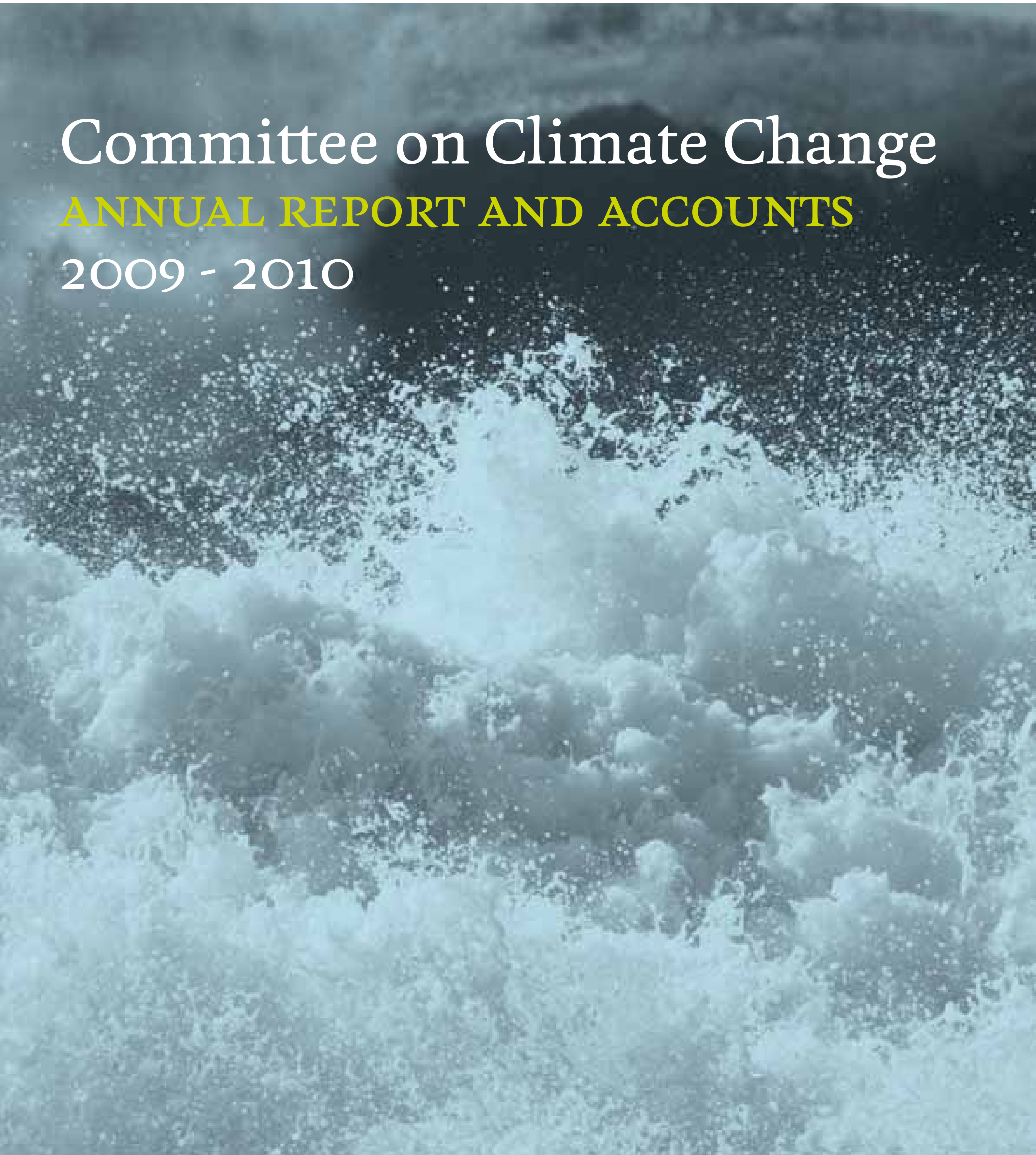
Committee on Climate Change

ANNUAL REPORT AND ACCOUNTS

2009 - 2010



Committee on Climate Change

Annual Report and Accounts

1 April 2009 to 31 March 2010

Presented to Parliament pursuant to the Climate Change Act 2008 Paragraph 24 of Schedule 1

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Contents

1. Chairman's Message

In October 2009, our first annual report to Parliament highlighted that a 'step change' in the pace of emissions reductions was needed if carbon budgets were to be achieved. The report showed that average annual reductions of CO_2 emissions were less than 0.5% over the period 2003-07. If we are serious about meeting carbon budgets and mitigating the worst impacts of climate change, we need to achieve at least 2-3% reductions per annum in the period to 2020 and beyond.

Our progress report also set out a clear framework for a faster pace of reductions by which the Committee will assess progress in meeting carbon budgets. This will require us to track not only emissions trends, but also leading indicators of investment levels and policy actions which need to be in place if progress in future years is to be achieved.

We are pleased that many of our recommendations have been accepted by Government: our recommended Interim budgets were enacted in secondary legislation, and there has been progress developing new frameworks for residential energy efficiency improvement, demonstrating Carbon Capture and Storage (CCS) technology, and reviewing the electricity market arrangements.

In December 2009 we published our review of UK aviation emissions in which we considered options for meeting the UK's aviation emissions reduction target to keep emissions in 2050 below 2005 levels. Given scope for more efficient planes, we showed that the target could be achieved with limited demand growth in the period to 2050, and argued that any aviation expansion plan should be consistent with this. We look forward to a Government response in the context of a new National Policy Statement for aviation.

In April 2009, an Adaptation Sub-Committee (ASC), chaired by Lord John Krebs, was set up within the Committee. Our analysis of adaptation will focus on the preparedness of the UK to deal with the future impacts of climate change. The ASC has already advised the Government on the appropriate approach to the Climate Change Risk Assessment, and will publish its first report on preparedness later this year.

I would like to thank both the Committee members and staff for their dedication and professionalism during the year.

Lord Adair Turner
Chair of the Committee on Climate Change
8 July 2010

2. Chief Executive's Message

It is now a year and a half since the Committee was formed, and thanks to the commitment and hard work of our members and staff, we have made good progress towards achieving the challenges set out for us under the Climate Change Act and reflected in our Corporate Plan.

The advice from our first progress report showing the need for a step change in the pace of emissions reduction, and advising on new approaches to drive the step change, was accepted by the Government and has helped shape the climate change framework for the UK.

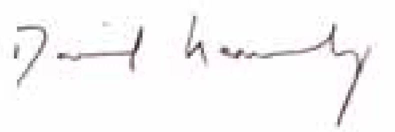
We continue to work closely with the Devolved Administrations in Northern Ireland, Scotland and Wales, who are currently establishing their own climate change strategies. This year, we published a report advising the Scottish Government on meeting targets set in the Scotland Climate Change Act. We also reviewed the Welsh Assembly Government's draft Climate Change Strategy Programme of Action.

On the corporate side, we have made significant progress as we transition from start-up to a more business-as-usual mode of operation. Specifically, we now have in place an effective organisational structure and management team, HR policies designed to retain and develop staff, financial processes to ensure that operations are within budget and provide value for money, and governance processes to ensure appropriate controls and approaches to risk management.

We have also taken steps to reduce our own emissions and, in this report, we set out our sustainability strategy.

In June 2010, the Committee published its second annual report to Parliament on reducing emissions, in which we considered the impact of the recession, and any progress driving the required step change. In the coming months, as required under the Climate Change Act, the Committee will provide advice on the fourth carbon budget (2023-2027), and in doing so will set out a vision for building a low-carbon economy in the UK through the 2020s. We will also publish a review into low-carbon research and development and advice on the cap for the Carbon Reduction Commitment Energy Efficiency Scheme. On the adaptation side, we will provide the first assessment of the UK's preparedness to adapt to climate change, and will advise the Government on their Climate Change Risk Assessment.

I would like to thank the many organisations and individuals who have helped us in our work, contributing to many fruitful discussions and debates. I look forward to further collaborations in what will be a busy and important year, both for our organisation and for the UK in its efforts to build a low-carbon economy.



David Kennedy
Chief Executive of the Committee on Climate Change
12 July 2010

3. Committee Role and Highlights

3.1 Committee Role

The role of the Committee on Climate Change (the Committee) is to provide independent advice to 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 became an Act. It is jointly-sponsored by the Department of Energy and Climate Change (DECC), Department for Environment Food and Rural Affairs (Defra), the Scottish Government, the Welsh Assembly Government and the Northern Ireland Executive.

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.
- Conducts independent analysis into climate change science, economics and policy as these relate to carbon budgets and as requested either by the UK Government or Devolved Administrations.
- Scrutinises the preparation of the UK Climate Change Risk Assessment and implementation of the Government's Adaptation Programme.
- 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 Ministers from the Devolved Administrations of Northern Ireland, Scotland and Wales.

