Committee on Climate Change



annual report & accounts 11/12

Committee on Climate Change

Annual Report and Accounts

1 April 2011 to 31 March 2012

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CHAIR AND CHIEF EXECUTIVE'S MESSAGE

The Committee has had a prolific year making significant contributions to various debates on the climate change agenda.

In addition to our annual report to Parliament on progress in reducing emissions, we published a bioenergy review, a shipping review, an assessment of energy bill impacts from low-carbon investments, advice on the inclusion of international aviation and shipping emissions in carbon budgets, and on the role of local authorities in reducing emissions. We also published the second report of the Adaptation Sub-Committee on the extent to which we are prepared for climate change and the risks that this entails for the UK.

The year started with the Government formally accepting our advice on the fourth carbon budget, and legislating this in June 2011. This followed much debate across Whitehall and beyond about the costs of reducing emissions during the recession and the impacts in terms of energy affordability and competitiveness. We were successful in getting agreement because we were able to set out very well evidenced arguments showing that our recommended budget best balances the costs and risks of achieving long-term objectives, and is fully compatible with policies aimed at stimulating near-term economic recovery.

We have also continued to have an impact on the development of strategy and policy to meet carbon budgets. This is most evident in the Electricity Market Reform (EMR), the draft legislation for which is based on recommendations in our fourth carbon budget advice. We were pleased to see in the package supporting the legislation that the Government envisages we will have an important role supporting EMR implementation. Our advice is also very well reflected in the Government's Carbon Plan and its Bioenergy Strategy.

Action to reduce emissions has become a highly controversial issue during the recession. This was the motivation behind our energy bill analysis in November last year, which showed that electricity bills may be £100 higher for the typical household in 2020 than in 2010 due to investment in low carbon technologies. This is in contrast to claims that bills will increase by hundreds or thousands of pounds, and has been widely accepted.

We will start work on the fourth carbon budget review after the summer. A key issue to consider will be the case for deep emissions cuts in a world where there may be delayed global action, where the EU has not moved from a 20% to a 30% greenhouse gas target for 2020, where the IEA recently set out very sobering analysis of potential lock-in to high-carbon technologies, and where we have made only limited progress cutting emissions in the UK to date.

The Stern Review has shown why the world should act to reduce emissions, given that the economic, social and wider environmental benefits of action far outweigh the costs. Our challenge is to consider the importance of different timings for action at the UK and global levels given the uncertainties that we face, and that a failure to act will ultimately be bad for the economy.

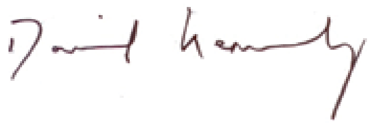
One other area that we have been repeatedly asked about over the last few years is the UK's carbon footprint. This is something that we will address over the coming months as part of our review of Carbon Leakage and Competitiveness, in which we will set our assessment of this footprint – past, present and future – and implications for our approaches to reducing emissions.

And we will continue to monitor progress reducing emissions. We hope that in our 2013 report to Parliament, we are able to report evidence that the step change we have highlighted has actually started to happen.

Our work on adaptation is based on the fact that there will inevitably be some climate change and this is something for which we should prepare. We will continue to develop the evidence base on adaptation, assessing key risks such as flooding and drought, and identifying questions and policy options which should be addressed by the Government in its National Adaptation Programme.

We want to finish by thanking Adair Turner who we have greatly enjoyed working closely with over the last four years. We look forward to working with the new Chair. We would also like to thank the Committee members, whose technical expertise, wisdom and good judgment is at the core of our work; our team of analysts, who have worked very hard putting together the many reports we have published over the last year; and our corporate team for putting in place a well functioning governance framework and preparing this annual report.

Professor Dame Julia King
Interim Chair,
Committee on Climate Change
27 June 2012



David Kennedy
Chief Executive,
Committee on Climate Change
27 June 2012

02 COMMITTEE ROLE AND HIGHLIGHTS

2.1 Committee Role

The Committee's role is to provide independent advice to the UK Government on setting and meeting carbon budgets and on adapting to climate change. The Committee was established as a statutory 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), 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 2008-2012.
- Monitors progress towards meeting carbon budgets and recommends actions to keep budgets on track.
- Advises on the preparation of the UK Climate Change Risk Assessment and progress towards implementation of the UK Government's National Adaptation Programme.
- Advises on other ad hoc requests from national authorities in regard to carbon budgets, progress reducing emissions and adaptation.
- Conducts independent analysis into climate change science, economics and policy as requested by the national authorities.
- 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 Environment and Climate Change Ministers from the devolved administrations of Northern Ireland, Scotland and Wales.

2.2 Our Business Objectives for 2012-13

Business Objective 1: Fulfilling our statutory duties as set out under the Climate Change Act 2008, including reporting on progress made in meeting carbon budgets, whether and how international aviation and shipping should be included in carbon budgets, the role of local authorities in reducing emissions, competitiveness and carbon leakage and preparedness to adapt to climate change.

We will achieve this by:

- Assessing progress against indicators and milestones for meeting carbon budgets,
- Publishing advice on the implications of including international aviation and shipping in carbon budgets and targets, both for these and other sectors,
- Preparing for the fourth carbon budget review, assessing the 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, and
- Reviewing the 2012 UK Climate Change Risk Assessment and developing an analytical toolkit, including appropriate adaptation indicators, to help assess progress towards the implementation of the UK Government's forthcoming National Adaptation Programme.

Business Objective 2: Ensuring that the Committee's governance arrangements are 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 risk management, internal controls, and corporate governance to ensure resources are managed efficiently and effectively,
- Ensuring that independent financial reporting and accounting arrangements are in place,
- Ensuring that corporate and human resources processes facilitate the hiring, retention and development of a skilled and professional workforce,
- Operating sustainable and effective environmental policies, and
- Implementing an effective communications strategy for internal and external stakeholders.

2.3 The Committee's performance highlights for 2011-12

Carbon budgets

- In May 2011, the Committee published the Renewable Energy Review which was requested under the Coalition Agreement. The review concluded that renewable energy should make a major contribution to decarbonising the UK economy over the next decades; that targets for 2020 are broadly appropriate and that further confidence for the post-2020 period should be provided.
- Also in May, the Government accepted the Committee's recommendations on the fourth carbon budget. The budget was subsequently legislated in June 2011 and will be subject to a review in 2014, based on advice by the Committee to ensure that it does not put the UK at a competitive disadvantage.
- In June 2011, the Committee published the third annual progress report to Parliament. The report concluded that although emissions were within the limits of the first carbon budget this was mainly due to the recession. After allowing for the impact of cold winter months in 2010, emissions were broadly flat, which is incompatible with the average 3% per year reductions required to meet the first four carbon budgets. The report highlighted the crucial role of the Electricity Market Reform and the Green Deal in driving future progress.
- In July 2011, the Committee provided advice to the Scottish Government on the level of Scottish emission targets for 2023-2027, and on the use of credits to meet targets in 2013-17. The Committee recommended adopting climate change targets for 2023-2027 which would require annual emission reductions of between 3% and 5%.
- In October 2011, the Committee reported on the progress made by the Welsh Government towards reducing emissions and preparing for climate change. The report concluded that the Welsh Government had been particularly successful in improving energy efficiency and highlighted the need to build on the progress made by putting in place new policies to accelerate the pace of emissions reductions and prepare for climate change.
- In November 2011, the Committee published the first detailed assessment of the UK's share of international shipping emissions. The Committee recommended that international shipping emissions were likely to be material and should be included in the 2050 target and set out options for their inclusion in carbon budgets.
- The Committee also advised the Northern Ireland Environment Minister that legislated emission reduction targets could be helpful in harnessing the significant opportunities to reduce emissions in Northern Ireland.

