Department
of Energy &
Climate Change

Annual Report and Accounts
2013–14

Department of Energy and Climate Change

Annual Report and Accounts 2013–14

For the year ended 31 March 2014

Accounts presented to the House of Commons pursuant to Section 6(4) of the Government Resources and Accounts Act 2000

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Structure and Contents

Foreword by the Secretary of State

This has been an eventful, challenging, but ultimately successful year for DECC. We are one of the smallest Departments in Government, but our work is critical, not just for this generation but in service of generations to come.

We are tasked with maintaining secure and affordable energy supplies as we drive the transition to the low carbon energy system – a transition required if we are to limit the negative consequences of Climate Change. Our work will have lasting effect, because meeting this challenge will need concerted action not just within this Parliament, but spanning decades to come.

If we ever needed reminding about the urgency of our mission, this past year has seen the United Nations International Panel on Climate Change publish the most authoritative, peer reviewed scientific reports on the warming planet ever produced. There can be no doubt about the science and no doubt about the need to decarbonise our energy system.

With the 2013 Energy Act passing into law in December, we now have one of the best legal and financial frameworks to support the cost-effective growth of low carbon technology anywhere in the world. The Energy Act was backed by the same level of cross-party political consensus that the 2008 Climate Change Act enjoyed. So this new framework is built to last. And will help boost the growing investment in the UK's energy infrastructure.

Average annual investment in renewables has doubled this Parliament reaching record levels and around 15% of the UK electricity is being provided by renewable resources and growing all the time. In the three years to 2013, we attracted £45 billion of investment in new electricity infrastructure, putting us on target to meet energy security requirements as old and polluting generating capacity goes off line.

This last year has seen further progress with the Government agreeing key terms for the first new nuclear power station in a generation at Hinkley Point. And under the Final Investment Decision enabling process we have given the go ahead to renewables projects that will provide up to £12 billion of private sector investment supporting 8,500 jobs. As a whole we estimate that the Energy Act has the capacity to support 250,000 jobs by 2020 reaching into every part of the country through the supply chain.

This coming year, we will be putting the key mechanisms of the Energy Act in place – agreeing the first Contracts for Difference, and preparing for the first auctions in the Capacity Market. So the hard work is by no means over and we will be working flat out to keep the new investment flowing and see the new infrastructure built. The Wood Review published in February provides the blueprint for maximising the economic recovery of oil and gas in the North Sea. And the work to ensure the potential for shale gas can be explored safely and without increasing emissions continues. So the Department is meeting its cross-government responsibilities to stimulate growth and help the country recover from recession.

But we also have a responsibility to the households and businesses of Britain to do everything we can to make sure the system delivers the lowest bills possible. This has been a major priority over this last year, which has seen suppliers continue to raise their prices above inflation. Working with Ofgem, we have been driving competition in the market, helping independent suppliers challenge the dominance of the Big 6, making it easier to switch and simplifying bills. The review of the impact of Government policy on bills resulted in bill-payers being an average of £50 better off, without affecting the help we provide to the most vulnerable in society, or damaging the drive to reduce emissions. This work will continue over the next year as we bring forward policy packages throughout the year to put consumers in control of their energy bills, help the fuel poor, boost energy efficiency and further support competition. The Competition and Markets Authority also stands ready to take forward any recommendation from Ofgem to carry out a full investigation into competition in the market. This would be the right way to restore people's trust that the energy markets are working for their benefit and the right way to create long-term certainty for investment.

All of this work is only made possible by the hard work and dedication of DECC staff. The cross-government surveys confirm what I have experienced day in and day out as Secretary of State. DECC civil servants are among the most committed in Government. I am certain that this commitment will be reflected in the way we approach the coming year, as we implement the Energy Act, work flat out to drive investment into the system, and redouble our efforts to deliver a fair and affordable energy system for consumers.

Rt Hon Edward Davey MP
Secretary of State, Department of Energy & Climate Change

Permanent Secretary & Lead Non Executive Director's Report

The Department's profile has grown significantly in the last year as many of our key policies have reached the delivery stage and have attracted international interest.

DECC has achieved a great deal in that time, introducing major infrastructure programmes on nuclear power and renewable energy, and developing world-leading changes to enable people to have warmer homes.

Our policies bring meaningful change. They help vulnerable consumers, secure energy supplies, and drive forward the international climate change agenda.

Ensuring the UK is an attractive country for investment is crucial. By securing very significant private sector infrastructure investment, we are taking a leading role internationally in ensuring a sustainable energy supply.

At a consumer and business level, we are tackling climate change, helping consumers to be more energy efficient, and investing more than £1 billion in low carbon technologies. Consumers are at the heart of our efforts to make it easier for them to manage their energy use and to invest in the new technology they need to save energy. At the same time, we have taken decisive action to help businesses and consumers save money on their energy bills, for example through measures that allowed energy suppliers to announce a reduction of around £50 in average household bills.

DECC is making significant changes to support the delivery of the Department's vision and objectives. We have three new Directors General, bringing a broad range of experience and skills to our executive; and we have welcomed Tom Kelly to our Departmental Board, who, through his expertise in corporate communications, brings an added dimension to our non-executive team.

Our people engagement survey scores remain high and we continue to work towards making DECC a great place to work. Through our internal change programme we are ensuring that DECC is a leading department across Whitehall, showing strong leadership and professionalism.

We therefore both welcome this annual report as a record of our achievements to date and look forward to continuing to improve our capability and capacity in order to deliver the challenges of the year ahead.

Stephen Lovegrove
Permanent Secretary

Martin Stewart
Lead Non-Executive Director

Chapter 1

Who we are and what we do

Vision and Values

1.1 DECC promotes economic growth by delivering affordable, sustainable and secure energy to the UK, while driving ambitious action on climate change internationally. We are:

- Securing investment to keep the lights on as we move to a low-carbon economy;
- Tackling the threats caused by climate change through pioneering action in the UK and abroad; and
- Helping to keep energy bills as low as possible.

Our vision sets the long-term direction of travel, which we deliver through the Coalition priorities in the Structural Reform Plan. These are to:

- Promote UK growth through investment in energy infrastructure;
- Save energy through the Green Deal and other policies and to support vulnerable consumers;
- Deliver secure energy on the way to a low carbon energy future;
- Drive ambitious action on climate change at home and abroad; and
- Manage our energy legacy responsibly and cost effectively.

We also have an internal objective to:

- Deliver the capability that the Department needs to achieve its goals.

These priorities were used to develop our five year Business Plan which was updated for Financial Year 2013-14.[1] It sets out the vision for our work, including how we will provide greater transparency to the public about our performance. Progress against the Structural Reform Plan (SRP) is published monthly as part of

1 http://transparency.number10.gov.uk/business-plan-pdf/6

the SRP implementation updates.[2] More detail on our performance completing actions due in the 2013-14 Financial Year is at Annex A.

Structure and Ministerial Responsibilities

1.2 The high level structure of the Department is:

		Secretary of State Rt Hon Edward Davey MP		
	Minister of State Rt Hon Gregory Barker MP	**Minister of State** Rt Hon Michael Fallon MP	**Parliamentary under Secretary of State** Baroness Verma	
	Non Executive Director Martin Stewart	**Non Executive Director** Tom Kelly	**Non Executive Director** Terry Morgan	
		Permanent Secretary Stephen Lovegrove		
DG Consumers & Households Clive Maxwell	**DG Markets & Infrastructure** Simon Virley	**DG International, Science & Resilience** Katrina Williams	**DG Finance & Corporate Services** Angie Ridgwell	**Chief Scientific Advisor** David Mackay

The Departmental Board and Committees

1.3 We reviewed our governance structure in July 2013 with a view to streamlining membership of the Executive Committee (ExCo) resulting in more focus on the strategic vision and delivery. Three committees of ExCo were also established to concentrate on specific areas of the business. Our governance structure is now:

<table>
<tr><td>Nominations & Governance
(Chaired by a Non-Executive Director)
advises on effective leadership & succession planning</td><td>Departmental Board
sets DECC's vision and strategy
(Chaired by Secretary of State)</td><td>Audit & Risk Committee
(Chaired by a Non-Executive Director)
advises on effectiveness of control, risk, financials & governance</td></tr>
<tr><td colspan="3">Executive Committee
(Chaired by the Permanent Secretary)
oversees the delivery of DECC's strategy, supported by three committees</td></tr>
<tr><td>Finance & Business Committee
(Chaired by the Director General for Finance & Corporate Services)

responsible for:
business planning, budgets, risk monitoring and our annual report</td><td>Investment Committee
(Chaired by the Director General for International, Science & Resilience)

responsible for:
approval of new projects and programmes and assessment of performance of existing activity at major milestones</td><td>Operations & People Committee
(Chaired by the Director of Energy Development)

responsible for:
ensuring we have the right people with the right skills, in the right working environment and with the right tools</td></tr>
</table>

2 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/47910/5421-decc-business-plan-201215-.pdf

In keeping with the rules on transparency, details of expenses, overseas travel and gifts and hospitality in respect of Ministers, the Permanent Secretary and Directors General are published quarterly.[3]

The Department holds an internal register of interests that is reviewed and updated on a six monthly basis.

3 https://www.gov.uk/government/publications?departments%5B%5D=department-of-energy-climate-change&publication_type=transparency-data

Chapter 2

Departmental Performance

Making an impact and improving the way we work

The Department publishes a business plan, which sets out the organisation's objectives and the resources available to deliver them. This is communicated across the organisation via meetings with managers and team meetings, email communications and wider, via our intranet.

Detailed information on our progress against the indicators included in our Departmental Business Plan can be found in the DECC Quarterly Data Summary.[4]

In 2013-14 the Department has made strong progress in our three priority areas:

2.1 Securing Investment to ensure Britain's energy security as we move to a low-carbon economy

We are delivering affordable, sustainable and secure energy to power the economy. We have put in place reforms to encourage the private sector to invest up to £100 billion between 2014 and 2020 to replace our old power stations with modern clean alternatives. More than £45 billion of investment has been achieved in electricity infrastructure since 2010, with almost £14 billion invested in 2013 alone.

Investment in new, cleaner energy infrastructure through the government's electricity market reforms (renewables, nuclear, and Carbon Capture Storage) will help support up to 250,000 jobs by 2020, ensuring the UK makes rapid strides in the deployment of low-carbon energy and contributes to tackling climate change.

The result will be low-carbon, affordable, secure and reliable energy for the long-term – which will be better for consumers, our energy security, our economy and the environment.

The UK is making rapid strides in the deployment of low-carbon energy. Renewables now supply 15% of our electricity generation and overall 35% of our electricity is low-carbon – an all-time high. At the same time we are progressing with development of Carbon Capture and Storage technology and there has been

4 https//www.gov.uk/government/publications/decc-business-plan-quarterly-data-summary-indicators-and-other-data-sets

strong interest in our new nuclear programme. We are ranked number one in the world for investing in offshore wind and 2nd most attractive for biomass.[5] We also have the world's first Green Investment Bank.

We want to retain this advantage, boosting UK exports and ensuring the UK benefits from the growing global market in low-carbon goods and services.

We must continue to maximise the use of our indigenous fossil fuels as we transition to a low carbon economy.

We are also developing the policy and regulatory framework for the extraction of shale gas in a safe and environmentally sustainable way. This includes new incentives for communities hosting shale gas developments.

The North Sea continues to attract global investment. In the last licensing round (2012) there were more applications for exploration licences in the North Sea than any time since licensing began in 1964, and over 200 licence awards were made.

Sir Ian Wood's final report (published in February 2014) from his review of how to maximise recovery of oil and gas in the UK Continental Shelf (UKCS) makes clear that there is a huge prize left in the North Sea. Sir Ian's report estimates that full and rapid implementation of the recommendations in his report will deliver at least 3-4 billion barrels of oil equivalent more than would otherwise be recovered over the next 20 years, bringing over £200 billion of additional value to the UK economy.

2.2 Tackling the threats caused by climate change through pioneering action in the UK and abroad

Climate change is one of the most serious security threats this country faces, and we need to act on it now to insure against the risks. The science is unequivocal: the Earth's climate is changing and this is largely being driven by man-made emissions of greenhouse gases. Left unchecked, climate change will impact on many aspects of our society. It will bring great risks to human health, global food prices and economic development. In the UK, there will be increased risk of intense flooding.

We all have a part to play in meeting the challenge. We need individuals, businesses and communities to commit to making a change in the way they use energy, and our policies are designed to facilitate that.

The Government is taking action to reduce the UK's greenhouse gas emissions, whilst creating a prosperous low-carbon future with clean air, clean fuel, clean transport, and more efficient use of energy.

For example, we are helping consumers to insulate their homes and switch to renewable heating, and are replacing old polluting power stations with cleaner alternatives. We are also planning for the impacts of extreme weather, and continuing to adapt to changes we can no longer avoid. Specific actions for DECC,

5 Offshore wind investment attractiveness – Renewable Energy Country attractiveness Index. E&Y, Issue 40, Feb 2014

as outlined by the National Adaptation Programme, are being progressed and are ongoing.

The Government is investing over £1 billion in this Parliament on innovative low-carbon generation and energy efficiency technologies. This money enables UK based businesses to develop technologies that reduce our reliance on importing gas, whilst driving down costs, and creating a sustainable supply of affordable energy for consumers and businesses alike.

The UK is taking a leading role in pushing for an ambitious EU energy and climate package that will lead to a 40% reduction in greenhouse emissions by 2030. Determined diplomacy by the UK and EU at the 19th meeting of the Conference of the Parties of the UN Framework Convention on Climate Change (UNFCCC) in Warsaw in November 2013 achieved our aims of building alliances across the world, and remaining on track for securing a new global legally binding agreement to reduce emissions at Conference of the Parties (COP) 21 in Paris in 2015. All nations have now agreed the necessary preparatory work for a global climate change deal in 2015, according to a fixed work programme, with timetables. The UK continued its strong record of leading on climate change action by joining the US in agreeing with its policy of ending support for public financing of new coal-fired power plants overseas, and making additional announcements of extra help for some of the world's poorest countries to adapt to climate change.

We will continue to work through the UNFCCC and complementary initiatives such as the Climate and Clean Air Coalition to seek to bring forward ambitious action from all parties. This includes negotiating a new global agreement on climate change by 2015, which will come into force by 2020.

2.3 Helping to keep energy bills as low as possible

The Government is putting power back into the hands of consumers. We are reforming the UK energy market, breaking up the stranglehold of the Big 6, encouraging more competition and ensuring energy companies provide simpler energy tariffs. A push to secure quicker switching periods (which will be halved by the end of 2014 following Government action) will provide consumers with more effective ways to engage with the markets to find the best deals.

The Government recognises that vulnerable consumers may need additional help to find the best deals in the market and switch, if they want to. This is why it provided £900,000 in 2013-14 and a further £1 million in 2014-15 to fund the creation of the Big Energy Saving Network. This is an ambitious programme of consumer outreach that works with third sector organisations, to help consumers to reduce their energy costs by taking action on tariffs, switching and energy efficiency offers.

We are tackling homes that leak heat through the Green Deal. These measures help consumers to understand the energy-saving improvements they can make to their home and provides access to accredited contractors (and finance, if people want it). We are changing the Green Deal so that it works better for consumers and for industry, particularly small businesses.

The Energy Act 2013 provides the new legislative framework for fuel poverty. It removes the 2016 eradication target and places a duty on Government to address fuel poverty and set out the detail of a new target through secondary legislation. Legislation for the new fuel poverty target, based on energy efficiency of fuel poor homes, will come forward later this year, and a new fuel poverty strategy adopted thereafter.

The Warm Home Discount scheme requires energy companies with over 250,000 domestic customers to give a discount on electricity bills to a range of low income and vulnerable customers. Well over a million of the poorest pensioners received a discount of £135 from their energy bill in winter 2013-14. This discount will rise to £140 in 2014-15. Other groups such as low income families and those on low incomes with long term illnesses and disabilities were also able to benefit through the scheme.

2.4 Rural Proofing

The Government expects that all policies should be Rural Proofed to ensure that the needs and interests of rural people, communities and businesses are properly considered in their development and implementation.

The Warm Home Discount scheme ensures that those off the gas grid have the same opportunity to access support. The Energy Company Obligation (ECO) recognises that rural households often have high energy costs, due to being off the gas grid. Under the scheme, 15% of the Carbon Saving Communities obligation is ring-fenced for those living in rural areas. These households can benefit from insulation installed by energy suppliers.

2.5 Reporting on Better Regulation

We employ better regulation principles to design effective regulation where this is required to achieve our policy aims and we have taken steps to reduce the regulatory burden on business during the course of 2013-14. The following table shows the Department's position for One-in Two-out for the period 1 April 2013 to 31 March 2014:

One-in, Two-out: 1 April 2013 – 31 March 2014	
Count of new measures:	
Ins	1
Zero net cost	5
Outs	5
Total measures	11
Cost (Equivalent Annual Net Cost to Business, £m):	
Ins	0.06
Outs	–3.81
Total Net Saving	**–3.75**[6]

6 This omits the period between 01/01/2013 – 31/03/2013, as the previous Annual Report showed the cumulative position up until 31/12/2012.

In addition, we always consider non-regulatory approaches to meet our objectives, so that the regulatory burden on business is minimised. Over the last financial year, this has been demonstrated by numerous initiatives, for example, through encouraging energy suppliers to reduce switching times, which has now translated into their firm commitment to slash switching times by 50%.

Where regulation cannot be avoided, we implement it in the least-cost and as efficient manner as possible and conduct a robust analysis of impacts on business and wider economy. The quality of our analysis is evidenced in the latest annual report of the Regulatory Policy Committee, where we were ranked second across Whitehall for the robustness of our Impact Assessments.

Corporate Performance

2.6 DECC Improvement Plans

The Department has invested significantly in improving its capability since the Capability Review in 2012 and has already made good progress in developing the operational elements of the department, while also delivering against a very challenging set of priorities. Our change programme, DECC Works, is focused on co-ordinating improvements and driving process and cultural change across the Department.

2.7 Our People

Staff engagement is currently 58% (2013 People Survey), matching the Civil Service as a whole.[7] Responding to the People Survey the Executive Committee identified four areas of focus. These were:

- leadership and managing change;
- performance management;
- resources and workload; and
- diversity and inclusion.

The Department remains a Civil Service high performing department with 69% of staff reporting in the 2013 People Survey that they could access the right learning.

We continue to support staff through a number of measures including:

Leadership and managing change – the Department's staff engagement for 2013 shows a 2% improvement from 2012 to 44% which is 2% higher than the Civil Service average but 7% lower than Civil Service high performers. The Department is taking action to build our leadership and management capability. Our Leadership programme was established in April 2013 to cover the knowledge and key skills we expect of all leaders in the Department.

Performance management – the Department's staff engagement survey for 2013 shows that 58% of staff felt that their performance is evaluated fairly. Whilst this is

7 The engagement score shows the average level of engagement in the organisation calculated from the responses to five questions measuring pride, advocacy, attachment, inspiration and motivation.

an improvement on the previous year, we are taking action both to improve both the way we manage performance and to build our line manager capability.

Resources and workload – 52% of the Department's staff believe they have an acceptable workload and we are committed to reducing the gap between the Department and the Civil Service average. Workforce planning is underway to help us identify vacancies in advance and fill them more promptly. We are improving the business planning process to reduce pressure on staff by ensuring priorities are clearly aligned with available resources.

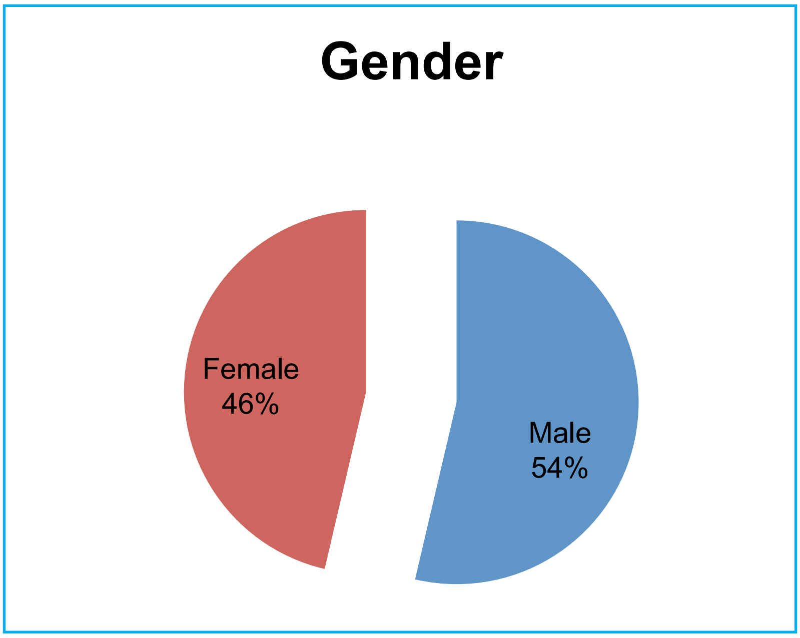
Diversity and Inclusion – we are committed to promoting and ensuring equality and to valuing diversity. One of our People Survey actions required all line managers as a minimum to complete unconscious bias e-learning by March 2014. We actively monitor the diversity data of our workforce and publish the information on diversity.

We have signed up to the Time to Change pledge and also launched our online Mental Health toolkit offering practical information, advice and tips to help inform decision-making across a range of issues. These tools are supplemented by specialist advice services.

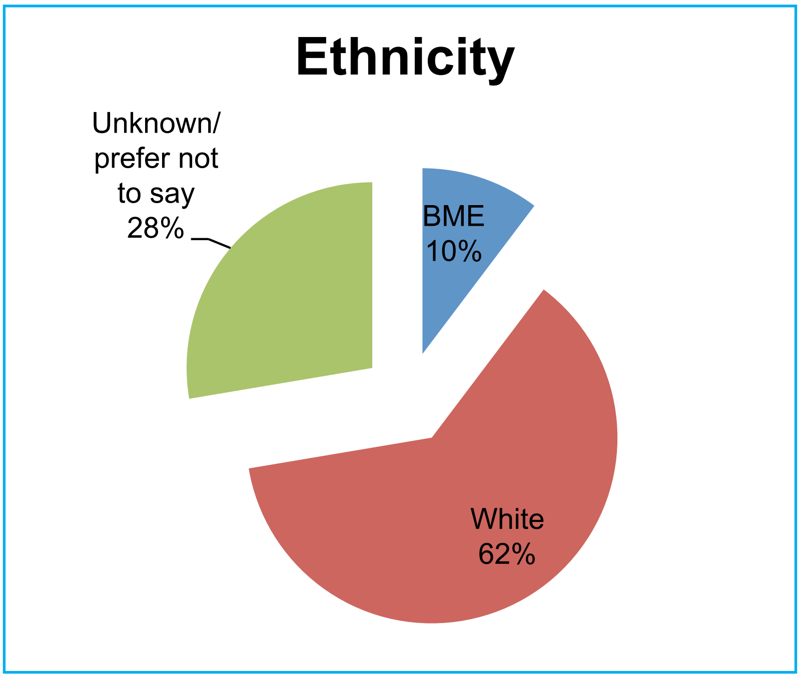
The Department's Annual Equality data is published annually in January and available on our external website.[8]

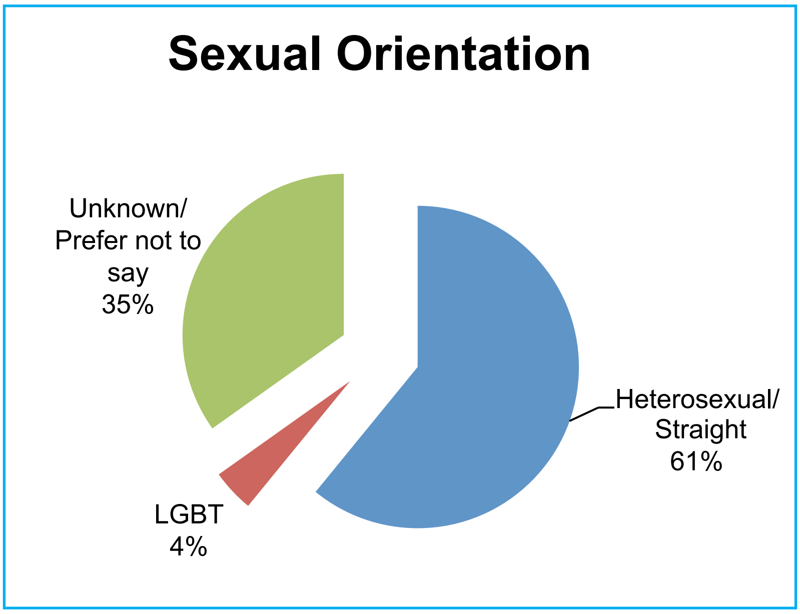
There are 115 senior managers within the Department of which 37 are female and 78 are male.

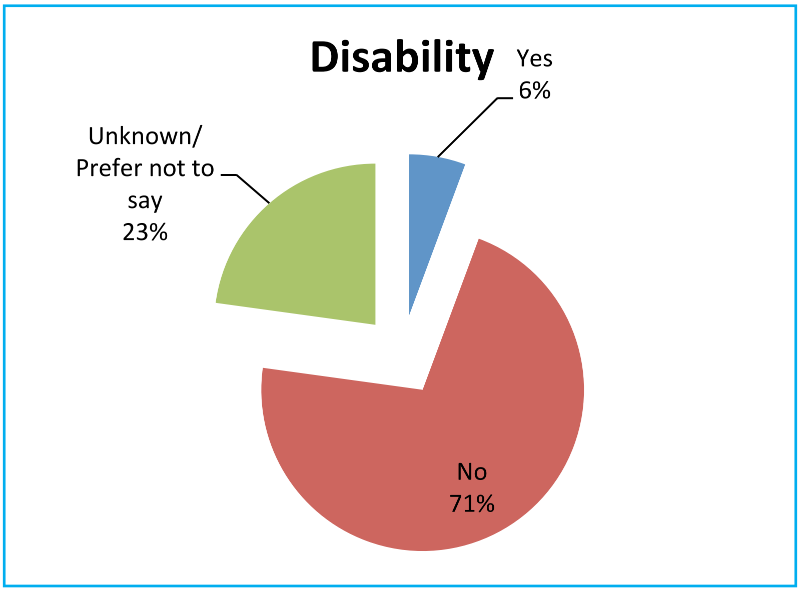
A detailed breakdown of our staff[9] is as follows:



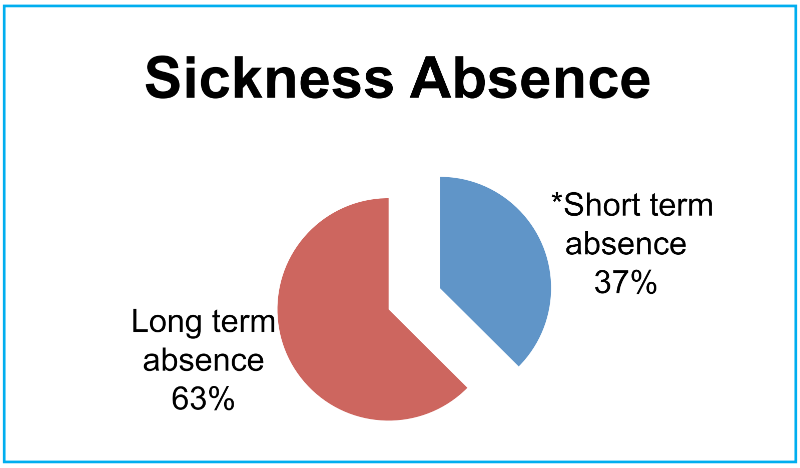
8 https://www.gov.uk/government/publications/decc-equality-information-2014
9 Staff includes all civil servants for whom DECC is meeting salary costs.


Ethnicity
Unknown/
prefer not
to say
28%
BME
10%
White
62%


Sexual Orientation
Unknown/
Prefer not to
say
35%
Heterosexual/
Straight
61%
LGBT
4%


Disability
Yes
6%
Unknown/
Prefer not to
say
23%
No
71%

Our sickness absence is as follows:



* Short term absence is defined as any period of less than 21 working days

2.8 Support for staff who have a disability

As part of DECC's job application process candidates who have a disability who apply for a post in the Department (under the Guaranteed Interview Scheme) will automatically be put forward to the interview stage provided they satisfy the minimum criteria. The Department makes this clear in its job adverts and application forms. The Department promotes external vacancies in a range of diversity media.

The Department uses an independent, confidential occupational health service. Individuals are asked for their consent to a referral to the Department's medical adviser for an assessment of individual fitness for work or to help the Department consider reasonable adjustments to support them in the workplace in accordance with our duty under the Equality Act 2010.

In addition, to help ensure that staff have the best opportunity to continue their employment the Department also provides a dedicated information and counselling support service through our Employee Assistance Programme.

All DECC staff are encouraged to consider doing additional training on disability awareness to ensure that there is greater overall awareness and support within the Department.

We encourage our staff with disabilities to apply to the cross-civil service positive action development pathway 'Levelling the Playing Field'. The pathway specifically targets staff with disabilities below Senior Civil Service level and aims to equip participants with the skills and confidence to achieve career progression and to realise their full potential.

2.9 Communicating with our employees

The Department continues to use the full range of its internal communications channels, both face to face and digital, to engage systematically with staff and promote key information on matters of concern to them. This includes regular formal and informal meetings with Departmental Trade Union Side, creating a positive employee relations environment. Key areas during the year were:

- introducing online payslips;
- distributing simpler, clearer performance guidance and running objective setting workshops for line managers and for staff;
- consulting with Trade Union Side and informing staff of changes to terms and conditions for new staff as part of Civil Service Reform; and
- raising awareness of Civil Service Reform and its focus on priority capability areas through activities such as Learning at Work Week.

2.10 Spending on consultancy and temporary staff

Departmental expenditure on consultancies and contingent labour (temporary staff) for 2013-14 was £8.2m and £10.2m respectively (including Non-Departmental Public Bodies). Spend on consultancy increased in 2013-14 due to increased activity on project areas including the new nuclear contract and the renewables obligations under contracts for difference. Spend on contingent labour was up because of increased demands on the department, which couldn't be met in the short term through recruitment.