3.2 Our Business Objectives - 2010-11

Our business objectives are:

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, appropriate ambition for the 2020s and preparedness to adapt to climate change.*

We will achieve this by:

- Continuing to build an evidence base of realistically achievable emission reductions required across the UK and across all sectors of the economy in order to meet carbon budgets, and the actions required to deliver these reductions,
- Assessing progress against leading indicators and milestones for meeting carbon budgets,
- Developing appropriate emissions reduction paths through the 2020s in preparation for delivery of advice on the fourth budget (2023-2027),
- Responding to ad hoc requests for advice from the UK government and Devolved Administrations (e.g. to review low-carbon research and development),
- Scrutinising the preparation of the UK Climate Change Risk Assessment and implementation of the Government's Adaptation Programme.

Business Objective 2: *Ensuring that the Committee's governance arrangements are fit for purpose 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 independent financial reporting and accounting arrangements are in place,
- Implementing corporate and human resources processes that will facilitate the hiring, retention and development of a skilled and professional workforce,
- Putting in place sustainable and effective environmental policies,
- Implementing an effective communications strategy for internal and external stakeholders,
- Reviewing the appropriateness of policies and procedures, recognising that the Committee is now moving from start-up to a more business-as-usual mode of operation.

3.3 The Committee's performance highlights for 2009-10

Carbon budgets

- In April 2009, the Government formally accepted the Committee's advice on carbon budgets and committed to legislating a 34% emissions cut in 2020 relative to 1990.
- In May 2009, the previous Government formally legislated carbon budgets, based on the Committee's advice.
- In July 2009, the Government's Energy and Climate Change White Paper *UK Low Carbon Transition Plan* was launched outlining how the UK will meet the cut in emissions set out in the budget of 34% on 1990 levels by 2020. The paper was a direct response to the Committee's advice on the level of the 2050 target and carbon budgets and accepted the recommendations made by the Committee.
- In October 2009, we published our first annual progress report to Parliament *Meeting Carbon Budgets - the need for a step change*. This report concluded that there has been limited progress in reducing emissions in recent years and that a step change is required in the pace of UK emissions reduction to meet carbon budgets; in many areas, new policy approaches will be required to deliver longer-term objectives.
- In October 2009, we reviewed the Welsh Assembly Government's Climate Change Strategy Programme of Action consultation and provided advice on areas for further action in Wales to deliver its ambitious 3% annual emission reduction target.
- In December 2009, we published the Committee's report *Meeting the UK aviation target – options for reducing emissions to 2050*. The report concluded that increase in aviation demand needs to be limited in proportion to the expected reduction in the carbon intensity of flying if the Government's 2050 aviation target is to be met
- In January 2010, the Government formally responded to the Committee's first annual progress report to Parliament, accepting the recommendations and committing to delivering the step change in emissions reductions through its actions set out in the Low Carbon Transition Plan.
- In February 2010 we set out options for the Scottish Government to deliver its ambitious emissions reduction targets as set out in the Climate Change (Scotland) Act 2009.

Adaptation

The ASC was set up during the year and in November and January delivered its advice on the evolving methodology for the Climate Change Risk Assessment (CCRA) and Adaptation Economic Assessment (AEA). This advice was accepted by Defra and reflected in their approach to developing the CCRA.

Corporate

The Committee is now functioning as an independent body, with accommodation and governance arrangements in place (e.g. financial controls, audit committee, internal audit, external audit, HR policies, etc.) undertaking effective communication with stakeholders by hosting events, publishing reports and reporting on our work on our website and through our monthly newsletter.

3.4 Deliverables in 2010-11

The Committee has six key deliverables in the year **2010-11**:

2nd Progress Report to Parliament: The Committee's second annual report to Parliament was published on 30 June 2010. The report assesses progress made in 2009 in reducing emissions of harmful greenhouse gases to meet carbon budgets, and sets out key challenges to be addressed in 2010, 2011 and beyond.

Low carbon research, development, demonstration and deployment (RDD&D) review: This review was requested by the Government's Chief Scientist, Professor John Beddington. It will include assessments of technologies to be prioritised for support in the UK, and the strategic framework for delivering this support.
The review will be published on 19 July 2010.

Advice on the cap for the Carbon Reduction Commitment Energy Efficiency Scheme: This advice was requested by DECC. We will make recommendations on a cap for the second phase of the Carbon Reduction Commitment based on current evidence and set out steps towards finalising the cap. The advice will be published in September 2010.

Advice on the level of the fourth budget (2023-27): The Committee is required under the Climate Change Act to advise on the appropriate level of the fourth carbon budget. The work will include an assessment of developments in climate change science since our 2008 report, and an assessment of the evolving international framework. It will set out pathways for the UK through the 2020s reflecting global pathways, the 2050 target and feasible emissions reductions. The advice will be published before the end of 2010.

Advice on the Scottish cumulative emissions budget: This will draw out implications from the analysis of the fourth budget and advise on a cumulative emissions budget for Scotland covering the period to 2050.

Preliminary assessment of current preparedness for climate change: The ASC has developed a framework for assessing and measuring preparedness. This will be applied to the Departmental Adaptation Plans to provide the first national assessment of how well prepared the UK is for the impacts of climate change. The report will be published in September 2010.

4. Management Structure

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.

4.1 Committee on Climate Change

Lord Adair Turner, Chair

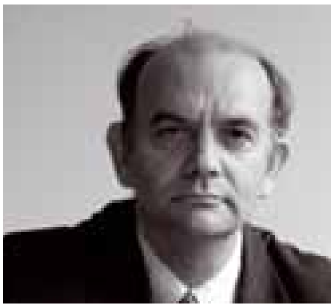
Lord Turner of Ecchinswell is the Chair of the Committee on Climate Change and Chair of the Financial Services Authority. He has previously been Chair at the Low Pay Commission, Chair at the Pension Commission, and Director-General of the Confederation of British Industry (CBI).

David Kennedy, Chief Executive

David Kennedy is the Chief Executive of the Committee on Climate Change. Previously he worked on energy strategy at the World Bank, and the design of infrastructure investment projects at the European Bank for Reconstruction and Development. He has a PhD in economics from the London School of Economics.

Dr Samuel Fankhauser

Dr Samuel Fankhauser is a Principal Research Fellow at the Grantham Research Institute on Climate Change at the London School of Economics and Chief Economist at Globe, the international legislators forum. He is a former Deputy Chief Economist of the European Bank for Reconstruction and Development.



Professor Michael Grubb

Professor Michael Grubb is Chair of the international research network Climate Strategies. He is a senior research associate at Cambridge University and holds a visiting professorship at Imperial College. Previously he was Head of the Energy and Environmental Programme at the Royal Institute of International Affairs, and Professor of Climate Change and Energy Policy at Imperial College.

Sir Brian Hoskins

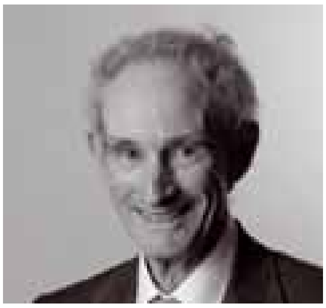
Professor Sir Brian Hoskins CBE FRS is Director of the Grantham Institute for Climate Change at Imperial College and Professor of Meteorology at the University of Reading. He is a Royal Society Research Professor and is also a member of the National Science Academies of the USA and China.

Professor Julia King

Professor Julia King CBE FREng is Vice-Chancellor of Aston University. She led the 'King Review' for HM Treasury in 2007-8 on decarbonising road transport. She was formerly Director of Advanced Engineering for the Rolls-Royce industrial businesses. Julia is one of the UK's Business Ambassadors, supporting UK companies and inward investment in low-carbon technologies.

Lord John Krebs

Professor Lord Krebs Kt FRS, is currently Principal of Jesus College Oxford. Previously, he held posts at the University of British Columbia, the University of Wales, and Oxford, where he was lecturer in Zoology, 1976-88, and Royal Society Research Professor, 1988-2005. From 1994-1999, he was Chief Executive of the Natural Environment Research Council. Lord Krebs chairs the Adaptation Sub-Committee, see full biography overleaf.



Lord Robert May

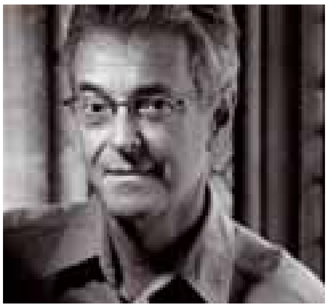
Professor Lord May of Oxford, OM AC FRS holds a Professorship jointly at Oxford University and Imperial College. He is a Fellow of Merton College, Oxford. He was until recently President of The Royal Society, and before that Chief Scientific Adviser to the UK Government and Head of its Office of Science & Technology.