- In December 2011, the Government published its Carbon Plan which sets out the proposals and policies for meeting the first four carbon budgets. This was largely consistent with the approach set out in the Committee's fourth carbon budget advice.

  Also in December, the Committee published the following:

  – Bioenergy Review, which concluded that carbon budgets will be very difficult to achieve without the use of bioenergy, and the successful development of Carbon Capture and Storage (CCS). Further, trade-offs with wider environmental and social objectives may be required even at low levels of bioenergy penetration.

  – The Committee's first comprehensive analysis of the impact of meeting carbon budgets on household energy bills. This concluded that recent bill increases were primarily due to rising wholesale gas prices, not environmental policies.

  The Committee also wrote to the Secretary of State for Energy and Climate Change expressing concern about some of the detailed proposals for the Green Deal and the Energy Company Obligation (ECO). It proposed that there should be a continued obligation on energy companies to insulate lofts and cavity walls via the new ECO.

- In January 2012, the Committee published its first progress report on emission reductions in Scotland following a request by Scottish Ministers under the Climate Change (Scotland) Act (2009). The review concluded that although good progress had been made, new policies would need to be developed in order to sustain progress.

- In March 2012, the Committee wrote to the Under Secretary of State at the Department for Communities and Local Government to express support for the proposed changes to the building regulations that would link boiler replacement and building extensions with cavity and loft insulation.

  Also in March, the Committee completed preparation of the report assessing the implications of including international aviation and shipping in carbon budgets and targets. This draws on our previous advice on carbon budgets, aviation, shipping and bioenergy and was published in early April 2012.

Adaptation

- In July 2011, the ASC published its second report on the UK's preparedness for climate change. It included a new analytical framework for measuring progress using adaptation indicators, and their trial application for three priority areas: land-use planning, designing and renovating buildings, and managing water resources. The Government's Water White Paper, was aligned to ASC advice on how to make better use of water resources in the face of a changing climate, including through long-term planning for climate change in water company investment decisions.

- In September 2011, the ASC provided Defra with further advice on the preparation of the UK Climate Change Risk Assessment (CCRA). In its letter, the ASC concluded that the CCRA Synthesis Report had improved following the Committee's previous advice, and now provided a good base for subsequent assessments and for the development of the National Adaptation Plan. Following on from this, the ASC contributed to the launch of the UK's first CCRA by Caroline Spelman MP, Defra Secretary of State.

- In October 2011, the ASC drew on its analysis of planning decisions in local authorities to advise Greg Clark MP, Minister for Planning at the Department for Communities and Local Government on how the draft National Planning Policy Framework could help enable adaptation by local authorities in land-use planning.

- In November 2011, the ASC published its first report to the Scottish Government providing an independent assessment of Scotland's preparedness for climate change, based on the ASC's 'preparedness ladder'. The results of the report will help inform the development of Scotland's first statutory adaptation programme and provide a baseline to measure future progress.

- In March 2012, the ASC hosted an international expert workshop on approaches to monitoring and evaluating adaptation, with representatives from the USA, Canada, the Netherlands, Germany and Australia.

Corporate

The Committee's governance framework has matured over the last few years. Highlights for last year include further strengthening of our corporate governance and financial controls to enhance management information and support decision-making, successful engagement with a wide range of stakeholders and moving office premises leading to cost savings.

Further, in July 2011, the Committee was awarded the Carbon Trust Standard for achieving an 8% reduction in its business emissions over the previous year.

2.4 Deliverables in 2012-13

The Committee's deliverables for the year 2012-13 are outlined below.

Carbon budgets

- **Advice on the inclusion of international aviation and shipping (IA&S) in carbon budgets:** This is 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. This advice set out the rationale for such inclusion, the appropriate approach to inclusion and the implications for aviation, shipping and other sectors of the economy. This report was published on 5 April 2012.
- **Advice on the role of local authorities in reducing emissions:** The Minister of State for Energy and Climate Change asked the Committee to provide this advice. In our report published in May, 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 emissions reductions and prepare for the impacts of climate change. Additionally, we made recommendations on providing a supportive framework for local authority action.
- **Fourth progress report to Parliament:** The Committee's fourth annual progress report will be published in June 2012. The report will review latest emissions data, together with evidence on underlying emissions drivers including weather, economic activity and implementation of abatement measures. It will include an assessment of progress in policy development, for example, as contained in the Government's Carbon Plan and Bioenergy Strategy. There will be new material relating to the development of indicators for tracking progress in the industry and waste sectors.
- **Carbon leakage and competitiveness:** This report will consider the implications of abatement policies for industry costs and competitiveness – the scale of impact on costs, the variation in impact across industries, the potential impact of these cost changes for leakage, and options to limit competitiveness impacts. It will also consider differences between production and consumption accounting and implications for setting carbon budgets. The review will be completed in March 2013 and the results will feed into future reports, particularly the review of the fourth carbon budget.
- **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 October 2012.
  - Advice to the Scottish Government on progress in reducing emissions in line with legislated targets, by January 2013.
  - Advice to Northern Ireland's Environment Minister on a review of the methodology to measure greenhouse gas emissions per unit of commodity output at the farm-gate by March 2013.

Adaptation

The **ASC's** analytical work programme in 2012-13 will focus on:

Third assessment of UK preparedness: The ASC's third report produces and interprets a set of national-level adaptation indicators for some of the largest risks identified in the CCRA, namely flooding and water shortages. The report will be published in July 2012.

Frameworks for delivering national-level climate risk assessments – an independent review of the UK's first climate change risk assessment and the national assessments of other countries: The ASC is undertaking its own independent review of the UK's first CCRA. This will inform the Government's 'lessons learned' exercise and preparations for the Government's next statutory assessment. The focus of the work will be to identify how the approach taken to the risk assessment can be built upon in successive rounds, drawing on the most recent developments in methods and approaches for climate change impact, adaptation and vulnerability assessments from around the world. It will also scope out options for filling some of the research gaps in future risk assessments, for example, on the economic analysis or incorporating international risks. The review will be published in autumn 2012.