Spend on Consultancy	2012-13 £000s	2013-14 £000s
Total Core DECC	5,162	6,378
Total NDPBs	1,578	1,862
Total Group	6,740	8,240
Spend on Contingent labour	**2012-13 £000s**	**2013-14 £000s**
Total Core DECC	4,511	6,877
Total NDPBs	2,336	3,294
Total Group	6,847	10,171

2.11 Sustainable Development

Detailed data on our sustainability performance, including water consumption and waste reduction, encompassing the wider DECC family, can be found in the Sustainability Report at Annex D.

2.12 Progress against input and impact indicators

Further detail on progress against input and impact indicators for DECC can be found on the internet using the following link; https://www.gov.uk/government/publications/annual-report-and-accounts-2013-to-2014.

Chapter 3

Strategic Report

Introduction

3.1 This Report deals with the financial environment within which the Department operates. It sets out how resources are applied to delivering the objectives of the Department in the context of the control regime that applies to central government bodies as set by HM Treasury in 'Managing Public Money' and in the 'Government Financial Reporting Manual' (FReM). The Accounts comply with the cost allocation and charging requirements set out in HM Treasury guidance.

3.2 The Department's Accounts are shown on a fully consolidated group basis which involves the consolidation of the Core Department (which already includes the Advisory Non-Departmental Public Bodies), the Executive NDPBs and five nuclear Site Licence Companies (SLCs). The Department has no Executive Agencies.

3.3 The Accounts therefore include the following entities:

Executive NDPBs

- the Nuclear Decommissioning Authority (NDA), excluding its subsidiary undertakings;
- the Coal Authority (CA);
- the Civil Nuclear Police Authority (CNPA);
- the Committee on Climate Change (CCC);

SLCs

- Sellafield Limited;
- Magnox Limited;
- Dounreay Site Restoration Limited (DSRL);
- Research Sites Restoration Limited (RSRL); and
- LLW Repository Limited (LLWR).

The annual report and accounts for each of the above are also published separately.

3.4 The SLCs are private companies which operate sites under contract from the NDA. The SLCs fall within the Departmental Boundary as a result of their inclusion in the Designation Order 2013-14 which reflects the classification of each SLC as Central Government by the Office for National Statistics (ONS) in 2012-13.

3.5 The Department has lead policy responsibility for the National Nuclear Laboratory Holdings Ltd, a wholly owned Public Non Financial Corporation. It also has lead policy responsibility for the Nuclear Liabilities Fund Trust Company, a wholly owned Central Government Fund. Both were trading in the year, and details of their assets, liabilities, income and costs are set out in note 10.3 of the Accounts.

3.6 In common with other central Government bodies, the Comptroller & Auditor General is the statutory auditor.

Financial Review

3.7 The Total Voted Resource and Capital Budget for the Department was £9.5 billion and Actual Outturn was £8.8 billion, an underspend of £0.7 billion. The Department remained within the four Control Totals, as well as the Net Cash Requirement and the Administration budget.

3.8 The key financial performance indicators which are used to monitor DECC's performance, are the budgetary control totals established through the Main and Supplementary Estimate's, the profiling of these costs on a monthly basis and the variance between actual costs and the budget. Significant variances on each operational area are identified and explained on a monthly basis. Where required, action is taken to address variances, and bring spending back on track.

3.9 Paragraphs 3.14 to 3.19 provide more information upon the Budget setting process. There is a table in paragraph 3.20 which sets out the budget, actual spend and variance across each parliamentary Control total. Paragraph 3.22 provides explanations for significant variances in 2013-14.

Risks and uncertainties

3.10 The Governance Statement in Chapter 4 sets out the governance structures which DECC has used to monitor and control risk and the Department's approach to risk management.

3.11 The Governance Statement identifies and discusses significant risks relating to Electricity Market Reform, the Green Deal and Household Energy Efficiency Programme, and the Renewable Heat Incentive.

3.12 The Department has no borrowings and relies primarily on voted funds from Parliament for its cash requirements. It is therefore not exposed to liquidity risk. It has no material deposits so it is not exposed to interest rate risk and all material assets and liabilities are denominated in sterling so it is not exposed to material currency risk. Further disclosures are provided in Note 23.4 of the Accounts. Some items on the balance sheet are discounted using rates specified by HM Treasury, specifically Financial Assets and Provisions. HM Treasury varies these discount rates from time to time, which will affect the value of these assets and liabilities on the Statement of Financial Position.

3.13 Further information on the other main risks facing is included in the Governance Statement.

The resources available to the Department

3.14 A Comprehensive Spending Review (CSR) or Spending Review (SR) is the process by which the Government sets spending plans, typically for a three or four year period. This determines the Total Managed Expenditure (TME). TME is made up of the Departmental Expenditure Limit (DEL) Budget and the Annually Managed Expenditure (AME) Budget. The DEL Budget is set before the CSR/SR period starts for each year of the CSR/SR. The AME Budget is set in consultation with HM Treasury at the start of each financial year and updated through the Supplementary Estimate. DEL Budgets for the period up to 2014-15 were set by the Spending Review in 2010 (SR10) and Budgets for 2015-16 only were set in Spending Round 2013 (SR13). Budgets for 2016-17 onwards are expected to be set following the General Election due in May 2015.

3.15 DEL and AME Budgets are split between Resource and Capital. Within the DEL Resource Budget, the Administration Budget is separately identified.

3.16 Whilst the Department's Budgets are agreed in the Spending Review process, additional Parliamentary approval must be sought annually for the planned expenditure of the Departmental Group. Approval of voted net expenditure is provided each year through the Supply Estimates.

3.17 Notes to the Estimate show the reconciliation between the Net Operating Costs and the Budget. All subsequent changes to the Estimate can only be approved by Parliament as part of the Supplementary Estimate process.

3.18 The Department seeks approval from Parliament for its Main Estimates for the year in April. The Supplementary Estimate is submitted in the following February. Estimates follow a standard format, which sets a limit on the resources required for each main activity, requests capital funding and identifies a Net Cash Requirement (NCR), which represents the actual cash made available by the Exchequer to fund the Department's activities. Each Estimate is accompanied by a formal description (or ambit) of the services to be financed under it. Funds voted by Parliament can only be used to finance services that fall within the ambit of the Estimate.

3.19 Full details of the latest Main Estimate for DECC can be viewed on the Government publications website.[10]

10 https://www.gov.uk/government/publications/main-supply-estimates-2014-to-2015

Financial review of the accounts

Statement of Parliamentary Supply

3.20 This is the main accountability statement for Parliamentary reporting purposes, showing the Outturn compared to the Estimate. The Outturns for 2013-14 compared to the Estimate are summarised in the table below analysed between DEL and AME and between Resource and Capital. The four headings within the Voted Estimate are control totals.

Voted	Estimate £m	Outturn £m	Saving/(excess) £m
DEL – Resource	2,131	2,070	62
DEL – Capital	2,275	2,218	56
AME – Resource	5,524	4,961	563
AME – Capital	(459)	(497)	38
Total – Voted	**9,471**	**8,752**	**719**

Non-Voted	Estimate £m	Outturn £m
DEL – Resource	(948)	(897)
DEL – Capital	(2)	–
AME – Resource	–	(1)
AME – Capital	–	–
Total – Non-Voted	**(950)**	**(898)**

3.21 As can be seen in the table above, the Outturn is below the Estimate limit for all of the four Control Totals.

3.22 The detailed comparison of Outturn against Estimate by individual subheading is shown in Note 2 to the Accounts. The most significant variances (over £20m) are explained below:

Net resource outturn – DEL, saving £62m

- NDA and SLC expenditure (NDPB) (Estimate Subhead F) was £37m lower than Estimate and the Nuclear Decommissioning Authority income (Estimate Subhead J) was £51m lower than Estimate due to a lower than expected increase in income from reprocessing customers and electricity generation; as a result of which net resource expenditure was £14m higher than Estimate. This was offset by a number of small reductions in other DEL costs.

Net resource outturn – AME, saving £563m

- Manage our energy legacy responsibly and cost effectively (Estimate Subhead M) was £351m lower than Estimate. This principally reflects the impact of the revaluation of the Mineworkers Pension Scheme; together with smaller than expected increases to Coal Health and British Energy provisions.
- Nuclear Decommissioning Authority (NDPB) (Estimate Subhead N) was £168m lower than Estimate due to lower cost increases and audit adjustments than had been anticipated in the nuclear provision.
- Renewable Heat Incentive (Estimate Subhead Q) was £38m lower than Estimate due to the take-up of the scheme being lower than anticipated and there being a relatively mild winter.

Net capital outturn – DEL, saving £56m

- Save energy with the Green Deal and support vulnerable consumers (Estimate Subhead A) was £54m (adjusted for virements) lower than Estimate due to low take up of Green Deal incentives, offset by £86m being re-directed to the Communities Scheme and £1m to Core Cities.

Net capital outturn – AME, saving £38m

- Drive ambitious action on climate change at home and abroad (Estimate Subhead L) was £20m lower than the Estimate due to the effect of discounting the value of the Promissory Notes laid for International Climate Fund expenditure.

Statement of Comprehensive Net Expenditure

3.23 The Statement of Comprehensive Net Expenditure in not-for-profit bodies is similar to an Income and Expenditure Account and includes all operating income and expenditure relating to the Group on an accruals accounting basis, including that which sits outside of the Estimate. Significant variances between this year and 2012-13 are as follows.

3.24 The Net Operating cost for 2013-14 was £7,625m (2012-13: £8,587m), a decrease of £962m largely due to the receipt of £700m from the Mineworkers Pensions Scheme Investment Reserve.

3.25 Net programme costs are £7,369m (2012-13: £8,371m). The decrease is due to income of £994m in respect of cash received and increases in Coal Pensions receipts (2012-13: £72m).

3.26 The difference between Net Operating Cost and the total Resource Outturn per the Statement of Parliamentary Supply is shown in Note 3.1 to the SOPS, the main reconciling difference being those items classified in budgets as capital but being reflected in resource in the Statement of Comprehensive Net Expenditure, e.g. capital grants and certain nuclear decommissioning costs.

3.27 Net administration costs for 2013-14 were £256m (2012-13: £216m). This increase is mainly due to a £12m increase in administration staff costs reflecting an increase in average staff numbers from 3,226.5 to 3,513.4.

Statement of Financial Position

3.28 The Department had total net liabilities at 31 March 2014 of £69,207m (31 March 2013: £63,881m), a net increase in liabilities of £5,325m. The major movements are in respect of provisions and financial assets which have increased by £5,397m and £524m respectively, these movements are explained in the paragraphs below.

3.29 Other movements in the Statement of Financial Position are mostly due to year on year movements across trade and other receivables and trade and other payables which net to (£511m). For trade and other receivables the largest elements are the increase in coal pensions by £210m and decrease of £73m in respect of amounts due from the Consolidated Fund. For trade and other payables the largest elements were accruals and deferred income which increased by £389m. Payments received on account increased by £130m. Amount issued from the consolidated fund for supply but not spent at year end was £114m for this year.

Property, plant and equipment

3.30 The carrying value of property, plant and equipment has reduced by £79m as a result of additions of £28m offset by the depreciation charge of £106m, together with minor revaluations. Most of the additions were assets under construction within the NDA.

Financial assets

3.31 The majority of the financial assets of the group are recoverable contract costs within the NDA, the net increase of £524m is linked to the future costs increase at Sellafield and the proportion that is allocated to commercial costs. Also within financial assets, there has been an investment of £30m in the Global Climate Partnership Fund.

Nuclear provisions

3.32 The core Department is obliged to assist British Energy to meet its historic nuclear fuel liabilities. The provision has reduced by £207m as a result of the utilisation of the provision in meeting the liabilities.

3.33 The decommissioning provision has shown an increase of £6,089m due to a number of movements as shown in Note 18.1. This has been driven by a comprehensive review of the Life time plan for Sellafield, which has resulted in a substantial increase in costs, partly as a result of extending the timescales, and partly because some efficiencies in previous plans will now no longer be realised.

3.34 The contract loss provision recognises anticipated shortfalls between total income and total expenditure on relevant long-term contracts. The large movements reflect changes in cost allocations arising from a review of the Sellafield Life Time Plan, essentially, going forward less cost has been allocated to these contracts, and more of the cost has been covered within the decommissioning provision. The movements on this provision are set out in note 18.1.

Other provisions

3.35 Other provisions within core Department all relate to coal liabilities comprising the health liabilities of British Coal transferred to the Department, the National Concessionary Fuel Scheme to provide either solid fuel or a cash alternative to former employees of the British Coal Corporation and their widows, and site restoration. Of the total net increase, £58m relates to an increase in legacy ailments due to changes in settlement rate assumptions and mortality rates and £20m relates to an increase in the concessionary fuel provision due to solid fuel price increases and longer mortality rates.

3.36 The Coal Authority provision consists of Mine Water treatment costs £699m (2012-13: £700m), costs of subsidence pumping stations £92m (2012-13: £91m) and subsidence costs of £245m (2012-13: £245m).

Cash Flow Statement

3.37 The amount of cash required to fund the Department's activities during 2013-14 was £3,373m (2012-13: £3,824m) compared to an Estimate of £4,267m (2012-13: £4,416m), a saving of £894m (2012-13: £592m). Full details of the Department's cash movements are set out in the Consolidated Statement of Cash Flows.

Other information

Contingent liabilities

3.38 Under Parliamentary reporting requirements, the Department discloses contingent liabilities which, by their remoteness, do not fall within the scope of IAS37: Provisions, contingent liabilities and contingent assets. These fall into two categories, those which are quantifiable and those which are unquantifiable; details of both of these are given in Notes 24 and 25 to the Accounts.

Research and development

3.39 The Department's policies and decision-making on climate change and energy, both nationally and internationally, need to be underpinned by timely and sound scientific analysis and evidence. This analysis is provided through a team of in-house scientists and analysts, including climate scientists, engineers, economists, modellers, social researchers and statisticians working closely with policy teams. The Department directly funds a wide range of research to inform UK policy development. This includes underpinning climate science through the Met Office Hadley Centre, assessment of energy savings technologies and practices to support the Green Deal and Smart Meters and research into renewable energy technologies, including their environmental impacts.

Personal data

3.40 The procedures carried out by the Department relating to data handling and security arrangements are noted in the Governance Statement in Chapter 4. There have been no significant reported incidents of lost personal data.

Events after the reporting period

3.41 Details of events after the reporting period are given in Note 29 to the Accounts.

Future Developments

3.42 The Department's future developments are identified in the 5 year business plan which was updated in 2013-14.

Going concern

3.43 In common with other Government departments, the future financing of the Department's liabilities is to be met by future grants of Supply and the application of future income, both to be approved annually by Parliament. Such approval for amounts required for 2014-15 is due to be voted on account when the Supply and Appropriation (Main Estimates) Bill is put before Parliament, the bill will be introduced to the House of Commons during July; there is no reason to believe that future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Pension liabilities

3.44 The Department's staff can become members of one of the Principal Civil Service Pension Schemes (PCSPS). The Department's employer's contributions into the Schemes are reflected in the Accounts within staff costs.

3.45 The PCSPS are unfunded multi-employer defined benefit schemes and the Department is consequently unable to identify its share of the underlying assets and liabilities. There is therefore no reflection of the Schemes on the Department's Statement of Financial Position. Further details can be found in Note 3.1 to the Accounts and in the Remuneration Report in Chapter 4.

Donations

3.46 There were no charitable donations in excess of £2,000 in aggregate made by the Department. The Department made no political donations.

Payment of suppliers

3.47 The Department aims to pay invoices within ten working days. All valid goods and services invoices are paid as soon as they have been authorised by the DECC officials responsible for the contract. The Department applies this policy to all suppliers of goods and services but has not changed the formal contractual terms and conditions which are for payment within thirty days of receipt.

3.48 For the year 2013-14, 94.6% (2012-13: 94.7%) of undisputed invoices were paid within five working days.

Auditors

3.49 These financial statements and the accompanying Trust Statement have been audited, under the Government Resources and Accounts Act 2000, by the Comptroller and Auditor General (C&AG), who is appointed under statute and reports to Parliament. The audit opinions are on pages 52 to 54 and pages 172 to 173. The notional cost to the Department of the external audit of the financial statements by the National Audit Office for the C&AG was £210,000 (2012-13: £220,000). There were no fees in respect of non-audit work.

Other information

3.50 Information on environmental matters are shown in the Sustainability Report in Annex D; information on the entity's employees is set out in Chapter 2 and there is no further information upon social, community and human rights issues that is necessary for the understanding of our business activities.

3.51 The department prepared information throughout the year using the Quarterly Data Summary data set and uses this to compare performance with other departments. Total DEL and AME spend for the core department in the year as defined for QDS purposes was £286m.

3.52 The Department is compliant with the coalition government's Transparency Agenda and information is published in the prescribed format on the Gov.UK website.

Disclosure of audit information

3.53 As Accounting Officer, as far as I am aware there is no relevant audit information of which the Department's auditors are unaware and I have taken all of the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Department's auditors are aware of that information. This also applies to the Ministers of the Department.

Stephen Lovegrove
Principal Accounting Officer and Permanent Secretary

19 June 2014

Chapter 4

Accounts

Statement of Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed the Department of Energy and Climate Change to prepare, for each financial year, consolidated resource accounts detailing the resources acquired, held or disposed of, and the use of resources, during the year by the Department and its sponsored non-departmental and other arm's-length public bodies designated by order made under the GRAA by Statutory Instrument 2013 no 488 as amended by Statutory Instrument 2013 no 3187 (together known as the 'Departmental group', consisting of the Department and sponsored bodies listed at note 1.3 to the accounts). The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department and the Departmental group and of the net resource outturn, application of resources, changes in taxpayers' equity and cash flows of the Departmental group for the financial year.

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

- observe the Accounts Direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- ensure that the Department has in place appropriate and reliable systems and procedures to carry out the consolidation process;
- make judgements and estimates on a reasonable basis, including those judgements involved in consolidating the accounting information provided by non-departmental and other arm's-length public bodies;
- 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.

HM Treasury has appointed the Permanent Head of the Department as Accounting Officer of the Department of Energy and Climate Change.

The Accounting Officer of the Department has also appointed the Chief Executives of its sponsored Non-Departmental Public Bodies as Accounting Officers of those bodies. The Accounting Officer of the Department is responsible for ensuring that appropriate systems and controls are in place to ensure that any grants that the Department makes to its sponsored bodies are applied for the purposes intended and that such expenditure and the other income and expenditure of the sponsored bodies are properly accounted for, for the purposes of consolidation within the resource accounts. Under their terms of appointment, the Accounting Officers of the sponsored bodies are accountable for the use, including the regularity and propriety, of the grants received and the other income and expenditure of the sponsored bodies.

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 assets of the Department, Non-Departmental or other Arm's-Length Public Body for which the Accounting Officer is responsible, are set out in Managing Public Money published by HM Treasury.

GOVERNANCE STATEMENT

1. Introduction

This Governance Statement sets out the governance, risk management and internal control arrangements for the Department of Energy and Climate Change (DECC). It applies to the financial year 1 April 2013 to 31 March 2014 and up to the date of approval of the Annual Report and Accounts and accords with HM Treasury Guidance. It also integrates information about the Department's Non-Departmental Public Bodies (NDPBs) included in the Group consolidated Accounts.

The Department's goals are long-term, highly inter-dependent and complex, and affect every household and business throughout the UK. Many of the Department's programmes are innovative and aim to deliver objectives in ways that have never been done before. The governance, structures, staffing and systems have needed to evolve as the Department focuses on developing and implementing policy through commissioning and delivering major programmes and projects.

2. DECC Governance Structures

During 2013-14 improvements have continued to be made to the Department's governance structures to enable a more integrated department and streamline processes to improve the control and risk environment and make it more effective. This has been a key priority for the incoming Permanent Secretary in his first year. Further the senior management team has undergone significant change at Board level, with two new Non-Executive Directors (NEDs), including a new lead NED, Martin Stewart, and three new Directors General. Whilst the changes in personnel and improvements in governance structure are now in place it is recognised that a period of establishment and continuous improvement is needed for the full benefits of transparent and effective decision making to be realised.

The Board Structure is shown on page 2 of the Annual Report.

The **Departmental Board** attended by Ministers, Non-Executive Directors and the Executive team, provides collective strategic leadership for the Department with responsibilities for performance, risk and delivery including appropriate oversight of NDPBs. The Departmental Board has been supported in its work by the Audit and Risk Committee, the Nominations and Governance Committee and the Executive Committee, the chairs of which are drawn from the Departmental Board.

The Departmental Board held three meetings in 2013-14. These were supplemented by two meetings between the Executive team and Non-Executive Directors. At each meeting the Board received reports from the Permanent Secretary and its sub-committees, and reviewed the departmental performance report and risk register. There were also discussions about specific issues or policy areas including Electricity Market Reform and Green Deal, spending round outcome, energy prices, DECC owned risks on the National Risk Register, an annual review of the Nuclear Decommissioning Authority, and updates on DECC Works (the Department's internal change programme).

The Departmental Board conducted an evaluation of its effectiveness in March/April 2014 which included an independent review by Defra's Lead NED. This found that the performance of the Board had improved markedly in the previous 6-9 months. Alongside the reconstitution of the Board it noted that the Secretary of State and the Permanent Secretary were working well together and providing good leadership to the Board.

The **Audit and Risk Committee** provided assurance on the quality of the Department's Resource Accounts and the Trust Statement, the effectiveness of governance, risk management and internal control arrangements. The Committee met four times in 2013-14 and meetings were attended by the head of Internal Audit and representatives of the National Audit Office. Discussions included the Department's Annual Reports and Accounts, internal and external audit reports, counter-fraud and whistle blowing processes and the role of Ofgem in the administration of the Renewable Heat Incentive. In addition Audit and Risk Committee members attended the Nuclear Decommissioning Authority Audit and Risk Committee and Coal Liabilities Strategy Board meetings.

The **Nominations and Governance Committee** advised on the effectiveness of the Department's systems for identifying and developing leadership, scrutinising the incentive structure, and succession planning for the Board and senior leadership of the Department. The Committee aims to meet quarterly although due to significant changes in personnel at Non-Executive and Director General level the Committee met twice in 2013-14.

The Departmental Board delegates certain responsibilities to the **Executive Committee** (ExCo) whose remit is to ensure the operational management of the Department is effective in delivering the Department's strategy. The Executive Committee receives the monthly performance report as well as reports from its committees. The Committee has focused on improving the way the Department operates and ensuring the Department is better equipped to deliver its challenging agenda. The Committee has been slimmed down in terms of membership and met weekly during 2013-14. It will now meet fortnightly. The Committee (and the committees of ExCo) allow observers from within the Department to join meetings. The Committee self-evaluated its effectiveness in February 2014 and found that there had been a number of improvements including increased visibility, improved recording and follow up of actions as well as improvements in the quality of committee papers. Further improvements are being implemented including strengthened secretariat support providing a more strategic and long term forward look, an increase in strategic discussions and clearer recommendations supported by professional advice.

In October 2013 the Executive Committee delegated some of its responsibility to three new Committees, drawing membership from Directors General and Directors across the Department.

- **The Finance and Business Committee** became operational under the new model in January 2014 with a new Director General for Corporate Services as Committee chair. It meets monthly. The Committee replaces the previous Finance Committee and has an expanded remit to monitor departmental performance, finance and risks and development of the Departmental business plans and annual report and accounts.
- The **Investment Committee** replaced the Approvals Committee with a new Director General for International, Science & Resilience as Committee chair in October 2013. It considers whether planned investments, programmes and policies are strategically important, affordable and offer value for money to the Department, and are supported by a sound business case, aligned with the Department's strategy. The Committee meets one to two times a month, depending on the volume of business.
- The **Operations and People Committee** was a new Committee which became operational in October 2013. It is chaired by the Director of Energy Development and meets monthly. The Committee is responsible for ensuring the Department has the staff capability, buildings and IT services to deliver its objectives. It also oversees operational matters to ensure the Department complies with Cabinet Office and legal requirements including information management, transparency, digital strategies, security management and shared service needs.

3. Departmental structure

The Permanent Secretary announced a restructuring of the Department in June 2013 which took effect in October 2013. There are three policy Directors General (Consumers & Households, Markets & Infrastructure and International, Science & Resilience) and a Director General for Corporate Services.

4. Project management

The Department rolled-out new Project and Programme Management tools in summer 2013, to assist in maximising the Department's delivery capacity, its ability to prioritise and to manage risk effectively.

5. Compliance with the Corporate Governance Code

The Department has complied with the Cabinet Office "Corporate Governance in Central Government Departments: Code of Good Practice" with the following exceptions:

- Infrequent meetings of the Nominations and Governance Committee due to turnover of the Non-Executive chair is noted as an area for improvement;
- The Audit and Risk Committee lacks a second Board NED as a member, this will be resolved once the Department has a full complement of NEDs. In the meantime, this is mitigated by a full quorum of independent members.

6. Board Appointments

To mitigate the associated risks to good governance, where possible, succession is planned and new Board members have received an induction about the Department. This includes briefing on the Board and their role, including propriety matters, general briefing on the work of the Department, and more specific briefing to support their understanding of issues brought before the Board.

All Board members are required to declare to the Secretary of State or the Permanent Secretary any personal or business interest which may (or may be perceived by a reasonable member of the public) to influence their judgement in performing their functions and obligations. These interests include (without limitation), personal direct and indirect pecuniary interests and any such interests of close family members and/or of people living in the same household as the Board member. The Department collects this information twice a year from Executive and Non-Executive Board members. No conflicts of interest requiring active management were identified.

6.1 Board and Sub-Committee attendance

Board/Committee member	Departmental Board	Audit & Risk Committee	Nominations & Governance Committee	Executive Committee
Number of meetings: 1 April 2013 – 31 March 2014	3	4	2	30
SoS	3/3			
Greg Barker	3/3			
Michael Fallon	3/3			
Baroness Verma	3/3			
Martin Stewart[1]	2/2			
Terry Morgan	2/3	4/4		
Claire Thomas[2]	2/2		2/2	
Tom Kelly[3]	1/1			
Caroline Mawhood		4/4		
Barry Rourke		3/4		
Barry Macdonald[4]		3/3		
Jayne Scott[5]		1/2		
Stephen Lovegrove	3/3	2/4*	2/2	29/30
Simon Virley	3/3			30/30
Phil Wynn Owen[6]	2/2			7/7
Stephen Speed[7]	2/2			19/20
Clive Maxwell[8]	0/0			2/3
Vanessa Nicholls[9]	1/1	3/3*	1/1	9/9
Vanessa Howlison[10]	2/2	3/3*	1/1	16/16
Angie Ridgwell[11]	1/1	1/1*		13/14
Katrina Williams[12]	2/2			17/18
Susannah Storey/ Jo Shanmugalingam	3/3*		2/2	29/30
Ravi Gurumurthy[13]	1/1*			8/8
David Mackay	2/3*			25/30

Ministers	Non-Executive Directors DECC	*Standing attendee
Executive management	Non-Executive members: Audit & Risk Committee	

1 Joined the Department as Lead NED on 3 June 2013 replacing Paul Walsh
2 Left the Department on 31 December 2013
3 Joined the Department on 3 February 2014
4 Stepped down from the audit and risk committee, 30 September 2013
5 Joined the Department 2 September 2013
6 Left the Department on 17 July 2013
7 Acting Director General 17 July 2013 to 24 February 2014
8 Joined the Department as Director General on 24 February 2014
9 Acting Director General, left the Department on 26 September 2013
10 Finance Director to 26 September 2013 then acting Director General to 22 November 2013
11 Joined the Department as Director General on 25 November 2013
12 Joined the Department as Director General on 14 October 2013
13 Left the Department on 21 August 2013

7. Approach to Risk Management

The Department has established a risk management policy and framework which is being embedded and evolving where necessary to meet business needs and on the basis of feedback from the Audit and Risk Committee. In particular the Executive Committee made a number of improvements to the way the risks are articulated to ensure they either focus on areas the Department has control over or, for risks outside of the Department's direct control, re-focussing the risk on the Department's ability to plan and respond to an event. The risk management framework includes the use of a standard risk register pro-forma, risk rating matrix and escalation criteria. The framework is actively supported by a central risk advisor, designated risk champions in each business group and regular training provided to staff across the Department.

The Department maintains a Risk Register comprising its top risks. These are identified and escalated by the business or included directly by the Executive team. The Department's current strategic risks reflect the challenges and uncertainties arising from the development and delivery of new/innovative policies and technologies as well as the need to secure sufficient global action on climate change whilst also meeting the UK's own obligations on energy security and our energy legacy. The Department's strategic risks also reflect the need to respond to external events, such as extreme weather. During the year an Emergency Response Group was established to increase the Department's capability to respond to such events. The strategic risks also include the need to prioritise and manage the Department's workload within the resource available and additional controls have been introduced over the commissioning of new work. All strategic risks have mitigation measures in place to reduce them to a target level by an agreed date. Progress in implementing the mitigations and meeting the target levels is tracked and key changes to the risks, including any new or escalated threats, are reviewed each month by the Finance and Business Committee.

The Departmental Board receives a quarterly update on DECC's strategic risk profile. During the year the Board also undertook a more detailed review of energy resilience risks and the associated mitigations. The Executive Committee prioritises risks for inclusion in the Departmental Risk Register and agrees any changes to these on recommendation from the Finance and Business Committee each month.

The Departmental Risk Register is supported by underlying risk registers maintained at group, programme, project and business levels and risks are escalated when required using standard criteria.

In December 2013 the Executive Committee reviewed DECC's approach to risk appetite and concluded that it was not appropriate to set an overarching departmental risk appetite given the breadth, diversity and complexity of the Department's portfolio. DECC does, however, require each major programme to define their risk appetite and the levels they have chosen have been reviewed by the Finance and Business Committee.

The effectiveness of the Department's risk management arrangements continues to be reviewed by the Audit and Risk Committee. The risk framework has also been subject to other reviews, Internal Audit reported in June 2013 that "*Since our last assessment, DECC has notably developed and matured its approach to risk management*". A more recent external independent review commissioned by the Department of DECC's portfolio, programme and project management maturity also noted that "*risk management is now well established in the Department*".

