	–	12,550
London School of Economics	–	–	–	–	–	6,600
Meteorological Office	–	–	–	–	8,423	–
Oxford University	–	–	–	–	99,825*	–
Scottish Government	–	–	–	16,000	–	31,327
University College, London	–	–	–	–	25,920	16,020
Welsh Government	–	–	30,000	7,961	–	–

* Amounts outstanding at the year-end.

Project funding includes recoveries on research. The £30,000 received from the Welsh Government contributed towards the Wales Flood Indicators as per Note 4. Purchased services include shared services, IT, accommodation and staff.

The following Committee members have an interest in the bodies noted below:

Professor Samuel Fankhauser: London School of Economics
Sir Brian Hoskins: Meteorological Office and Imperial College, London
Professor Dame Anne Johnson: University College, London
Lord Krebs: Oxford University
Professor Jim Hall: Oxford University
Professor Dame Julia King: Forum for the Future
Lord May: Oxford University and Imperial College, London
Professor Jim Skea: Imperial College, London

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