Advice to the Government on the second round of adaptation reporting powers: The Climate Change Act 2008 introduced this power of the Secretary of State to direct 'reporting authorities' (companies with functions of a public nature such as water and energy utilities) to prepare reports on how they are assessing and acting on the risks and opportunities from a changing climate. Before the Government publishes its first National Adaptation Programme, it will publish its strategy for the second round of adaptation reporting powers. The ASC will provide some targeted advice to help the Government formulate this strategy.

03

MANAGEMENT STRUCTURE

3.1 Committee on Climate Change

The Committee on Climate Change (the Committee) is an independent body established under the Climate Change Act to advise the Government on emissions targets, and to report to Parliament on progress made in reducing greenhouse gas emissions. It is made up of experts from the fields of climate change, science and economics.

During the year, the membership of the Committee was:

Lord Adair Turner	Chair (to June 2012)
Professor Dame Julia King	Interim Chair (from June 2012)
David Kennedy	Chief Executive

Professor Samuel Fankhauser
Professor Michael Grubb (to 17 April 2011)
Sir Brian Hoskins
Lord John Krebs
Lord Robert May
Professor Jim Skea

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

3.2 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.

During the year, the membership of the Committee was:

Lord John Krebs	Chair

Dr. Andrew Dlugolecki (to 31 December 2011)
Professor Samuel Fankhauser
Professor Jim Hall
Professor Anne Johnson
Professor Tim Palmer (to 31 December 2011)
Professor Martin Parry
Sir Graham Wynne

Biographical details of the ASC members are published on the Committee's website http://www.theccc.org.uk/about-the-ccc/adaptation-sub-committee/sub-committee-members.

3.3 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 Robert May

3.4 The Secretariat

The Committee employs a Chief Executive and a Secretariat of 32 full time equivalent staff. This comprises 26 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 communications and finance.

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. We also seek to provide effective and appropriate development opportunities and have rolled out a learning and development strategy to improve the capability of staff and the organisation.

The Committee is strongly committed to managing the social and environmental impacts of its activities and encourages its staff to volunteer in the community and share their skills.

04

MANAGEMENT COMMENTARY

4.1 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;
- 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 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 2011 and 31 March 2012, 97.47% of valid invoices received by the Committee were paid within the 5-day target.

No interest was payable under the Late Payment of Commercial Debts (Interest) Act 1998 (2010-11, £Nil).

Sickness Absence

During the period ended 31 March 2012 the average number of working days lost due to sickness absence was 0.62 days per full-time equivalent (2010-11, 0.85 days).

Personal Data Related Incidents

There were no personal data related incidents for the period ended 31 March 2012. (2010-11, 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.

4.2 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 third full year of the Committee's operation from 1 April 2011 to 31 March 2012 and have been prepared in accordance with the Financial Reporting Manual (FReM) issued by HM Treasury. The comparative period runs from 1 April 2010 to 31 March 2011.

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 £4,151,289 for 2011-12 (2010-11, £4,413,324). The total Grant-in-Aid funding drawn down during the year was £4,328,662 (2010-11, £4,240,966). The Committee's net operating cost for the year was £3,777,723 (2010-11, £4,362,502).

Fixed Assets

In the year to 31 March 2012, the book value of fixed assets was £215,110 (2010-11, £308,350). Of this, £177,843 related to refurbishments to Holbein Place and £37,267 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. 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 27 June 2012.

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 (2010-11, £22,500). The auditors received no fees for non-audit services.

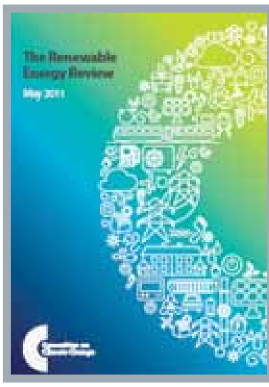
So far as I am aware, there is no relevant audit information of which the Committee's auditors are unaware, and I have taken all steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Committee's auditors are aware of that information.

David Kennedy

David Kennedy
Accounting Officer
27 June 2012

05

FEATURES



5.1 Renewable Energy Review

In its Renewable Energy Review published in May 2011, the Committee concluded that renewable energy technologies show great promise and have an important role to play in helping to meet the UK's carbon targets.

In the power sector, renewable technologies could account for around 40% of total generation in 2030. This would therefore make a major contribution to required power sector decarbonisation, alongside nuclear and carbon capture and storage (CCS). The review also concluded that it would be desirable to develop a portfolio comprising all these technologies.

Renewable energy will also be crucial in heat sector decarbonisation, through use of heat pumps in buildings, and sustainable biomass in industry.

In all these applications, further incentives for investment in renewable technologies are required. The key policy levers for strengthening incentives are the Electricity Market Reform and the Renewable Heat Incentive.

5.2 3rd Progress Report to the UK Parliament

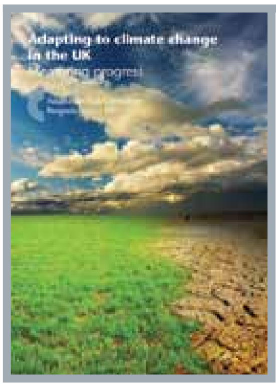
In June of last year the Committee published its 3rd report to the UK Parliament on progress in reducing emissions. The report concluded that the 3% increase in emissions in 2010 was weather related. After allowing for this, emissions were broadly flat, implying the need for a significant acceleration in the pace of emissions reductions to meet future carbon budgets.

The Committee reported mixed progress on the implementation of measures. Although there was very good progress achieved on reducing new car emissions and boiler replacement, implementation of many key measures was below what will be required (e.g. loft and cavity wall insulation, renewable heat deployment, CCS demonstration).

To drive increased implementation of measures, we recommended some crucial actions by government to keep things on target.

The Committee advocated new electricity market arrangements based on long-term contracts ('contracts for differences') which would enable a smooth transition of investment to support renewable generation.

It also urged the government to commit to ambitious targets for insulation of all lofts and cavity walls by 2015, and 2 million solid walls by 2020, as part of the Green Deal. It recommended energy companies should deliver these targets or equivalent emissions reductions under the proposed Energy Company Obligation.

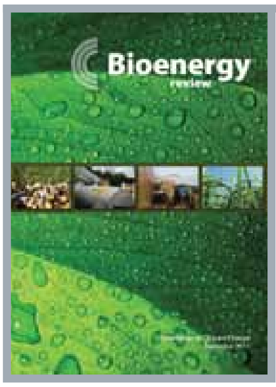


5.3 Assessment of the UK's preparedness for Climate Change

The Adaptation Sub-Committee (ASC) published its second assessment of the UK's preparedness to deal with the impact of climate change. This highlighted the need for a sharper focus on the UK's current vulnerability to climate change as the basis for understanding future risks. It also outlined a number of opportunities where action now could ensure the UK was adequately prepared to combat the adverse effects of climate change.