Professor Jim Skea

Professor Jim Skea is Research Director at UK Energy Research Centre (UKERC) having previously been Director of the Policy Studies Institute (PSI). He led the launch of the Low Carbon Vehicle Partnership and was Director of the Economic and Social Research Council's Global Environmental Change Programme.

4.2 Adaptation Sub-Committee

The Adaptation Sub-Committee (ASC) was set up from 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.



Lord John Krebs, Chair

Professor Lord Krebs Kt FRS, is currently Principal of Jesus College Oxford. Previously, he held posts at the University of British Columbia, the University of Wales, and Oxford, where he was lecturer in Zoology, 1976-88, and Royal Society Research Professor, 1988-2005. From 1994-1999, he was Chief Executive of the Natural Environment Research Council and, from 2000-2005, Chairman of the Food Standards Agency. He is a member of the U.S. National Academy of Sciences. He is chairman of the House of Lords Science & Technology Select Committee.

Dr Andrew Dlugolecki

Dr Andrew Dlugolecki is a consultant on climate change, advising the Carbon Disclosure Project, the Munich Climate Insurance Initiative and the United Nations Environment Programme Finance Initiative. He worked at Aviva Group for 27 years and has contributed to the Intergovernmental Panel on Climate Change's work on the impacts of climate change on finance and insurance.

Dr Samuel Fankhauser

Dr Samuel Fankhauser is a Principal Research Fellow at the Grantham Research Institute on Climate Change at the London School of Economics and Chief Economist at Globe, the international legislators forum. He is a former Deputy Chief Economist of the European Bank for Reconstruction and Development.

Professor Jim Hall

Professor Jim Hall is Director of the Centre for Earth Systems and Engineering Research and is a civil engineer with expertise in flood and coastal engineering. He was a key contributor to the Foresight Future Flooding Project and an advisor to the Stern Review. He is Deputy Director of the Tyndall Centre for Climate Change Research and a Fellow of the Royal Statistical Society.

Professor Anne Johnson

Professor Anne Johnson trained as a public health doctor and is currently Director of Population Health at University College, and a Professor of infectious diseases epidemiology. She was a member of the UCL/Lancet Commission, whose report on managing the health effects of climate change was published in May 2009. She is currently Chair of the Medical Research Council Population Health Sciences Group.

Sir Graham Wynne

Sir Graham Wynne, spent 15 years as a city planner, working on inner city regeneration, before joining the RSPB in 1987. He was Director of Conservation and then Chief Executive of the RSPB from 1998-2010. He is a member of the Natural Environment PSA Delivery Board, the Foresight Land Use Futures High Level Group and is a Council member of BirdLife International.

Professor Tim Palmer

Professor Tim Palmer (FRS) is an expert in climate modelling and the physics of climate science. He pioneered approaches to representing uncertainty in weather and climate forecasts and was lead author of the third assessment report of the Intergovernmental Panel on Climate Change (IPCC). He is currently Head of the Probability Forecast Division at the European Centre for Medium Range Weather Forecasts, and Royal Society 2010 Anniversary Research Professor in climate physics at Oxford University.

Professor Martin Parry

Professor Martin Parry is a visiting Professor at Imperial College and was Co-Chair of Working of Group II (Impacts, Adaptation and Vulnerability) of the Intergovernmental Panel on Climate Change's (IPCC) 2007 Assessment Report. He was chairman of the UK Climate Change Impacts Review Group, and a coordinating lead author in the IPCC first, second and third assessments. He has worked at the Universities of Oxford, Birmingham and East Anglia, and University College London.

Baroness Barbara Young

Baroness Young of Old Scone, has chaired the Care Quality Commission (2008-2010) and English Nature (1998-2000). She was Chief Executive of the RSPB (1991-8) and of the Environment Agency (2000-2008). Barbara was Deputy Chair of the BBC (1998-2000) and has worked extensively in the voluntary sector, serving as President of the British Trust for Ornithology, and Vice-President of RSPB, Birdlife International and Flora & Fauna International.

4.3 The Secretariat

The Committee employs a Chief Executive and a Secretariat of around 29 full time equivalent staff made up of around 24 economists and scientists to provide analytical support (of which six are utilised in the ASC and one is a secondee from the Scottish Government speciliasing in regional analysis) and around five staff providing corporate support including specialists in communications, HR 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 learning and development opportunities for all staff helping them to fulfil their individual and team potential.

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. This year the Secretariat had a team volunteering day at Forest Farm Peace Garden.

Staff from the CCC Secretariat at the Forest Farm Peace Garden in Hainault, East London.

5. Management Commentary

5.1 Our Operations

Service Arrangements

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

- Payroll, procurement, accounting and human resources through Defra Shared Services (Defra SSD).
- IT infrastructure and services through the Defra's E-nabling Agreement with IBM.
- Accommodation at Manning House through Defra Estates.

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. The government commitment to pay within 10 days does not affect this contractual term, the prompt payment directive is associated with the requirement to pay suppliers earlier to assist cash flow across all Small and Medium Enterprises (SMEs). The Committee continues to use the standard terms of payment in all contracts.

Defra SSD uses a 'No Purchase Order No Pay' policy in line with its continuous development of the 'Procure 2 Pay' process and maintains its commitment to the Better Payment Practice Code and is determined to honour these commitments

The current payment performance target for Defra SSD is 100% for all valid payments to be made by the due date. According to the statistics that have been provided to us; for the year ended 31 March 2010, 100% of the Committee's invoices have been paid within the 10-day target.

No interest was payable under the Late Payment of Commercial Debts (Interest) Act 1998 (2008-09 £Nil).

Sickness Absence

During the period ended 31 March 2010 the average number of working days lost due to sick absence was 0.72 days per full time equivalent (2008-09, 0.41 days)

Personal Data Related Incidents

There were no personal data related incidents for the period ended 31 March 2010. (2008-09 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 7 to the accounts.

Pension Liabilities

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

Register of Interests

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

5.2 Financial Summary

Accounts Direction

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

Results

The accounts cover the first full year of the Committee's operation from 1 April 2009 to 31 March 2010 and have been prepared in accordance with the Financial Reporting Manual (FReM) issued by HM Treasury. The comparative period runs from 26 November 2008 to 31 March 2009.

From 1 April 2009, the Adaptation Sub-Committee (ASC) was set up to support the Committee in its scrutiny of the Government's work to ensure the UK is adapting to climate change. Consequently, this is the first year that the ASC operations are included in the accounts and therefore there is no information for the ASC in the comparative period.

During the year, 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.

The total funding received during the year was £2,446,122 (2008-09, £1,728,000). The Committee's net operating cost for the year was £3,647,646 (2008-09, £1,090,193).

Fixed Assets

In the year to 31 March 2010, the book value of fixed assets was £298,870 (2008-09, £84,189). Of this, £129,841 related to refurbishments to Manning House. The balance £169,029 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 09 July 2010.

Going Concern

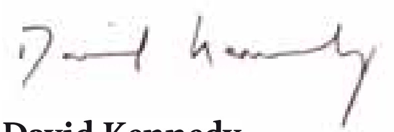
The statement of financial position at 31 March 2010 shows net liabilities of £585,383 (2008-09, net assets £635,116). This reflects the inclusion of liabilities falling due in future years that may be only met by future Grants-in-aid from the sponsoring departments, DECC, Defra and Devolved Administrations. 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 government departments, the future financing of the Committee (including the ASC) is to be met by future 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 2010-11 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.

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 35 to 36. The audit fee charged in the Income and Expenditure Account was £27,500 (2008-09, £20,000). This includes work on the Committee's readiness to move to International Financial Reporting Standards in 2009-10. 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
Accounting Officer
08 July 2010

6. Features

6.1 A step change in emission reductions

In October 2009, the Committee published its first Progress report to Parliament which called for a step change to be made in the pace of emission reductions. The report focussed on three key areas:

Emission reductions: The study found that the annual emission reductions of CO_2 have been around 0.5%, significantly less than the 2-3% annual reductions that are required to meet carbon budgets.

Indicators: The report set out a series of indicators by which the Committee will monitor and measure progress.

New approaches: The report also set out in detail the approaches required across all sectors of the economy to meet the budgets, calling for new approaches to improve energy efficiency of homes, steps to encourage the roll-out of electric cars and a review into the electricity market to encourage a more rapid decarbonisation of the power sector.

In January 2010, the Government formally responded to the Committee's first annual progress report to Parliament, accepting the recommendations and committing to delivering the step change in emissions reductions through its actions set out in the Low Carbon Transition Plan.