8. Progress and Management of Significant Risks 2013-14

The Department is active in addressing a range of policy issues: helping consumers take control of their energy bills and keeping costs down, unlocking investment in the UK's energy infrastructure that will drive economic growth; driving international action on climate change; and effectively managing the UK's energy legacy and resilience. The actions being taken on these and the results were most recently described in the DECC Annual Energy Statement 2013[14] published in October. More detailed material on the position on the availability of electricity and gas was published through the joint DECC Ofgem Statutory Security of Supply Report 2013.[15]

Examples of managing risks in some of DECC's major programmes include:

8.1 Electricity Market Reform (EMR)

The EMR Programme is a flagship policy programme. It is designed to reform the electricity market to ensure the UK can attract the investment in electricity generation needed to have a secure, affordable supply of electricity and to meet its' renewable and carbon emission reduction targets in the most cost-effective way. The EMR Programme is on track for overall delivery in 2014. The main achievements in 2013-14 were Royal Assent of the Energy Bill and publication of the final Delivery Plan and agreement in principle on the Heads of Terms and 'strike price' for Hinkley Point C. The first 'Contracts for Difference' for renewables were signed in April 2014 and have been disclosed as a post balance sheet event within the 2013-14 accounts meaning that EMR is now a reality in the market.

The EMR Programme has a comprehensive governance structure in place with project and programme level boards which include delivery partners. Any issues or risks that cannot be dealt with at the project level are escalated to the Programme Management Board, which provides coordination and direction to the programme. The EMR Design Authority agrees all changes to policy and an Executive Board, with membership from across the Department at Director Level, and chaired by the Director General for Markets and Infrastructure, signs off policy recommendations to Ministers. A programme-level Steering Board, including Government Departments and Devolved Administrations, provides a senior-level steering group. Programme progress and risk management are reported to the Executive Committee through the monthly departmental performance report.

14 https://www.gov.uk/government/publications/annual-energy-statement-2013
15 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/261604/HC_675_updated_accessible.pdf

8.2 The Renewable Heat Incentive

The Department has reviewed tariffs in the non-domestic renewable heat incentive and as a result has recently implemented changes to the scheme. Working with the scheme administrator, Ofgem E-Serve, DECC has also introduced changes to the operation of the scheme to simplify it, reduce costs and improve information-sharing to combat fraud and provide stronger assurance. The parallel scheme for domestic users was launched in April 2014. Its design and operation draws in many cases on lessons and developments from the non-domestic scheme.

Examples of managing departmental corporate risks include:

8.3 Fraud Risk

The Department has a low incidence of detected fraud compared to that of other departments and this is believed to reflect a relatively lower fraud risk. However the Department is not complacent and continued to promote fraud awareness and maintained capability to investigate potential fraud cases following central government requirements. DECC participated in the National Fraud Initiative and, through its shared service providers, began spend recovery audit exercises. No significant findings have been identified to date.

Two small-scale fraud cases were identified in other ways: an internal fraud involving travel bookings in the name of a non-existent employee; and an external fraud involving attempted applications for residual Warm Front grants. Following investigation of the travel case, internal procedures were strengthened. The second case was reported to Action Fraud, the national fraud reporting centre.

A new e-learning course 'Responsible for information' was introduced, building on previous training, and subsequently mandated for all staff. It is designed to raise awareness of how to protect information in the workplace, on the move and online, the impact of fraud, how to spot it and report it and how bribery can occur and the consequences.

The DECC Fraud Risk Group, with representation from Ofgem, continued to meet to share experience and understanding of fraud risk management. A review took place with Ofgem to consider compliance and fraud risks in the Renewable Heat Incentive (RHI) scheme. The associated audit regime was considered to be robust and working effectively.

8.4 Information Security Risk

To ensure a common and consistent approach to all risks within the Department Information Security Risks are subject to the same risk management arrangements as all other departmental risks. All mandated security roles exist within the Department, in accordance with the Security Policy Framework, to support an environment where risks are identified and mitigated, whilst ensuring that government policy initiatives, relating to transparency and digital, are fully supported. The Department works with each of its agencies who set a target level of information assurance which reflects their business risk appetite. There is a programme of works within each agency to deliver improvement.

The DECC Security Risk Management Overview report for Cabinet Office confirmed that the Department met all Security Policy Framework mandated requirements and that no significant information risks have been identified. There have been no incidents of information loss during 2013-14 for the core Department. Agencies report any issues in their individual annual reports.

9. Other Key Governance activities

9.1 Machinery of Government Changes

On 1 March 2014 the Energy-Using Products team joined the Department's Energy Efficiency Deployment Office from Defra.

9.2 Local Government

The Department has provided grants to Local Authorities totalling £92.5m during the year under Section 31 of the Local Government Act 2003. It is Central Government's policy that such grants do not have legal control restricting their use. For each grant the Department has issued a Memorandum of Understanding to the Local Authority, which requires Local Authorities to report to DECC on delivery progress and on actual and forecast expenditure; however this is not legally enforceable. Rather, it constitutes an expression of intent for assurance that the grant will be put to use in accordance with the Department's objectives. Internal Audit completed a review of Local Government grants in April 2013. The audit report confirms that there is a strong control environment. Teams in DECC work closely with Local Authorities throughout the process of awarding grants and delivery, to ensure that outcomes are achieved. By building strong relationships, we have achieved a high level of compliance with the Memoranda of Understanding. We also use our growing knowledge of the capacity, capability and compliance of Local Authorities to inform decisions when awarding grants, where this is appropriate.

9.3 Ministerial Directions

There have been no Ministerial directions given in this financial year.

9.4 Governance of non-departmental public bodies

Sponsorship of NDPBs

The Department sponsors seven Non-Departmental Public Bodies (NDPBs).[16] The Department is also associated with a number of other bodies for delivery purposes. Each NDPB is overseen by a sponsor team in DECC which agrees the body's remit and monitors performance. The sponsor teams work with their NDPBs to support their high-level aims. The Department also ensures that its NDPBs have robust governance structures in place to complement DECC

16 Executive non-departmental public bodies: Civil Nuclear Police Authority; Coal Authority; Nuclear Decommissioning Authority; Committee on Climate Change.
Advisory non-departmental public bodies: Committee on Radioactive Waste Management; Fuel Poverty Advisory Group; Nuclear Liabilities Financing Assurance Board.

structures and ensure that there is clear accountability for finance, risk and performance. This involves regular reporting of performance against delivery plans.

The Department has contractual agreements with each of its delivery partners, ensuring clear accountable roles and performance measures.

Nuclear Decommissioning Authority

The Nuclear Decommissioning Authority (NDA) is the largest of DECC's NDPBs funded through a mixture of direct grant and commercial income, it currently accounts for over half of DECC's annual budget. DECC has continued to utilise the expertise of the Shareholder Executive (ShEx) to provide oversight and governance of the NDA. For these purposes, ShEx is an integral part of the Department providing advice via the Director General for International Science and Resilience to the Accounting Officer and Ministers on all matters relating to the performance of the NDA. The detailed arrangements are set out in the Management Statement and Financial Memorandum and there is a Memorandum of Understanding in place between DECC and ShEx. The NDA Chairman has routine meetings with DECC Ministers and the Permanent Secretary which augments the existing interface between NDA senior management and DECC officials. During the year, the NDA presented on its activities to DECC's Departmental Board, Executive Committee and Audit & Risk Committee.

The NDA publishes a five-year Strategy and an Annual Business Plan (both of which are subject to full public consultation and DECC and Scottish Government ministerial agreement) setting out its long and short term delivery milestones. The NDA also reports on progress against its annual business plan in its Annual Report and Accounts.

Triennial Reviews

The Department has a planned programme of detailed reviews for each of its Non-Departmental Bodies. The Committee on Climate Change concluded its review in 2013 and the Nuclear Liabilities Financing Assurance Board in 2014. Reviews conducted in 2013-14 were the Fuel Poverty Advisory Group, Coal Authority and Civil Nuclear Police Authority.[17] The next cycle of triennial reviews starts with the Committee on Climate Change, Committee on Radioactive Waste Management and the Nuclear Decommissioning Authority in 2015-16.

10. Review of effectiveness of the system of Governance, Risk Management and Internal Control

An annual review of the effectiveness of the system of governance, risk management and internal control has been informed by officials, Internal Audit and comments made by the NAO in their management letter and other reports. The Audit & Risk Committee also provides further assurance.

This review has provided assurance that the system of governance, risk management and internal control in the Department continued to improve during

17 Reports are due to be published in 2014.

2013-14. Given the on-going evolution of the Department, there is further work to do in strengthening the environment especially in light of our challenging delivery agenda. This work will continue in 2014-15.

10.1 Group statements on Governance, Risk Management and Internal Control

Directors General provide a statement to Internal Audit on the effectiveness of the system of governance, risk management and internal control in-year and at the year-end for their Group plus an action plan for improvements. The Head of Internal Audit and the Chair of the Audit & Risk Committee review each Statement with the relevant Director General and discuss the key findings with the Permanent Secretary.

10.2 Assurance statements from NDPBs

The Department's Executive Non-Departmental Public Bodies (NDPBs) each conduct a review of the effectiveness of governance, risk management and internal control in the Governance Statements for their Annual Accounts. They apply a similar process to that of the Department, and the signed statements from each Chief Executive form part of the Department's overall assurance on internal control. The respective Governance Statements of the NDPBs conclude as detailed below:

Nuclear Decommissioning Authority

- Overall, the information risk management picture in the NDA estate is continuing to improve and this improvement is expected to be driven and maintained by the Information Governance Programme.

Coal Authority

- No significant control issues have arisen in the year. Actions are on-going to manage risks, including high level and emerging risks. The Authority's governance, risk management and internal control arrangements are proportionate, fit for purpose and working as intended.

Civil Nuclear Police Authority

- There were no significant weaknesses in the CNPA's internal controls in 2013-14 that affected the achievement of the CNPA's key policies, aims and objectives.

Committee on Climate Change

- No issues identified, the Committee has not had any significant control issues during 2013-14 and has no significant weaknesses to address.

In addition five companies[18] are also consolidated into DECC Group Accounts. These are Site Licence Companies (SLCs) which are private companies that operate sites under contract on behalf of the NDA. Neither DECC (nor any other government organisation) controls their governance or operational arrangements.

18 Sellafield Limited, Magnox Limited, Dounreay Site Restoration Limited, Research Sites Restoration Limited and Low Level Waste Repository Limited.

10.3 Internal Audit Annual Report

The Head of Internal Audit provides an annual report on the system of internal control operating in DECC based on the audit work undertaken during the year, the outcome of the annual review of corporate governance, knowledge of the business environment, known instances of fraud and the work of others such as the National Audit Office. This concluded in an opinion of '*Improvement required*'[19] reflecting that certain aspects of the control environment require enhancement.

During 2013-14, Internal Audit undertook a number of reviews that covered various aspects of DECC's control environment. In these reviews, a number of areas where good practice was being applied and effective progress made were identified. Each Internal Audit Report included an action plan agreed between Internal Audit and the responsible officials. Action Plans are monitored by both local management and Internal Audit to ensure that agreed actions are implemented.

The annual report recognised some positive improvements over the course of the year and some specific examples of good practice. These included significant improvements in Departmental structure and governance arrangements creating a more corporate environment, improvements in the focus on the effectiveness of mitigating actions for key risks, progress in tackling the skills gap and the introduction of the "DECC Works Programme" providing a mechanism for further control improvements.

Conversely, there were a number of areas where control needed to be strengthened to improve the effectiveness of delivery. In some of these a recurring theme identified was the lack of resource available to deliver often complex programmes and business as usual activities either to a desired timescale or with an appropriate level of control.

In conclusion the Head of Internal Audit annual report recognised that the Department is trying to deliver a lot with limited resource, and needs to ensure it effectively prioritise its activities.

The Department will continue to take action to improve the control environment, including embedding the new governance and risk management processes, enhanced project and programme management to improve delivery and providing clarity on decision making responsibilities of Committees, Directors General and SROs. A key objective being to more realistically align resources to priorities and improve the delivery of projects and programmes to time and on budget. The Department will also continue to monitor progress on implementing audit recommendations throughout the year and provides regular updates to the Audit & Risk Committee.

11. Conclusion

I have considered the evidence provided in the production of the Annual Governance Statement and the independent advice provided by the Head of

19 One of three opinion ratings: satisfactory, improvement required, and unsatisfactory.

Internal Audit and the Audit and Risk Committee. I conclude that the Department has made progress during the year to further strengthen the framework of internal control and risk management; with plans in place to ensure continuous improvement into 2014-15.

Stephen Lovegrove
Principal Accounting Officer and Permanent Secretary

19 June 2014

REMUNERATION REPORT

The remuneration policy for senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries. The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

In reaching its recommendations, the Review Body is to have regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional and local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits; and
- the Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at www.ome.uk.com

1. Performance and reward

The Senior Civil Service (SCS) pay system includes relative performance assessments. Individuals are assessed as being in the Top, Achieving or Low Group of their pay band.

All individuals in the Top Group receive a non-consolidated performance related award to reflect their in-year performance against objectives. These awards vary in amount within an overall cost envelope set by the Senior Salaries Review Body and approved by the Government.

Further information about the performance and reward arrangement for Senior Civil Servants can be found at http://www.civilservice.gov.uk/recruitment/working/pay-and-reward/scs-pay

2. Nominations and Governance Sub-Committee

The remuneration of the senior civil servants who are not members of the Departmental Board is determined by the Nominations and Governance Sub-Committee (of the Board). The Members of the Nominations and Governance Sub-Committee are:

Vacant	Non-Executive Director (Chair)
Stephen Lovegrove	Permanent Secretary
Angie Ridgwell	Director General, Finance and Corporate Services
Standing Attendees:	
Rod Davis	Human Resources Director
Susannah Storey/ Jo Shanmugalingam	Strategy Director

The Terms of Reference of the Nominations and Governance Sub-Committee are:

- scrutinising systems for identifying and developing leadership and high potential;
- scrutinising plans for orderly succession of appointments to the Board and of senior management, in order to maintain an appropriate balance of skills and experience;
- scrutinising incentives and rewards for executive board members and senior officials, and advising on the extent to which these arrangements are effective at improving performance; and
- determining and publishing the Department's Senior Civil Service Pay Strategy.

3. Civil Service contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be on merit on the basis of fair and open competition. The recruitment principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise. Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org

Early termination other than misconduct would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

The officials covered by this report hold appointments which are open-ended until they reach the normal retiring age, except for the following:

- David Mackay, whose services are provided by a third party via a secondment contract which runs to 31 July 2014.

4. Salary and pension entitlements for Ministers of the Department

The remainder of this Remuneration Report contains audited information. The remuneration of Ministers is determined in accordance with the provisions of the Ministerial and Other Salaries Act 1975 (as amended by the Ministerial and Other Salaries Order 1996) and the Ministerial and Other Pensions and Salaries Act 1991. The salary and pension entitlements of the Ministers of the Department of Energy and Climate Change for the year ending 31 March 2014 were as follows:

Single total figure of remuneration

	Ministerial salary received 2013-14 £	Ministerial salary received 2012-13 £	Pension benefits 2013-14[1] (to nearest £1,000)	Pension benefits 2012-13 (to nearest £1,000)	Total 2013-14 (to nearest £1,000)	Total 2012-13 (to nearest £1,000)	Accrued pension at 65 at 31/03/14 £'000	Real increase in pension at age 65 £'000	CETV at 31/03/14[2] £'000	CETV at 31/03/13[2] £'000	Real increase in CETV £'000
Secretary of State											
Rt Hon Ed Davey	68,169	68,827	25,000	26,000	93,000	95,000	5-10	0-2.5	61	39	12
Ministers of State											
Gregory Barker MP	32,344	33,002	12,000	12,000	44,000	45,000	0-5	0-2.5	43	31	6
Michael Fallon MP[3] (from 28 March 2013)	–	–	–	–	–	–	–	–	–	–	–
John Hayes MP (from 5 September 2012 to 27 March 2013)	–	18,530 (full year equivalent 33,002)	–	–	–	–	–	–	–	–	–
Charles Hendry MP (to 4 September 2012)	–	14,118 (full year equivalent 33,002)	–	–	–	–	–	–	–	–	–
Parliamentary Under Secretary of State											
Baroness Verma	105,076	59,835 (full year equivalent 105,076)	25,000	11,000	130,000	70,000	5-10	0-2.5	91	64	14
Lord Marland[4] (to 4 September 2012)	–	–	–	–	–	–	–	–	–	–	–

[1] The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

[2] The CETV at 31/03/14 for members leaving the Department is at the date they left the Department; the CETV at 31/03/13 for members joining the Department is at the date they joined the Department.

[3] Joint Minister with Department for Business, Innovation & Skills (BIS) from 28 March 2013, details of the Ministerial salary and pension details can be found in the 2013-14 and 2012-13 BIS Annual Report and Accounts.

[4] Unpaid Minister of the Department.

This report is based on accrued payments made by the Department and thus recorded in these accounts. In respect of Ministers in the House of Commons, departments bear only the cost of the additional ministerial remuneration; the annual salary for their services as a Member of Parliament (£65,738 from 1 April 2010, £66,396 from 1 April 2013) and various allowances to which they are entitled, are borne centrally. The arrangement for Ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration which cannot be quantified separately from their Ministerial salaries. The total remuneration, as well as the allowances to which they are entitled, is paid by the Department and is therefore shown in full in the figures above.

Salary and pension entitlements for the members of the Departmental Board

The Departmental Board constitutes Ministers reported in the table above, executive officers and non-executive directors, all of whom are reported in the tables below.

The salary and pension entitlements of the executive members of the Departmental Board were as follows:

Single total figure of remuneration

	Salary 2013-14 £'000	Bonus Payments 2013-14[1] £'000	Salary 2012-13 £'000	Bonus Payments 2012-13 £'000	Pension benefits 2013-14[2] (to nearest £1000)	Pension benefits 2012-13 (to nearest £1000)	Total 2013-14 £'000	Total 2012-13 £'000	Accrued pension at pension age at 31/03/14 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/03/14[3] £'000	CETV at 31/03/13[3] £'000	Real increase in CETV £'000
Stephen Lovegrove	165-170	–	25-30 (full year equivalent 165-170)	–	35,000	4,000	200-205	30-35	20-25	0-2.5	285	240	20
Simon Virley	140-145	10-15	140-145	10-15	35,000	69,000	185-190	220-225	45-50 plus lump sum 55-60	0-2.5 plus lump sum of -2.5-0	623	562	17
Clive Maxwell (from 24 February 2014)	10-15 (full year equivalent 140-145)	–	–	–	5,000	–	15-20	–	35-40 plus lump sum 10-15	0-2.5 plus lump sum 0-2.5	512	507	3
Katrina Williams (from 14 October 2013)	50-55 (full year equivalent 115-120)	–	–	–	13,000	–	65-70	–	45-50 plus lump sum 135-140	0-2.5 plus lump sum 0-2.5	798	770	10
Angie Ridgwell (from 25 November 2013)	45-50 (full year equivalent 135-140)	–	–	–	19,000	–	65-70	–	0-5	0-2.5	13	0	9
Vanessa Howlison[4] (to 22 November 2013)	80-85 (full year equivalent 125-130)	0-5	125-130	0-5	17,000	65,000	105-110	195-200	50-55	0-2.5	748	693	16
Vanessa Nicholls[5] (from 21December 2012 to 26 September 2013)	50-55 (full year equivalent 100-105)	10-15	25-30 (full year equivalent 100-105)	10-15	10,000	-	70-75	35-40	25-30	0-2.5	277	255	7
Stephen Speed (from 1 August 2013 to 23 February 2014)	60-65 (full year equivalent 105-110)	–	–	–	52,000	–	110-115	–	35-40 plus lump sum 115-120	0-2.5 plus lump sum 5-7.5	704	650	41

Single total figure of remuneration

	Salary 2013-14 £'000	Bonus Payments 2013-14[1] £'000	Salary 2012-13 £'000	Bonus Payments 2012-13 £'000	Pension benefits 2013-14[2] (to nearest £1000)	Pension benefits 2012-13 (to nearest £1000)	Total 2013-14 £'000	Total 2012-13 £'000	Accrued pension at pension age at 31/03/14 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/03/14[3] £'000	CETV at 31/03/13[3] £'000	Real increase in CETV £'000
Phil Wynn Owen[6] (to 17 July 2013)	40-45 (full year equivalent 140-145)	–	145-150	–	–	58,000	40-45	200-205	55-60 plus lump sum 175-180	0-2.5 plus lump sum of 0-2.5	1,105	1,060	4
Paul Hollinshead[7] (from 29 October 2012 to 1 February 2013)	–	–	25-30 (full year equivalent 100-105)	–	–	–	–	–	–	–	–	–	–
Moira Wallace (to 26 October 2012)	–	–	95-100 (full year equivalent 165-170)	–	–	–	–	–	–	–	–	–	–
Wendy Barnes[8] (from 13 September 2011 to 21 December 2012)	–	–	–	–	–	–	–	–	–	–	–	–	–

1 The bonus figures disclosed are the actual bonuses for 2012-13 which were paid in 2013-14. The 2013-14 bonuses have yet to be approved and communicated to the individuals concerned.

2 The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

3 The CETV at 31/03/14 for members leaving the Department is at the date they left the Department; the CETV at 31/03/13 for members joining the Department is at the date they joined the Department.

4 Vanessa Howlison joined the Departmental Board 1 May 2012, being previously on the Executive Committee and was acting Finance and Corporate Services Director General between 27 September and 22 November 2013; being Finance Director outside this period.

5 Vanessa Nicholls was acting Chief Operating Officer from 21 December 2012.

6 Phil Wynn Owen was acting Permanent Secretary between 29 October 2012 and 1 February 2013; being International and Climate Change Director General outside this period.

7 Paul Hollinshead was acting International and Climate Change Director General between 29 October 2012 and 1 February 2013.

8 The services of Wendy Barnes, Chief Operating Officer, were provided via an agency contract. During the period from 1 April 2012 to 21 December 2012 the Department was charged £129,754 (2011-12: £99,980 for the period from 13 September 2011 to 31 March 2012), inclusive of VAT, by the third party for her services under contract. Wendy Barnes was also paid £5,500 from 1 April 2011 to 12 September 2011 for being a member of the Audit Committee and of the Approvals Committee.

Compensation for loss of Office

No senior managers have received compensation for loss of office in the financial year 2013-14.

Non-Executive Directors

The details of the service contracts, fees and benefits in kind paid during the year were as follows:

	End date of service contract	Fees 2013-14 £'000	Fees 2012-13 £'000
Martin Stewart[1] (from 3 June 2013)	31 May 2016	17 (20 full year equivalent)	–
Terry Morgan[2] (from 1 July 2012)	30 June 2015	20 (20 full year equivalent)	13 (20 full year equivalent)
Tom Kelly (from 3 February 2014)	2 February 2017	2 (15 full year equivalent)	–
Paul Walsh[3] (to 31 May 2013)	–	–	15
Claire Thomas[4] (to 31 December 2013)	–	15 (20 full year equivalent)	20
Rob Whiteman[5] (to 11 February 2013)	–	–	–

[1] Martin Stewart is also the Deputy Chair of the Departmental Board.
[2] Terry Morgan was also Chair of the Audit and Risk Committee from 11 February 2013. Terry Morgan was paid £15,000 a year for his role as a non-executive Member and £5,000 year as the Chair of the Audit and Risk Committee.
[3] Paul Walsh waived his fee from 1 January 2013.
[4] Claire Thomas was also Chair of the Nominations and Governance Committee.
[5] Rob Whiteman was also Chair of the Audit and Risk Committee to 11 February 2013. As a civil servant Rob Whiteman was not entitled to receive a fee in respect of his non–executive work from 1 October 2011.

5. Salary and pension entitlements for other senior management

The Departmental Board is supported by the Executive Committee. The Executive Committee brings together the senior leadership team as corporate leaders to support the Permanent Secretary in leading the Department, and as Accounting Officer.

The salary and pension entitlements of the members of the Executive Committee were as follows:

Single total figure of remuneration

	Salary 2013-14 £'000	Bonus Payments 2013-14[1] £'000	Salary 2012-13 £'000	Bonus Payments 2012-13 £'000	Pension benefits 2013-14[2] (to nearest £1000)	Pension benefits 2012-13 (to nearest £1000)	Total 2013-14 £'000	Total 2012-13 £'000	Accrued pension at pension age at 31/03/14 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/03/14[3] £'000	CETV at 31/03/13[3] £'000	Real increase in CETV £'000
David MacKay[4]	–	–	–	–	–	–	–	–	–	–	–	–	–
Susannah Storey	65-70	–	–	–	24,000	–	90-95	–	10-15	0-2.5	123	104	9
Jo Shanmug-alingam	50-55	–	–	–	76,000	–	125-130	–	10-15 plus lump sum 35-40	0-2.5 plus lump sum 10-12.5	140	96	36
Ravi Guru-murthy (to 21 August 2013)	30-35 (full year equivalent 80-85)	–	80-85	–	2,000	16,000	30-35	95-100	10-15 plus lump sum 40-45	0-2.5 plus lump sum of 0-2.5	170	160	3
Steven Fries (to 30 April 2013)	10-15 (full year equivalent 135-140)	–	130-135	–	56,000	55,000	65-70	185-190	10-15	2.5-5	191	90	43
Scott Milligan (from 6 November 2012 to 30 April 2013)	5-10 (full year equivalent 95-100)	0-5	45-50 (full year equivalent 120-125)	0-5	–	1,000	10-15	55-60	55-60 plus lump sum 165-170	0-2.5 plus lump sum of 0-2.5	1,258	1,253	–
Rod Davis (from 14 January 2013 to 30 April 2013)	5-10 (full year equivalent 115-120)	–	25-30 (full year equivalent 115-120)	–	53,000	10,000	60-65	35-40	0-5	2.5-5	29	5	24

Single total figure of remuneration

	Salary 2013-14	Bonus Payments 2013-14[1]	Salary 2012-13	Bonus Payments 2012-13	Pension benefits 2013-14[2]	Pension benefits 2012-13	Total 2013-14	Total 2012-13	Accrued pension at pension age at 31/03/14 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/14[3]	CETV at 31/03/13[3]	Real increase in CETV
	£'000	£'000	£'000	£'000	(to nearest £1000)	(to nearest £1000)	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Anna Jenkins (from 15 October 2012 to 11 January 2013)	–	–	20-25 (full year equivalent 75-80)	5-10	–	–	–	–	–	–	–	–	–
Alison Rumsey (to 12 October 2012)	–	–	50-55 (full year equivalent 95-100)	–	–	–	–	–	–	–	–	–	–

[1] The bonus figures disclosed are the actual bonuses for 2012-13 which were paid in 2013-14. The 2013-14 bonuses have yet to be approved and communicated to the individuals concerned.
[2] The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.
[3] The CETV at 31/03/14 for members leaving the Department is at the date they left the Department; the CETV at 31/03/13 for members joining the Department is at the date they joined the Department.
[4] The services of David MacKay, Chief Scientific Adviser, were provided by a third party via a secondment contract. During the period from 1 April 2013 to 31 March 2014 the Department was charged £143,055 (2012-13: £143,055) excluding VAT, by the third party for his services under a contract which runs until 31 July 2014.

6. Notes

- The information relates only to the most senior managers of the core department. Similar information relating to the Chief Executives and most senior managers of the bodies within the DECC family is given in the separate accounts of those bodies.
- 'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.
- Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2013-14 are the 2012-13 bonuses as the 2013-14 bonuses have yet to be approved and communicated to the individuals concerned.
- Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce. The banded remuneration of the highest paid director for the Department in the financial year 2013-14 was £165-170,000 (2012-13: £165-£170,000), this was 3.5 times (2012-13: 3.5 times) the median remuneration of the workforce, which was £47,920 (2012-13: £47,445). In 2013-14, 3 (2012-13: 4) employees received remuneration in excess of the banded remuneration of the highest-paid director. Remuneration ranged from £18,419 to £229,500 (2012-13: £17,710 to £201,913). Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.
- No Ministers, Board members or other senior management were in receipt of benefits in kind for the financial years 2013-14 or 2012-13.

Ministerial pensions

Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute (the regulations are set out in Statutory Instrument SI 1993 No 3253, as amended).

Those Ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report). The accrual rate has been 1/40th since 15 July 2002 (or 5 July 2001 for those that chose to backdate the change) but Ministers, in common with all other members of the PCPF, can opt for a 1/50th accrual rate and a lower rate of member contribution. An additional 1/60th accrual rate option (backdated to 1 April 2008) was introduced from 1 January 2010.

Benefits for Ministers are payable at the same time as MP's benefits become payable under the PCPF or, for those who are not MPs, on retirement from ministerial office from age 65. Pensions are re-valued annually in line with changes in line with Pensions Increase Legislation. From 1 April 2013 members paid contributions between 7.9% and 16.7% depending on their level of seniority and chosen accrual rate. The contribution rates will increase from April 2014.

The accrued pension quoted is the pension the Minister is entitled to receive when they reach 65, or immediately on ceasing to be an active member of the scheme if they are already 65.

In line with reforms to the public service pension schemes, it is intended to reform the Ministerial Pensions Scheme in 2015.

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). The statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with Pensions Increase Legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a "money purchase" stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 1.5% and 6.25% of pensionable earnings for classic and 3.5% and 8.25% for premium, classic plus and nuvos. Increases to employee contributions will apply from 1 April 2014. 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 initial 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 the pensionable earnings during the 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 the accrued pension is uprated in line with Pensions Increase Legislation. In all cases members may opt to give up (commute) pension for 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).

There were no employer contributions for the most senior managers to partnership pension accounts during the year.

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 http://www.civilservice.gov.uk/pensions

The Cash Equivalent Transfer Value

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. In the case of Ministers the pension figures shown relate to the benefits that the individual has accrued as a consequence of their total Ministerial service, not just their current appointment as Minister.

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

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. In the case of Ministerial pensions, this is effectively the element of the increase in accrued pension funded by the Exchequer. 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.

Stephen Lovegrove
Principal Accounting Officer and Permanent Secretary

19 June 2014

High Paid Off Payroll Appointments

Table 1: For all off-payroll engagements as of 31 March 2014, for more than £220 per day and that last for longer than six months

	Core DECC	CA	CNPA	NDA	CCC
No. of existing engagements as of 31 March 2014	38	10	1	33	–
Of which...					
No. that have existed for less than one year at time of reporting.	18	5	1	13	–
No. that have existed for between one and two years at time of reporting.	11	4	–	6	–
No. that have existed for between two and three years at time of reporting.	8	1	–	3	–
No. that have existed for between three and four years at time of reporting.	–	–	–	–	–
No. that have existed for four or more years at time of reporting.	1	–	–	–	–

All existing off-payroll engagements, outlined above, have been subject to a risk based assessment as to whether assurance is required that the individual is paying the right amount of tax and, where necessary, that assurance has been sought and obtained.