The report identified key sectors which could be vulnerable to climate change without action to prepare. In the absence of additional investment in the water sector, for example, 45% of resource zones in England could be at risk of a supply shortfall by 2035 during a severe drought. And patterns of building development in the floodplain have been increasing the UK's vulnerability to climate change in some locations. It also showed that the risks of climate change were likely to be borne disproportionately by some locations, such as low-lying coastal communities, and certain groups of the population, such as the elderly.

Despite a growing awareness of adaptation, the ASC found that climate risks are still not being factored robustly enough into decisions about land-use planning and water infrastructure. The report outlined a range of opportunities to ensure that the UK is adequately prepared including water efficiency and flood protection measures and policy approaches such as the wider use of water meters and other consumer incentives.



5.4 Bioenergy Review

The Committee undertook a review into the role for bioenergy in reducing emissions. The analysis showed bioenergy has a crucial role to play in meeting carbon budgets, but within strict sustainability limits. Without the use of bioenergy, and the successful development of CCS technology, carbon budgets would be very difficult to achieve.

The review concluded that a 10% share of bioenergy in total energy could be compatible with sustainability limits, although even this might involve trade-offs with wider environmental and social objectives. In the long term, bioenergy would ideally be used with CCS, which would allow for the removal of carbon dioxide from the atmosphere and for higher emissions reductions to be achieved. In the absence of CCS, heat applications in industry and biofuels for aviation and shipping appear most effective.

The review recommended the strengthening of regulatory frameworks to ensure that bioenergy is sustainable (e.g. to avoid displacement of food production and /or deforestation). If this were to limit supply relative to EU biofuel targets, then the targets should be adjusted rather than sustainability sacrificed.

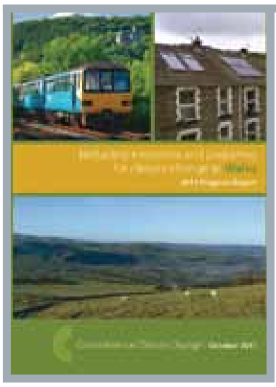
The review also recommended that CCS should be demonstrated as a matter of urgency given the crucial role of this technology when used with bioenergy to meet carbon budgets. It also suggested the Government should change its approach to supporting new biomass power generation, which could raise costs with limited carbon benefits.

5.5 Analysis of Household Energy Bills

In response to widespread concern that recurring energy bill increases were linked to environmental policies and low-carbon investments, the Committee published a comprehensive analysis of the impact of meeting carbon budgets on household energy bills. It concluded that large increases in energy bills were primarily due to rising wholesale gas costs and not, as some have said, green policies and practices. In future, bills will increase by around £100 by 2020 as a result of support for low-carbon investments, with scope to offset this if energy efficiency is improved.

The analysis focused on UK households with dual-fuel energy bills (those using gas for heating). For these households, over 80% of energy bill increases since 2004 were unrelated to low-carbon measures but due to the increases in wholesale costs, mainly reflecting increases in the wholesale price of gas, and transmission and distribution costs. Only 16% was due to policies that reduce carbon dioxide emissions through supporting investment in low-carbon power generation or funding energy efficiency improvements in homes.

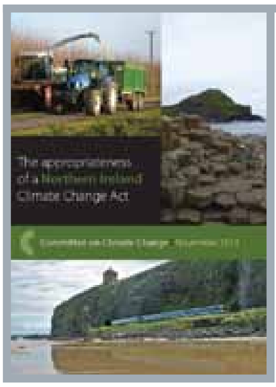
The analysis also highlighted ways in which these costs could be offset by further energy efficiency improvement such as insulation, more efficient use of heating controls and reduction of electricity consumption. Success in improving energy efficiency will depend on design of key policies such as the Green Deal.



5.6 Devolved Administrations

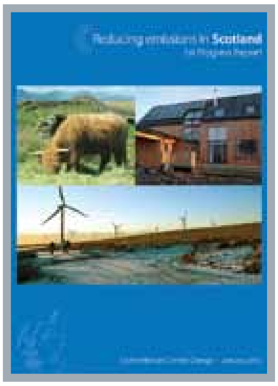
The Committee published a report to highlight the progress made by the Welsh Government towards reducing emissions and preparing for climate change. The report showed emissions in 2009 fell by around 14%, mainly due to the recession. But there was also progress in reducing emissions through the implementation of Welsh energy efficiency programmes, improving recycling rates and reducing waste sent to landfill. On adaptation, a good high level framework was in place but with the need for new policies to encourage uptake of low-regrets measures, and to consider further the costs and benefits of other adaptation options.

The report recommended measures to build on the progress already achieved including the acceleration of energy efficiency implementation, roll out of travel planning measures, strategies to tackle agriculture emissions and further cuts in the footprint of the Government estate.



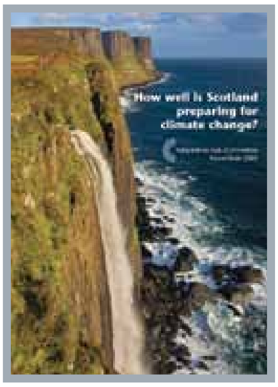
5.6 Devolved Administrations (continued)

In November, the Committee assessed the appropriateness of legally-binding emissions reduction targets for Northern Ireland. It considered the current emissions profile in Northern Ireland and recent trends, the existing legislative and policy framework and opportunities and challenges in reducing emissions. The report concluded that legislation could be helpful in driving emission reductions in Northern Ireland and highlighted that it was crucial to put in place policies focused at unlocking the potential to reduce emissions from buildings, transport and agriculture, and supporting investment in renewable power generation.



Our first progress report on Scotland showed that the emissions reduction of 7% in 2009 was mainly due to the recession.

Progress was made on investment in renewable forms of electricity and energy efficiency improvement in residential buildings. To keep up momentum there was a need to continue to support the development and implementation of policies at the UK level, and to put in place complementary national policies.



In our first report on adaptation in Scotland, we found that Scotland has made good progress putting in place a strategic and structured approach to adapting to climate change. However, the picture was mixed on how the policy framework is translating to tangible action on the ground. For example, we found good levels of uptake of sustainable drainage systems in new developments but low uptake of flood protection measures. The report identified areas where further development of adaptation policy may be warranted, including in preparing Scotland's national infrastructure for climate change and building resilience of Scottish peatlands.

06

SUSTAINABILITY

Adopting sustainable business practices and reducing our carbon emissions is a priority for the Committee. Our move to new premises has presented opportunities and challenges in the way we measure and reduce the organisation's carbon footprint.

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

Energy management initiatives at new premises

The lease for our previous premises expired in June 2011. This lease was with a private landlord and could not therefore be extended given the Government's wider estate rationalisation plan. Rather, we were required to find new premises on the Government estate, and leased the first floor of the offices of the Heritage Lottery Fund (HLF) in Holbein Place.