Lord Nicholas Stern said:

'The Committee on Climate Change has produced a report which charts both the way forward in monitoring targets, emissions and policies and shows what will be required to achieve the necessary emissions reductions; it is a fine piece of work, which should be supported across the political spectrum and which will enhance the UK's role in fostering global understanding and agreement'.

Director of the Green Alliance, Stephen Hale, welcomed the report saying:

'This report is a wake-up call. All parties must act on these recommendations and ramp up the level of ambition of their climate policies in order to meet the UK's targets'.

David Green, Chief Executive of the UK Business Council for Sustainable Energy, said:

'This report makes an important contribution to the debate about how best to meet our carbon budgets. It highlights much of the good work already underway to reduce our carbon emissions but also identifies important areas where we could do much more.

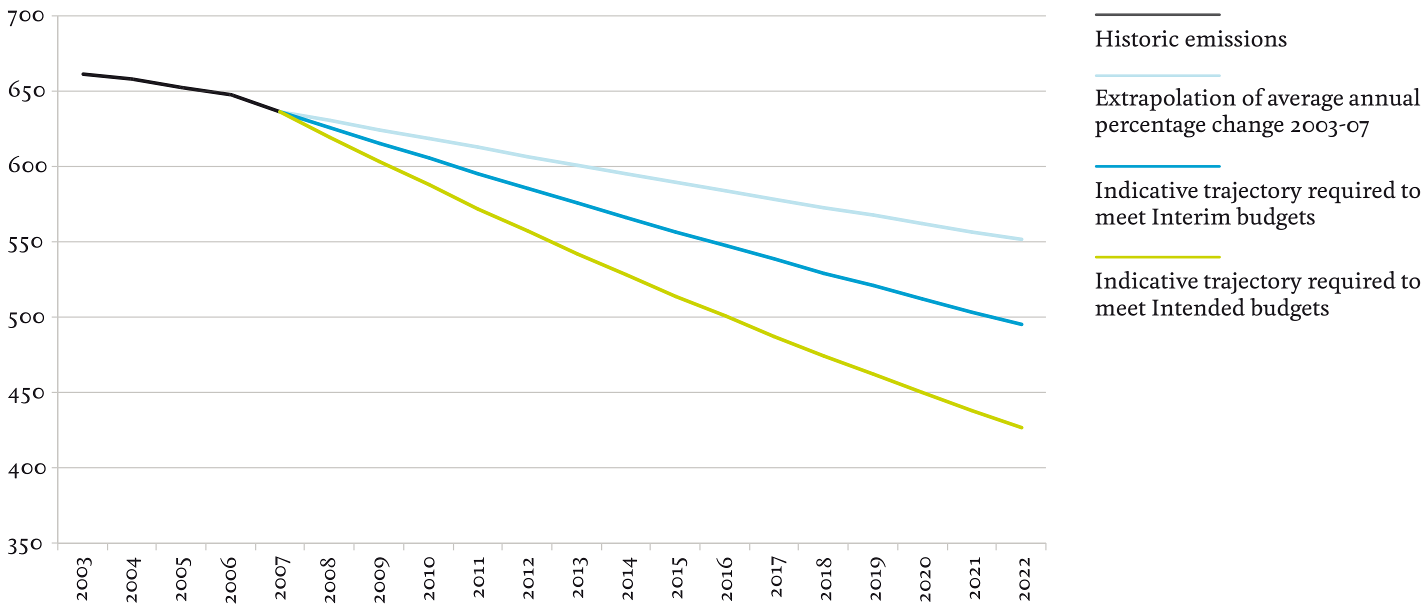
We particularly welcome the Committee's emphasis today on need to improve the energy efficiency of our buildings. This will be critical if we are to keep carbon emissions down, while also keeping our energy bills as low as possible.'

Vincent de Rivaz, Chief Executive of EDF Energy said:

'We welcome the CCC report which is an important step in developing policy to deliver affordable low carbon energy. Large scale investment is urgently required if we are to meet our climate change targets in a way which keeps prices as stable and affordable as possible. It is vital that the right decisions are made now to secure investment in large-scale low-carbon electricity generation'.

Committee members at launch of the first Progress Report to Parliament, October 2009, from left to right, Lord Robert May, Professor Julia King, Dr Samuel Fankhauser, Lord Adair Turner, David Kennedy, Professor Brian Hoskins and Professor Michael Grubb.

Recent UK GHG emissions and indicative reductions required to meet legislated carbon budgets



6.2 The future of UK aviation emissions to 2050

In January 2009, the previous Government decided both to expand Heathrow airport, and to set a target that UK aviation emissions of CO_2 in 2050 should not exceed 2005 levels. The Committee was asked to advise on options for reducing emissions below 'business as usual' levels in order to meet this target.

The Committee's report, published in December 2009, found that the previous Government's target could be met with up to a 60% increase in aviation demand by 2050, and advised that the allowable increase in demand could be compatible with a range of different approaches to capacity expansion at specific airports. However, any policy pursued should be consistent with a total demand increase limited to 60% by 2050.

Articles about the aviation report reached a readership of over 15 million, with major industry figures and organisations commenting on and debating the Committee's recommendations.

The report was cited by both the previous Government (defendant) and Claimant in a High Court case into last year's Heathrow decision which was brought by a coalition of MP's, environmental and community groups. The Judge ruled, in March 2010, that the decision to support Heathrow expansion should be revisited in light of the Committee's analysis and the Climate Change Act. Summing up, Lord Justice Carnwarth said that:

'Common sense demanded that a policy established in 2003, before the important developments in climate change policy should be subject to review in the light of those developments'.

The new Government has announced plans to cancel runway expansion at Heathrow and Stansted and is considering whether to replace air passenger duty with a per-plane tax; further analysis is required to establish whether these approaches could limit growth to 60% in the period to 2050 - the target compatible passenger demand increase recommended in the Aviation Report.

6.3 Scotland's climate change targets

Scotland passed its own Climate Change Act in June 2009 and committed to ambitious targets of reducing greenhouse gas emissions by 42% by 2020 and 80% by 2050. The Act also requires that annual targets be set to drive the reductions necessary to meet the longer-term targets.

The Committee was asked to provide independent advice to the Scottish Government in February on how it could meet the 2020 target, on the methodology of including emissions from aviation and shipping and on the use of offset credits.

The Committee advised that the climate change targets set out in the Climate Change (Scotland) Act were ambitious, but achievable following a tightening of the EU framework in response to a global deal to cut emissions and with new policies to drive a step change in emission reductions from energy use in buildings, renewable heat, transport, agriculture and forestry.

The report was launched at the Royal Botanical Gardens in Edinburgh by Committee member, Professor Jim Skea and Scotland's Minister for Transport, Infrastructure and Climate Change, Stewart Stevenson.

In April 2010, the Scottish Government put in place a package of secondary legislation to the Climate Change (Scotland) Act 2009, which reflected the advice provided by the Committee. Four draft Statutory Instruments were laid in Parliament for approval including instruments setting the levels of the annual targets for 2010 to 2022, limits to the use of carbon credits and accepting the Committee's advice on the methodology by which emissions from international aviation and shipping emissions should be included. Three of the statutory instruments were passed by the Scottish Government , with the order on annual targets to be finalised based on the findings of a short-life cross party working group on climate change annual targets. The Committee is providing further advice to support the work of this group. The Scottish Government will publish a strategy setting out how they will make required emissions reductions later on in 2010.

6.4 Volunteering day

This year, Secretariat staff volunteered at the Forest Farm Peace Garden, where they planted trees and helped to regenerate derelict land in Hainault, East London. The Secretariat of the Committee do 1 day of voluntary work a year as part of the organisations commitment to sustainability.

The farm is run by people from the local community and provides local people, including refugees, asylum seekers and people suffering from mental illnesses with a peaceful environment within which to learn about sustainability and how to grow their own fruit and veg.

Staff planted around thirty apple and pear trees in the Forest Farm orchard, helped to clear brambles and prepared soil for planting vegetable and flower gardens. The Forest Farm Peace Garden is a registered charity dedicated to environmental and community sustainability.

Forest Farm Peace Garden in Hainault, East London.

Thames Barrier, London.

6.5 Preparing for the impacts of climate change

In future we face increased likelihood of extreme weather events (e.g. flooding, heat waves and water shortages) as the climate changes and notwithstanding our efforts to reduce emissions.

Recognising this, the UK Government set up an Adaptation Sub-Committee (ASC) within the Committee to assess options for adaptation.

The ASC, chaired by Lord Krebs, has helped shape the Government's approach to the UK Climate Change Risk Assessment. The ASC will publish its first report on UK preparedness for climate change later on 15 September 2010.