Table 2: For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2013 and 31 March 2014, for more than £220 per day and that last for longer than six months

There are two instances where the Department is awaiting information from the individual.

	Core DECC	CA	CNPA	NDA	CCC
No. of new engagements, or those that reached six months in duration, between 1 April 2013 and 31 March 2014	13	6	1	17	–
No. of the above which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations	13	6	1	17	–
No. for whom assurance has been requested	13	6	1	17	–
Of which					
No. for whom assurance has been received	12	6	1	17	–
No. for whom assurance has not been received	1	–	–	–	–
No. that have been terminated as a result of assurance not being received.	–	–	–	–	–

Table 3: For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2013 and 31 March 2014

	Core DECC	CA	CNPA	NDA	CCC
No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	2	–	–	–	–
No. of individuals that have been deemed "board members, and/or, senior officials with significant financial responsibility", during the financial year. This figure should include both off-payroll and on-payroll engagements.	6	1	1	1	1

The Department engaged interim Finance Directors to cover the period between the departure of the previous permanent Finance Director and the recruitment of a replacement. The first interim was contracted from November to February and the second interim from February to March.

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the Department of Energy and Climate Change and of its Departmental Group for the year ended 31 March 2014 under the Government Resources and Accounts Act 2000. The Departmental Group consists of the Department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2013. The financial statements comprise: the Department's and Departmental Group's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply 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, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2014 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's and the Departmental Group's affairs as at 31 March 2014 and of the Department's net operating cost and Departmental Group's net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Emphasis of matter – Provisions for nuclear decommissioning and coal liabilities

Without qualifying my opinion, I draw attention to the disclosures made in notes 1.35 and 18 to the financial statements concerning the uncertainties inherent in the provisions relating to the costs of dealing with nuclear decommissioning and coal liabilities. As set out in these notes, given the complexity and the very long timescales involved, a considerable degree of uncertainty remains over the value of the liabilities. Significant changes to the liabilities could occur as a result of subsequent information and events which are different from the current assumptions adopted.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in sections within the Annual Report and Accounts entitled "Who we are and what we do", "Strategic Report" and "Annex D" for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

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

23 June 2014

Statement of Parliamentary Supply

Summary of Resource and Capital Outturn 2013–14

£'000								2013–14	2012–13
				Estimate			Outturn		Outturn
	Note	Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted Outturn compared with Estimate: saving/(excess)	Total
Departmental Expenditure Limit									
–Resource	SOPS 2.1	2,131,354	(947,851)	1,183,503	2,069,723	(896,990)	1,172,733	61,631	1,128,595
–Capital	SOPS 2.2	2,274,510	(2,000)	2,272,510	2,218,026	(337)	2,217,689	56,484	2,038,440
Annually Managed Expenditure									
–Resource	SOPS 2.1	5,523,846	–	5,523,846	4,961,334	(898)	4,960,436	562,512	5,388,016
–Capital	SOPS 2.2	(458,915)	–	(458,915)	(496,660)	–	(496,660)	37,745	(20,458)
Total Budget		9,470,795	(949,851)	8,520,944	8,752,423	(898,225)	7,854,198	718,372	8,534,593
Non-Budget									
–Resource		–	–	–	–	–	–	–	–
Total		9,470,795	(949,851)	8,520,944	8,752,423	(898,225)	7,854,198	718,372	8,534,593
Total Resource		7,655,200	(947,851)	6,707,349	7,031,057	(897,888)	6,133,169	624,143	6,516,611
Total Capital		1,815,595	(2,000)	1,813,595	1,721,366	(337)	1,721,029	94,229	2,017,982
Total		9,470,795	(949,851)	8,520,944	8,752,423	(898,225)	7,854,198	718,372	8,534,593

Net cash requirement 2013–14

£'000	Note	2013–14 Estimate	2013–14 Outturn	2013–14 Outturn compared with Estimate: saving/(excess)	2012–13 Outturn
Net cash requirement	SOPS 4	4,267,143	3,372,991	894,152	3,824,271

Administration Costs 2013–14

£'000		2013–14 Estimate	2013–14 Outturn	2012–13 Outturn
Administration Costs	SOPS 3.2	184,360	175,000	161,766

Figures in the areas outlined in bold are voted totals subject to Parliamentary control. In addition, although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

Explanations of variances between Estimate and outturn are given in SOPS Note 2 and in the Financial Review.

The Notes on pages 56 to 64 form part of these Accounts.

Notes to the Departmental Resource Accounts (Statement of Parliamentary Supply)

SOPS 1 Statement of accounting policies

The Statement of Parliamentary Supply and supporting notes have been prepared in accordance with the 2013–14 Government Financial Reporting Manual (FReM) issued by HM Treasury. The Statement of Parliamentary Supply accounting policies contained in the FReM are consistent with the requirements set out in the 2013–14 Consolidated Budgeting Guidance and Supply Estimates Guidance Manual.

SOPS 1.1 Accounting convention

The Statement of Parliamentary Supply and related notes are presented consistently with Treasury budget control and Supply Estimates. The aggregates across government are measured using National Accounts, prepared in accordance with the internationally agreed framework 'European System of Accounts' (ESA95). ESA95 is in turn consistent with the System of National Accounts (SNA93), which is prepared under the auspices of the United Nations.

The budgeting system, and the consequential presentation of Supply Estimates and the Statement of Parliamentary Supply and related notes have different objectives to IFRS–based accounts. The system supports the achievement of macro–economic stability by ensuring that public expenditure is controlled, with relevant Parliamentary authority, in support of the Government's fiscal framework. The system provides incentives to departments to manage spending well so as to provide high quality public services that offer value for money to the taxpayer.

The Government's objectives for fiscal policy are set out in the Charter for Budget Responsibility. These are to:

- ensure sustainable public finances that support confidence in the economy, promote intergenerational fairness, and ensure the effectiveness of wider government policy; and
- support and improve the effectiveness of monetary policy in stabilising economic fluctuations.

SOPS 1.2 Comparison with IFRS–based accounts

Many transactions are treated in the same way in National Account and IFRS–based accounts, but there are a number of differences.

SOPS 1.3 PFI and other Service Concession arrangements

The National Accounts basis for recognising service concession arrangements is broadly similar to UK–GAAP, applying a risk–based test to determine the financial reporting. IFRS–based recognition of service concession arrangements (IFRIC 12) is determined using control tests, which can result in a different on/off balance sheet treatment.

SOPS 1.4 Capital Grants

Grant expenditure used for capital purposes are treated as capital (CDEL) items in the Statement of Parliamentary Supply. Under IFRS, as applied by the FReM, there is no distinction between capital grants and other grants, and they score as an item of expenditure in the Consolidated Statement of Comprehensive Net Expenditure.

SOPS 1.5 Nuclear Decommissioning Costs

Under ESA95 standards all costs relating to remedial decommissioning score as capital (CDEL), whereas they score as an item of expenditure in the Consolidated Statement of Comprehensive Net Expenditure under IFRS. These costs are netted off by the release from provision in Resource AME (see SOPS Note 1.8).

SOPS 1.6 Coal Pension Schemes

Cash receipts from the Coal Pension schemes (British Coal Staff Superannuation Scheme (BCSSS) and the Mineworkers' Pension Scheme (MPS)) are scored as Capital AME income. In addition, revaluations of the amounts due to the Department in future years that are recorded in the Consolidated Statement of Comprehensive Net Expenditure are scored to Resource AME, with an offsetting amount scored to Capital AME. As agreed with HM Treasury, the unwinding of the discount on that value is scored to Resource AME non-cash income, with an offsetting amount to Capital AME. For further information, see Note 15.1.

SOPS 1.7 Receipts in excess of HM Treasury agreement

This applies where HM Treasury has agreed a limit to income retainable by the department, with any excess income scoring outside of budgets, and consequently outside of the Statement of Parliamentary Supply. IFRS-based accounts will record all of the income, regardless of the budgetary limit. This situation may arise in the following areas: (i) profit/loss on disposal of assets; (ii) income generation above department Spending Review settlements; and (iii) income received above netting-off agreements.

SOPS 1.8 Provisions – Administration and Programme expenditure

Provisions recognised in IFRS-based accounts are not recognised as expenditure for national accounts purposes until the actual payment of cash (or accrual liability) is recognised. To meet the requirements of both resource accounting and national accounts, additional data entries are made in the Statement of Parliamentary Supply across AME and DEL control totals, which do not affect the Statement of Comprehensive Net Expenditure. As the Administration control total is a sub-category of DEL, Administration and Programme expenditure reported in the Statement of Parliamentary Supply will differ from that reported in the IFRS-based accounts. A reconciliation is provided in SOPS Note 3.2.

SOPS 2 Net Outturn

SOPS 2.1 Analysis of net resource outturn by section

Explanations of variations between Estimate and Outturn are given in the Financial Review section of this report.

	2013–14										2012–13
	Outturn							Estimate			Outturn
	Administration			Programme							
	Gross	Income	Net	Gross	Income	Net	Total	Net total	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Spending in Departmental Expenditure Limits (DEL)											
Voted:											
A Save energy with the Green Deal and support vulnerable consumers	–	–	–	55,893	(2,459)	53,434	53,434	58,927	5,493	5,493	67,203
B Deliver secure energy on the way to a low carbon energy future	–	–	–	93,623	(14,358)	79,265	79,265	81,814	2,549	2,549	48,496
C Drive ambitious action on climate change at home and abroad	–	–	–	20,375	(3,095)	17,280	17,280	20,450	3,170	3,170	35,975
D Manage our energy legacy responsibly and cost–effectively	–	–	–	336,480	(47)	336,433	336,433	340,663	4,230	4,230	340,708
E Deliver the capability DECC needs to achieve its goals	129,463	(2,517)	126,946	8,837	(99)	8,738	135,684	145,568	9,884	9,154	126,950
F NDA and SLC expenditure (NDPB)	41,790	–	41,790	1,371,459	–	1,371,459	1,413,249	1,450,263	37,014	37,014	1,259,039
G Coal Authority (NDPB) (net)	4,352	–	4,352	23,022	–	23,022	27,374	26,835	(539)	–	27,684
H Civil Nuclear Police Authority (NDPB) (net)	277	–	277	3,017	–	3,017	3,294	3,103	(191)	–	(655)
I Committee on Climate Change (NDPB) (net)	3,710	–	3,710	–	–	–	3,710	3,731	21	21	3,427
	179,592	**(2,517)**	**177,075**	**1,912,706**	**(20,058)**	**1,892,648**	**2,069,723**	**2,131,354**	**61,631**	**61,631**	**1,908,827**

	2013–14										2012–13
	Outturn							Estimate			Outturn
	Administration			Programme							
	Gross	Income	Net	Gross	Income	Net	Total	Net total	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Non-Voted:											
J Nuclear Decommissioning Authority Income (CFER)	–	(1,875)	(1,875)	–	(890,264)	(890,264)	(892,139)	(943,000)	(50,861)	(50,861)	(784,055)
K Electricity Market Reform	(200)	–	(200)	(4,651)	–	(4,651)	(4,851)	(4,851)	–	–	3,823
	(200)	**(1,875)**	**(2,075)**	**(4,651)**	**(890,264)**	**(894,915)**	**(896,990)**	**(947,851)**	**(50,861)**	**(50,861)**	**(780,232)**
Total DEL	**179,392**	**(4,392)**	**175,000**	**1,908,055**	**(910,322)**	**997,733**	**1,172,733**	**1,183,503**	**10,770**	**10,770**	**1,128,595**
Annually Managed Expenditure (AME)											
Voted:											
L Drive ambitious action on climate change at home and abroad	–	–	–	–	–	–	–	–	–	–	–
M Manage our energy legacy responsibly and cost-effectively	–	–	–	(97,990)	(298,991)	(396,981)	(396,981)	(45,682)	351,299	351,299	68,415
N Nuclear Decommissioning Authority (NDPB)	–	–	–	5,309,642	–	5,309,642	5,309,642	5,479,000	169,358	168,446	5,137,651
O Coal Authority (NDPB) (net)	–	–	–	(1,000)	–	(1,000)	(1,000)	1,000	2,000	2,000	156,000
P Civil Nuclear Police Authority (NDPB) (net)	–	–	–	(1,210)	–	(1,210)	(1,210)	(2,122)	(912)	–	4,042
Q Renewable Heat Incentive	–	–	–	52,367	–	52,367	52,367	90,000	37,633	37,633	27,416
R Save energy with the Green Deal and support vulnerable consumers	–	–	–	359	(1,843)	(1,484)	(1,484)	1,650	3,134	3,134	(4,797)
	–	**–**	**–**	**5,262,168**	**(300,834)**	**4,961,334**	**4,961,334**	**5,523,846**	**562,512**	**562,512**	**5,388,727**
Non-Voted:											
Nuclear Decommissioning Authority Income (CFER)	–	–	–	–	(898)	(898)	(898)	–	898	898	(711)
Total AME	**–**	**–**	**–**	**5,262,168**	**(301,732)**	**4,960,436**	**4,960,436**	**5,523,846**	**563,410**	**563,410**	**5,388,016**
Total DEL and AME	**179,392**	**(4,392)**	**175,000**	**7,170,223**	**(1,212,054)**	**5,958,169**	**6,133,169**	**6,707,349**	**574,180**	**574,180**	**6,516,611**

SOPS 2.2 Analysis of net capital outturn by section

						2013–14	2012–13
			Outturn			Estimate	Outturn
	Gross	Income	Net	Net	Net total compared with Estimate	Net total compared to Estimate, adjusted for virements	Net
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Spending in Departmental Expenditure Limit							
Voted:							
A Save energy in the Green Deal and support vulnerable consumers	113,033	(31,721)	81,312	136,836	55,524	54,325	86,404
B Deliver secure energy on the way to a low carbon energy future	48,885	(310)	48,575	50,725	2,150	–	30,146
C Drive ambitious action on climate change at home and abroad	374,500	–	374,500	370,324	(4,176)	–	189,430
D Manage our energy legacy responsibly and cost–effectively	6,883	–	6,883	8,301	1,418	–	6,815
E Deliver the capability DECC needs to achieve its goals	4,213	(91)	4,122	4,124	2	–	771
F NDA and SLC expenditure (NDPB)	1,697,841	–	1,697,841	1,700,000	2,159	2,159	1,776,295
G Coal Authority (NDPB) (net)	3,386	–	3,386	4,200	814	–	2,133
H Civil Nuclear Police Authority (NDPB) (net)	1,407	–	1,407	–	(1,407)	–	1,310
I Committee on Climate Change (NDPB) (net)	–	–	–	–	–	–	2
	2,250,148	**(32,122)**	**2,218,026**	**2,274,510**	**56,484**	**56,484**	**2,093,306**
Non–Voted:							
J Nuclear Decommissioning Authority Income (CFER)	–	(337)	(337)	(2,000)	(1,663)	(1,663)	(54,866)
K Electricity Market Reform	–	–	–	–	–		–
Total DEL	**2,250,148**	**(32,459)**	**2,217,689**	**2,272,510**	**54,821**	**54,821**	**2,038,440**
Annually Managed Expenditure							
Voted:							
L Drive ambitious action on climate change at home and abroad	(19,723)	–	(19,723)	(1)	19,722	19,722	–
M Manage our energy legacy responsibly and cost-effectively	296,693	(787,400)	(490,707)	(478,914)	11,793	11,793	(33,189)

						2013–14	2012–13
			Outturn			Estimate	Outturn
	Gross	Income	Net	Net	Net total compared with Estimate	Net total compared to Estimate, adjusted for virements	Net
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
N Nuclear Decommissioning Authority (NDPB)	–	–	–	–	–	–	–
O Coal Authority (NDPB) (net)	–	–	–	–	–	–	–
P Civil Nuclear Police Authority (NDPB) (net)	–	–	–	–	–	–	–
Q Renewable Heat Incentive	13,770	–	13,770	20,000	6,230	6,230	12,731
R Save energy with the Green Deal and support vulnerable consumers	–	–	–	–	–	–	–
	290,740	**(787,400)**	**(496,660)**	**(458,915)**	**37,745**	**37,745**	**(20,458)**
Non-Voted	–	–	–	–	–	–	–
Total AME	**290,740**	**(787,400)**	**(496,660)**	**(458,915)**	**37,745**	**37,745**	**(20,458)**
Total DEL and AME	**2,540,888**	**(819,859)**	**1,721,029**	**1,813,595**	**92,566**	**92,566**	**2,017,982**

SOPS 3 Reconciliation of outturn to net operating cost and against Administration Budget

SOPS 3.1 Reconciliation of net resource outturn to net operating cost

		Note	2013-14 £'000 Outturn	2012-13 £'000 Outturn
Total resource outturn in Statement of Parliamentary Supply	Budget	SOPS 2.1	6,133,169	6,516,611
			6,133,169	**6,516,611**
Add:	Capital grants		506,673	331,892
	NDA costs which are capital in Budgets but taken through the SoCNE		1,683,530	1,747,214
			2,190,203	**2,079,106**
Less:	Gains/(losses) on defined benefit scheme		9,531	(6,287)
	Revaluation of assets held for sale		–	5,468
	CFER: other income	7, SOPS 5.1	(797)	(925)
	Capital grant income		(706,835)	(6,560)
			(698,101)	**(8,304)**
Net Operating Cost in Consolidated Statement of Comprehensive Net Expenditure			**7,625,271**	**8,587,413**

SOPS 3.2 Outturn against final Administration Budget and Administration net operating cost

	Note	2013-14 £'000 Outturn	2012-13 £'000 Outturn
Estimate – Administration costs limit		184,360	175,520
Outturn – Gross administration costs		179,392	248,153
Outturn – Gross income relating to administration costs		(4,392)	(86,387)
Outturn – Net administration costs	SOPS 2.1	175,000	161,766
Reconciliation to operating costs:			
Less: Provisions utilised (transfer from programme)		(88)	(91)
Adjust intra-group movements		80,597	54,582
Capital grant income included in administration income		(545)	-
Redundancy costs included in programme costs		833	-
Administration Net Operating Costs		**255,797**	**216,257**

SOPS 4 Reconciliation of Net Resource Outturn to Net Cash Requirement

	Note	Estimate £'000	Outturn £'000	Net total outturn compared with Estimate: Saving/(excess) £'000
Resource outturn	SOPS 2.1	6,707,349	6,133,169	574,180
Capital outturn	SOPS 2.2	1,813,595	1,721,029	92,566
Accruals to cash adjustments:				
Adjustments to remove non-cash items:				
Depreciation		(6,244)	(5,707)	(537)
New provisions and adjustments to previous provisions		(254,254)	(201,025)	(53,229)
Other non-cash items		(1,860)	322,338	(324,198)
Adjustments for NDPBs:				
Remove voted resource and capital	SOPS 2.1, 2.2	(8,666,010)	(8,457,693)	(208,317)
Add cash grant-in-aid	5	3,388,805	3,348,050	40,755
Adjustments to reflect movements in working balances:				
Increase/decrease in receivables		–	(299,717)	299,717
Increase/decrease in payables		–	(421,819)	421,819
Use of provisions		335,911	336,141	(230)
		3,317,292	2,474,766	842,526
Removal of non-voted budget items:				
Other adjustments – NDA CFER income and contingencies fund expenditure	SOPS 2.1, 2.2	949,851	898,225	51,626
Net cash requirement		**4,267,143**	**3,372,991**	**894,152**

SOPS 5 Income payable to the Consolidated Fund

SOPS 5.1 Analysis of income payable to the Consolidated Fund

In addition to income retained by the Department, the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics):

			Outturn 2013–14 £'000		Outturn 2012–13 £'000
	Note	**Income**	***Receipts***	**Income**	***Receipts***
Operating income of the NDA within the ambit	7	1,084,770	*1,151,000*	1,084,930	*1,014,000*
Operating income outside the Ambit of the Estimate	7	797	*860*	925	*827*
Total income payable to the Consolidated Fund		**1,085,567**	***1,151,860***	**1,085,855**	***1,014,827***

SOPS 5.2 Consolidated Fund Income

Consolidated Fund income shown in SOPS Note 5.1 above does not include any amounts collected by the Department where it was acting as agent of the Consolidated Fund rather than as principal. Full details of income collected as agent for the Consolidated Fund are in the Department's Trust Statement published separately from but alongside these financial statements. This includes income relating to the EU Emissions Allowances, Petroleum Licenses, CRC Allowances and Fines and Penalties.

Consolidated Statement of Comprehensive Net Expenditure

for the year ended 31 March 2014

£'000		2013-14		2012-13	
	Note	Core Department	Departmental Group	Core Department	Departmental Group
Administration costs					
Staff costs	3	87,218	181,603	80,068	169,487
Other costs	4	41,999	86,366	39,597	78,704
Income	7	(2,517)	(12,172)	(2,141)	(31,934)
Programme costs					
Staff costs	3	11,007	24,300	8,891	20,759
Other costs	5	960,912	9,277,812	1,031,914	9,261,546
Income	7	(2,109,094)	(1,932,638)	(1,200,271)	(911,149)
Grant in Aid to NDPBs	5	3,348,050	-	3,184,966	-
Net operating cost for the year ended 31 March 2014		**2,337,575**	**7,625,271**	**3,143,024**	**8,587,413**
Total expenditure		4,449,186	9,570,081	4,345,436	9,530,496
Total income		(2,111,611)	(1,944,810)	(1,202,412)	(943,083)
Net operating costs for the year ended 31 March 2014		**2,337,575**	**7,625,271**	**3,143,024**	**8,587,413**

All operations are continuing operations.

The Notes on pages 73 to 162 form part of these Accounts.

Other Comprehensive Net Expenditure

for the year ended 31 March 2014

£'000		2013-14		2012-13
	Core Department	Departmental Group	Core Department	Departmental Group
Net operating costs for the year ended 31 March 2014	**2,337,575**	**7,625,271**	**3,143,024**	**8,587,413**
Items that will not be reclassified to net operating costs:				
Net (gain)/loss on:				
Revaluation of property, plant and equipment	(711)	(1,402)	(426)	(3,044)
Revaluation of assets held for sale	–	–	–	(5,468)
Defined benefit pension schemes	–	(9,531)	–	6,287
Change in equity of non-controlling interest	–	(2,222)	–	(14,301)
	2,336,864	**7,612,116**	**3,142,598**	**8,570,887**
Items that may be reclassified subsequently to net operating costs:				
Net loss on revaluation of available for sale financial assets	761	761	–	–
Total Comprehensive net expenditure for the year ended 31 March 2014	**2,337,625**	**7,612,877**	**3,142,598**	**8,570,887**

The Notes on pages 73 to 162 form part of these Accounts.

Consolidated Statement of Financial Position

as at 31 March 2014

£'000	Note	31 March 2014 Core Department	31 March 2014 Departmental Group	31 March 2013 Core Department	31 March 2013 Departmental Group
Non-current assets					
Property, plant and equipment	8	11,897	636,754	9,674	715,441
Intangible assets	9	336	5,448	508	6,989
Financial assets	10	78,153	2,895,091	60,914	2,358,583
Investment property	11	–	580	–	626
Trade and other receivables	15	336,537	382,060	168,106	211,292
Total non-current assets		**426,923**	**3,919,933**	**239,202**	**3,292,931**
Current assets					
Assets classified as held for sale	13	–	50,571	–	50,550
Inventories	14	–	93,251	–	103,827
Trade and other receivables	15	184,219	751,203	280,301	869,168
Financial assets	10	25,998	27,489	39,447	40,236
Cash and cash equivalents	16	302,869	467,595	100,172	317,629
Total current assets		**513,086**	**1,390,109**	**419,920**	**1,381,410**
Total assets		**940,009**	**5,310,042**	**659,122**	**4,674,341**
Current liabilities					
Trade and other payables	17	(710,820)	(1,941,144)	(482,166)	(1,657,516)
Provisions	18	(333,588)	(3,156,090)	(334,685)	(3,221,901)
Total current liabilities		**(1,044,408)**	**(5,097,234)**	**(816,851)**	**(4,879,417)**
Total assets less net current liabilities		**(104,399)**	**212,808**	**(157,729)**	**(205,076)**
Non-current liabilities					
Trade and other payables	17	(578,913)	(2,747,745)	(341,573)	(2,467,583)
Provisions	18	(2,129,185)	(66,671,748)	(2,263,204)	(61,208,616)
Total non-current liabilities		**(2,708,098)**	**(69,419,493)**	**(2,604,777)**	**(63,676,199)**
Total assets less liabilities		**(2,812,497)**	**(69,206,685)**	**(2,762,506)**	**(63,881,275)**
Taxpayers' equity and other reserves					
General fund		(2,812,873)	(69,308,841)	(2,762,932)	(63,980,874)
Revaluation reserve		1,137	58,608	426	57,512
Financial asset reserve		(761)	(761)	–	–
Non-controlling interest	19	–	44,309	–	42,087
Total equity		**(2,812,497)**	**(69,206,685)**	**(2,762,506)**	**(63,881,275)**

Stephen Lovegrove
Accounting Officer and Permanent Secretary

19 June 2014

The Notes on pages 73 to 162 form part of these Accounts.

Consolidated Statement of Cash Flows

for the year ended 31 March 2014

	Note	2013-14 Core Department £'000	2013-14 Departmental Group £'000	2012-13 Core Department Restated £'000	2012-13 Departmental Group Restated £'000
Cash flows from operating activities					
Net operating cost		(2,337,575)	(7,625,271)	(3,143,024)	(8,587,413)
Adjustments for non-cash transactions	6	187,687	8,094,439	440,362	8,231,226
(Increase)/decrease in trade and other receivables	15	(72,349)	(52,803)	(109,170)	(179,790)
(Increase)/decrease in finance lease receivables	10.6	–	(1,191)	–	(23,718)
(Increase)/decrease in inventories	14	–	10,576	–	(23,738)
Movement on recoverable contract costs		–	(542,446)	–	(584,015)
Movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure		224,078	802,809	136,730	755,961
Increase/(decrease) in trade and other payables	17	465,993	563,790	410,168	461,211
Movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		(347,453)	(571,266)	(207,219)	22,275
Use of provisions	18	(336,141)	(2,925,080)	(320,397)	(2,711,568)
Net cash outflow from operating activities		**(2,215,760)**	**(2,246,443)**	**(2,792,550)**	**(2,639,569)**
Cash flows from investing activities					
Purchase of property, plant and equipment		(4,184)	(27,458)	(1,110)	(36,970)
Purchase of intangibles		–	(818)	(193)	(1,889)
Purchase of investments	10.4	(30,000)	(30,000)	–	–
Proceeds on disposal of property, plant and equipment		–	2,050	–	4,210
Proceeds on disposal of investments		–	–	–	16,502
Loans advanced to other bodies		(675)	(675)	(54,564)	(74,564)
Repayments from other bodies	10.1	29,488	29,488	38,973	38,973
Net cash outflow from investing activities		**(5,371)**	**(27,413)**	**(16,894)**	**(53,738)**

	Note	2013-14 Core Department £'000	2013-14 Departmental Group £'000	2012-13 Core Department Restated £'000	2012-13 Departmental Group Restated £'000
Cash flows from financing activities					
From the Consolidated Fund (Supply) - current year		3,487,000	3,487,000	3,664,212	3,664,212
From the Consolidated Fund (Supply) – prior year		72,506	72,506	–	–
Advances from Contingencies Fund		12,149	12,149	4,851	4,851
Repayments to Contingencies Fund		(17,000)	(17,000)	–	–
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts		–	(6)	–	(8)
Net financing		**3,554,655**	**3,554,649**	**3,669,063**	**3,669,055**
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**1,333,524**	**1,280,793**	**859,619**	**975,748**
Payments of amounts due to the Consolidated Fund		(1,130,827)	(1,130,827)	(849,061)	(849,061)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**202,697**	**149,966**	**10,558**	**126,687**
Cash and cash equivalents at the beginning of the period	16	**100,172**	**317,629**	**89,614**	**190,942**
Cash and cash equivalents at the end of the period	16	**302,869**	**467,595**	**100,172**	**317,629**

The 2012-13 cashflow has been restated to disclose the non-cash costs associated with the promissory note discount for the core Department (Note 5 refers).

The 2012-13 group cashflow has been restated for NDA, reclassifying amounts between the lines movements in receivables/payables relating to items not passing through the Statement of Comprehensive Net Expenditure. This is a presentational change to bring the prior year in line with the 2013-14 cashflow presentation.

The correction of these items changes the analysis within the Consolidated Statement of Cashflows but does not affect the total 'Net cash outflow from operating activities' disclosed.

The Notes on pages 73 to 162 form part of these Accounts.