In choosing to move to Holbein Place, the focus on delivering cost savings across the Government estate took precedence over energy efficiency performance of the new premises (this has a Display Energy Certificate (DEC) rating of 'G', which is the least energy efficient rating).

In agreeing to move to the new premises, the Committee was very keen both to improve energy performance in its own part of Holbein Place, and work with HLF to improve performance more generally. The initial focus has been on improving monitoring and energy management, and scoping discussions with HLF about possible improvements to heating and cooling systems:

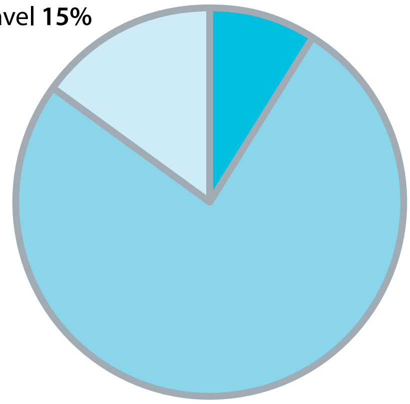
- We employed Morgan Lovell, a company recognised for providing high quality sustainable office refurbishment, to improve the office space before we moved in. Our new office is equipped with energy efficient appliances and furniture was brought across from our old office.
- We have recently installed smart meters to measure and monitor electricity usage for our floor covering lighting, power and kitchen accessories.
- In addition, 'intelligent' power strips have been installed for all workstations and equipment, which have the ability to automatically turn off equipment when it is not used.
- All data is collected and presented in a range of graphical dashboards. This raises staff awareness on their collective and individual energy use and encourages them to actively play a part in energy reduction. It can also show the positive impact of specific initiatives to reduce energy consumption.
- We are working closely with our HLF (our landlord) to improve the energy management in the building. HLF has recently replaced the gas boilers leading to a reduction in gas consumption. They are also looking at options to streamline their electricity meters and expect electricity usage to fall in the year ahead.

Committee's emissions in 2011-12

We estimate **60 tonnes CO_2e** was emitted by the Committee and Secretariat in 2011-12.

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

Figure 1: The Committee's Emissions (1 May 2011 to 30 April 2012)



Emissions from heating, cooling and appliances: The majority of emissions produced (85%, 51 tonnes CO_2e) arise from gas for heating (6 tonnes CO_2e) and electricity for cooling and appliances (45 tonnes CO_2e). These systems aren't under the Committee's control as the equipment is used across the whole building and is the responsibility of the property owner[2]. Further, electricity usage for cooling and power can't be measured separately.

The recently installed smart meters measure electricity usage for our floor and should provide detailed usage data next year. We consider there to be limited scope to reduce these emissions significantly as the appliances used are already energy efficient and the consumption is mostly non-discretionary. However, the Committee will ensure that behavioural measures (i.e. turning computers, printers, etc off at night) continue to be reinforced for staff, and that any replacement appliances are the most energy efficient on the market.

Emissions from travel: Around 14% of emissions are from work travel (8.7 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 6% increase over 2011-12 (8.2 tonnes CO_2e), primarily due to an increase in air travel to Northern Ireland for devolved matters.

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.

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 2011, reflecting the 8% emissions reduction we achieved over the previous year. We are working with the Carbon Trust to explore re-baselining options to reflect our new premises and improve the consistency and relevance of reported information.

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.

2 Due to communal systems for gas used for heating and electricity for cooling and power, 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.

6.2 Sustainable procurement

The Committee continues to integrate sustainability into its procurement practices.

Key initiatives include:

- Printing limited numbers of reports in hardcopy, and by only working with sustainable publications and printing agencies (e.g. using 100% recycled FSC certified paper, vegetable inks, uncoated paper and waterless printing).
- 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.

6.3 Waste and recycling

We are working to use resources more efficiently so 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.
- Setting printers to print double-sided as default and using 100% recycled paper.
- 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 3.4 tonnes (2012-11, 2.3 tonnes) of waste through Viridor London, which they have estimated has resulted in avoided emissions of 2.3 tonnes CO_2e (2010-11, 1.45 tonnes CO_2e).

07

REMUNERATION REPORT

7.1 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.

10-20% 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.

7.2 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 of the Committee on Climate Change Members are made on behalf of the Secretary of State for Energy and Climate Change. Appointments for 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 of 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 2011-12, the Chairman of the Committee for Climate Change (Lord Turner) was paid £1,000 per day based on an average time commitment of 4 days per month. Committee members were paid £800 per day based on 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 2011-12, the Chairman of the Adaptation Sub-Committee (Lord Krebs) was paid £900 per day based on an average time commitment of 3 days per month. Committee members were paid £800 per day based on an estimated time commitment of 2 days per month.

7.3 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)

	2011-12 Salary £000	2011-12 Benefit in kind to nearest £100	2010-11 Salary £000	2010-11 Benefit in kind to nearest £100
Chief Executive				
David Kennedy	100-105	–	100-105	–
Performance pay (included in above)	10-15		10-15	
Committee on Climate Change				
Committee Chair				
Lord Adair Turner	15-20	1,600	15-20	100
Committee Members				
Professor Samuel Fankhauser*	20-25	–	25-30	500
Professor Michael Grubb (to 17 April 2011)	–	300	15-20	500
Sir Brian Hoskins	10-15	–	10-15	–
Professor Dame Julia King	5-10	2,700	10-15	1,900
Lord Robert May	5-10	800	10-15	1,700
Professor Jim Skea	10-15	–	15-20	–

* Professor Samuel Fankhauser is also a member of the ASC.

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

	2011-12 Salary £000	2011-12 Benefit in kind to nearest £100	2010-11 Salary £000	2010-11 Benefit in kind to nearest £100
Adaptation Sub-Committee				
Committee Chair				
Lord John Krebs**	25-30	4,500	25-30	4,700
Committee Members				
Dr Andrew Dlugolecki (to 31 December 2011)	10-15	3,900	15-20	6,200
	(full-year equivalent 15-20)			
Professor Jim Hall	10-15	2,600	15-20	9,900
Professor Anne Johnson	10-15	–	10-15	–
Professor Martin Parry	10-15	3,900	10-15	4,400
Professor Tim Palmer (to 31 December 2011)	0-5	600	5-10	1,200
	(full-year equivalent 5-10)			
Graham Wynne	15-20	2,100	10-15	1,000
Baroness Barbara Young	–	–	5-10	400
(to 31 December 2010)			(full-year equivalent 10-15)	
Highest paid Director's Total Remuneration***		100-105		100-105
Median Total Remuneration		46,975		47,587
Ratio		2.2		2.2

** Lord John Krebs is also a member of the Committee on Climate Change.

*** 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 Committee in the financial year 2011-12 was £100k-£105k (2010-11, £100k-£105k). This was 2.2 times (2010-11, 2.2) the median salary of the workforce, which was £46,975 (2010-11, £47,587). In 2011-12, 0 employees received remuneration in excess of the most highly paid director (2010-11, 0).