7. Sustainability

Adopting sustainable business practices and reducing our carbon emissions is central to the way that we work.

We will become more sustainable as an organisation by:

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

7.1 Monitoring, reducing and off-setting our carbon emissions

Moving to new premises

In May 2009, the Committee moved to new premises located on the fourth floor of Manning House in Victoria, London . The Committee employed Morgan Lovell, a company recognised for providing high quality sustainable office refurbishment, to improve the office space. We ensured the new office was equipped with energy efficient appliances, alongside recycling units and electricity trackers to monitor energy usage from lights and appliances. Lights were installed on sensors to reduce consumption, and environmentally-friendly paints and carpets were used to decorate the space. 97% of the waste generated through the re-fit was recycled.

After the refurbishment the environmental impact of the Committee's office space was assessed through an Energy Performance Certificate (EPC) and received a rating of 'E'. The certificate rates the energy efficiency of the building fabric and the heating, ventilation, cooling and lighting systems. The building is performing slightly better than the average existing stock of its type which would be an 'F'.

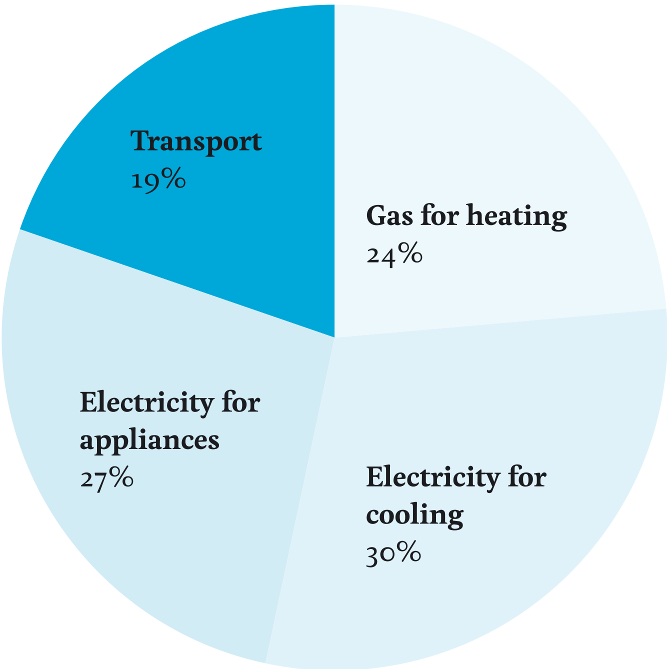
Committee's emissions in 2009-10

Since May 2009, the Committee has been monitoring the emissions it releases through its business operations and travel and working to reduce these. These have been recorded in line with EU guidelines on company's emissions reporting. We estimate around 54.2 tonnes CO_2e was emitted by the Committee and Secretariat in 2009-10 (year starting May). We are working to improve our monitoring methods to ensure that more accurate data is used in future[1].

Figure 1 opposite illustrates how the emissions produced are split between gas used for heating, electricity used for appliances (computers, lights etc), electricity for cooling (air-conditioning) and business travel[2].

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

Figure 1: Business Emissions
(1 May 2009 to 30 April 2010)



Total Emissions:
54.2 tonnes CO_2e

Emissions from heating and cooling: Over 50% of emissions produced arise from the heating and cooling of the Committee's office space. Neither of these systems are under the Committee's control as the equipment is used across the whole building and is the responsibility of the property owner. A key conclusion of the EPC was that replacing the heating equipment would produce the most significant CO_2 savings. The Committee is working with the landlord to see what can be done to improve the energy efficiency of these systems.

Emissions from electricity for appliances: These accounted for 27% of emissions. 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 replacement appliances will be the most energy efficient ones on the market and that behavioural measures (i.e. turn computers, printers etc off at night) continue to be reinforced for staff.

Emissions from travel: Just under 20% of emissions are from transport which encompasses car, rail and air travel undertaken by Secretariat staff and by Committee members when travelling on Committee business. To reduce emissions from transport, a new travel policy is now in place which advises staff to travel on rail where possible with UK domestic flights only used as an exception. Further, all staff travel is by economy class unless there is a clear business or practical case for departing from this. In addition, the organisation is committed to using video/ teleconferencing for meetings to cut down on the number of trips being made.

The Committee is working with the Carbon Trust to complete a carbon survey in order to ascertain what more can be done to reduce emissions. In addition, the Committee is working towards achieving the Carbon Trust Standard.

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 ensuring best practice in carbon offsetting.

7.2 Engaging in sustainable procurement

The Committee will integrate sustainability into its procurement practices by:

- Ensuring that sustainability concerns are considered as part of all of the Committee's procurement decisions, including when the Committee enters into contracts with new suppliers or tenders for services from external contractors.
- Printing limited numbers of reports in hard copy, 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.

- 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.
- Using 100% recycled paper in office printers.

7.3 Reducing waste and recycling

The Committee does not have separate waste bins by desks. Recycling units have been installed in the office and staff trained to ensure the majority of waste is recycled (this includes plastics, paper, cardboard, aluminium, glass, food).

Work is ongoing to ensure that staff increase the amount of waste that they recycle and cut down on waste generally, for example paper usage.

The Committee has recycled 3.5 tonnes of waste through Viridor London recycling, which they have estimated has resulted in avoided emissions of 2.83 tonnes CO_2e.

8. Remuneration Report

8.1 Remuneration Policy

The Chief Executive's remuneration and performance conditions are determined by the Cabinet Office according to normal Civil Service procedures and are subject to the recommendations of the Senior Salaries Review Body (SSRB).

The Committee Members consider and if appropriate approve the Chairman of the Committee's recommendations concerning the salary and incentive scheme for the Chief Executive on an annual basis, with reference to the general principles applied to the Senior Civil Service by the SSRB.

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.

8.2 Service contracts

Staff

Appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but 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 work of the Civil Service Commissioners can be found at: www.civilservicecommissioners.co.uk

Committee Members

All appointments of the Committee for 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 appointment.

The remuneration for the Committee on Climate Change is determined by the Department of Energy and Climate Change. In 2009-10, the Chairman of the Committee for Climate Change (Lord Adair 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 2009-10, the Chairman of the Adaptation Sub-Committee (Lord John 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.

8.3 Remuneration (including salary) and pension entitlements

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

Remuneration Salary and Benefits in Kind (audited information)

	2009-10		2008-09	
	Salary £'000	Benefit in kind to nearest £100	Salary* £'000	Benefit in kind to nearest £100
Chief Executive David Kennedy	100-105	-	40-45 (full year equivalent 95-100)	-
Committee on Climate Change				
Committee Chair Lord Adair Turner	25-30	500	5-10 (full year equivalent 20-25)	600
Committee Members				
Dr Samuel Fankhauser**	20-25	-	0-5 (full year equivalent 10-15)	-
Professor Michael Grubb	10-15	400	0-5 (full year equivalent 10-15)	100
Sir Brian Hoskins	5-10	-	0-5 (full year equivalent 5-10)	-
Professor Julia King	5-10	2,000	0-5 (full year equivalent 0-5)	100
Lord Robert May	10-15	800	0-5 (full year equivalent 10-15)	400
Professor Jim Skea	15-20	500	0-5 (full year equivalent 5-10)	-

*Figures quoted for 2008-09 are for the period 26 November 2008 to 31 March 2009, hence the full year equivalent are also provided.
** Dr Samuel Fankhauser is also a member of the ASC.

	2009-10		2008-09	
	Salary £'000	Benefit in kind to nearest £100	Salary* £'000	Benefit in kind to nearest £100
Adaptation Sub-Committee				
Committee Chair Lord John Krebs** (appointed 1 May 2009)	20-25	1,700	-	-
Committee Members				
Dr Andrew Dlugolecki (appointed 22 June 2009)	10-15 (full year equivalent 15-20)	3,800	-	-
Professor Jim Hall (appointed 22 June 2009)	5-10 (full year equivalent 10-15)	5,400	-	-
Professor Anne Johnson (appointed 6 October 2009)	5-10 (full year equivalent 5-10)	-	-	-
Professor Martin Parry (appointed 22 June 2009)	5-10 (full year equivalent 5-10)	600	-	-
Professor Tim Palmer (appointed 1 January 2010)	0-5 (full year equivalent 15-20)	300	-	-
Sir Graham Wynne (appointed 22 June 2009)	10-15 (full year equivalent 10-15)	400	-	-
Baroness Barbara Young (appointed 22 June 2009)	5-10 (full year equivalent 10-15)	200	-	-

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

Pension Benefit of Senior Staff (audited information)

	Accrued pension pension age as at 31/03/10 and related lump sum	Real Increase in pension and lump sum at pension age	CETV at 31/3/10	CETV at 31/03/09*	Real increase in CETV	Employer contribution to partnership pension accounts
	£'000	£'000	£'000	£'000	£'000	£
Chief Executive David Kennedy	10-15 plus a lump sum of £0	0-2.5 plus a lump sum of £0	139	105	24	-

*The figure is different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

Committee Members

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

8.4 Salary

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

8.5 Benefit in Kind

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

8.6 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

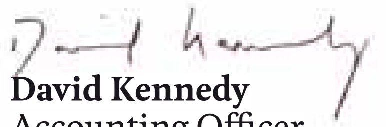
8.7 Cash Equivalent Transfer Values

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.