Consolidated Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2014

	Note	Core Department General Fund £'000	Core Revaluation Reserve £'000	Core Financial Asset Reserve £'000	Core Department Total £'000	Departmental Group General Fund £'000	Departmental Group Revaluation Reserve £'000	Departmental Group Financial Asset Reserve £'000	Departmental Group Taxpayers' equity £'000	Non-controlling Interest £'000	Total Reserves £'000
Balance as at 1 April 2012		(2,358,544)	–	–	**(2,358,544)**	(58,411,643)	334,215	–	**(58,077,428)**	**27,786**	**(58,049,642)**
Net Parliamentary Funding – drawn down		3,664,212	–	–	**3,664,212**	3,664,212	–	–	**3,664,212**	**–**	**3,664,212**
Net Parliamentary Funding – deemed		87,553	–	–	**87,553**	87,553	–	–	**87,553**	**–**	**87,553**
Advances from Contingencies Fund	17.1	4,851	–	–	**4,851**	4,851	–	–	**4,851**	**–**	**4,851**
Contingencies Fund loan repayable		(4,851)	–	–	**(4,851)**	(4,851)	–	–	**(4,851)**	**–**	**(4,851)**
Supply receivable: current year	15.1	72,506	–	–	**72,506**	72,506	–	–	**72,506**	**–**	**72,506**
CFERs payable to the Consolidated Fund[1]	SOPS 5.1	(1,085,855)	–	–	**(1,085,855)**	(1,085,855)	–	–	**(1,085,855)**	**–**	**(1,085,855)**
Net operating cost for the year		(3,143,024)	–	–	**(3,143,024)**	(8,587,413)	–	–	**(8,587,413)**	**–**	**(8,587,413)**
Revaluation of property, plant and equipment		–	426	–	**426**	–	3,044	–	**3,044**	**–**	**3,044**
Revaluation of assets held for sale		–	–	–	**–**	5,468	–	–	**5,468**	**–**	**5,468**
Transfer between reserves		–	–	–	**–**	279,747	(279,747)	–	**–**	**–**	**–**
Non-cash charges – auditors remuneration	6	220	–	–	**220**	220	–	–	**220**	**–**	**220**
Defined benefit pension schemes		–	–	–	**–**	(6,287)	–	–	**(6,287)**	**–**	**(6,287)**
Change in equity of non-controlling interest	19	–	–	–	**–**	–	–	–	**–**	**14,301**	**14,301**
Other		–	–	–	**–**	618	–	–	**618**	**–**	**618**
Balance as at 31 March 2013		**(2,762,932)**	**426**	**–**	**(2,762,506)**	**(63,980,874)**	**57,512**	**–**	**(63,923,362)**	**42,087**	**(63,881,275)**

	Note	Core Department General Fund £'000	Core Revaluation Reserve £'000	Core Financial Asset Reserve £'000	Core Department Total £'000	Departmental Group General Fund £'000	Departmental Group Revaluation Reserve £'000	Departmental Group Financial Asset Reserve £'000	Departmental Group Taxpayers' equity £'000	Non-controlling Interest £'000	Total Reserves £'000
Net Parliamentary Funding – drawn down		3,487,000	–	–	**3,487,000**	3,487,000	–	–	**3,487,000**	**–**	**3,487,000**
Advances from Contingencies Fund		12,149	–	–	**12,149**	12,149	–	–	**12,149**	**–**	**12,149**
Contingencies Fund loan repaid		(12,149)	–	–	**(12,149)**	(12,149)	–	–	**(12,149)**	**–**	**(12,149)**
Supply payable: current year	17.1	(114,009)	–	–	**(114,009)**	(114,009)	–	–	**(114,009)**	**–**	**(114,009)**
CFERs payable to the Consolidated Fund[1]	SOPS 5.1	(1,085,567)	–	–	**(1,085,567)**	(1,085,567)	–	–	**(1,085,567)**	**–**	**(1,085,567)**
Net operating cost for the year		(2,337,575)	–	–	**(2,337,575)**	(7,625,271)	–	–	**(7,625,271)**	**–**	**(7,625,271)**
Revaluation of property, plant and equipment		–	711	–	**711**	–	1,402	–	**1,402**	**–**	**1,402**
Revaluation of financial assets	10.4	–	–	(761)	**(761)**	–	–	(761)	**(761)**	**–**	**(761)**
Transfer between reserves		–	–	–	**–**	306	(306)	–	**–**	**–**	**–**
Non-cash charges – auditors remuneration	6	210	–		**210**	210	–	–	**210**	**–**	**210**
Defined benefit pension schemes		–	–	–	**–**	9,531	–	–	**9,531**	**–**	**9,531**
Change in equity of non-controlling interest	19	–	–	–	**–**	–	–	–	**–**	**2,222**	**2,222**
Other		–	–	–	**–**	(167)	–	–	**(167)**	**–**	**(167)**
Balance at 31 March 2014		**(2,812,873)**	**1,137**	**(761)**	**(2,812,497)**	**(69,308,841)**	**58,608**	**(761)**	**(69,250,994)**	**44,309**	**(69,206,685)**

[1] Consolidated fund extra receipts

The General Fund represents the total assets less liabilities of the Group and of the core Department. The General Fund shows a deficit as a result of the large value of provisions for both the Group and the core Department; these future liabilities will be met out of future funding from Parliament. The budget for 2014-15 has been approved and an additional one year spending round for 2015-16 agreed. There is no reason to believe that future funding will not be forthcoming.

The Revaluation Reserve reflects the increases in the fair value of property plant and equipment carried at valuation in accordance with the accounting policy in Note 1.8.

The Financial Asset Reserve reflects the cumulative balance of revaluation adjustments to financial assets.

The Non-Controlling Interest balance has arisen as a result of consolidating the results of the five nuclear site licence companies and represents the aggregate reserves of the site licence companies.

The Notes on pages 73 to 162 form part of these Accounts.

Notes

1.1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2013-14 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.

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 Department of Energy and Climate Change and its consolidated entities (the Group) for the purposes of giving a true and fair view has been selected. The particular policies adopted by the Group are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

In addition to the primary statements prepared under IFRS, the FReM also requires the Group to prepare an additional primary statement; the Statement of Parliamentary Supply (and supporting notes) which shows outturn against Estimate in terms of the net resource requirement and the net cash requirement. These notes and specific accounting policies are disclosed in the Statement of Parliamentary Supply section of the financial statements.

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 (except waste management assets), intangible assets, certain financial assets and liabilities and financial instruments as set out within these policies.

As a departure from the FReM guidance, the Group has a specific Accounts Direction in respect of the accounting for waste management assets on an historical cost basis. These waste management assets are excluded from the requirement to revalue as part of property, plant and equipment as there is no reliable and cost effective revaluation methodology and are therefore carried at cost less accumulated depreciation and any impairment losses.

1.3 Basis of consolidation

These accounts comprise a consolidation of the core Department and those entities which fall within the departmental boundary as defined in the FReM, being those entities listed in the Designation and Amendment Orders presented to Parliament. The entities within the Departmental boundary are:

- the core Department itself;

Executive NDPBs

- the Nuclear Decommissioning Authority (NDA), excluding its subsidiary undertakings;
- the Coal Authority (CA);
- the Civil Nuclear Police Authority (CNPA);

- the Committee on Climate Change (CCC);

The NDA, CA, CNPA and CCC are Executive Non-Departmental Public Bodies (NDPBs) and produce and publish their own Annual Report and Accounts.

Other entities

- Sellafield Limited (company registered number: 1002607);
- Magnox Limited (company registered number: 2264251);
- Dounreay Site Restoration Limited (DSRL) (company registered number: SC307493);
- Research Sites Restoration Limited (RSRL) (company registered number: 05915837); and
- LLW Repository Limited (LLWR) (company registered number: 05608448).

These are private companies which operate sites on behalf of, and under contract from, the NDA.

The Department and all entities included in the consolidation are domiciled in the UK. Transactions and balances between entities included in the consolidation are eliminated on consolidation.

A list of all those entities within the Departmental boundary is given at Note 30.

1.4 Going concern

The consolidated Statement of Financial Position at 31 March 2014 shows net liabilities of £69,207 million (31 March 2013: £63,881 million). This reflects the inclusion of liabilities, in particular nuclear and coal provisions, which fall due in future years. All liabilities will be met by future funding from Parliament and there is no reason to believe that future Parliamentary approval will not be forthcoming. Such approval for amounts required for 2014-15 is due to be voted on account when the Supply and Appropriation (Main Estimates) Bill is put before Parliament, the bill will be introduced to the House of Commons during July; there is no reason to believe that future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.5 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.

1.6 Property

Freehold land and freehold and leasehold buildings are recorded at market value for existing use. Valuations are carried out at least biennially by external qualified valuers.

Property located inside nuclear licensed site boundaries is only carried at valuation where a reliable and cost effective revaluation methodology exists. Where this is not possible it is carried at cost less accumulated depreciation and any impairment charges in line with the treatment of waste management assets.

1.7 Non-property

In accordance with the FReM the option has been taken to value some non-property assets on a depreciated historical cost basis, as a proxy for fair value where assets have short useful lives or are of low value, or both.

Assets under construction are valued at cost.

Where facilities have been commissioned, the estimated cost of decommissioning the facilities is recognised, to the extent that it is recognised as a provision under IAS37, as part of the carrying value of the asset and depreciated over the useful life of the asset.

1.8 Revaluation

In accordance with the FReM, property, plant and equipment should be carried at valuation. However, the Group has a specific Accounts Direction that allows nuclear waste management assets to be excluded from this requirement where there is no reliable and cost effective revaluation methodology. Such waste management assets are therefore carried at cost less accumulated depreciation and any impairment charges. Where a reliable and cost effective revaluation methodology does exist, such waste management assets are carried at valuation.

For property, plant and equipment carried at valuation, revaluations are performed with sufficient regularity that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date. Any accumulated depreciation at the date of revaluation is eliminated and the resulting net amount restated to equal the revalued amount.

Any revaluation increase arising is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the Statement of Comprehensive Net Expenditure to the extent of the decrease previously charged. A decrease in carrying amount arising on revaluation is charged as an expense to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset. On the subsequent derecognition of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to the general fund.

1.9 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.

Assets are depreciated over the following periods:

Freehold and long leasehold land	not depreciated
Freehold and leasehold buildings	10 to 60 years
Plant, machinery and equipment	3 to 50 years
Furniture, fixtures and fittings	2 to 11 years
Information technology	2 to 5 years

Assets under construction are not depreciated until they are brought into use. Leasehold buildings are depreciated over the shorter of their useful life or lease term.

1.10 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and net of accumulated impairment losses as a proxy for fair value. The cost of intangible assets comprises the purchase cost and any directly attributable costs incidental to their acquisition. Intangible assets are capitalised where expenditure of £2,000 or more is incurred.

Intangible assets are amortised over the shorter of their useful economic life or five years. Amortisation of intangible assets is charged to the Statement of Comprehensive Net Expenditure on a straight-line basis when the assets are available for use so as to allocate the carrying amounts of the intangible assets over their estimated useful economic lives.

1.11 Impairment

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss; an impairment loss is recognised when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. Recoverable amount is the higher of fair value less costs to sell and value in use.

Impairment losses that do not result from a loss of economic value or service potential are taken to the revaluation reserve to the extent a revaluation reserve exists for the impaired asset. Impairment losses that arise from a clear consumption of economic benefit are charged to the Statement of Comprehensive Net Expenditure.

Residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

1.12 Investment properties

The Group holds a number of properties which have been classified as investment properties and are not depreciated in accordance with IAS 40, but may be impaired or revalued to provide a carrying value at their estimated fair value. Full valuations are undertaken every five years. Gains and losses arising from changes in fair value of investment property are recognised in the Statement of Comprehensive Net Expenditure.

1.13 Investments in subsidiaries

Investments in subsidiaries are stated at cost less, where appropriate, provision for impairment.

1.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and all costs to be incurred in marketing, selling and distribution. This is a departure from the FReM requirement to value inventories at current cost but this does not represent a material difference in valuation. Where necessary, inventory values are adjusted for obsolete, slow moving and defective items.

Reprocessed uranium inventory is held at nil value pending development of long term options and cost estimates for disposal of this material, however long term storage and disposal costs are provided for.

1.15 Assets classified as held for sale

Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the asset is available for immediate sale in its present condition and the asset is actively marketed for sale. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.16 Research and development

Expenditure on research is charged to the Statement of Comprehensive Net Expenditure in the year in which it is incurred.

Development expenditure is capitalised as an internally generated intangible asset only if all of the following criteria are met:

- an asset is created that can be identified
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

1.17 Operating income and revenue recognition

Operating income is income that relates directly to the operating activities of the Group and is recognised when the Group has performed its contractual obligations, the income can be measured reliably and it is probable that the economic benefits will flow to the Group.

The core Department is required to identify income which it collects on behalf of the Consolidated Fund, this is taken through the Statement of Comprehensive Net Expenditure and is shown in SOPS Note 5. Further income submitted to the Consolidated Fund is recorded in a separate Trust Statement produced alongside this set of accounts.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

1.18 Contracts

Where the outcome of a contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

1.19 Foreign currencies

These financial statements are presented in pounds sterling, which is the functional currency of the Group. Transactions that are denominated in a foreign currency are translated into sterling at the rate of exchange ruling on the date of each transaction.

In preparing the financial statements, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. All translation differences of monetary assets and liabilities are included in the Consolidated Statement of Comprehensive Net Expenditure for the period.

1.20 Leases

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.

1.21 Finance leases

Group as a lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

1.22 Operating leases

Group as a lessor

Assets which are subject to operating leases are presented in the Statement of Financial Position under property, plant and equipment. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The aggregate costs of any incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Group as a lessee

Rentals payable under operating leases are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

1.23 Service concession arrangements

Where an arrangement is within the scope of IFRIC 12 the Group, as grantor, includes the infrastructure assets on the Statement of Financial Position as non-current assets and recognises the corresponding lease creditor. Costs relating to the service element or interest charges are expensed as they are incurred.

1.24 Administration and programme expenditure and income

The Statement of Comprehensive Net Expenditure is analysed between administration and programme income and expenditure.

The classification of expenditure and income as administration or as programme follows the definition of administration costs set out in the Consolidated Budgeting Guidance issued by HM Treasury. Income is analysed in the notes between that which, under the guidance, is allowed to be offset against gross administration costs in determining the outturn against the Administration Budget, and that operating income which is not.

Programme costs reflect non-administration costs, including payments of grants, movements in provisions and other disbursements by the Group in support of policy initiatives.

1.25 Grants payable

Grants payable are recognised in the period in which the grant recipient carries out the activity that creates an entitlement to the grant. Recognition of entitlement varies according to the details of individual schemes and the terms of the offers made. Unpaid and unclaimed grants are charged to the Statement of Comprehensive Net Expenditure on the basis of estimates of claims not received and are included in accruals in the Statement of Financial Position.

In certain cases, grant contributions to international organisations are made in the form of promissory notes. The full amount of the promissory note is recognised as an expense in the period in which the note is deposited. Amounts not drawn down in cash from promissory notes at the reporting date are included in payables.

1.26 Staff Costs

Under IAS 19, Employee Benefits, all staff costs must be recorded as an expense as the organisation is obligated to pay them; this includes the cost of any untaken leave as at the reporting date.

1.27 Pensions

Core Department and NDPBs

Past and present employees of the core Department, the NDA, the Coal Authority and Committee on Climate Change are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) as described at Note 3. The defined benefit schemes are unfunded. The Group recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the Group recognises the contributions payable for the year.

Past and present employees of CNPA are covered by the provisions of the Combined Pension Scheme (CPS) of the UK Atomic Energy Authority (UKAEA), which is an unfunded defined benefit pension scheme which prepares its own scheme statements.

The NDA participates in two funded defined benefit schemes. The liability recognised in the Statement of Financial Position for defined benefit schemes is the present value of the defined benefit obligation at the reporting date less the fair value of scheme assets, together with any adjustments for unrecognised past service costs, and less any amounts recoverable from third parties. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that have terms to maturity approximating to the terms of the related pension liability.

Pension scheme assets are recognised to the extent that they are recoverable and pension scheme liabilities are recognised to the extent that they reflect an actual or constructive obligation.

SLCs

Each SLC provides pension plans for the benefit of all or the majority of their employees. The schemes are funded by contributions partly from the employees and partly from each SLC and are each made to separately administered funds. The applicable pension schemes are as follows:

Pension scheme	Pension type	SLC	Treatment
Combined Nuclear Pension Plan (CNPP)	Defined Benefit closed to new entrants	Sellafield	Defined benefit scheme
		Magnox	Defined contribution scheme as unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis
		RSRL	Defined benefit scheme
		LLWR	Defined benefit scheme
Combined Nuclear Pension Plan (CNPP)	Defined Contribution	Sellafield	Defined contribution scheme
		Magnox	Defined contribution scheme
		DSRL	Defined contribution scheme
		RSRL	Defined contribution scheme
		LLWR	Defined contribution scheme
Group Pension Scheme (GPS)	Defined Benefit closed to new entrants	Sellafield	Defined benefit scheme
		Magnox	Defined contribution scheme as unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis
		LLWR	Defined contribution scheme as unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis
Electricity Supply Pension Scheme (ESPS)	Defined Benefit closed to new entrants	Sellafield	Defined contribution scheme as unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis
		Magnox	Defined benefit scheme

SLC schemes accounted for as defined benefit schemes

Where the company has an unconditional right to the actuarial surplus, and to the extent that it is recoverable, then it is recognised in full in the individual companies; all deficits are recognised in full in the individual companies. In all cases the surplus or deficit entails a corresponding deficit or surplus of the full value from the NDA.

SLC schemes accounted for as defined contribution schemes

Contributions to defined contribution schemes are recognised in the Statement of Net Comprehensive Expenditure in the period in which they become payable.

A summary of the performance of the funded defined benefit schemes is provided in these financial statements (Note 10.7), with further information available in the NDA's and Site Licence Companies' financial statements.

In accordance with IAS 19, the Scheme Managers are required to undertake a sensitivity analysis for each significant actuarial assumption as of the end of the financial reporting period, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumptions that were reasonably possible at that date. This analysis, including details of the methods and assumptions used in preparing the sensitivity analysis, the limitations of these methods, and the reasons for any changes in methods and assumptions used in preparing the sensitivity analysis, has been provided in summary in Note 10.7, with further information in the NDA's and Site Licence Companies' Financial Statements.

1.28 Taxation

Income and Corporation Tax

The core Department is exempt from income and corporation tax by way of its Crown exemption. Some of the consolidated bodies are subject to corporation tax on taxable profits, including profits from any trading activity and interest receivable.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the reporting date.

Deferred tax is recognised on all temporary differences arising between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised. Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the reporting date. The carrying amount of deferred income tax assets is reviewed at each reporting date and adjustments made to the extent that it is no longer probable that sufficient profits will be available.

Value Added Tax (VAT)

Most of the activities of the core Department are outside the scope of VAT and, in general, output tax does not apply. Some NDPBs have trading activities where VAT is charged at the prevailing rate and where related input VAT costs are recoverable. Input VAT is also recovered on certain contracted-out services. Irrecoverable VAT is charged to the relevant expenditure category or, if appropriate, capitalised with additions to fixed assets. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT.

1.29 Financial assets

Financial assets are classified into the following three specified categories:

- financial assets 'at fair value through profit or loss' (FVTPL);
- loans and receivables;
- financial assets available for sale.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Management determines the categorisation of financial assets at initial recognition and re-evaluates this designation at each reporting date.

The Group holds financial assets in the following categories:

Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as FVTPL where the financial asset is either held for trading (for example other investments) or it is deemed to be FVTPL by reference to IAS 39. A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling in the near future or it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as FVTPL are stated at fair value, with any resultant gain or loss recognised in the Statement of Comprehensive Net Expenditure. The net gain or loss recognised in the Statement of Comprehensive Net Expenditure incorporates any dividend or interest earned on the financial asset.

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables, held by the Departmental Group comprise cash and cash equivalents, receivables and loans.

Loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, where appropriate, a shorter period, to the net carrying value of the financial asset.

Cash and cash equivalents comprise cash in hand and other short term highly liquid investments which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

Financial assets available for sale

These are non-derivative financial assets designated as such or not classified in any of the other categories above. This includes the investment in the Global Climate Partnership Fund (GCPF) shown in Note 10.4.

The Group holds a number of special and ordinary shares. Special shares are not recorded in the Statement of Financial Position and ordinary shares, which are interests in public bodies outside the departmental boundary, are valued at historical cost, less any impairments.

Impairment and derecognition

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been impacted. Gains or losses when the asset is impaired or derecognised are recognised in the Statement of Comprehensive Net Expenditure.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Comprehensive Net Expenditure.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Comprehensive Net Expenditure to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets are derecognised when the rights to receive future cash flows have expired or are transferred and the Group has transferred substantially all the risks and rewards of ownership.

1.30 Financial liabilities

The Group classifies financial liabilities into the following two categories:

- Financial liabilities at fair value through profit or loss (FVTPL); and
- Other financial liabilities.

The categorisation depends on the purpose for which the financial liability is held or acquired. Management determines the categorisation of financial liabilities at initial recognition and re-evaluates this designation at each reporting date.

The Group holds financial liabilities in the following categories:

Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities are classified as FVTPL where the financial liability is either held for trading or it is designated as FVTPL. A financial liability is classified as held for trading if it has been incurred principally for the purpose of disposal in the near future or it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities classified as FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in the Statement of Comprehensive Net Expenditure incorporates any interest paid on the financial liability.

Financial liabilities classified as FVTPL are those related to commodity supply contracts shown in Note 17.1.

Other financial liabilities

Other financial liabilities, including trade and other payables, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis.

Impairment and derecognition

Financial liabilities are derecognised when, and only when, the obligations are discharged, cancelled or they expire.

1.31 Derivatives

Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the Statement of Comprehensive Net Expenditure.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than twelve months and it is not expected to be realised or settled within twelve months. Other derivatives are presented as current assets or current liabilities.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

1.32 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle that obligation.

Where the time value of money is material, the Group discounts the provision to its present value using discount rates stipulated by Treasury which are based upon the real yield of UK-index linked gilts as determined by examining the Bank of England data for the spot yield curves for the appropriate short-term and medium-term periods; the discount rates in 2013-14 were -1.9% for short-term, and -0.65% for medium term; the long-term period rate remains at the fixed 2.2% in accordance with Treasury's instructions.

Each year the financing charges in the Statement of Comprehensive Net Expenditure include the adjustments to unwind one year's discount so that liabilities are shown at current price levels.

Nuclear Provisions

Where some or all of the expenditure required to settle a provision is expected to be recovered from a third party, in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', the recoverable amount is treated as a non-current or current asset. Provision charges in the Statement of Comprehensive Net Expenditure are shown net of changes in the amount recoverable from customers. Provision changes are accounted for in the year in which they arise.

Coal Provisions

Where cash expenditure is capitalised, a matching provision is maintained so as to offset the carrying value of the asset; as the asset is depreciated the related provision is utilised.

1.33 Contingent Assets and Liabilities

In addition to contingent liabilities or assets disclosed in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, the Group discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote but which have been reported to Parliament in accordance with the requirements of Managing Public Money.

These comprise:

- items over £300,000 (or lower, where required by specific statute) that do not arise in the normal course of business and which are reported to Parliament by Departmental Minute prior to the Group entering into the arrangement; and
- all items (whether or not they arise in the normal course of business) over £300,000 (or lower, where required by specific statute or where material in the context of the financial statements), which are required by the FReM to be noted in the financial statements.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

1.34 Third Party Assets

The Group holds, as custodian or trustee, certain cash balances belonging to third parties at commercial banks. These balances are not recognised in the financial statements since neither the Group, nor Government more generally, has a direct beneficial interest in them. See Note 28 for further details.

1.35 Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The results form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions that risk causing a material adjustment to the carrying values of assets and liabilities, within the next financial year, relate to the following categories.

Income recognition

The Group uses the percentage of completion method in accounting for its contracts. Use of the percentage of completion method requires the Group to estimate the work performed to date as a proportion of the total work to be performed.

Impairment of assets (Note 12)

Impairment is measured by comparing the carrying value of the asset or cash-generating unit with its recoverable amount. The Group has therefore reviewed the asset base and all assets are reviewed for evidence of impairment. Given the ageing asset base this calculation has a degree of uncertainty within it.

Reprocessed plutonium inventory

Government has indicated that the preferred policy for management of plutonium is for reuse. Any final decision is conditional on business case approval for reuse of the material. Following review of the likely costs of the preferred policy, and the credible alternatives of either storage and disposal in the near term or storage and disposal in the long term, a prudent estimate of £2 billion (discounted) has been included within the provision.

Provisions (Note 18)

As described in Note 1.32, the provisions discount rates are based on real yield of UK-index linked gilts for short and medium-term periods; the discount rates in 2013-14 were -1.9% for short-term, and -0.65% for medium term; the long-term period rate remains at the fixed 2.2% in accordance with Treasury's instructions.

Prior to 2012-13, all rates were 2.2% in accordance with Treasury's instructions. The change in methodology was to ensure that the discount rates met the accounting standard's requirement to use rates that reflect current market assessments of the risk free time value of money.

If the discount rates were to change then the provisions would also change. An increase of 0.5% in the discount rates would result in a decrease in the overall provisions by £64m for the core Department and £7 billion for the Group and a decrease of 0.5% in the discount rates would result in an increase in the overall provisions by £67m for the core Department and £7 billion for the Group.

The nuclear provision liability in connection with the NDA represents the best estimate of the costs of delivering the NDA objective of decommissioning the plant and equipment on each of the designated nuclear licenced sites and returning the sites to pre-agreed end states in accordance with the published strategy. This programme of work will take in excess of one hundred years to complete. The estimates are necessarily based on assumptions of the processes and methods likely to be used to discharge the obligations, reflecting a combination of the latest technical knowledge available, the requirements of the existing regulatory regime, Government policy and commercial agreements. Given the very long timescale involved, and the complexity of the plants and material being handled, considerable uncertainty remains in the cost estimate particularly in the later years, although this is in part mitigated by the impact of discounting for the purposes of provision calculation. For further details, please refer to the NDA's financial statements.

Within other provisions in Note 18.2 there is the Coal Health provision, which is subject to significant uncertainty.

Note 18.2 also discloses the Coal Authority provision which relates to mine water, subsidence pumping stations and public safety and subsidence. Due to the uncertainties in the likely costs in respect of these liabilities it is not possible to quantify with certainty the settlement of these liabilities or the impact on future financial results. The provision shown in the accounts is the best estimate of these discounted future liabilities.

Taxation

The SLCs are subject to routine tax audits and also a process whereby tax computations are discussed and agreed with the appropriate authorities. Whilst the outcome of such tax audits and discussions cannot be determined with certainty, management estimates the level of provisions required for both current and deferred tax on the basis of professional advice and the nature of current discussions with the tax authority concerned. Management judgement is required to determine the amount of deferred tax assets that can be recognised in the SLCs, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

1.36 New Standards

At the time of preparing these financial statements there are new IFRSs in issue but which are not yet effective. Further details on their application to the Group's accounts are given in Note 31 to these accounts.

2 Statement of Operating Costs by Operating Segment

The reporting segments below are those reported to the Board and which the Board uses to manage budgets, direct resources and staff to activities that the Departmental Group carries out and assess performance. The Departmental Group receives Parliamentary funding for the activities it carries out within each segment. Information for the segments is reported to the Board on a monthly basis.

Changes in reportable segments

The income, expenditure and capital reported against reportable segments for 2012-13 has been restated to reflect changes in organisational structure within the Department, to better reflect the Secretary of State's key priorities: growth and infrastructure, consumers, and international.

Year ended 31 March 2014

	Finance and Corporate Services	Markets and Infrastructure	International, Science and Resilience	Consumers and Households	Strategy	Nuclear Decommissioning Authority (NDA)	Total
2013-14	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Administration income							
Revenue from external customers	(20)	(1,469)	(87,951)	(5)	(1,338)	(1,875)	(92,658)
Interest revenue	–	–	(43)	–	–	(122)	(165)
Administration expenditure							
Staff costs	25,798	28,911	81,817	17,546	4,628	22,070	180,770
Professional Services	2,097	5,414	1,488	248	98	10,097	19,442
Research and Development Expenditure	15	125	37	–	854	–	1,031
Interest expense	–	–	–	–	1	–	1
Other administration costs	25,981	4,036	20,157	530	792	9,745	61,241
Depreciation and amortisation	2,237	805	1,785	–	17	–	4,844
Notional Audit fee	210	–	–	–	–	–	210
Other non-cash	–	4	192	–	–	–	196

2013-14	Finance and Corporate Services £'000	Markets and Infrastructure £'000	International, Science and Resilience £'000	Consumers and Households £'000	Strategy £'000	Nuclear Decommissioning Authority (NDA) £'000	Total £'000
Utilisation of provisions	–	–	88	–	–	–	88
Programme income							
Revenue from external customers	(99)	(23,797)	(4,761)	(5,322)	–	(890,264)	(924,243)
Interest revenue	–	(17)	–	–	–	–	(17)
Programme expenditure							
Staff costs	968	11,135	1,039	3,985	1	8,006	25,134
Grants	(291)	10,810	16,971	7,735	–	–	35,225
Research and development expenditure	890	712	27,056	2,212	–	–	30,870
Professional services	9,422	21,495	9,959	48,023	20	–	88,919
International subscriptions	–	391	26,801	118	–	–	27,310
Interest expense	–	17	–	–	–	–	17
Other Programme costs	(905)	7,607	7,749	9,659	421	1,363,453	1,387,984
Depreciation and amortisation	–	4,460	564	14	–	–	5,038
Other non-cash costs	579	45	–	–	–	–	624
Utilisation of provisions	(3)	318,691	2,184	–	–	–	320,872
Total Resource DEL	**66,879**	**389,375**	**105,132**	**84,743**	**5,494**	**521,110**	**1,172,733**
Resource AME	**(1,484)**	**(397,981)**	**(1,210)**	**52,367**	**–**	**5,308,744**	**4,960,436**
Total Resource DEL and AME	**65,395**	**(8,606)**	**103,922**	**137,110**	**5,494**	**5,829,854**	**6,133,169**
Total Capital DEL	**(27,409)**	**3,386**	**432,057**	**112,151**	**–**	**1,697,504**	**2,217,689**
Total Capital AME	**–**	**(490,707)**	**(19,723)**	**13,770**	**–**	**–**	**(496,660)**

Description of segments

Finance and Corporate Services: provides central support functions and specialist advice to allow the Department to operate effectively and deliver on its objectives. It also includes the Programme Management Office.

Markets and Infrastructure: responsible for delivering secure energy on the way to a low carbon energy future, and reforming the energy market to ensure the UK has a diverse, safe, secure and affordable energy system and incentivise low carbon investment and deployment. This includes the results of the Coal Authority.

International, Science and Resilience: brings together those working on Science and Innovation, international activities and resilience. This includes the results of the CNPA.

Consumer and Households: responsible for driving down emissions through support to both businesses and citizens, while supporting those in fuel poverty.

Strategy: As well as core strategy work, including carbon budgets, the directorate works on 2050 futures, short-term projects and change and governance. This includes the results of the CCC.

Nuclear Decommissioning Authority: responsible for decommissioning and cleaning up civil nuclear facilities, ensuring that all the waste products, both radioactive and non-radioactive, are safely managed, implementing Government policy on the long-term management of nuclear waste, developing UK-wide nuclear Low Level Waste (LLW) strategy and plans, and scrutinising decommissioning plans of British Energy. This includes the results of the SLCs.