Pension Benefit of Senior Staff (audited information)

	Accrued pension age as at 31/03/12 and related lump sum £000	Real Increase in pension and lump sum at pension age £000	CETV at 31/3/12 £000	CETV at 31/03/11	Real increase in CETV £000	Employer contribution to partnership pension accounts £
Chief Executive						
David Kennedy	15-20 plus a lump sum of £0	0-2.5 plus a lump sum of £0	187	161	10	–

Committee Members

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

7.4 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.

7.5 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.

7.6 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 changes in the Retail Prices Index (RPI). 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 set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. 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 RPI. 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.

7.7 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 within the guidelines and framework prescribed by the Institute and Faculty of Actuaries 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.

7.8 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
27 June 2012

08

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*.

09

GOVERNANCE STATEMENT

Introduction

This Governance 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 2011 to 31 March 2012.

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining 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 Government in tackling and preparing for climate change. I operate within the terms of the Climate Change Act 2008 and the Framework Agreement 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 subsequent requests for advice, together with corporate risks and financial plans.

The majority of the organisation's financial systems and processes are provided by Defra 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 Shared Services. The review concludes that the overall control framework is sufficient. Further, we are in regular contact with Defra SSD through our business partner and participate in customer forums 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 three key corporate governance bodies: the Committee, the Audit Committee and the Senior Management Team.

The main **Committee**, led by the Chair, sets the vision and strategic direction for the organisation and is responsible for the delivery of independent advice on tackling climate change and compliance with requirements for use of public funds.

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

The **Audit Committee** consists of three Committee members and meets three times a year along with representatives from NAO, Internal Audit, DECC and Defra (since March 2012). It supports the Committee and me by:

- Ensuring appropriate arrangements are in place for risk management, governance and operational effectiveness;
- Overseeing the work of the internal and external auditors; and
- Reviewing the annual financial statements on behalf of the Committee.

The **Senior Management Team** consists of myself and the heads of teams and is responsible for managing the day-to-day operations of the Committee in line with its strategic and business objectives. It meets regularly to make decisions and monitor high-level business planning as well as financial, risk and management issues.

Additionally, we are in regular contact with the Sponsorship team to update them on progress meeting deliverables and share best practice.

Board Performance

The main Committee, Adaptation Sub-Committee and Audit Committee have undertaken a self assessment of their effectiveness. The 2011 review concluded that the Committees were working effectively across many dimensions with close alignment amongst members on strategic priorities, effective decision-making processes and high standards of governance and ethics. The review also noted that the organisation was complying with the UK Corporate Governance Code as it applied to an independent advisory body like the Committee.

Issues considered by the Board

The Committee's focus has been to ensure that key risks to the achievement of our strategic objectives are effectively managed. These included ensuring our advice was accepted, reduced funding was sufficient to undertake our statutory duties and our resources were prioritised to deliver multiple deliverables. A key focus in the coming year will be the transition to a new Chair. The main Committee receives regular updates from the Adaptation Sub-Committee and the Audit Committee.

Committee Meeting Attendance to 31 March 2012

	CCC	ASC	Audit Committee
Total meetings held	**12**	**12**	**3**
Lord Adair Turner	12	n/a	n/a
Professor Samuel Fankhauser	11	11	2
Sir Brian Hoskins	10	n/a	n/a
Professor Dame Julia King	10	n/a	3
Lord Robert May	11	n/a	2
Professor Jim Skea	8	n/a	n/a
Professor Michael Grubb (to 17 April 2011)	1	n/a	n/a
Lord John Krebs	10	12	n/a
Dr Andrew Dlugolecki (to 31 Dec 2011)	n/a	8	n/a
Professor Jim Hall	n/a	11	n/a
Professor Anne Johnson	n/a	9	n/a
Professor Martin Parry	n/a	10	n/a
Professor Tim Palmer (to 31 December 2011)	n/a	4	n/a
Sir Graham Wynne	n/a	12	n/a

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 only provide reasonable and not 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.

The Committee's overall approach to risk is strongly influenced by its key functions and duties as a statutory arm's length body. The Committee takes a balanced approach to determining its risk appetite, by accepting that major risks affecting the organisation must be controlled, and recognising that exposure to some risk is necessary to enable the effective delivery of its objectives. Consequently, it is prepared to take considered risks to deliver innovative work. It has a much lower risk appetite in areas where it has explicit statutory responsibilities (where risk taking may lead to legal challenge) or where there are formal processes expected as part of its duties as an arm's length body.

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 with escalation to main Committee as necessary. It forms the basis of the internal audit planning process.

To ensure a common and consistent approach to all risks within the Committee, information security risks are subject to the same risk management arrangements. The Committee undertook an assessment of the Information Assurance Maturity Model (IAMM) under the Communications-Electronics Security Group (CESG) framework. Evidence presented by the Committee was challenged by an independent assessor from DECC and a representative from the Internal Audit function. 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, there was strong evidence in the area of leadership, governance and compliance. In addition, the Committee would benefit from further work in identifying and recording information assets in the year ahead.

As part of the cross-government programme to manage the risk of financial loss, the Committee undertook a self-assessment review of its financial systems and organisational capability in December 2011. The review concluded that the Committee has a low exposure to the risk of financial loss and no financial loss was identified for 2011-12. Internal Audit provided external assurance and concluded that the Committee had adopted an approach that was proportionate to its overall financial risk profile. Further, they were satisfied that the Committee had effectively identified all financial risks and controls in the key fund flows and minor improvements identified from the self assessment had been implemented.

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 and the Audit Committee and 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 assessment of managing risk of financial loss as described above. The second audit was to provide assurance that the Corporate Plan is appropriate, reasonable and achievable following the reduction in the organisation's budget. The audit concluded that the risk and control environment is generally sound in terms of planning, delivering projects and resource management in the short term and recommended better coordination by the Sponsors Group to ensure deliverables were met in the longer term.

Overall, Internal Audit has concluded that management is operating a control environment generally 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 2011-12 was satisfactory.

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.

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 2011-12 which required intervention from me or the Committee.