8.8 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
08 July 2010

9. Statement of Accounting Officer's Responsibilities

Under Schedule 1, Section 24(2) of the Climate Change Act 2008, the Secretary of State 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, recognised gains and losses and cash flows for the period ended 31 March 2010.

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

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

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

10. Statement of Internal Control

Period of coverage

This Statement of Internal Control covers 2009-10, the first full year of the operation of the Committee. The Committee was established under the Climate Change Act 2008 and became fully operational on 26 November 2008. During 2009-10, the Committee has continued to develop and embed the systems, processes and structures to facilitate the delivery of its functions and responsibilities under the 2008 Act. The systems of internal control that support this statement have therefore continued to evolve during the period covered by this statement.

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 in Managing Public Money.

I operate within the terms of the Climate Change Act 2008 and the Framework established for the Committee's accountability with DECC, Defra and the Devolved Administrations.

As part of the process for agreeing the Corporate Plan for 2010-13, the Committee consulted with the Sponsor Group, including DECC, Defra and the Devolved Administrations. The issues discussed included the Committee's strategic and business objectives as framed by the Climate Change Act and any subsequent government requests, together with corporate risks and financial plans.

The purpose of the system of internal control

The system of internal control 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 process designed to identify and prioritise the risks to the achievement of Committee's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Committee for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

As the Committee's Accounting Officer, I am supported by an Audit Committee. The Audit Committee comprises three non-executive members who advise me on issues of financial accountability, risk management, internal control and corporate governance. I am supported by the senior management team in the risk assessment and management process.

During 2009-10, the organisation has been able to achieve a significant amount of progress towards developing and

embedding our own controls. However, it should be recognised that the majority of the organisation's financial systems and processes are provided by Defra Shared Services (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 SSD. The review concludes that the overall control framework is adequate.
Further we are in regular contact with Defra SSD through our business partner and participation in customer forums to maintain oversight of their performance in delivering the service to the Committee. In May 2010, Defra SSD advised us that two payments that were intended to be made in March 2010 to an authorised supplier on behalf of one of their customer organisations were diverted and paid into a 3rd party bank account. Defra SSD initially suspended further payments, although they have now resumed weekly payment runs subject to additional manual controls agreed with Defra Internal Audit and the NAO. The matter has been referred to the police whose enquiries are continuing. Further, 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 risk and control framework

As the Committee has made a transition from start-up to full scale delivery and operations, the focus has been on developing a proportionate risk management approach. The organisation has identified its current top ten risks through discussions with the Audit Committee and Committee. The risk management process will continue to identify, review and determine mitigating actions as they arise.

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 risks is necessary to enable the effective delivery of its objectives.

The risk and control framework implemented by the organisation comprises the following key elements:

The Committee and Audit Committee oversee the arrangements in place for the risk management function which operates within the organisation.

The risk management strategy outlines the objectives and policies for managing risk. The framework sets out management roles and responsibilities, the process for identifying and recording risk, allocating ownership of risk, evaluating risk, determining responses to risk and monitoring and reporting on progress in managing risk.

Senior management team oversees and monitors the operation of the risk management policies and procedures throughout the Committee, including the maintenance of the corporate risk register. The team reviews corporate risks on a monthly basis to ensure context, actions, risk ownership and processes are co-ordinated and fit for purpose.

Internal audit programme. An internal audit function is performed by the Department for Business Innovation and Skills (BIS). The risk management process was subject to specific review by internal audit during the year and was found to be operating efficiently. We are working on embedding risk management throughout the organisation, through communication and training of operational staff.

Information risk management The Committee is not a major holder of protected personal or otherwise sensitive information. We are in the process of establishing information risk governance structures. An interim Senior Information Risk Owner

(SIRO) has been appointed to take responsibility for the confidentiality, integrity and availability of key information. Over the coming year, we plan to embed information risk into the performance management processes and ensure consistency with the DECC Family Information Security Network, of which we are a part. There have been no reportable incidents of personal information data loss during the year.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors and the management team within the organisation who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Committee, the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

More specifically, the maintenance and review of the effectiveness of the system of internal control within the Committee is achieved through the co-ordination of the control and governance functions of the following organisation components:

The Committee: The Committee members who have been appointed by the Secretary of State, meet regularly to confirm the strategic direction of the Committee, to review financial and operational performance against current plans, to monitor risk assessments, and to approve any expenditure in accordance with the government's established regime of financial delegations;

The Audit Committee: The Audit Committee, which is an advisory body of the Committee meets quarterly to review the annual financial statements, to consider the annual reports submitted by the internal and external audit teams and to monitor the progress towards resolution of any internal and external audit recommendations. The Audit Committee has also monitored the systems of internal control as they have continued to evolve during the year, together with the general improvement in compliance with the documented control environment.

Senior management team: Regular meetings of the senior management group are held to monitor progress against planned delivery, operations, policy and corporate affairs including finance; to review risk; to make any necessary and appropriate decisions relating to the day to day performance of the Committee's business.

Internal audit: The Audit Committee appointed internal auditors from (DECC) in December 2009. The internal audit work programme reviewed our controls on appointment and during the last quarter focussed on reviewing the finance and risk management function. There were no material issues identified as part of the review.

The following review and assurance mechanisms are in place:

- The Committee has a set of high level objectives as set out in the Corporate Plan. These are cascaded to individual objectives through the performance management process ensuring that performance against objectives is monitored and reviewed at an individual level.
- Monthly management reporting including review against budget and forecast.
- Quarterly highlight reports to the Committee and Sponsor Group highlighting performance against

objectives, including financial and key risks review.

- Developing fundamental governance and control policies including grievance, risk management and whistleblowing. We intend to continue to build on this over the next year by publishing our staff handbook and finance manual.

There were no material internal control issues identified during the year. The organisation is still relatively young, and we will continue to enhance our internal control function over the coming year to improve quality, coordination and internal consistency.

David Kennedy
Accounting Officer
08 July 2010

11. The Certificate 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 2010 under the Climate Change Act 2008. These comprise the Net Expenditure Account, the Statement of Financial Position, the Statement of Cash Flows, the Statement of 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 Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and 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 am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on Regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions 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 2010 and of its deficit, changes in taxpayers' equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Climate Change Act 2008 and the 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 Commentary 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 are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control 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

09 July 2010

12. Financial Statements

Net Expenditure Account
For the year ended 31 March 2010

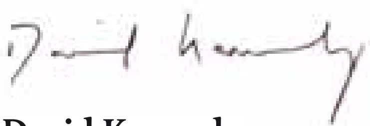
	Note	2009-10 £	Period to 31 March 2009 £
Expenditure			
Staff Costs	**4a**	(1,989,360)	(540,837)
Depreciation	**5**	(112,526)	(7,295)
Other Expenditure	**5**	(1,564,735)	(544,752)
Net Expenditure		**(3,666,621)**	**(1,092,884)**
Cost of Capital	**5**	18,975	2,691
Net Expenditure after cost of capital charge		**(3,647,646)**	**(1,090,193)**

All income and expenditure is derived from continuing operations
The notes on pages 41 to 56 form part of these accounts.
There was no income or gains and losses other than the reported expenditure.

Statement of Financial Position
As at 31 March 2010

	Note	31 March 2010 £	£	31 March 2009 £	£
Non-current assets					
Property, plant & equipment	6	298,870		84,189	
			298,870		84,189
Current assets					
Trade and other receivables	8	19,273		396,182	
Cash and cash equivalents	9	239,435		1,119,482	
			258,708		1,515,664
Total assets			**557,578**		**1,599,853**
Current liabilities					
Trade and other payables	10	(1,002,284)		(952,615)	
			(1,002,284)		(952,615)
Non current assets plus/(less)					
net current assets/(liabilities)			**(444,706)**		**647,238**
Non-current liabilities					
Other payables	10	(140,677)		(12,122)	
			(140,677)		(12,122)
Assets less liabilities			**(585,383)**		**635,116**
Reserves					
General reserve			(585,383)		635,116
Total Reserves			**(585,383)**		**635,116**

The financial statements on pages 37 to 40 were approved by the Committee on 8 July 2010 and signed on its behalf by:



David Kennedy
Accounting Officer
08 July 2010

The notes on pages 41 to 56 form part of these accounts.