Reconciliation between Operating Segments and SoCNE

2013-14	Finance and Corporate Services £'000	Markets and Infrastructure £'000	International, Science and Resilience £'000	Consumers and Households £'000	Strategy £'000	Nuclear Decommissioning Authority (NDA) £'000	Total £'000
Total net expenditure by operating segment	**65,395**	**(8,606)**	**103,922**	**137,110**	**5,494**	**5,829,854**	**6,133,169**
Reconciling items							
Capital grants	501	–	380,927	125,245	–	–	506,673
NDA decommissioning	–	–	–	–	–	1,683,530	1,683,530
Actual gains/(losses) on defined benefit schemes	–	–	–	–	–	9,531	9,531
Coal Authority CFER	–	(797)	–	–	–	–	(797)
Capital grant income	(2,635)	(703,318)	(545)	–	–	(337)	(706,835)
Total net expenditure per Statement of Comprehensive Net Expenditure	**63,261**	**(712,721)**	**484,304**	**262,355**	**5,494**	**7,522,578**	**7,625,271**

Year ended 31 March 2013

2012-13	Finance and Corporate Services £'000	Markets and Infrastructure £'000	International, Science and Resilience £'000	Consumers and Households £'000	Strategy £'000	Nuclear Decommissioning Authority (NDA) £'000	Total £'000
Administration income							
Revenue from external customers	(61)	(705)	(81,811)	(402)	(1,216)	(2,528)	(86,723)
Administration expenditure							
Staff costs	25,058	26,715	76,185	15,178	4,478	21,873	169,487
Professional Services	2,873	4,848	1,254	1,773	70	8,671	19,489
Research and Development Expenditure	9	73	2	25	606	–	715
Interest expense	–	12	–	–	4	–	16
Other administration costs	21,103	4,273	16,929	2,323	733	8,415	53,776
Depreciation and amortisation	2,437	925	1,632	–	23	–	5,017
Notional Audit fee	220	–	–	–	–	–	220
Other non-cash	(10)	1	(313)	–	–	–	(322)
Utilisation of provisions	–	–	91	–	–	–	91
Programme income							
Revenue from external customers	(68)	(23,734)	(4,522)	(3,242)	–	(781,734)	(813,300)
Interest revenue	–	(31)	–	(467)	–	(901)	(1,399)
Programme expenditure							
Staff costs	251	8,944	203	3,719	–	7,642	20,759
Grants	(1,772)	12,186	38,427	11,699	–	–	60,540
Research and development expenditure	1,978	(5)	25,375	930	–	–	28,278
Professional services	4,464	16,979	6,875	45,028	–	–	73,346
International subscriptions	(1,200)	524	30,800	19	–	–	30,143
Tax expense	–	–	–	–	–	9,737	9,737
Other Programme costs	3,581	7,369	8,900	9,804	34	1,203,809	1,233,497

2012-13	Finance and Corporate Services £'000	Markets and Infrastructure £'000	International, Science and Resilience £'000	Consumers and Households £'000	Strategy £'000	Nuclear Decommissioning Authority (NDA) £'000	Total £'000
Depreciation and amortisation	–	3,840	886	14	–	–	4,740
Other non-cash costs	294	1,271	–	1,129	–	–	2,694
Utilisation of provisions	–	317,794	–	–	–	–	317,794
Total Resource DEL	**59,157**	**381,279**	**120,913**	**87,530**	**4,732**	**474,984**	**1,128,595**
Resource AME	**(4,798)**	**224,416**	**4,042**	**27,416**	**–**	**5,136,940**	**5,388,016**
Total Resource DEL and AME	**54,359**	**605,695**	**124,955**	**114,946**	**4,732**	**5,611,924**	**6,516,611**
Total Capital DEL	**(1,195)**	**2,133**	**228,954**	**87,117**	**2**	**1,721,429**	**2,038,440**
Total Capital AME	**–**	**(33,189)**	**–**	**12,731**	**–**	**–**	**(20,458)**

Reconciliation between Operating Segments and SoCNE

2012-13	Finance and Corporate Services £'000	Markets and Infrastructure £'000	International, Science and Resilience £'000	Consumers and Households £'000	Strategy £'000	Nuclear Decommissioning Authority (NDA) £'000	Total £'000
Total net expenditure by operating segment	**54,359**	**605,695**	**124,955**	**114,946**	**4,732**	**5,611,924**	**6,516,611**
Reconciling items							
Capital grants	(14)	–	227,645	104,261	–	–	331,892
NDA decommissioning	–	–	–	–	–	1,747,214	1,747,214
Actual gains/(losses) on defined benefit schemes	–	–	–	–	–	(6,287)	(6,287)
NDA revaluation of assets	–	–	–	–	–	5,468	5,468
Coal Authority CFER	–	(925)	–	–	–	–	(925)
Capital grant income	(1,953)	(4,603)	(4)	–	–	–	(6,560)
Total net expenditure per Statement of Comprehensive Net Expenditure	**52,392**	**600,167**	**352,596**	**219,207**	**4,732**	**7,358,319**	**8,587,413**

3 Staff numbers and related costs

3.1 Staff costs:

	Permanently employed staff	Others	Ministers	Special advisers	2013-14 £'000 Total	2012-13 £'000 Total
Wages and salaries[1]	151,711	14,421	206	192	166,530	153,896
Social security costs	14,498	185	22	21	14,726	13,734
Other pension costs	26,335	268	–	33	26,636	24,109
Sub Total	**192,544**	**14,874**	**228**	**246**	**207,892**	**191,739**
Less recoveries in respect of outward secondments	(1,989)	–	–	–	(1,989)	(1,493)
Total net costs[2]	**190,555**	**14,874**	**228**	**246**	**205,903**	**190,246**
Of which:						
Core Department	89,545	8,206	228	246	98,225	88,959
NDPBs	101,010	6,668	–	–	107,678	101,287
	190,555	**14,874**	**228**	**246**	**205,903**	**190,246**

Of which:	2013-14 Charged to Administration Budgets £'000	2013-14 Charged to Programme Budgets £'000	2013-14 Total £'000	2012-13 Charged to Administration Budgets £'000	2012-13 Charged to Programme Budgets £'000	2012-13 Total Restated £'000
Core Department	87,218	11,007	98,225	80,068	8,891	88,959
NDPBs	94,385	13,293	107,678	89,419	11,868	101,287
	181,603	**24,300**	**205,903**	**169,487**	**20,759**	**190,246**

[1] Includes exit payments paid via payroll, for further details see Note 3.3.
[2] Staff costs of £4,000 (2012-13: £93,000) were charged to capital projects.

Core department employees together with the employees of the NDA, Coal Authority and Committee on Climate Change are members of the Principal Civil Service Pension Scheme (PCSPS).

The PCSPS is an unfunded multi-employer defined benefit scheme, but the Group 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.gov.uk/pensions).

For 2013-14, employer's contributions of £19,033,310 (2012-13: £17,141,159) were payable to the PCSPS at one of four rates in the range 16.7% to 24.3% (2012-13: 16.7% to 24.3%) of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2013-14 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. Employer's contributions of £195,678 (2012-13: £128,108) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% (2012-13: 3% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £14,660, 0.8% (2012-13: £9,427, 0.8%) of pensionable pay 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 reporting period date were £30,455 (2012-13: £17,175). Contributions prepaid at the date were £Nil (2012-13: £Nil).

In 2013-14, Nil persons (2012-13: 1 person) retired early on ill-health grounds. The total additional accrued pension liabilities in the year amounted to £Nil (2012-13: £5,012).

All employees of CNPA are eligible to be members of the Combined Pension Scheme (CPS) of the UKAEA for the year ended 31 March 2014. The CPS is a contributory unfunded statutory defined benefit public service pension scheme; contributions paid in 2013-14 amounted to £7,386,000 (2012-13: £6,781,000).

Staff costs SLCs

	Permanently employed staff	Others	Total	Permanently employed staff	Others	Total
	2013-14	**2013-14**	**2013-14**	**2012-13**	**2012-13**	**2012-13**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Wages and salaries	718,787	146,102	864,889	730,929	132,616	863,545
Social security costs	69,191	–	69,191	66,225	–	66,225
Other pension costs	126,675	–	126,675	123,280	–	123,280
Less recoveries in respect of outward secondees	–	–	–	(145)	–	(145)
Totals	**914,653**	**146,102**	**1,060,755**	**920,289**	**132,616**	**1,052,905**

SLC staff costs shown above are reflected in the amounts shown for utilisation in the nuclear provision in Note 18.1 and in contractor fees in Note 5. For the analysis in the Statement of Parliamentary Supply, sixty per cent (2012-13: sixty seven per cent) of the staff costs are capital with the remainder being resource.

3.2 Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows:

Activity	Permanent staff	Others	Ministers	Special advisers	2013-14 Number Total	2012-13 Number Total Restated*
Markets and Infrastructure	645.9	62.6	0.7	0.7	709.9	629.4
Consumers and Households	294.3	78.5	0.7	0.7	374.2	332.2
International, Science and Resilience[1]	1,553.7	96.2	0.7	0.7	1,651.3	1,527.8
Finance and Corporate Services	336.8	61.4	0.7	0.7	399.6	371.6
Strategy	60.8	8.1	0.7	0.7	70.3	67.5
Nuclear Decommissioning Authority	289.0	19.0	–	–	308.0	296.0
Staff engaged in capital projects	0.1	–	–	–	0.1	2.0
Total	**3,180.6**	**325.8**	**3.5**	**3.5**	**3,513.4**	**3,226.5**
Of which:						
Core Department	1,400.5	227.8	3.5	3.5	1,635.3	1,454.6
NDPBs	1,780.1	98.0	–	–	1,878.1	1,771.9
Total	**3,180.6**	**325.8**	**3.5**	**3.5**	**3,513.4**	**3,226.5**

1 Includes CNPA, total 1,381 (2012-13: 1,294) as these form part of the Nuclear Securities Group which report via International, Science and Resilience group.

* The comparative numbers for the core Department have been restated due to internal restructuring of directorates, for further details please see Note 2.

Average staff employed – SLCs

The number of SLC staff employed is shown below:

Activity	2013-14 Number Permanent staff	2013-14 Others	2013-14 Total	2012-13 Number Permanent staff	2012-13 Others	2012-13 Total
Nuclear decommissioning activities	14,677	1,767	16,444	14,163	1,590	15,753

3.3 Exit Packages – Civil Service and other compensation schemes

Comparative data is shown in brackets.

	Core Department			Departmental Group		
Exit package cost band	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band 2012-13**	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band 2012-13**
← £10,000	– (–)	– (3)	– (3)	– (–)	– (3)	– (3)
£10,000 – £25,000	– (–)	6 (2)	6 (2)	12 (–)	7 (2)	19 (2)
£25,000 – £50,000	– (–)	– (3)	– (3)	6 (–)	– (3)	6 (3)
£50,000 – £100,000	– (–)	5 (3)	5 (3)	2 (–)	7 (4)	9 (4)
£100,000 – £150,000	– (–)	1 (1)	1 (1)	– (–)	1 (1)	1 (1)
£150,000 – £200,000	– (–)	– (1)	– (1)	– (–)	1 (1)	1 (1)
£200,000 – £250,000	– (–)	– (–)	– (–)	2 (–)	– (–)	2 (–)
→ £250,000	– (–)	– (1)	– (1)	2 (–)	– (1)	2 (1)
Total number of exit packages by type	**– (–)**	**12 (14)**	**12 (14)**	**24 (–)**	**16 (15)**	**40 (15)**
Total cost	**£– (£–)**	**£557,228 (£1,172,825)**	**£557,228 (£1,172,825)**	**£1,520,376 (£–)**	**£872,321 (£1,245,634)**	**£2,392,697 (£1,245,634)**

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure and include contractual payments payable on termination of employment. Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

The table above excludes exit packages within the SLCs which are not within the provisions of the Civil Service Compensation Scheme nor the scope of Managing Public Money; these are part of restructuring programmes which are governed by the Management and Operations contracts with the NDA.

4 Other administration costs

	Core Department 2013-14 £'000	Departmental Group 2013-14 £'000	Core Department 2012-13 £'000	Departmental Group 2012-13 £'000
Rentals under operating leases:				
Building leases	560	2,297	–	1,259
Plant and machinery leases	30	84	29	70
Other leases	–	–	2	2
Interest charges	–	1	–	16
PFI service charges	6,408	6,509	4,568	4,677
Research and development expenditure	177	1,031	109	715
Accommodation	11,860	16,154	9,320	12,394
IT expenditure	2,719	9,786	3,246	9,992
Travel and subsistence	2,093	8,982	1,718	8,290
Training and other non-pay staff costs	4,017	7,253	3,861	6,260
Legal, professional and consultancy	7,929	19,441	9,625	19,282
Other	3,635	10,122	4,457	10,832
	39,428	**81,660**	**36,935**	**73,789**
Non-cash items:				
Depreciation	2,137	4,482	2,306	4,572
Amortisation	115	362	146	445
(Profit)/loss on disposal of property, plant and equipment	–	88	–	9
Auditor's remuneration	210	210	220	220
Capital grants	–	(545)	–	(321)
Specific bad debt write off	109	109	–	–
Other	–	–	(10)	(10)
Total non-cash	**2,571**	**4,706**	**2,662**	**4,915**
Total other administration costs	**41,999**	**86,366**	**39,597**	**78,704**

Auditor's remuneration represents the cost of the audit of the 2013-14 Group Accounts and Trust Statement. There were no fees in respect of non-audit work.

5 Programme costs

	Core Department 2013-14 £'000	Departmental Group 2013-14 £'000	Core Department Restated 2012-13 £'000	Departmental Group Restated 2012-13 £'000
Grant in Aid to NDPBs				
Nuclear Decommissioning Authority	3,314,000	–	3,157,000	–
Coal Authority	27,000	–	24,000	–
Civil Nuclear Police Authority	3,152	–	818	–
Committee on Climate Change	3,898	–	3,148	–
Grant in Aid to NDPBs	**3,348,050**	**–**	**3,184,966**	**–**
Other grants	613,989	613,989	438,807	438,807
Rentals under operating leases:				
Land leases	–	84	–	88
Building leases	–	87	–	79
Plant and machinery leases	2	121	4	114
PFI service charge	361	361	552	552
Other borrowings – interest paid to the private sector	–	460	–	48
Tax expense	–	17,605	–	9,728
Fees and dividends payable to non-controlling interest	–	67,219	–	76,480
Net (gain)/loss on foreign exchange	(3,342)	(3,342)	2,487	1,461
Research and development expenditure	30,545	35,790	28,278	32,646
Contractor costs	–	213,183	–	243,456
Trading costs	–	66,181	–	56,945
Management and operations contractor fees	–	5,100	–	7,548
Insurance	–	15,428	–	11,631
Skills and socio-economic development programme	–	3,742	–	17,398
IT expenditure	15,216	16,592	10,890	12,740
Professional services	83,510	88,919	71,762	73,256
International subscriptions	27,210	27,310	30,144	30,144
Other	8,305	19,250	11,290	22,114
	775,796	**1,188,079**	**594,214**	**1,035,235**

	Core Department 2013-14 £'000	Departmental Group 2013-14 £'000	Core Department Restated 2012-13 £'000	Departmental Group Restated 2012-13 £'000
Non-cash items:				
Movement in provisions	193,554	6,573,625	376,018	6,453,441
Unwinding of discount on provisions	7,471	1,058,212	54,726	1,260,412
Movement on promissory note discount	(19,723)	(19,723)	(18,958)	(18,958)
Decrease in value of coal pensions receivables	2,298	2,298	23,821	23,821
Top up of payments on account	–	148,926	–	155,817
Depreciation	564	101,342	873	94,078
Amortisation	14	1,585	14	1,201
Amortisation of recoverable contract costs	–	231,929	–	172,000
Impairment – property, plant and equipment	–	998	–	96
Impairment/(write back) – loans	359	359	(217)	(217)
(Profit)/loss on disposal of property, plant and equipment	–	772	–	(3,197)
Revaluation of non-current assets	–	20	–	397
Unrealised (gains)/losses on derivative financial instruments	–	(452)	–	(1,945)
Discount on interest free loans	579	579	1,423	1,423
Movement in bad debt provision	–	(23)	–	44
Other	–	(10,714)	–	87,898
Total non-cash	**185,116**	**8,089,733**	**437,700**	**8,226,311**
Total other programme costs	**960,912**	**9,277,812**	**1,031,914**	**9,261,546**
Total Programme Costs	**4,308,962**	**9,277,812**	**4,216,880**	**9,261,546**

Included in the table above for the core Department under Other grants, IT expenditure, Professional services and Other is expenditure on the following schemes:

	Core Department 2013-14	**Core Department Restated 2012-13**
	£'000	**£'000**
Official Development Assistance[1]	355,267	233,541
Fuel Poverty	22,223	82,408
Green Deal	109,362	40,167
Innovation Programme Delivery	55,679	37,641
Renewable Heat Incentive	63,405	30,890
Smart Meters	16,118	19,202
Renewable Heat Premium Programme	14,874	14,188
Global Threat Reduction Programme	10,834	13,192
Energy Markets and Reform	12,647	7,412
Nuclear Security	6,190	6,944
Carbon Capture and Storage	12,484	5,146
Collective Switching Scheme	-	5,007
Offshore Environmental Permits	4,465	3,854
Olympic Energy Resilience	-	3,305
Office for Nuclear Development (OND)	980	2,751
Community Energy Savings Programme (CESP)	2,220	2,712
Carbon Budgets	4,253	2,145
Heat Programme	5,832	-
Other Programme spend	24,187	22,244
	721,020	**532,749**
Programme costs per Note 5		
Other grants[1]	**613,989**	**438,807**
IT expenditure	**15,216**	**10,890**
Professional Services	**83,510**	**71,762**
Other	**8,305**	**11,290**
	721,020	**532,749**

[1] 2012-13, Official Development Assistance expenditure was discounted according to the future cash flows of the related promissory notes. The discount value of £18,958,000 which was previously offset against the related expenditure (other grants line in note 5), is now disclosed under the non–cash programme expenditure line 'movement on promissory note discount'. Note 5 has been restated accordingly.

6 Administration and Programme non-cash costs summary

The total for non-cash items in Note 4 (Other administration costs) and Note 5 (Programme costs) is as follows:

	Note	Core Department 2013-14	Departmental Group 2013-14	Core Department Restated 2012-13	Departmental Group Restated 2012-13
		£'000	£'000	£'000	£'000
Movement in provisions	18.1, 18.2	193,554	6,573,625	376,018	6,453,441
Unwinding of discount on provisions	18.1, 18.2	7,471	1,058,212	54,726	1,260,412
Movement on promissory note discount		(19,723)	(19,723)	(18,958)	(18,958)
Amortisation of recoverable contract costs	10.5	–	231,929	–	172,000
Top up of payments on account		–	148,926	–	155,817
Depreciation	8	2,701	105,824	3,179	98,650
Amortisation	9	129	1,947	160	1,646
Impairment – property, plant and equipment	12	–	998	–	96
Impairment/(write back) – loans	12	359	359	(217)	(217)
(Profit)/loss on disposal of property, plant and equipment		–	860	–	(3,188)
Revaluation of non-current assets		–	20	–	397
Decrease in value of coal pensions receivables		2,298	2,298	23,821	23,821
Unrealised (gains)/losses on derivative financial instruments		–	(452)	–	(1,945)
Discount on interest free loans	10.1	579	579	1,423	1,423
Auditor's remuneration		210	210	220	220
Capital grants		–	(545)	–	(321)
Movement in bad debt provision		–	(23)	–	44
Specific bad debt write off		109	109	–	–
Other		–	(10,714)	(10)	87,888
Total		**187,687**	**8,094,439**	**440,362**	**8,231,226**
Non cash costs admin – Note 4		2,571	4,706	2,662	4,915
Non cash costs programme – Note 5		185,116	8,089,733	437,700	8,226,311
		187,687	**8,094,439**	**440,362**	**8,231,226**

7 Income

	Core Department 2013-14 £'000	Departmental Group 2013-14 £'000	Core Department 2012-13 £'000	Departmental Group 2012-13 £'000
Administration income:				
Fees and charges from external customers	1,159	8,585	856	28,046
Fees and charges from other departments	1,356	1,356	1,276	1,276
Other allowable within the Administration cost limit	2	2,231	9	2,612
Total Administration income	**2,517**	**12,172**	**2,141**	**31,934**
Programme income:				
Interest receivable from other entities	–	1,656	513	1,445
Profit on disposal of property, plant and equipment	–	1,969		
Unwinding of discounts on assets	6,854	6,854	20,869	20,869
Effective interest on Green Deal loan	2,459	2,459	–	–
Increase in value of coal pensions receivables	293,980	293,980	71,747	71,747
Coal pensions receipts	700,000	700,000	–	–
Reprocessing	–	557,250	–	553,927
Electricity generation	–	157,074	–	163,378
Other	20,234	210,599	21,287	98,858
CFER: NDA Resource income	1,084,770	–	1,084,930	–
CFER: Other income	797	797	925	925
Total Programme income	**2,109,094**	**1,932,638**	**1,200,271**	**911,149**
Total Operating income	**2,111,611**	**1,944,810**	**1,202,412**	**943,083**

8 Property, plant and equipment

Consolidated 2013-14

	Land	Buildings	Information Technology	Plant and Machinery	Furniture and Fittings	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation							
At 1 April 2013	15,435	2,380,797	28,181	4,858,784	27,793	175,512	7,486,502
Additions	10	1,030	4,368	5,935	110	16,228	27,681
Disposals	(791)	–	(297)	(4,326)	(6,000)	(61)	(11,475)
Impairments	–	–	–	–	–	(1,347)	(1,347)
Revaluation	–	711	(3)	932	–	–	1,640
Reclassification	–	98	173	17,243	319	(18,857)	(1,024)
At 31 March 2014	**14,654**	**2,382,636**	**32,422**	**4,878,568**	**22,222**	**171,475**	**7,501,977**
Depreciation							
At 1 April 2013	–	2,317,960	22,647	4,404,280	26,174	–	6,771,061
Charged in year	–	33,768	3,166	68,186	704	–	105,824
Disposals	–	–	(294)	(4,240)	(6,000)	–	(10,534)
Impairments	–	(349)	–	–	–	–	(349)
Revaluation	–	–	–	236	–	–	236
Reclassification	–	(1,909)	–	903	(9)	–	(1,015)
At 31 March 2014	**–**	**2,349,470**	**25,519**	**4,469,365**	**20,869**	**–**	**6,865,223**
Carrying amount at 31 March 2013	**15,435**	**62,837**	**5,534**	**454,504**	**1,619**	**175,512**	**715,441**
Carrying amount at 31 March 2014	**14,654**	**33,166**	**6,903**	**409,203**	**1,353**	**171,475**	**636,754**
Asset financing							
Owned	14,654	26,666	6,896	409,203	1,353	171,475	630,247
Finance leased	–	6,500	–	–	–	–	6,500
On balance sheet PFI contract	–	–	7	–	–	–	7
Carrying amount at 31 March 2014	**14,654**	**33,166**	**6,903**	**409,203**	**1,353**	**171,475**	**636,754**
Of the total:							
Department	–	6,500	5,051	43	303	–	11,897
NDPBs	14,654	26,666	1,852	409,160	1,050	171,475	624,857
Carrying amount at 31 March 2014	**14,654**	**33,166**	**6,903**	**409,203**	**1,353**	**171,475**	**636,754**

Revaluations

The building at 55 Whitehall which is occupied by the core Department and held under a finance lease was last valued by DTZ, external professional valuers, in March 2010 at existing use value. They provided a desktop update as at 31 March 2014.

Land and buildings of the NDA that are located outside the nuclear licensed site boundaries were revalued at 31 March 2014 on the basis of existing use value or market value, as appropriate, by external qualified valuers. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors Valuation Standards (6th Edition) by Lambert Smith Hampton Chartered Surveyors. The majority of the monetary revaluation adjustment relates to land identified as having potential for alternative use and where there have been subsequent disposals of land assets.

The Coal Authority's Head Office land and buildings are valued based on an external professional valuation undertaken every two years. The latest valuation was undertaken by external Chartered Surveyors (Lambert Smith Hampton), based on existing use value on 31 March 2013 in accordance with RICS guidelines. The next valuation is due to be completed as at 31 March 2015.

The Coal Authority's Minewater Schemes (included under Plant and Machinery) are revalued using indexation. Other non-property assets are carried at depreciated historical cost which is used as a proxy for fair value.

Reclassifications

The reclassification cost line includes £9k reclassified from PPE Assets Under Construction to information technology intangible assets, held by CNPA.

The residual £1,015k balance on cost and depreciation relates to historic corrections for the group asset base.

Consolidated 2012-13

	Land	Buildings	Information Technology	Plant and Machinery	Furniture and Fittings	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation							
At 1 April 2012	15,413	2,381,663	41,228	4,842,865	27,207	162,985	7,471,361
Additions	22	–	800	2,721	87	33,500	37,130
Disposals	–	(27)	(13,848)	(3,926)	(9)	(129)	(17,939)
Impairments	–	–	–	–	–	(3,170)	(3,170)
Revaluation	–	(840)	(17)	(371)	376	–	(852)
Reclassification	–	1	18	17,495	132	(17,674)	(28)
At 31 March 2013	**15,435**	**2,380,797**	**28,181**	**4,858,784**	**27,793**	**175,512**	**7,486,502**
Depreciation							
At 1 April 2012	–	2,286,300	32,755	4,352,290	25,044	–	6,696,389
Charged in year	–	33,200	3,739	60,945	766	–	98,650
Disposals	–	(27)	(13,847)	(3,123)	(9)	–	(17,006)
Impairments	–	(806)	–	(2,265)	(3)	–	(3,074)
Revaluation	–	(706)	–	(3,568)	376	–	(3,898)
Reclassification	–	(1)	–	1	–	–	–
At 31 March 2013	**–**	**2,317,960**	**22,647**	**4,404,280**	**26,174**	**–**	**6,771,061**
Carrying amount at 31 March 2012	**15,413**	**95,363**	**8,473**	**490,575**	**2,163**	**162,985**	**774,972**
Carrying amount at 31 March 2013	**15,435**	**62,837**	**5,534**	**454,504**	**1,619**	**175,512**	**715,441**
Asset financing							
Owned	15,435	56,886	3,662	454,504	1,619	175,512	707,618
Finance leased	–	5,951	–	–	–	–	5,951
On balance sheet PFI contract	–	–	1,872	–	–	–	1,872
Carrying amount at 31 March 2013	**15,435**	**62,837**	**5,534**	**454,504**	**1,619**	**175,512**	**715,441**
Of the total:							
Department	–	5,951	2,974	64	685	–	9,674
NDPBs	15,435	56,886	2,560	454,440	934	175,512	705,767
Carrying amount at 31 March 2013	**15,435**	**62,837**	**5,534**	**454,504**	**1,619**	**175,512**	**715,441**

9 Intangible assets

Consolidated 2013-14

	Information Technology £'000	Software licences £'000	Total £'000
Cost or valuation			
At 1 April 2013	18,381	2,603	20,984
Additions	408	32	440
Disposals	(15)	(4)	(19)
Reclassifications	9	–	9
At 31 March 2014	**18,783**	**2,631**	**21,414**
Amortisation			
At 1 April 2013	12,706	1,289	13,995
Prior year correction	–	43	43
Charged in year	1,445	502	1,947
Disposals	(15)	(4)	(19)
At 31 March 2014	**14,136**	**1,830**	**15,966**
Carrying amount at 31 March 2013	**5,675**	**1,314**	**6,989**
Carrying amount at 31 March 2014	**4,647**	**801**	**5,448**
Of the total:			
Department	–	336	336
NDPBs	4,647	465	5,112
Carrying amount at 31 March 2013	**4,647**	**801**	**5,448**

All intangible assets are owned by the Group.

The prior year correction of £43k relates to the historic correction of accumulated depreciation for software licences for the core Department.

The reclassification of £9k from PPE Assets Under Construction to information technology intangible assets relates to CNPA assets.

Consolidated 2012-13

	Information Technology £'000	Software licences £'000	Total £'000
Cost or valuation			
At 1 April 2012	19,220	2,364	21,584
Additions	1,150	239	1,389
Disposals	(2,017)	–	(2,017)
Reclassifications	28	–	28
At 31 March 2013	**18,381**	**2,603**	**20,984**
Amortisation			
At 1 April 2012	13,606	760	14,366
Charged in year	1,117	529	1,646
Disposals	(2,017)	–	(2,017)
At 31 March 2013	**12,706**	**1,289**	**13,995**
Carrying amount at 31 March 2012	**5,614**	**1,604**	**7,218**
Carrying amount at 31 March 2013	**5,675**	**1,314**	**6,989**
Of the total:			
Department	–	508	508
NDPBs	5,675	806	6,481
Carrying amount at 31 March 2013	**5,675**	**1,314**	**6,989**

All intangible assets are owned by the Group.

10. Financial assets

	Note	Core Department 31 March 2014 £'000	Departmental Group 31 March 2014 £'000	Core Department 31 March 2013 £'000	Departmental Group 31 March 2013 £'000
Energy Efficiency Loans and Recyclable Energy Efficiency Loans	10.1	55,179	55,179	83,762	83,762
Green Deal Finance Company Loan	10.2	19,733	19,733	16,599	16,599
Investments in subsidiaries	10.3	–	225,737	–	225,737
Other Investments	10.4	29,239	29,239	–	–
Recoverable contract costs	10.5	–	2,546,803	–	2,004,357
Finance leases receivable	10.6	–	44,355	–	43,164
Defined benefit pension scheme surplus	10.7	–	1,534	–	25,200
Total		**104,151**	**2,922,580**	**100,361**	**2,398,819**

The above financial assets are disclosed in the Statement of Financial Position as follows:

	Note	Core Department 31 March 2014 £'000	Departmental Group 31 March 2014 £'000	Core Department 31 March 2013 £'000	Departmental Group 31 March 2013 £'000
Non-current assets					
Energy Efficiency Loans and Recyclable Energy Efficiency Loans	10.1	29,181	29,181	44,315	44,315
Green Deal Finance Company Loan	10.2	19,733	19,733	16,599	16,599
Investments in subsidiaries	10.3	–	225,737	–	225,737
Other Investments	10.4	29,239	29,239	–	–
Recoverable contract costs	10.5	–	2,546,803	–	2,004,357
Finance leases receivable	10.6	–	42,864	–	42,375
Defined benefit pension scheme surplus	10.7	–	1,534	–	25,200
Total non-current assets		**78,153**	**2,895,091**	**60,914**	**2,358,583**
Current assets					
Energy Efficiency Loans and Recyclable Energy Efficiency loans	10.1	25,998	25,998	39,447	39,447
Finance Lease receivable	10.6	–	1,491	–	789
Total current assets		**25,998**	**27,489**	**39,447**	**40,236**
Total financial Assets		**104,151**	**2,922,580**	**100,361**	**2,398,819**

10.1 Energy efficiency and recyclable energy efficiency loans

	Energy Efficiency Loans to Small and Medium sized Enterprises	Energy Efficiency Loans to Public Sector Bodies	Recyclable Energy Efficiency Loans to Small and Medium Sized Enterprises	Recyclable Energy Efficiency Loans to Public Sector Bodies	Total
	£'000	£'000	£'000	£'000	£'000
Value at 1 April 2012	**31,476**	**27,430**	**19,380**	**23,110**	**101,396**
Additions	–	17,965	–	–	17,965
Discount charge	–	(1,129)	–	(294)	(1,423)
Unwinding of discount	1,316	952	798	1,514	4,580
(Impairment)/write back*	115	–	102	–	217
Repayments	(16,437)	(11,831)	(10,705)	–	(38,973)
Value at 31 March 2013	**16,470**	**33,387**	**9,575**	**24,330**	**83,762**
Discount charge	–	–	–	(579)	(579)
Unwinding of discount	362	364	211	906	1,843
(Impairment)/write back*	(324)	–	(35)	–	(359)
Reclassification	–	(16,836)	–	16,836	–
Repayments	(11,359)	(11,363)	(6,766)	–	(29,488)
Value at 31 March 2014	**5,149**	**5,552**	**2,985**	**41,493**	**55,179**

* Includes £48k (2012-13:£236k) written back that had previously been impaired.