David Kennedy
Accounting Officer
27 June 2012

10

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 2012 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, Chief Executive and auditor

As explained more fully in the Statement of Responsibilities of the Committee and the Chief Executive, the Chief Executive 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 2012 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
- 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
27 June 2012

11

FINANCIAL STATEMENTS

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2012

	Note	**2011-12 £**	2010-11 £
Expenditure			
Staff Costs	3a	(2,118,893)	(2,234,814)
Depreciation	5	(41,509)	(134,221)
Provisions	10	(33,600)	(105,600)
Other Expenditure	4	(1,583,721)	(1,887,867)
		(3,777,723)	**(4,362,502)**
Income			
Income from activities		–	–
Other income		–	–
Net expenditure		**(3,777,723)**	**(4,362,502)**
Interest payable/receivable		–	–
Net expenditure after interest		**(3,777,723)**	**(4,362,502)**

Other Comprehensive Expenditure

	2011-12 £	2010-11 £
Net gain/(loss) on the revaluation of Property, Plant and Equipment	–	–
	–	**–**
Total Comprehensive Expenditure for the year ended 31 March 2012	**(3,777,723)**	**(4,362,502)**

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 2012

		31 March 2012		31 March 2011	
	Note	£	£	£	£
Non-current assets:					
Property, plant & equipment	5	215,110		308,350	
Total non-current assets			215,110		308,350
Current assets					
Trade and other receivables	7	72,773		5,304	
Cash and cash equivalents	8	225,055		195,287	
Total current assets			297,828		200,591
Total assets			**512,938**		**508,941**
Current liabilities					
Trade and other payables	9	(520,948)		(1,001,344)	
Total current liabilities			(520,948)		(1,001,344)
Non current assets plus/(less)					
Net current assets/(liabilities)			**(8,010)**		**(492,403)**
Non-current liabilities					
Provisions	10	(109,200)		(105,600)	
Other payables	9	(38,770)		(108,916)	
			(147,970)		(214,516)
Assets less liabilities			**(155,980)**		**(706,919)**
Taxpayers equity					
General reserve			(155,980)		(706,919)
			(155,980)		**(706,919)**

The financial statements on pages 34 to 37 were approved by the Committee on 27 June 2012 and signed on its behalf by:

David Kennedy
Accounting Officer
27 June 2012

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

Statement of Cash Flows

For the year ended 31 March 2012

	Note	**Year to 31 March 2012 £**	Year to 31 March 2011 £
Cash flows from operating activities			
Net deficit after interest		(3,777,723)	(4,362,502)
Adjustments for depreciation	5	41,509	134,221
Increase in provisions	10	33,600	105,600
Revaluation of PFI Contract Assets	5	76,303	21,086
(Increase)/Decrease in trade and other receivables	7	(67,469)	13,969
Increase/(Decrease) in trade payables	9	(459,428)	(137,376)
Increase/(Decrease) in payables not passing through the Net Expenditure Account	9	(70,146)	(31,761)
Utilisation of provisions	10	(30,000)	–
Net cash outflow from operating activities		**(4,253,354)**	**(4,256,763)**
Cash flows from Investing activities			
Purchase of property, plant and equipment	5	(24,572)	–
		(24,572)	**–**
Cash flows from financing activities			
Grant from parent department		4,328,662	4,240,966
Capital element of payments in respect of finance leases and on-balance sheet PFI and Service Concession Agreements	9	(20,968)	(28,351)
		4,307,694	**4,212,615**
Net Financing			
Net increase/(decrease) in cash and cash equivalents in the period		**29,768**	**(44,148)**
Cash and cash equivalents at the beginning of the period	8	**195,287**	**239,435**
Cash and cash equivalents at the end of the period	8	**225,055**	**195,287**

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

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2012

	General Reserve £
Balance at 31 March 2010	(585,383)
	(585,383)
Changes in Taxpayers Equity 2010-11	
Grants from Parent	4,240,966
Comprehensive Expenditure for the year	(4,362,502)
Balance at 31 March 2011 under IFRS	**(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)**

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

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NOTES TO ACCOUNTS

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2011-12 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 2012 shows net liabilities of £155,980 (2010-11, net liabilities of £706,919). 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 2012-13 has already been given and there is no reason to believe that future approvals will not be forthcoming. It has therefore been considered appropriate to adopt the 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 Defra and 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 Retail Prices Index (RPI). 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).

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. The estimate for the dilapidation provision at Holbein Place has been provided by DTZ and represents the obligation to make good the condition of the premises as a result of terminating the tenancy.

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

	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**

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 no apportionment is appropriate.

3. Staff numbers and related costs

(a) Staff costs

	2011-12 Permanent staff* £	2011-12 Other* £	2011-12 Total £	Year to 31 March 2011 Total £
Committee Members' remuneration**	192,462	–	192,462	256,442
Wages and salaries***	1,265,641	272,461	1,538,102	1,528,315
Social security costs****	121,363	53,815	175,178	164,180
Other pension costs	253,319	45,043	298,362	307,730
Sub total	**1,832,785**	**371,319**	**2,204,104**	**2,256,667**
Less recoveries for secondments	(5,396)	(79,815)	(85,211)	(21,853)
Total net costs	**1,827,389**	**291,504**	**2,118,893**	**2,234,814**

* '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 2011 to 31 March 2012.

*** Wages and salaries include an accrual of £54,652 for total performance bonuses related to the 2011-12 financial year (2010-11, £50,400). Further it also includes a movement of £12,154 in staff leave accrual (2010-11, (£5,383)).

**** Social security costs include £21,103 for employers national insurance paid on Committee fees (2010-11, £27,728).

The Committee comprised six Committee members for the full year: A Chair who is contracted to work on average four days per month and five independent members contracted to work on average two days per month. Michael Grubb ceased to be a member from 17 April 2011.

The ASC comprised seven Committee members until December: A Chair who is contracted to work on average three days per month and seven independent members contracted to work on average two days per month. Dr. Andrew Dlugolecki and Professor Tim Palmer ceased to be members after 31 December 2011.

The Committee and ASC members are not permanent employees and are instead appointed on a fixed term basis, normally for a period of five years.

No severance payments were made in the financial year.

(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 2011-12, employers' contributions of £276,675 (2010-11, £307,730) 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. From 2010-11, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2011-12 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 £8,285 (2010-11, £347) 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 £758, 0.8% of pensionable pay (2010-11, £781), 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 £690 (2010-11, £27). Contributions prepaid at that date were £0 (2010-11, £0).

(c) The average number of persons employed:

	2011-12 Permanent staff £	2011-12 Others £	2011-12 Total £	Year to 31 March 2011 Total £
Chief Executive Office	2.0	1.0	3.0	2.0
ASC	3.8	1.9	5.7	6.4
CCC	15.6	3.2	18.8	20.5
Corporate Team	3.7	1.0	4.7	5.0
	25.1	**7.1**	**32.2**	**33.9**

4. Other Expenditure

		2011-12		2010-11
	£	£	£	£
Administration Costs				
Research	848,669		1,042,799	
Recoveries for research*	(50,736)		(19,822)	
Rentals under operating leases	169,240		258,009	
Occupancy	150,402		66,632	
Shared services	57,000		54,120	
PFI service payments	102,481		141,309	
Finance charges on PFI	6,558		12,612	
Printing and publications	125,291		125,287	
Travel and subsistence	25,838		21,266	
Corporate services	88,592		72,872	
Learning and development	14,670		44,128	
Telephony	3,548		11,100	
Web development and hosting	2,128		21,251	
Conferences and events	7,221		10,928	
Auditor's remuneration	20,000		22,500	
Other	12,819		2,876	
		1,583,721		1,887,867
Non-Cash Items				
Depreciation		41,509		134,221
Dilapidations provision		33,600		105,600
Total Expenditure		**1,658,830**		**2,127,688**

* Recoveries for research represent contributions from other government bodies to the Committee's work programme. This comprises of £29,500 from the Environment Agency, £13,275 from DECC and £7,961 from the Welsh Assembly.