Statement of Cash Flows
For the year ended 31 March 2010

	Note	Year to 31 March 2010 £	Period to 31 March 2009 £
Cash flows from operating activities			
Net deficit after cost of capital and interest		(3,647,646)	(1,090,193)
Adjustments for cost of capital charge		(18,975)	(2,691)
Adjustments for depreciation	6	112,526	7,295
(Increase)/Decrease in trade and other receivables	8	376,909	(396,183)
Increase/(Decrease) in trade payables	10	49,669	952,615
Increase/(Decrease) in payables not passing through the Net Expenditure Account	10	128,556	12,122
Net cash outflow from operating activities		**(2,998,961)**	**(517,035)**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(148,703)	-
		(148,703)	-
Cash flows from financing activities			
Grant from parent department		2,446,122	1,728,000
Payments in respect of finance leases and on-balance sheet PFI contracts		(178,505)	(91,483)
		2,267,617	**1,636,517**
Net Financing			
Net increase/(decrease) in cash and cash equivalents in the period		(880,047)	1,119,482
Cash and cash equivalents at the beginning of the period	9	1,119,482	-
Cash and cash equivalents at the end of the period	9	239,435	1,119,482

The notes on pages 41 to 56 form part of these accounts.

Statement of Changes in Reserves
For the year ended 31 March 2010

	Note	General Reserve £
Balance at 26 November 2008		**-**
Non-cash charges - cost of capital	5	(2,691)
Net operating costs for the year		(1,067,193)
Retrospective application of IAS 19 employee leave accrual		(23,000)
Total recognised expenses for 2008-09		**(1,092,884)**
Grant in Aid received		**1,728,000**
Balance at 31 March 2009		**635,116**
Changes in reserves 2009-10		
Non-cash charges - cost of capital	5	(18,975)
Net operating costs for the year		(3,647,646)
Total recognised expenses for 2009-10		**(3,666,621)**
Grant in Aid received		**2,446,122**
Balance at 31 March 2010 under IFRS		**(585,383)**

Throughout the financial year the Committee has actively managed its cash to avoid drawing down Grant-In-Aid in excess of need and the Committee has successfully reduced its cash and debtors by £1.2m in the year. This, however, has resulted in the year-end reserves being negative and application has been made to the sponsor department to make the undrawn cash available in 2010-11 to meet the year end liabilities, as allowed for in the Grant-in-aid accounting policy.

The notes on pages 41 to 56 form part of these accounts.

13. Notes to Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2009-10 *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 Reporting entity and period

The financial statements cover the first full year's activities for the Committee on Climate Change (the Committee), which was established as a statutory Non-Departmental Public Body on 26 November 2008 when the Climate Change Bill became an Act. The reporting period for these financial statements is therefore 1 April 2009 to 31 March 2010.

1.2 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment and current financial assets, as described in paragraphs 1.3.

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.

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 — *2-5 years*
- Leasehold improvements — *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 Performance when the Committee becomes a party to the contractual provisions of an instrument.

The Committee has no borrowings and relies primarily on grants 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 the Committee are treated as financing and credited to the General Reserve, because they are regarded as contributions from a controlling party.

In accordance with HM Treasury's guidance 'Managing Public Money', NDPBs are required to observe the following:

Cash balances accumulated during the course of the year from grant-in-aid or other Exchequer funds shall be kept to a minimum level consistent with the efficient operation of the NDPB. Grant-in-aid not drawn down by the end of the financial year shall lapse. Subject to approval by Parliament of the relevant Estimates provision, where grant-in-aid is delayed to avoid excess cash balances at the year-end, the department will make available in the next financial year any such grant-in-aid that is required to meet any liabilities at the year end, such as creditors.

1.7 Capital charge

A charge, reflecting the cost of capital utilised by the Committee, is included in the Net Expenditure Account. The charge is calculated at the real rate set by HM Treasury (currently 3.5 percent) on the average total assets less the total liabilities in the year. Where the Committee has net liabilities, a notional credit is calculated and applied to reduce the net operating costs for the year.

1.8 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). Note 4b provides details of Committee pension costs.

It was announced in the Budget on 22 June 2010 that the Government intends to adopt the Consumer Price Index (CPI) for the indexation of public service pensions from April 2011. This will have an impact upon the future operation of the pension schemes that the Committee provides to employees.

1.9 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.

1.10 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 Net Expenditure Account over the lease term on a straight-line basis.

1.11 Service Concessions

The Committee procures information technology support through 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 assets 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.

1.12 Early Adoption of IFRS

The FReM states that all public bodies should make a full disclosure under IFRS 8 Operating Segments for 2009-10. As this IFRS has an effective revision date of 1 January 2010, this constitutes an early adoption of the standard.

1.13 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 365 days.

2. First Time Adoption of IFRS

The Committee's financial statements for the year ended 31 March 2010 are the first full year financial statements that comply with IFRS as adapted and interpreted in the FReM for the public sector. The Committee has applied IFRS 1 in preparing these financial statements.

The following table shows the changes to taxpayers equity and net expenditure, resulting from the transition from previous UK GAAP to IFRS at 26 November 2008.

	General Reserve 2009-10 £	General Reserve Period to 31 March 2009 £
Taxpayers equity at 31 March under UK GAAP	(550,224)	658,116
Adjustments for:		
IAS 19 Employee Benefits: Staff leave accrual	(35,000)	(23,000)
IFRIC 12 - Service concession arrangement*	(159)	-
Taxpayers equity at 1 April under IFRS	**(585,383)**	**635,116**
Net expenditure for year/period under UK GAAP	3,635,487	1,067,193
IAS 19 Employee Benefits: Staff leave accrual	12,000	23,000
IFRIC 12 - Service concession arrangement*	159	-
Net expenditure for period ended 31 March under IFRS	**3,647,646**	**1,090,193**

*The adjustment for IFRIC 12 Service concession arrangement is due to the fact that the asset will depreciate quicker than the liability is released in the early stages of the contract, resulting in 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 net impact over the duration of the contract will be zero.

3. Analysis of Net Expenditure by Segment

	Committee on Climate Change	Adaptation Sub-Committee	Total
	£	£	£
Staff costs			
Committee members	99,355	81,135	180,490
Staff	1,465,595	343,275	1,808,870
Total staff costs	**1,564,950**	**424,410**	**1,989,360**
Other costs			
Research	1,084,564	39,474	1,124,038
Recoveries for research*	(320,476)	-	(320,476)
Rentals under operating leases	150,932	37,741	188,673
Occupancy	47,243	9,214	56,457
Shared Services	20,078	13,975	34,053
PFI service charges	33,934	8,483	42,417
Printing and publications	164,643	2,367	167,010
Travel and subsistence	28,968	13,943	42,911
Corporate Services	47,702	3,385	51,087
Learning and development	63,321	16,286	79,607
Telephony	9,295	1,980	11,275
Web development and hosting	15,897	8,892	24,789
Conferences and events	25,010	4,785	29,795
Auditor's remuneration	22,000	5,500	27,500
Other	4,479	1,120	5,599
Total	**1,397,590**	**167,145**	**1,564,735**
Total operating costs	**2,962,540**	**591,555**	**3,554,095**

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.

4. Staff numbers and related costs

(a) Staff Costs

	2009-10 Permanent staff*	2009-10 Loans, secondments and STA/ FTA*	2009-10 Others*	2009-10 Total	Period to 31 March 2009 Total
	£	£	£	£	£
Committee Members' remuneration**	180,490	-	-	180,490	28,567
Wages and salaries***	988,169	381,603	51,975	1,421,747	420,050
Social security costs****	111,002	31,034	-	142,036	32,668
Other pension costs	189,151	71,909	-	261,060	59,552
Sub total	**1,468,812**	**484,546**	**51,975**	**2,005,333**	**540,837**
Less recoveries for outward secondments	(973)	(15,000)	-	(15,973)	-
Total staff costs	**1,467,839**	**469,546**	**51,975**	**1,989,360**	**540,837**

The Committee comprises seven Committee members: A Chair who is contracted to work on average four days per month and six independent members contracted to work on average two days per month.

The ASC comprises nine Committee members: A Chair who is contracted to work on average three days per month and eight independent members contracted to work on average two days per month.

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

*'Permanent' staff comprise staff employed on a permanent basis on the Committee's terms and conditions. 'Loans, secondments, short term and fixed term appointments (STA/FTA)' comprise staff who are 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. 'Others' represent agency staff hired by the Committee.