All of the above balances relate to the core Department.

The periods over which these cash flows are expected to be received are as follows:

2013-14	Energy Efficiency Loans to Small and Medium sized Enterprises	Energy Efficiency Loans to Public Sector Bodies	Recyclable Energy Efficiency Loans to Small and Medium Sized Enterprises	Recyclable Energy Efficiency Loans to Public Sector Bodies	Total
	£'000	£'000	£'000	£'000	£'000
Within 1 year	5,066	5,552	2,754	12,626	25,998
Within 2–5 years	83	–	231	28,553	28,867
Over 5 years	–	–	–	314	314
Total	**5,149**	**5,552**	**2,985**	**41,493**	**55,179**

2012-13	Loans to Small and Medium sized Enterprises	Loans to Public Sector Bodies	Recyclable Energy Efficiency loans to Small and Medium Sized Enterprises	Recyclable Energy Efficiency loans to Public Sector Bodies	Total
	£'000	£'000	£'000	£'000	£'000
Within 1 year	12,226	13,314	7,097	6,810	39,447
Within 2-5 years	4,244	20,073	2,478	17,520	44,315
Total	**16,470**	**33,387**	**9,575**	**24,330**	**83,762**

Scheme details

The Department's energy efficiency loans scheme has been set up under the Environmental Protection Act 1990 to help businesses and public sector organisations reduce their energy costs by providing interest free loans for the implementation of energy efficiency projects. Loans for Small and Medium Sized Enterprises are administered by the Carbon Trust and for public sector organisations by its wholly owned subsidiary company Salix.

Carbon Trust is a not-for-profit company providing specialist support and advice to help businesses and the public sector cut carbon emissions, save energy and commercialise low carbon technologies.

Salix was set up in 2004 to accelerate public sector investment in energy efficiency technologies through invest to save schemes.

The table below summarises the key elements of each scheme.

	Value of Loans	Loan Term	Scheme opened	Scheme Closed	Scheme Administered by	Loan Type
EE Loans to SMEs	£3,000-£500,000	4 years	2003	2011	Carbon Trust	Repayable
EE Loans to PSBs	De-minimis application value of £5,000: no maximum subject to funding availability.	4 years	2009	2010	Salix Finance	Repayable
Recyclable Loans to SMEs	£3,000 and £500,000 (reduced to £100,000 in 2010-11)	4 years	2005	2011	Carbon Trust	Repayable
Recyclable Loans to PSBs	De-minimis application value of £5,200: no maximum subject to funding availability.	4 years	2011	Scheme open	Salix Finance	Repayable

The loans in all of the above schemes are interest-free.

Measurement

Energy Efficiency Loans (EELs) and Recyclable Energy Efficiency (REELs) Loans are classified as 'Loans and Receivables'.

The loan receivables are recognised at the point an irrevocable loan offer is made by the Carbon Trust or Salix. The loans are initially measured at fair value, being the amount of the present value of the discounted cash flows repayable, and then subsequently held at amortised cost.

Impairment

Loans to Small and Medium Sized Enterprises (SMEs)

The Department impairs loan balances when there is objective evidence of impairment. Objective evidence of impairment within the private sector client base could include:

- significant financial difficulty of the counterparty;
- default of repayment by the counterparty.

Impairment Charge

	2013-14 £'000	No of companies	2012-13 £'000	No of companies
EELs	355	16	15	3
REELs	52	10	5	1
Total	**407**	**26**	**20**	**4**

The impairment charge represents the entire outstanding balance owed by these companies.

The Group has received confirmation from Carbon Trust that 108 companies (2012-13: 104) (EELs) and 65 companies (2012-13: 88 companies) (REELs) in its private sector client base have defaulted on their loan repayments. The total amount of the default is £1,738,000 (2012-13: £1,492,000) (EELs) and £659,000 (2012-13: £1,183,000) (REELs) with the debt being on average 9 months (EELs) and 9 months (REELs) overdue.

Loans to Public Sector Bodies (PSBs)

The credit quality of loans is considered to be good as these loans, advanced via Salix, are to public sector entities and, given the nature of this client base, the Department does not anticipate any impairments and the full amounts are expected to be repaid.

Risk Management

Loans to Small and Medium Sized Enterprises (SMEs)

The scheme's risk is managed via the contract with Carbon Trust in the management of the disbursement and collection of loans.

Loans to Public Sector Bodies (PSBs)

The risks are controlled and managed by the processes of extending the loans and obtaining repayments, via Salix. The processes, as defined in the terms and conditions of the loan offer and the contract with Salix, ensure that all monies are applied for authorised purposes by credit worthy entities.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Department.

Loans to Small and Medium Sized Enterprises (SMEs)

The credit risk is borne by the Department which bears the cost of defaults. The credit risk is controlled by procedures managed by the Carbon Trust which include determining whether a business is commercially viable through formal credit checking procedures which incorporate an industry standard credit test as part of the application process.

The loans are unsecured and the Department's maximum exposure to credit risk would be if all of the loan recipients were to default on their repayments. As at 31 March 2014, the maximum undiscounted credit exposure was £5,150,000 (31 March 2013: £16,933,000 restated) (EELs) and £2,991,000 (31 March 2013: £9,847,000) (REELs) based on loans drawn down at that date. At 31 March 2014 the undiscounted value of offers made to applicants under the interest free loans scheme which had not been drawn down by recipients was £Nil (31 March 2013: £Nil) (EELs) and £Nil (31 March 2013: £Nil) (REELs).

Loans to Public Sector Bodies (PSBs)

Loans advanced via Salix are to public sector entities and, given the nature of this client base, the Department does not anticipate any defaults. There is therefore minimal credit risk exposure for these loans.

Interest rate risk

As the loans are interest-free there is no interest rate risk.

Recycled loans

Salix received a total of £7,813,000 (31 March 2013: £4,677,000) recycled loan repayments between 1 April 2013 and 31 March 2014 in respect of the recyclable loans schemes. All of the repayments received were immediately re-committed to new loans.

10.2 Green Deal Finance Company loan

	£'000
Value at 31 March 2012	**–**
Additions	16,599
Value at 31 March 2013	**16,599**
Additions	675
Discount charge	–
Unwinding of discount	–
Effective interest	2,459
Impairment	–
Repayments	–
Value at 31 March 2014	**19,733**

All of the above balances relate to the core Department.

The periods over which these cash flows are expected to be received are as follows:

	31 March 2014	**31 March 2013**
2013-14	**£'000**	**£'000**
Within 1 year	–	–
Within 2–5 years	8,146	6,508
Over 5 years	11,587	10,091
Total	**19,733**	**16,599**

The Green Deal loan is classified as 'Loans and receivables'.

Loan details

The loan has been made to the Green Deal Finance Company (GDFC), which is a vehicle offering Green Deal Finance to customers. The GDFC required a large injection of capital to develop its loans administration service, to cover its operating costs and to enable it to make the loans. Given the novel nature of the Green Deal, it proved impossible to secure sufficient investment from the private sector. Therefore, in order to ensure that the Green Deal Finance Company was initially viable the company requested investment from its membership (those companies involved in the Green Deal market) and requested the Department to also invest. The Department initially invested in a development loan in the Green Deal Finance company at an interest rate of 15.74% in September 2012. Interest of £2,459,000 (2012-13: £467,000) was earned from this loan. The development loan was converted to a stakeholder loan in March 2013 at an interest rate of 14%.

Loan repayments will be made out of any remaining cash flows after the senior debtors are repaid and running costs of the service company are met. Principal repayments are due to start at the end of 2015.

The Department is committed to provide additional loan funding of up to £20m should the demand levels for Green Deal loans exceed the upper levels projected that may lead to GDFC experiencing a short term funding gap.

Measurement

The loan receivables are recognised at the point the loan offer is made by the Department. The loans are initially measured at the fair value which is the transactional value of the amount of the loan advanced.

Impairment

The Department assesses at the end of each reporting period whether there is objective evidence that loan balances are impaired. Objective evidence of impairment within the private sector client base could include:

- significant financial difficulty of the counterparty;
- default of repayment by the counterparty.

The level of demand for Green Deal plans to date has been significantly lower than originally forecast. This means that there is a risk to the schedule of the repayment of the loan. There is work ongoing between GDFC and the Department to mobilise demand and look at different demand scenarios (e.g. current levels, modest growth etc.). This work will contribute to the issue to GDFC investors of an outline business plan (with an updated repayment schedule) from GDFC by the end of June 2014, which will be subject to review by GDFC investors, including the Department. If future take-up does not meet the revised forecast, then the Department may be required to make an impairment of the loan in a future accounting period.

Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a financial loss to the Department.

The Department is in regular contact with GDFC and reviews operational performance, in this way the credit risk is managed.

The loan is unsecured and as at 31 March 2014 the maximum undiscounted credit exposure was £19,733,000 (31 March 2013: £16,599,000).

Interest rate risk

As the interest rate is fixed for the duration of the loan there is no interest rate risk.

10.3 Investments in subsidiaries

	Cost	Impairment	Carrying value
	£'000	£'000	£'000
At 1 April 2012	228,737	(3,000)	225,737
Additions	–	–	–
At 31 March 2013	**228,737**	**(3,000)**	**225,737**
Additions	–	–	–
At 31 March 2014	**228,737**	**(3,000)**	**225,737**

All of the above balances relate to the Group's NDPBs.

Ordinary shares are valued at historical cost as required by FReM. The Group's subsidiaries fall outside the consolidation boundary and as such are not consolidated in these accounts. Details of the Group's subsidiaries are as follows:

Name	Country of incorporation	Nature of business	Holding entity	Proportion of ordinary shares held
Nuclear Liabilities Fund Limited	UK	Fund nuclear decommissioning	Core Department	100%
National Nuclear Laboratory Limited	UK	Technology Services	Core Department	100%
The Low Carbon Contracts Company Limited	UK	Management of Contracts for Difference (CfDs), administering supplier obligations and associated levies	Core Department	100%
Electricity Settlements Company Limited	UK	Overall accountability and control of the Capacity Market settlement process	Core Department	100%
International Nuclear Services Limited	UK	Contract management and the transportation of spent fuel, reprocessing products and waste	NDA	100%
International Nuclear Services France SAS *	France	Transportation of spent fuel	NDA	100%
International Nuclear Services Japan KK *	Japan	Transportation of spent fuel	NDA	100%
Pacific Nuclear Transport Limited *	UK	The transportation of spent fuel, reprocessing products and waste	NDA	62.5%
Direct Rail Services Limited	UK	Rail transport services within the UK	NDA	100%
INS Rokkasho KK	Japan	Technical support to the nuclear industry	NDA	66%
NDA Properties Limited	UK	Property management	NDA	100%
Rutherford Indemnity Limited	Guernsey	Nuclear insurance	NDA	100%

* Ownership through International Nuclear Services Limited

The Department owns two shares of £1 each in NNL Holdings Limited which has been set up to hold all of the shares in National Nuclear Laboratory Limited, as detailed below.

The Department is required to disclose, for each investment which represents an interest in a subsidiary undertaking, an associate or joint venture which falls outside the departmental consolidation boundary, the Department's share of the net assets and results of those bodies. This information is summarised below.

	Nuclear Liabilities Fund Limited £m		National Nuclear Laboratory Holdings Limited £m	
	2013-14	2012-13	2013-14	2012-13
Assets	8,881.3	8,800.6	118.0	82.5
Liabilities	(8,881.3)	(8,800.6)	(70.6)	(43.9)
Net assets	–	–	47.4	38.6
Turnover	58.8	64.0	85.4	86.9
Surplus/profit for the year	84.6	122.3	8.7	6.8

Nuclear Liabilities Fund Limited (NLF)

The share of net assets and results disclosed is extracted from the draft accounts for the year ended 31 March 2014, prepared in accordance with IFRS. The assets primarily arise from the sale of the Government's interest in British Energy Group plc (BE) and are to be applied to fund the decommissioning costs of eight existing nuclear power stations, together with defueling costs and other qualifying liabilities as defined in the restructuring agreements between Government and BE (now renamed EDF Energy Nuclear Generation Group Ltd 'EDFE'). The liabilities noted above are those reflected in the Statement of Financial Position of the NLF and represent the Fund's resources available to meet its liability to the Licensee (EDFE) at that date. The liabilities disclosed in Note 24.1 represent the discounted estimated liabilities.

National Nuclear Laboratory Holdings Limited

The share of net assets and results disclosed is extracted from the draft group accounts for the year ended 31 March 2014 of National Nuclear Laboratories (NNL) Holdings Limited, prepared in accordance with IFRS. Included in the net assets shown above for 2013-14 is £16m (2012-13: £20m) cash held by NNL Holdings Limited in a bank account controlled by the Department. This is shown as third party assets in Note 28.

The Department owns one share of £1 each in both the Low Carbon Contracts Company Limited (formerly CFD Counterparty Company Limited) and the Electricity Settlements Company Limited. These companies were dormant during 2013-14; the first year of trading is anticipated to be 2014-15, once relevant legislation is in place.

The NDA is a member of Energus and of the North Highland Regeneration Fund Limited, companies limited by guarantee, providing training facilities in support of the nuclear estate and contributing to socio-economic development in the North Highlands. NDA's liability is limited to £10 in each case.

10.4 Other investments

Core Department

Global Climate Partnership Fund

	£'000
Value at 31 March 2013	**–**
Additions	**30,000**
Revaluation	**(761)**
Value at 31 March 2014	**29,239**

Investment details

The Department invested £30m in the Global Climate Partnership Fund (GCPF) in December 2013, comprising 975 shares. This investment formed part of the Department's Official Development Assistance spend for 2013-14.

GCPF is an innovative public-private partnership with the objective of increasing the flow of finance to small and medium enterprises (SMEs) and households for energy efficiency projects by mobilising private finance. GCPF targets projects across developing and emerging economies, and aims to deliver greenhouse gas emissions savings and support local development. The majority (at least 70%) of the Fund is used to provide local financial institutions with credit lines, with which they in turn offer market rate loans to SMEs/households for renewable energy or energy efficiency projects. A smaller part of the Fund, up to 30%, makes direct investments (equity or debt) in similar projects.

The Fund is structured into 3 tranches of shares, A, B and C. The Department's investment is in the form of C shares. The Department and other donor C-shares act as a risk cushion for A and B shares. All shares provide annual returns and the process for paying returns from the revenues accrued follows a waterfall principle: A-share returns are paid first, then B, then C. Any losses or loan defaults are borne first by the C shares, then B and finally A shares.

The Department's investment in C shares gives it the right to a return of LIBOR 6 month's rate up to 2.2% that is recapitalised back into the Fund. These returns allow the Department's investment to deliver additional results and better value for money. No dividends were receivable in 2013-14.

The Fund has no end date and the Department's investment is for the long term.

Measurement

The GCPF investment is classified as an 'Available for Sale' asset.

Initial recognition was at fair value plus transaction costs. Subsequently the investment is carried at fair value. Gains and losses in fair value are recognised directly in Taxpayers' Equity (Financial Asset Reserve), in line with the IAS 39 treatment of gains and losses on revaluation. Under IAS 21, any gains and losses arising from foreign exchange translation when determining fair value are recognised in the Financial Asset Reserve, consistent with the treatment of fair value gains and losses. As a non-monetary item, the investment does not need to be retranslated into sterling as at the reporting date.

The Department's investment in GCPF is denominated in US dollars. The initial recognition of the investment is at fair value which was the sterling equivalent of the cost of the shares bought. The C shares are not tradable and therefore there is no published index for their valuation.

Valuation Technique

The GCPF issues C shares in tranches. The Department invested in the fourth tranche issued by GCPF.

The value per share of each C class tranche is determined by dividing the value of the total assets less liabilities allocable to the C class tranche by the number of shares of the C class tranche.

The valuation of assets, liabilities, income and expenses attributed to the Fund are established using valuation and accounting principles in accordance with IFRS.

Revaluation

Revaluation represents the gain or loss on the Fund (where the loss is not as a result of an impairment). This includes exchange losses on conversion of dollars to sterling at the fair value measurement date compared to the initial recognition exchange rate.

A downwards revaluation of £761,000 was recognised in 2013-14; this was entirely due to an exchange loss as the value of sterling strengthened against the dollar between the date the investment was made and the fair value measurement date.

Impairment

Impairment of the Fund could be as a result of a fall in valuation of the C shares (in the case of an external event) compared to the fair value of the C shares at initial recognition. There was no impairment for 2013-14, since the value of each C share increased since initial recognition and fair value measurement.

Risk

The C shares investment takes a first loss position, however, the risk of the investment is considered low. The Department's exposure is capped at the amount invested (2013-14: £29,239,000) and experience of GCPF over the last 3 years and a similarly structured Fund over 7 years has shown that the first loss position has never had to be called upon. The GCPF has made a profit in last 3 years of its operation.

Membership fund

The Secretary of State for Energy and Climate Change has a share in the membership fund of Carbon Trust. The members' fund at 31 March 2014 was £Nil (31 March 2013: £Nil).

Special shares

The Secretary of State holds one Special Share in each of the entities listed below. The list is a summary and does not purport to be a comprehensive record of the terms of each respective shareholding.

In accordance with the FReM these shares are required to be held off balance sheet. Further details can be obtained from the annual report and financial statements of each body.

Body in which the share is held and type and value of share	Terms of shareholding
British Energy Group plc £1 Special Share	• British Energy Group plc Special Share created on 13 January 2005 and held jointly by the Secretary of State for Energy and Climate Change and the Secretary of State for Scotland. • The consent of the Special Shareholder, which can only be refused on grounds of national security (except in relation to an amendment to the company's Articles of Association), is required in respect of: – various amendments to the company's Articles of Association; – any purchase of more than 15% of the company's shares; – the issue of shares carrying voting rights of 15% or more in the company; – variations to the voting rights attaching to the company's shares; and – the giving of consent in respect of the issue of shares by, the sale of shares in or amendments to the Articles of Association of various subsidiaries in certain cases.
British Energy Holdings plc £1 Special Share	• British Energy Holdings plc Special Share created on 13 January 2005 and held jointly by the Secretary of State for Energy and Climate Change and the Secretary of State for Scotland. • The consent of the Special Shareholder, which can only be refused on grounds of national security (except in relation to an amendment to the company's Articles of Association), is required in respect of: – various amendments to the company's Articles of Association; and – the giving of consent in respect of the issue of shares by, the sale of shares in or amendments to the Articles of Association of various subsidiaries in certain cases.
British Energy Generation Ltd £1 Special Share	• British Energy Generation Ltd Special Share created in 1996 is held solely by the Secretary of State for Energy and Climate Change. • The consent of the Special Shareholder, which can only be refused on grounds of national security (except in relation to an amendment to the company's Articles of Association), is required in respect of: – various amendments to the company's Articles of Association; – the disposal of any of the nuclear power stations owned by the company; and – prior to the permanent closure of such a station, the disposal of any asset which is necessary for the station to generate electricity.
British Energy Ltd £1 Special Share	• British Energy Limited (formerly British Energy plc) Special Share created in 1996 is held solely by the Secretary of State for Energy and Climate Change. • The consent of the Special Shareholder, which can only be refused on grounds of national security (except in relation to an amendment to the company's Articles of Association), is required in respect of: – various amendments to the company's Articles of Association; and – the giving of consent in respect of the issue of shares by, the sale of shares in or amendments to the Articles of Association of various subsidiaries in certain cases. • The company has no significant assets or liabilities as a result of the restructuring scheme, which came into effect on 14 January 2005.

Body in which the share is held and type and value of share	Terms of shareholding
Nuclear Liabilities Fund Ltd *£1 Special Rights Redeemable Preference Share*	• Created in 1996. • The Secretary of State for Energy and Climate Change has a Special 'A' Share (there is also a 'B' Share held by British Energy). • The consent of the Special Shareholder is required for any of the following: – to change any of the provisions in the Memorandum of Association or Articles of Association; – to alter the share capital or the rights attached thereto; – the company to create or issue share options; – the 'B' Special Shareholder or any of the Ordinary shareholders to dispose or transfer any of their rights in their shares; – the company to pass a members voluntary winding-up resolution; – the company to recommend, declare or pay a dividend; – the company to create, issue or commit to give any loan capital; – the company to issue a debenture; or – the company to change its accounting reference date.

10.5 Recoverable contract costs

The Group has commercial agreements in place under which some or all of the expenditure required to settle nuclear provisions will be recovered from third parties.

	31 March 2014	31 March 2013
Recoverable contract costs relating to Nuclear provisions	**£'000**	**£'000**
Gross recoverable contract costs	5,906,030	5,685,393
Less applicable payments received on account	(3,279,225)	(3,363,036)
Less associated contract loss provisions	(80,002)	(318,000)
Total	**2,546,803**	**2,004,357**

All of the above balances relate to the Group's NDPBs.

The movements in the gross recoverable contract costs during the year are detailed in the table below.

	Note	2013-14 £'000	2012-13 £'000
Gross recoverable contract costs at 1 April		5,685,393	4,774,816
Increase/(decrease) in year	18.1	850,004	1,355,409
Unwinding of discount	18.1	47,050	42,168
Release in year – continuing operations	18.1	(444,488)	(315,000)
Amortisation of recoverable contract costs	6	(231,929)	(172,000)
Gross recoverable contract costs at 31 March		**5,906,030**	**5,685,393**

10.6 Finance lease receivable

	Departmental Group 31 March 2014 £'000	Departmental Group 31 March 2013 £'000
Amounts receivable under finance leases		
Not later than one year	1,545	1,521
Later than one year and not later than five years	6,419	6,338
Later than five years	178,527	178,969
	186,491	186,828
Less unearned finance income	(142,136)	(143,664)
Present value of minimum lease payments	**44,355**	**43,164**
Of which		
Non-current	42,864	42,375
Current	1,491	789
Total	**44,355**	**43,164**

All of the above balances relate to the Group's NDPBs.

The finance lease receivable relates to:

- Land and buildings of the Springfields Fuels operation which was disposed of to Westinghouse Electric UK Holdings Limited by way of a 150 year lease on 1 April 2010. The interest rate inherent in the lease is fixed at the contract date for all of the lease term. The average effective interest rate contracted approximates to 3.50% per annum.
- Certain land and buildings of the Capenhurst site which were disposed of to Urenco UK Ltd on 29 November 2012 by way of a combination of freehold and leasehold sales. The interest rate inherent in the lease is fixed at the contract date for all of the lease term. The average effective interest rate contracted approximates to 3.50% per annum.

The finance lease receivable balance is secured over the assets leased. The group is not permitted to sell or repledge the collateral in the absence of default by the lessee.

The maximum exposure to credit risk of the finance lease receivable is the carrying amount. The finance lease receivable is not past due and not impaired.

10.7 Defined benefit pension schemes

Defined Benefit Schemes

The Group has two defined benefit schemes through the NDA and three through the SLCs, details of which are given below.

NDPBs

Closed section of the Combined Nuclear Pension Scheme (CNPP)

The NDA took over direct responsibility of the pension liability within the Springfields Fuels section of the CNPP on 1 April 2010. The Closed Section (formerly the Springfields Fuels Section) of the CNPP is a defined benefit (final salary) funded pension scheme. The scheme was closed to new entrants and further accrual on 31 March 2010.

Nirex Pension Scheme (Nirex section of the CNPP)

On 1 April 2012 the Nirex Pension Scheme merged into the CNPP. The Nirex section of the CNPP is a defined benefit (final salary) funded pension scheme. The scheme was closed to new entrants on 1 April 2007 and has no active members.

Actuarial valuations for the defined benefit schemes referred to above have been updated at 31 March 2014 by an independent actuary using assumptions that are consistent with the requirements of IAS 19 and the resultant asset/liability of the two schemes is shown in the table below. Investments have been valued for this purpose at fair value.

		31 March 2014		31March 2013	
		Nirex	CNPP	Nirex	CNPP
	Note	£'000	£'000	£'000	£'000
Asset recognised in the statement of financial position	10	–	1,534	–	–
Liability recognised in the statement of financial position	17.1	(2,061)	–	(4,071)	(5,577)

Further details of the two schemes can be found in NDA's Annual Report and Accounts at the following web address www.nda.gov.uk.

Site Licence Companies

The following assets and liabilities have been recognised in the Statement of Financial Position relating to the Site Licence Companies.

		31 March 2014		31March 2013	
	Note	ESPS	CNPP	ESPS	CNPP
		£'000	£'000	£'000	£'000
Magnox		–	–	25,200	–
Asset recognised in the statement of financial position	10	–	–	25,200	–
Magnox		(72,800)	–	–	–
Sellafield		–	(66,687)	–	(155,967)
LLWR		–	(1,638)	–	(2,838)
RSRL		–	(3,325)	–	(6,095)
Total liabilities		(72,800)	(71,650)	–	(164,900)
Deferred tax asset (RSRL)		–	–	–	1,402
Liabilities recognised in the statement of financial position	17.1	(72,800)	(71,650)	–	(163,498)

The employees and former employees of the Site Licence Companies are members of one of three pension schemes that are defined benefit schemes: the Combined Nuclear Pension Plan (CNPP); the Group Pension Scheme (GPS); and the Electricity Supply Pension Scheme (ESPS). Deficits arising from these schemes and current service costs are funded by the NDA.

The GPS-SLC section was merged into CNPP from the GPS pension scheme with effect from 1 April 2012, and is a separate section of the CNPP. No changes were made to pension and benefit entitlements when the GPS-SLC section was merged into the CNPP.

Current service costs are recoverable from the NDA. The movements in the deficits/surpluses are shown in the table below.

	CNPP £'000	GPS section of the CNPP £'000	ESPS £'000
Present value of defined benefit obligation at 31 March 2013	617,098	470,725	2,504,200
Interest cost	29,987	19,867	106,300
Current service cost	113,368	10,582	37,400
Benefits paid	(3,714)	(8,157)	(101,300)
Actuarial gains/(losses)	(99,002)	(23,763)	4,800
Past service costs	(3,814)	–	4,800
Employee contributions	16,992	1,715	100
Curtailments	654	–	–
Transfers	(2,318)	–	–
Present value of defined benefit obligation at 31 March 2014	669,251	470,969	2,556,300
Fair value of asset at 31 March 2013	483,540	439,383	2,529,400
Expected return on plan assets	22,363	18,670	122,000
Employer contributions	74,213	6,280	33,900
Benefits paid	(3,848)	(8,157)	(101,300)
Actuarial gains/(losses)	20,486	(1,962)	(100,600)
Contributions by employees	17,646	1,715	100
Transfers	(1,759)	–	–
Fair value of asset at 31 March 2014	612,641	455,929	2,483,500
Defined benefit liability/(asset) at 31 March 2014	56,610	15,040	72,800
Defined benefit liability/(asset) at 31 March 2013	133,558	31,342	(25,200)

The actuarial assumptions used at 31 March 2014 have been disclosed in the Site Licence Companies' financial statements. A one percentage point change in the annual discount rate would decrease the liability by £172m, or increase by £196m for CNPP; and decrease the liability by £93m, or increase by £103m for GPS. A change in the discount rate by 0.1% will result in changing the projected benefit obligation by 1.6% for ESPS.

11. Investment property

Fair Value	Land £'000	Buildings £'000	Total £'000
As at 1 April 2012	**835**	**99**	**934**
Revaluations	(415)	–	(415)
Reclassifications	196	(89)	107
As at 31 March 2013	**616**	**10**	**626**
Revaluations	(30)	(5)	(35)
Reclassifications	(6)	(5)	(11)
As at 31 March 2014	**580**	**–**	**580**

All of the above balances relate to the Group's NDPBs.

The reclassification line relates to movements between investment property and assets held for sale (Note 13).

The Group owns all of its investment properties.

12. Impairments

All impairments were taken through the Statement of Comprehensive Net Expenditure; the details of the assets impaired are given below.

	Note	2013-14 £'000	2012-13 £'000
Financial Assets – Energy Efficiency Loans to Small and Medium Sized Enterprises*	10.1	359	(217)
Property, plant and equipment	6	998	96
Total		**1,357**	**(121)**
Analysis of impairments			
Department		359	(217)
NDPBs		998	96
Total		**1,357**	**(121)**

* Includes £48k (2012-13:£236k) written back that had previously been impaired.

13. Assets classified as held for sale and discontinued operations

Assets held for sale

	2013-14 £'000	2012-13 £'000
As at 1 April	50,550	100,145
Disposals	–	(54,955)
Revaluation	10	5,467
Reclassification	11	(107)
As at 31 March	**50,571**	**50,550**

All of the above balances relate to the Group's NDPBs.

The reclassification line relates to movements between investment property (Note 11) and assets held for sale.

The sale of land at Capenhurst to Urenco UK Limited was completed on 30 November 2012. The final disposal value of £55 million gave rise to a £5 million gain on disposal over the asset held for sale value of £49m in the 2011-12 accounts. This £5 million is shown within Other Comprehensive Net Expenditure in 2012-13.

On 29 October 2009, the NDA agreed an option for disposal of land at Sellafield for £51 million. This option has now been renegotiated (see Note 29).

14. Inventories

	Departmental Group 31 March 2014	Departmental Group 31 March 2013
	£'000	**£'000**
Nuclear Fuels	835	1,134
Raw materials and consumables	39,628	38,080
Work in progress	51,269	63,421
Other	1,519	1,192
Total	**93,251**	**103,827**

All of the above balances relate to the Group's NDPBs.