5. Property, plant and equipment

	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**

All assets relating to Manning House have been written-off during the current year. 'Assets under construction' relate to the refurbishment of 7 Holbein Place, and have been capitalised during the current year now reflected under 'Furniture and Fittings'. '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.

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 2012 £	31 March 2011 £
Amounts falling due within one year:		
Trade receivables	39,759	–
Deposits and advances	6,918	5,304
Other receivables	26,096	–
Prepayments and accrued income	–	–
Total	**72,773**	**5,304**

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

	Amounts falling due within one year: 31 March 2012 £	Amounts falling due within one year: 31 March 2011 £
Balances with other central government bodies	65,273	–
Balances with local authorities	450	–
Sub total	**65,723**	**–**
Balances with bodies external to government	7,050	5,304
Total receivables	**72,773**	**5,304**

8. Cash and cash equivalents

	31 March 2012 £	31 March 2011 £
Balance at 1 April	195,287	239,435
Net change in cash and cash equivalent balances	29,768	(44,148)
Balance at 31 March	**225,055**	**195,287**
The following balances at 31 March were held at:		
The Office of HM Paymaster	–	–
Amounts held in Government banking service accounts	225,055	195,287
Commercial banks and cash in hand	–	–
Balance	**225,055**	**195,287**

9. Trade payables and other current liabilities

	31 March 2012 £	31 March 2011 £
Amounts falling due within one year		
Other taxation and social security	47,127	43,218
Trade payables	210,724	213,058
Other payables	742	–
Current part of finance leases	8,215	20,968
Capital creditors and accruals	–	164,787
Accruals and deferred income	186,914	502,135
Pension contributions	25,454	27,561
Staff unpaid leave accrual	41,772	29,617
	520,948	**1,001,344**
Amounts falling due in more than 1 year		
Finance leases	38,770	108,916
	38,770	**108,916**
Total payables	**559,718**	**1,110,260**

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 2012 £	Amounts falling due after more than one year: 31 March 2012 £	Amounts falling due within one year: 31 March 2011 £	Amounts falling due after more than one year: 31 March 2011 £
Balances with other central government bodies	157,673	38,770	148,218	108,916
Balances with local authorities	–	–	–	–
Balances with NHS bodies	–	–	–	–
Balances with public corporations and trading funds	–	–	–	–
Sub total	**157,673**	**38,770**	**148,218**	**108,916**
Balances with bodies external to government	363,275	–	853,126	–
Total creditors at 31 March	**520,948**	**38,770**	**1,001,344**	**108,916**

10. Provision for liabilities and charges

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

Prior year dilapidation provision of £105,600 which related to the Manning House property, was settled on a full and final basis to the value of £30,000. A new dilapidation provision now exists for £109,200 for 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.

	31 March 2012 £	31 March 2011 £
Expected timing of cash flows:		
No later than one year	–	105,600
Later than one year and not later than five years	–	–
Later than 5 years	109,200	–
Total	**109,200**	**105,600**

11. Capital commitments

	31 March 2012 £	31 March 2011 £
Contracted capital commitments at 31 March not otherwise included in these financial statements		
Property plant and equipment	–	33,599
Total	**–**	**33,599**

Capital commitments relating to the fit-out of Holbein Place from 2010-11 were capitalised during the current year.

12. Commitments under operating leases

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

	31 March 2012		31 March 2011	
	Land & Buildings £	Other £	Land & Buildings £	Other £
Obligations under operating leases comprise:				
Not later than one year	187,595	1,649	225,800	–
Later than one year and not later than 5 years	375,189	2,474	559,473	–
Later than five years	–	–	–	–
	562,784	**4,123**	**785,273**	**–**

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 2012 £	31 March 2011 £
Total obligations under on-balance sheet		
(SoFP) service concession arrangements for the following periods comprises:		
Not later than one year	8,881	22,454
Later than one year and not later than 5 years	41,406	97,876
Later than five years	11,526	49,614
	61,813	**169,944**
Less interest elements	(14,858)	(40,060)
	46,955	**129,884**

	31 March 2012 £	31 March 2011 £
Present value of obligations under on-balance sheet (SoFP) service concession arrangements for the following periods comprise		
Not later than one year	8,215	20,968
Later than one year and not later than 5 years	31,516	77,018
Later than five years	7,224	31,898
	46,955	**129,884**

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. Change to the income and expenditure and future commitments

	31 March 2012 £	31 March 2011 £
Not later than one year	134,653	117,280
Later than one year and not later than 5 years	507,998	410,217
Later than five years	100,076	181,967
	742,727	**709,464**

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 £102,481 (2010-11, £141,309) and the payments to which the Committee is committed is as above.

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. During the period ending 31 March 2012, the Committee has carried out a number of material transactions with these and other Government 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	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
Government bodies:						
DECC	4,328,662	4,240,966	13,275	–	63,293*	25,408
Cranfield University	–	–	–	–	–	53,242
Defra	–	–	–	–	276,984*	392,845
Department for Transport	–	–	–	–	56,949*	79,655
Department of Business Innovation & Skills (BIS)	–	–	–	25,000	12,240	17,074
Environment Agency	–	–	29,500*	–	–	1,170
Heritage Lottery Fund	–	–	–	–	179,609*	–
HM Revenue & Customs	–	–	–	–	820*	820
HM Treasury	–	–	–	–	15,033	19,240
Home Office	–	–	–	–	–	1,678
Imperial College, London	–	–	–	–	12,550*	14,710
Intellectual Property Organisation	–	–	–	–	26,503*	–
Loughborough University	–	–	–	–	18,000*	–
London School of Economics	–	–	–	–	6,600	42,823
Meteorological Office	–	–	–	–	–	65,079
Ministry of Justice	–	–	–	–	18,267	7,386
National School of Government	–	–	–	–	3,390	10,198
Open University	–	–	–	–	–	1,500
Oxford University	–	–	–	–	–	5,000
Scottish Agricultural College (SAC)	–	–	–	–	–	30,072
Scottish Government	–	–	16,000	16,000	31,327*	10,367
University College, London	–	–	–	–	16,020	65,690
University of Aberdeen	–	–	–	–	5,606	–
Welsh Assembly	–	–	7,961	–	–	–

* Amounts outstanding at the year-end.

16. Related-party transactions (continued)

Project funding includes recoveries on research. The £16,000 received from the Scottish Government was used to cover costs relating to the ASC Scotland report. 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 Anne Johnson: University College, London

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