**Remuneration for Committee members are fees paid for attending meetings and other work performed on behalf of the Committee during the period 1 April 2009 to 31 March 2010

***Wages and salaries includes an accrual of £39,480 for performance bonuses related to the 2009-10 financial year where the performance has benefited the Committee and £12,000 for staff unpaid leave accrual.

**** Includes £19,983 for employers national insurance paid on Committee fees.

(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 .

(c) The average number of persons employed:

	2009-10 Permanent staff	2009-10 Loans, secondments and STA/FTA	2009-10 Others	2009-10 Total	Period to 31 March 2009 Total
Chief Executive Office	2.0	-	-	2.0	2.0
ASC	3.0	2.2	-	5.2	-
CCC	12.3	4.8		7.1	15.0
Corporate Team	1.0	3.8	0.2	5.0	5.0
	18.3	**10.8**	**0.2**	**29.3**	**22.0**

For 2009-10, employers' contributions of £261,060 (2008-09, £56,751) 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 2009-10 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 £545 (2008-09, £2,709) 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 £691, 0.8% of pensionable pay (2008-09, £92), 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 £46 (2008-09, £Nil). Contributions prepaid at that date were £0.

5. Other Expenditure

	2009-10		Period to 31 March 2009 (restated)	
	£	£	£	£
Administration Costs				
Research	1,124,038		313,275	
Recoveries for research*	(320,476)		-	
Rentals under operating leases	188,673		-	
Occupancy	56,457		53,000	
Shared Services	34,053		13,022	
PFI Service payments	42,417		12,639	
Printing and publications	167,010		21,930	
Travel and subsistence	42,911		12,804	
Corporate Services	51,087		27,138	
Learning and Development	79,607		33,111	
Telephony	11,275		158	
Web development and hosting	24,789		32,769	
Conferences and events	29,795		3,614	
Auditor's remuneration	27,500		20,000	
Other	5,599		1,292	
		1,564,735		544,752
Non-Cash Items				
Depreciation		112,526		7,295
Cost of capital		(18,975)		(2,691)
Total Expenditure		**1,658,286**		**549,356**

*Recoveries for research represents contributions from other government bodies to the Committee's work programme. This comprises £215,254 from the Department for Transport, £61,752 from DECC and £43,470 from the Scottish Government.

The comparative figures for all other expenditure for 2008-09 have been reanalysed from the way they were shown in the published 2008-09 financial statements to provide the reader with clearer categories.

6. Property, plant and equipment

	Furniture	Information Technology	Plant & Machinery	Assets under construction	Total
	£	£	£	£	£
Cost					
At 1 April 2009	20,390	27,738	-	43,355	91,483
Additions	59,320	24,685	6,251	58,447	148,703
Revaluations	-	178,505	-	-	178,505
Reclassifications	101,802	-	-	(101,802)	-
At 31 March 2010	**181,512**	**230,928**	**6,251**	**-**	**418,691**
Depreciation					
At 31 March 2009	**-**	**(7,295)**	**-**	**-**	**(7,295)**
Charged in year	(71,945)	(38,308)	(2,273)	-	(112,526)
At 31 March 2010	**(71,945)**	**(45,603)**	**(2,273)**	**-**	**(119,821)**
Net Book Value at 31 March 2010	**109,567**	**185,325**	**3,978**	**-**	**298,870**
Net Book Value at 31 March 2009	**20,390**	**20,444**	**-**	**43,355**	**84,189**
Asset financing					
Owned	109,567	16,296	3,978	-	129,841
Finance leased	-	169,029	-	-	169,029
Net Book Value at 31 March 2010	**109,567**	**185,325**	**3,978**	**-**	**298,870**

'Assets under construction' related to the refurbishment of Manning House started prior to the Committee occupying the premises in May 2009 and completed in August 2009.

'Information technology' includes 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.

7. 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.

8. Trade receivables and other current assets

	31 March 2010	31 March 2009
	£	£
Amounts falling due within one year:		
Trade receivables	-	-
Deposits and advances	1,771	440
Other receivables	15,000	392,350
Prepayments and accrued income	2,502	3,392
Total	**19,273**	**396,182**

Other receivables comprise £15,000 due from Department of Business Innovation and Skills (BIS) as a contribution to a staff secondment salary.

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

	Amounts falling due within one year: 31 March 2010	Amounts falling due within one year: 31 March 2009
	£	£
Balances with other central government bodies	15,000	365,170
Balances with local authorities	1,234	-
Sub total	**16,234**	**365,170**
Balances with bodies external to government	3,039	31,012
Total debtors at 31 March	**19,273**	**396,182**

9. Cash and cash equivalents

	31 March 2010 £	31 March 2009 £
Balance at 1 April	**1,119,482**	-
Net change in cash and cash equivalent balances	(880,047)	1,119,482
Balance at 31 March	**239,435**	**1,119,482**
The following balances at 31 March were held at:		
The Office of HM Paymaster	(267,150)	1,047,630
Amounts held in Government banking service accounts	506,337	-
Commercial banks and cash in hand	248	71,852
Balance at 31 March	**239,435**	**1,119,482**

10. Trade payables and other current liabilities

	31 March 2010 £	31 March 2009 £
Amounts falling due within one year		
Other taxation and social security	38,772	16,730
Trade payables	186,824	277,047
Other payables	-	132,663
Current part of finance leases	28,351	8,322
Capital creditors and accruals	-	63,745
Accruals and deferred income	684,707	418,556
Pension contributions	28,630	12,552
Staff unpaid leave accrual	35,000	23,000
	1,002,284	**952,615**
Amounts falling due in more than 1 year		
Finance leases	140,677	12,122
	140,677	**12,122**
Total payables	**1,142,961**	**964,737**

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 2010	Amounts falling due after more than one year: 31 March 2010	Amounts falling due within one year: 31 March 2009	Amounts falling due after more than one year: 31 March 2009
	£	£	£	£
Balances with other central government bodies	498,405	140,677	315,285	12,122
Balances with local authorities	-	-	-	-
Balances with NHS bodies	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
Sub total	**498,405**	**140,677**	**315,285**	**12,122**
Balances with bodies external to government	503,879	-	637,330	-
Total creditors at 31 March	**1,002,284**	**140,677**	**952,615**	**12,122**

11. Capital commitments

	31 March 2010	31 March 2009
	£	£
Contracted capital commitments at 31 March not otherwise included in these financial statements		
Property plant and equipment	-	169,125
Total	**-**	**169,125**

12. Commitments under operating leases

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

	31 March 2010 Land & Buildings £	Other £	31 March 2009 Land & Buildings £	Other £
Obligations under operating leases comprise:				
Not later than one year	251,564	-	-	-
Later than one year and not later than 5 years	62,891	-	-	-
Later than five years	-	-	-	-
	314,455	**-**	**-**	**-**

The lease payments represent the rent payable on the lease for 4th floor, Manning House. The lease expires on 23 June 2011.

13. Commitments under Service Concession Agreements (PPP/PFI contracts)

	31 March 2010 £	31 March 2009 £
Total obligations under on-balance sheet PFI contracts for the following periods comprises:		
Not later than one year	28,351	8,322
Later than one year and not later than 5 years	113,405	12,122
Later than five years	27,272	-
	169,028	**20,444**

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 renewed 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 Defra.

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 contract, although Defra has the option to purchase specified assets at net book value on exiting the contract. This gives Defra control of the assets during the life of the contract.

14. Changes to the income and expenditure and future commitments

The payments to which the Committee is committed during 2009-10, analysed by the period in which the commitment expires, is as follows:

	31 March 2010	31 March 2009
	£	£
Not later than one year	44,371	90,924
Later than one year and not later than 5 years	177,486	136,387
Later than five years	125,719	-
	347,576	**227,311**

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 Assembly Government and the Northern Ireland Executive. During the period ending 31 March 2010, 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 2009-10	2008-09	Project funding 2009-10	2008-09	Purchased services 2009-10	2008-09
Government bodies:						
DECC	2,446,122	1,728,000	61,752	-	64,767	-
Defra	-	-	-	-	412,643	-
Department for Transport	-	-	215,254	-	29,875	-
Scottish Government	-	-	43,470	-	-	-
Home Office	-	-	-	-	61,220	-
Department of Business Innovation & Skills (BIS)	-	-	15,000*	-	54,233*	-
Meteorological Office					52,063*	
Scottish Agricultural College (SAC)	-	-	-	-	48,104*	-

*Amounts outstanding at the year-end.

Project funding comprises recoveries on research. Purchased services includes shared services, IT, accommodation and staff.

During the period, the Committee, in the normal course of business, entered into a material transaction with London School of Economics for £42,823 in which a Committee member Dr Samuel Fankhauser has an interest. The entire amount was outstanding at the year end.

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