15. Trade and other receivables

15.1 Analysis by type

	Core Department 31 March 2014 £'000	Departmental Group 31 March 2014 £'000	Core Department 31 March 2013 £'000	Departmental Group 31 March 2013 £'000
Amounts falling due within one year:				
Trade receivables	8,597	386,640	7,527	448,625
Coal Pensions receivables	127,698	127,698	86,837	86,837
Other receivables	7,114	7,316	73,500	15,960
H M Revenue Customs and VAT	4,465	69,907	4,553	72,899
Amounts due from the Consolidated Fund in respect of supply	–	–	72,506	72,506
Prepayments and accrued income	36,345	159,642	35,378	172,341
Total current trade and other receivables	**184,219**	**751,203**	**280,301**	**869,168**
Amounts falling due after more than one year:				
Coal Pensions receivables	336,537	336,537	168,106	168,106
Other receivables	–	7,930	–	13,001
Prepayments and accrued income	–	37,593	–	30,185
Total non-current trade and other receivables	**336,537**	**382,060**	**168,106**	**211,292**
Total trade and other receivables	**520,756**	**1,133,263**	**448,407**	**1,080,460**

Core Department

Coal Pensions receivables represent the amounts due to the Government relating to its relationship with the British Coal Staff Superannuation Scheme (BCSSS) and the Mineworkers' Pension Scheme (MPS). After privatisation of the British Coal Corporation in 1994 the Government gave financial guarantees in relation to certain benefits payable to members and beneficiaries of the two schemes. As part of those agreements the Government is entitled to a portion of any periodic valuation surpluses, and, over time, to certain sums retained due to pre-privatisation valuation surpluses. More details can be found at www.bcsss-pension.org.uk and www.mps-pension.org.uk.

Recommended cash flows to Government are generally determined by the Government Actuary following his triennial valuations. Exceptionally, the MPS Trustees and the guarantor agreed that it was appropriate for the Government Actuary to undertake an interim valuation of that scheme as at 31 March 2013. Additional payments to the Government were subsequently agreed of £700m in 2013-14 (see Note 7) and a total of £325m over the following 10 years.

The Coal Pensions receivables have been classified as loans and receivables in accordance with IAS 39: Financial Instruments: Recognition and Measurement. They are valued at fair value which equates to the cash flows being discounted at a rate of 2.2%, the Treasury's real discount rate. The unwinding of the discount and determination of revised cash flows due to the triennial GAD valuations are reflected in the Statement of Comprehensive Net Expenditure.

Included within other receivables within one year for the core Department are CFER receivables of £4,897,000 (31 March 2013: £71,190,000).

Group

Other receivables falling due after more than one year include lump sum payments made under early retirement arrangements to individuals who have retired early, or who have accepted early retirement, before 31 March 2014. These payments are refundable to the Group from the appropriate pension scheme at or after the date on which the individual concerned would have reached normal retirement age.

The most significant trade receivables balance relates to the NDA, ageing of which is shown in the table below. A proportion of this particular balance includes electricity sold by EdF Energy as agent for the Group to a number of counterparties. The credit risk of each counterparty and the amount of permitted credit for each counterparty is reviewed monthly by the Electricity and Output Trading Committee (an NDA committee attended by representatives from EdF). Credit limits are set at a low level preventing any significant losses in the unlikely event of a default. EdF can only trade with counterparties and on exchanges approved by the Electricity and Output Trading Committee.

	Departmental Group 31 March 2014	Departmental Group Restated 31 March 2013*
	£'000	£'000
Neither impaired nor past due	375,824	428,723
Impaired (net of allowance for doubtful debts)	–	–
Not impaired but past due in the following periods:		
within 30 days	1,524	6,309
31 to 60 days	3,384	97
61 to 90 days	310	94
91 to 120 days	14	32
over 120 days	352	176
Total	**381,408**	**435,431**

*The 2012-13 analysis has been restated to disclose only NDA trade receivables as the most significant trade receivables balance.

15.2 Intra-Government balances

	Amounts falling due within one year			
	Core Department 31 March 2014 £'000	Departmental Group 31 March 2014 £'000	Core Department 31 March 2013 £'000	Departmental Group 31 March 2013 £'000
Balances with:				
Other Central Government bodies	12,735	130,665	148,815	197,835
Local Authorities	–	488	–	689
NHS bodies	–	75	–	13
Public Corporations and Trading Funds	–	1,085	21	27
Subtotal: Intra-Government balances	***12,735***	***132,313***	***148,836***	***198,564***
Bodies external to Government	171,484	618,890	131,465	670,604
Total trade and other receivables	**184,219**	**751,203**	**280,301**	**869,168**

	Amounts falling due after more than one year			
	Core Department 31 March 2014 £'000	Departmental Group 31 March 2014 £'000	Core Department 31 March 2013 £'000	Departmental Group 31 March 2013 £'000
Balances with:				
Other Central Government bodies	–	508	–	531
Local Authorities	–	–	–	–
NHS bodies	–	–	–	–
Public Corporations and Trading Funds	–	–	–	–
Subtotal: Intra–Government balances	***–***	***508***	***–***	***531***
Bodies external to Government	336,537	381,552	168,106	210,761
Total trade and other receivables	**336,537**	**382,060**	**168,106**	**211,292**

16. Cash and cash equivalents

	Core Department 2013-14	Departmental Group 2013-14	Core Department 2012-13	Departmental Group 2012-13
	£'000	£'000	£'000	£'000
Balance as at 1 April	100,172	317,629	89,614	190,942
Net change in cash and cash equivalent balances	202,697	149,966	10,558	126,687
Balance at 31 March	**302,869**	**467,595**	**100,172**	**317,629**

	Core Department 31 March 2014	Departmental Group 31 March 2014	Core Department 31 March 2013	Departmental Group 31 March 2013
	£'000	£'000	£'000	£'000
The following balances at 31 March were held at:				
Government Banking Service	302,826	448,723	100,058	290,174
Cash in hand and commercial banks	43	18,872	114	27,455
	302,869	**467,595**	**100,172**	**317,629**

17. Trade payables and other liabilities

17.1 Analysis by type

	Core Department 31 March 2014 £'000	Departmental Group 31 March 2014 £'000	Core Department 31 March 2013 £'000	Departmental Group 31 March 2013 £'000
Amounts falling due within one year:				
VAT	–	33,410	–	34,289
Other taxation and social security	3,816	32,832	3,351	45,081
Trade payables	12,869	103,065	20,021	165,279
Payments received on account	–	741,623	–	611,347
Other payables	6,127	39,209	4,187	41,603
On balance sheet PFI	–	4	–	6
Accruals and deferred income	380,241	683,134	210,738	515,490
Derivative Financial instruments	–	100	–	552
Advance from the Contingencies Fund	–	–	4,851	4,851
Amounts issued from the Consolidated Fund for Supply but not spent at year end	114,009	114,009	–	–
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund:				
Received	188,861	193,561	167,828	238,758
Receivable	4,897	197	71,190	260
Total current trade and other payables	**710,820**	**1,941,144**	**482,166**	**1,657,516**
Amounts falling due after more than one year:				
Payments received on account	–	2,009,240	–	1,931,607
Accruals and deferred income	578,913	590,484	341,573	362,808
Defined benefit pension scheme deficit	–	146,511	–	173,146
Other payables	–	1,510	–	22
Total non-current trade and other payables	**578,913**	**2,747,745**	**341,573**	**2,467,583**
Total trade and other payables	**1,289,733**	**4,688,889**	**823,739**	**4,125,099**

Payments received on account

	Note	2013-14 £'000	2012-13 £'000
As at 1 April – current		611,347	551,003
As at 1 April – non-current		1,931,607	1,952,251
		2,542,954	**2,503,254**
Top up of payments on account	6	148,926	155,817
Movement in amount deducted from recoverable contract costs	10.5	83,811	(374,470)
Cash received		685,853	736,260
Released to income		(710,681)	(477,907)
As at 31 March		**2,750,863**	**2,542,954**
Of which:			
As at 31 March – current		**741,623**	**611,347**
As at 31 March – non-current		**2,009,240**	**1,931,607**
		2,750,863	**2,542,954**

Payments received on account are all within the NDA and relate to amounts which customers have paid for the provision of services under long-term contracts. These payments will be recognised as income when the services are provided. Payments received on account are shown net after deduction of any applicable recoverable contract costs (see Note 10.5).

Derivative Financial Instruments

	31 March 2014 £'000	31 March 2013 £'000
Commodity supply contracts – liabilities	(100)	(552)
Total	**(100)**	**(552)**

All of the above balances relate to the Group's NDPBs.

The Group aims to reduce commodity price risk by forward selling a proportion of forecast electricity production without exposing itself to the risk of failing to meet production targets. Derivative Financial Instruments are valued at fair value as described in Notes 1.30 and 1.31. The estimate is based on a comparison between the contracted price (specified at the date of the deal) and the price for a similar contract at the reporting date (based on available market data).

17.2 Intra-Government balances

	Amounts falling due within one year			
	Core Department 31 March 2014	Departmental Group 31 March 2014	Core Department 31 March 2013	Departmental Group 31 March 2013
Balances with:	**£'000**	**£'000**	**£'000**	**£'000**
Other Central Government bodies	331,460	425,831	256,624	352,542
Local Authorities	92,584	92,819	642	744
NHS bodies	–	20	–	40
Public Corporations and Trading Funds	2,464	2,467	3,482	3,484
Subtotal: Intra-Government balances	***426,508***	***521,137***	***260,748***	***356,810***
Bodies external to Government	284,312	1,420,007	221,418	1,300,706
Total trade and other payables	**710,820**	**1,941,144**	**482,166**	**1,657,516**

	Amounts falling due after more than one year			
	Core Department 31 March 2014	Departmental Group 31 March 2014	Core Department 31 March 2013	Departmental Group 31 March 2013
Balances with:	**£'000**	**£'000**	**£'000**	**£'000**
Other Central Government bodies	–	80,863	–	22
Local Authorities	–	–	–	–
NHS bodies	–	–	–	–
Public Corporations and Trading Funds	–	–	–	–
Subtotal: Intra-Government balances	***–***	***80,863***	***–***	***22***
Bodies external to Government	578,913	2,666,882	341,573	2,467,561
Total trade and other payables	**578,913**	**2,747,745**	**341,573**	**2,467,583**

18. Provisions for liabilities and charges

	Note	Core Department 31 March 2014 £'000	Departmental Group 31 March 2014 £'000	Core Department 31 March 2013 £'000	Departmental Group 31 March 2013 £'000	Core Department 1 April 2012 £'000	Departmental Group 1 April 2012 £'000
Nuclear	18.1	1,769,814	67,972,339	1,976,876	62,631,739	1,887,462	56,679,942
Other	18.2	692,959	1,855,499	621,013	1,798,778	600,080	1,617,805
Total		**2,462,773**	**69,827,838**	**2,597,889**	**64,430,517**	**2,487,542**	**58,297,747**

The above provisions are disclosed in the Statement of Financial Position as follows:

	Note	Core Department 31 March 2014 £'000	Departmental Group 31 March 2014 £'000	Core Department 31 March 2013 £'000	Departmental Group 31 March 2013 £'000	Core Department 1 April 2012 £'000	Departmental Group 1 April 2012 £'000
Current liabilities							
Nuclear	18.1	234,196	3,019,139	246,048	3,097,274	233,523	2,612,109
Other	18.2	99,392	136,951	88,637	124,627	85,367	121,646
Total current		**333,588**	**3,156,090**	**334,685**	**3,221,901**	**318,890**	**2,733,755**
Non-current liabilities							
Nuclear	18.1	1,535,618	64,953,200	1,730,828	59,534,465	1,653,939	54,067,833
Other	18.2	593,567	1,718,548	532,376	1,674,151	514,713	1,496,159
Total non-current		**2,129,185**	**66,671,748**	**2,263,204**	**61,208,616**	**2,168,652**	**55,563,992**
Total		**2,462,773**	**69,827,838**	**2,597,889**	**64,430,517**	**2,487,542**	**58,297,747**

See Note 1.35 for details of key sensitivities and accounting judgements relating to the above provisions.

18.1 Nuclear

	Note	Core Department British Energy £'000	Decommissioning £'000	Contract loss £'000	Departmental Group £'000
At 1 April 2012		**1,887,462**	**52,826,878**	**1,965,602**	**56,679,942**
Unwinding of discount		41,524	1,134,178	50,416	1,226,118
Unwinding of discount – recoverable contract costs	10.5	–	42,168	–	42,168
Increase in provision		287,767	5,841,409	61,684	6,190,860
Increase in recoverable contract costs provision	10.5	–	1,355,409	–	1,355,409
Movements in amounts deducted from recoverable contract costs		–	–	47,908	47,908
Amounts written back		–	(189)	–	(189)
Recoverable contract costs – release in year	10.5	–	(315,000)	–	(315,000)
Utilised in year		(239,877)	(2,116,067)	(239,533)	(2,595,477)
At 31 March 2013		**1,976,876**	**58,768,786**	**1,886,077**	**62,631,739**
Unwinding of discount		5,880	1,000,929	38,220	1,045,029
Discount charge		(11,168)	–	–	(11,168)
Unwinding of discount – recoverable contract costs	10.5	–	47,050	–	47,050
Increase in provision		45,015	6,965,504	–	7,010,519
Increase in recoverable contract costs provision	10.5	–	850,004	–	850,004
Movements in amounts deducted from recoverable contract costs		–	–	237,998	237,998
Amounts written back		–	–	(590,079)	(590,079)
Recoverable contract costs – release in year	10.5	–	(444,488)	–	(444,488)
Utilised in year		(246,789)	(2,330,384)	(227,092)	(2,804,265)
At 31 March 2014		**1,769,814**	**64,857,401**	**1,345,124**	**67,972,339**

Cash Flow Timings

The time scale over which it is estimated the discounted costs will need to be incurred is as follows:

	Core Department 31 March 2014 £'000	Departmental Group 31 March 2014 £'000	Core Department 31 March 2013 £'000	Departmental Group 31 March 2013 £'000	Core Department 1 April 2012 £'000	Departmental Group 1 April 2012 £'000
Not later than one year	234,196	3,019,139	246,048	3,097,274	233,523	2,612,109
Later than one year and not later than five years	792,174	13,406,173	844,505	12,584,038	791,805	10,434,706
Later than five years	743,444	51,547,027	886,323	46,950,427	862,134	43,633,127
Balance at 31 March	**1,769,814**	**67,972,339**	**1,976,876**	**62,631,739**	**1,887,462**	**56,679,942**

Core Department

British Energy

As a result of the restructuring of British Energy (BE) in January 2005, the Government assists BE in meeting its contractual historic fuel liabilities. The provision is based on the forecast payment schedule up to 2029 which is set out in the waste processing contracts agreed between BE, BNFL and the Department. The costs are estimated to be £232.0m (31 March 2013: £243.8m) (undiscounted at current prices) for next year and are then expected to fall each year thereafter. Each year the profile of future payments are reassessed in line with the Retail Prices Index (RPI) and the level of provision adjusted accordingly, this is in accordance with the Historic Liabilities Funding Agreement with BE.

Group

Decommissioning

The NDA has commercial agreements in place under which a portion of the expenditure required to settle certain elements of the Decommissioning provision are recoverable from third parties. Changes in the future cost estimates of discharging the Decommissioning provision are therefore matched by a change in recoverable contract costs. In accordance with IAS 37, these recoverable amounts are not offset against the Decommissioning provision but are treated as a separate asset. The amount recoverable at 31 March 2014 (NDA Group and Authority) is £5,906 million (31 March 2013: £5,685 million), see Note 10.5.

The decommissioning provision has shown an increase of £6,088 million due to a number of movements in the table above. This has been driven by an ongoing comprehensive review of the life time plan for Sellafield which has resulted in a substantial increase in costs, partly as a result of extending the timescales, and partly because some efficiencies in previous plans will now no longer be realised. It is likely that the provision will increase significantly as NDA completes their scrutiny of the plan and better understands the ranges of uncertainties within it. It is also clear that it may take several iterations of the Sellafield plan before this level of uncertainty can be reduced to a level where cost estimates become more stable. The Departmental Group auditors continue to provide an emphasis of matter paragraph in their audit certificate concerning the inherent uncertainties in the provisions relating to nuclear decommissioning.

Further details are reported in the NDA Annual Report and Accounts.

Contract loss

Contract loss provisions have been recognised to cover the anticipated shortfall between total income and total expenditure on long term reprocessing contracts. The above balances are shown net after deduction from any applicable recoverable contract costs (see Note 10.5). The amount provided in the year for the contract loss provision relates to changes in estimates of the costs of existing contracts.

18.2 Other provisions

	Legacy ailments	Health administration	Concessionary fuel	Site restoration	Core Department	Coal Authority	Early departure costs and restructuring	Other	Departmental Group Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2012	**137,315**	**60,720**	**396,555**	**5,490**	**600,080**	**911,000**	**93,434**	**13,291**	**1,617,805**
Unwinding of discount	3,021	1,336	8,724	121	**13,202**	18,611	2,481	–	**34,294**
Increase in provision	3,215	–	94,917	82	**98,214**	161,084	17,866	67	**277,231**
Amounts written back	(7,932)	(2,031)	–	–	**(9,963)**	(3,970)	–	(528)	**(14,461)**
Utilised in year	(17,856)	(4,560)	(58,104)	–	**(80,520)**	(19,725)	(15,483)	(363)	**(116,091)**
At 31 March 2013	**117,763**	**55,465**	**442,092**	**5,693**	**621,013**	**1,067,000**	**98,298**	**12,467**	**1,798,778**
Unwinding of discount	(1,241)	50	2,855	(73)	**1,591**	11,242	350	–	**13,183**
Increase in provision	98,331	6,969	85,390	–	**190,690**	7,517	–	1,405	**199,612**
Discount charge	(13,800)	(521)	(12,944)	78	**(27,187)**	–	–	–	**(27,187)**
Amounts written back	(3,796)	–	–	–	**(3,796)**	(2,381)	(1,893)	(2)	**(8,072)**
Utilised in year	(21,578)	(12,822)	(54,952)	–	**(89,352)**	(17,378)	(13,530)	(555)	**(120,815)**
At 31 March 2014	**175,679**	**49,141**	**462,441**	**5,698**	**692,959**	**1,066,000**	**83,225**	**13,315**	**1,855,499**

Cash Flow Timings

The time scale, over which it is estimated the discounted costs will need to be incurred, is as follows:

	Core Department 31 March 2014	Departmental Group 31 March 2014	Core Department 31 March 2013	Departmental Group 31 March 2013	Core Department 1 April 2012	Departmental Group 1 April 2012
	£'000	£'000	£'000	£'000	£'000	£'000
Not later than one year	99,392	136,951	88,637	124,627	85,367	121,646
Later than one year and not later than five years	266,493	420,581	258,422	421,191	266,371	413,679
Later than five years	327,074	1,297,967	273,954	1,252,960	248,342	1,082,480
Balance at 31 March 2014	**692,959**	**1,855,499**	**621,013**	**1,798,778**	**600,080**	**1,617,805**

Core Department

Legacy ailments

Responsibility for the compensation claims relating to personal injuries and ailments suffered by former British Coal mineworkers transferred to the Department on 1 January 1998 by a restructuring scheme under the Coal Industry Act 1994.

The liabilities concern compensation claims relating to injuries and ailments including noise induced hearing loss (£69.6m), phurnacite, mesothelioma (£67.9m), pneumoconiosis, pleural thickening, asbestos related conditions, vibration white finger, chronic obstructive pulmonary disease, cancer, pleural plaques and other minor benefits schemes. The provisions are based on the forecasts of the settlements of future claims, taking into account discussion with our legal advisors, claim handlers and recent actuarial estimates. Forecasts beyond 2022, when the current contract with our legal advisors is due to end, are subject to considerable uncertainty in estimates of the number of cases and the levels of damages and costs.

Health administration

These costs relate to the handling of the claims noted above. The projection of administrative costs going forward is based on the resources required to deal with established liabilities and the extent to which further litigation might be pursued against the Department and the resources needed to defend this potential liability.

The future cash flows in relation to administrative expenditure are based upon best estimates according to the existing contractual arrangements with legal advisors (including claim handlers) and records management contractors.

Concessionary fuel

The provision has previously covered the cost of the Department's responsibility to provide either solid fuel or a cash alternative to ex-miners and their dependants formerly employed by British Coal, including the administration of the scheme. On the 15 November 2013, the Chancellor of the exchequer announced that the government would additionally guarantee the concessionary fuel allowance of those who lost their entitlement as a consequence of the restructuring of UK Coal in July 2013. This resulted in a further cohort of approximately 1,500 beneficiaries added to the Department's Scheme. Of the total 66,657 beneficiaries (including ex UK Coal beneficiaries), 55,205 have opted for the cash alternative at an average of around £663 per annum; for the remainder, the average annual solid fuel cost to the Department is around £1,561 per beneficiary (this includes the cost of fuel, distribution and VAT). The provision is based on standard female mortality rates and includes an assumption of beneficiaries continuing to switch their entitlement from solid fuel to cash, in line with rates observed in the recent past and allowing for the fact that the ex UK Coal beneficiaries have greater restrictions in this regard.

Group

Coal Authority

The Coal Authority provision relates predominantly to: mine water; subsidence pumping stations; public safety and subsidence; and tip management.

The mine water provision represents the future liabilities relating to preventing and remediating mine water pollution arising from abandoned coal mines. The liability relates to the obligation of the Coal Authority relating to its ownership of the coal mines.

Further details are reported in the Coal Authority Annual Report and Accounts.

Early departure costs and restructuring

The majority of the restructuring provision relates to the NDA and has been recognised to cover continuing annual payments to be made under early retirement arrangements to individuals working for Site Licence Companies who retired early, or had accepted early retirement, before 31 March 2014. These payments continue at least until the date at which the individual would have reached normal retirement age. Lump sums paid to individuals on retirement are held as receivables, since they are refundable to the NDA from the appropriate pension scheme at or after the date on which the individual concerned would have reached normal retirement age.

An early departure provision was created in the year for the CNPA, this amounted to £1.6m at 31 March 2014 (£4.2m at 31 March 2013).

19. Non-controlling interest

The non-controlling interest balance has arisen as a result of consolidating the results of the five site licence companies and represents the aggregate reserves of the site licence companies.

The movements in the non-controlling interest balance are as follows:

	Departmental Group 2013-14	Departmental Group 2012-13
	£'000	£'000
Balance at 1 April	**42,087**	**27,786**
Change in equity of non-controlling interest during the year	2,222	14,301
Balance at 31 March	**44,309**	**42,087**

20. Capital commitments

Contracted capital commitments as at 31 March 2014, not otherwise included in these financial statements:

	Core Department 31 March 2014	Departmental Group 31 March 2014	Core Department 31 March 2013	Departmental Group Restated 31 March 2013
	£'000	£'000	£'000	£'000
Property, plant and equipment	1	14,516	–	6,104
Intangible assets	56	118	–	165
Total	**57**	**14,634**	**–**	**6,269**

The 2012-13 analysis has been restated for NDA to disclose the estimate of contracted capital commitments relating to economic assets that are expected to be subsequently capitalised (the previous treatment was to disclose both economic and non-economic assets).

21. Commitments under leases

21.1 Operating leases – Department as a lessee

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

	Core Department 31 March 2014 £'000	Departmental Group 31 March 2014 £'000	Core Department 31 March 2013 £'000	Departmental Group 31 March 2013 £'000
Obligations under operating leases for the following periods comprise				
Land				
Not later than one year	–	395	–	391
Later than one year and not later than five years	–	1,517	–	1,506
Later than five years	–	10,828	–	11,079
Total	**–**	**12,740**	**–**	**12,976**
Buildings				
Not later than one year	1,082	6,302	–	3,819
Later than one year and not later than five years	122	8,331	–	7,101
Later than five years	–	10,084	–	4,027
Total	**1,204**	**24,717**	**–**	**14,947**
Other				
Not later than one year	1,086	3,176	6	2,566
Later than one year and not later than five years	1,670	3,706	13	3,874
Later than five years	–	–	–	271
Total	**2,756**	**6,882**	**19**	**6,711**

21.2 Operating leases – Department as a lessor

Total future minimum lease receivables under operating leases are given in the table below.

	Departmental Group 31 March 2014 £'000	Departmental Group 31 March 2013 £'000
Obligations under operating leases for the following periods comprise		
Buildings		
Not later than 1 year	3,495	2,835
Later than one year and not later than 5 years	20,625	4,908
Later than 5 years	27,125	19,528
Total	**51,245**	**27,271**

All of the above balances relate to the Group's NDPBs.

21.3 Finance leases – Department as a lessee

The Department leases the building at 55 Whitehall, London, from the Crown Estate Commissioners for a peppercorn rent, consequently there are no finance lease obligations. The asset is included within property, plant and equipment at fair value as shown in Note 8.

21.4 Service concessions

The Group has entered into two service concession contracts for the provision of IT assets and services, cancellable with twelve months' notice. The first, held by the core Department, is with Fujitsu Services Limited and expired on 31 March 2014, the second held by an NDPB, is with IBM via Defra and is a rolling contract. Both have been assessed as service concession arrangements under IFRIC 12: Service Concession Arrangements, with assets held on balance sheet and featured in Note 8. In substance these are finance leases containing two elements, imputed lease charges and service charges.

The contract payments relating to the core Department's infrastructure assets were all made at the time of purchase and consequently there is no lease commitment or liability at 31 March 2014. Future IT service provision arrangements (non PFI) for the core Department are set out in Note 22.2.c.

Total obligations for the above contracts excluding the service element are:

	Departmental Group 31 March 2014 £'000	Departmental Group 31 March 2013 £'000
Not later than 1 year	4	7
Later than 1 year but not later than 5 years	12	27
Later than 5 years	–	–
	16	**34**
Less: interest element	(2)	(6)
	14	**28**
Present value of the above obligations comprise:		
Not later than 1 year	4	6
Later than 1 year but not later than 5 years	10	22
Later than 5 years	–	–
Total present value of obligations	**14**	**28**

All of the above balances relate to the Group's NDPBs.

The total amount charged to the Statement of Comprehensive Net Expenditure in respect of the service element of the on-balance sheet service concession arrangements was £5,898,000 (2012-13: £4,735,000), interest payments in respect of the service concession arrangement were £1,034 (2012-13: £3,590); and the payments to which the Group is committed is as follows:

	Core Department 31 March 2014 £'000	Departmental Group 31 March 2014 £'000	Core Department 31 March 2013 £'000	Departmental Group 31 March 2013 £'000
Not later than 1 year	–	103	3,020	3,206
Later than 1 year but not later than 5 years	–	286	–	692
Later than 5 years	–	–	–	–
	–	**389**	**3,020**	**3,898**

As part of the BIS ELGAR contract, the core Department's office in Aberdeen has been provided with specialist IT equipment. This arrangement expired on 31 March 2014, the total cost expensed during 2013-14 was £486,000 (2012-13: £495,000) as PFI service charges, and the commitment as at 31 March 2014 was £Nil (31 March 2013: £536,000, all within one year).

22. Other financial commitments

The Departmental Group has entered into non-cancellable contracts (which are not leases or PFI contracts) for which details are given below.

For international subscriptions, the figures provided are the payments due as at 31 March 2014, in the period in which the annual commitment expires.

For other financial commitments, the figures provided are the total payments to which the Group is committed at 31 March 2014, analysed by the period during which the payments are made.

International subscriptions	Note	Core Department 31 March 2014 £'000	Departmental Group 31 March 2014 £'000	Core Department 31 March 2013 £'000	Departmental Group Restated 31 March 2013 £'000
Annual commitments expiring within 1 year	22.1	–	–	569	569
Annual commitments expiring within 2 years	22.1	541	541	–	–
Annual indefinite commitments	22.1	23,396	23,396	27,540	27,540
Total		**23,937**	**23,937**	**28,109**	**28,109**
Other					
Due within 1 year	22.2	10,986	11,890	2,415	3,198
Due within 2 to 5 years	22.2	28,997	33,089	200	3,055
Due thereafter	22.2	1,581	1,581	–	2,106
Total		**41,564**	**46,560**	**2,615**	**8,359**

22.1 Annual subscriptions

All amounts are paid by the Department.

Organisation	Expiry within 1 Year £'000	Expiry within 2 to 5 Years £'000	Expiry over 5 years £'000	Total £'000
United Nations Framework Convention on Climate Change	–	–	1,337	1,337
International Atomic Energy Agency	–	–	17,043	17,043
Organisation for the Prohibition of Chemical Weapons	–	–	2,852	2,852
International Energy Agency	–	–	1,107	1,107
Nuclear Energy Agency	–	541	–	541
European Energy Charter	–	–	355	355
International Energy Forum Secretariat	–	–	60	60
International Renewable Energy Agency	–	–	642	642
Total	**–**	**541**	**23,396**	**23,937**

Commitments for International subscriptions as at 31 March 2013:

Organisation	Expiry within 1 Year £'000	Expiry within 2 to 5 Years £'000	Expiry over 5 years £'000	Total £'000
United Nations Framework Convention on Climate Change	–	–	1,337	1,337
International Atomic Energy Agency	–	–	20,926	20,926
Organisation for the Prohibition of Chemical Weapons	–	–	2,840	2,840
International Energy Agency	–	–	1,197	1,197
Nuclear Energy Agency	569	–	–	569
European Energy Charter	–	–	377	377
International Energy Forum Secretariat	–	–	56	56
International Renewable Energy Agency	–	–	807	807
Total	**569**	**–**	**27,540**	**28,109**

International subscriptions are subscriptions to international bodies which the Department is required to pay on a continuous basis (except for the Nuclear Energy Agency where the commitment expires within 2 to 5 years). The payments represent the share of United Kingdom's obligations to the above international bodies.

22.2 Other financial commitments

		As at 31 March 2014				As at 31 March 2013 (Restated)			
Organisation		Due within 1 Year £'000	Due within 2 to 5 Years £'000	Due over 5 years £'000	Total £'000	Due within 1 Year £'000	Due within 2 to 5 Years £'000	Due over 5 years £'000	Total £'000
Warmfront ASV	a	711	–	–	711	2,415	200	–	2,615
SSCL Shared Service contract	b	1,144	4,464	1,581	7,189	–	–	–	–
iTECC Programme	c	3,716	6,969	–	10,685	–	–	–	–
Fujitsu contract	d	875	–	–	875	–	–	–	–
Ukraine Centralised Store for Highly Active Spent Sources (HASS)	e	1,000	–	–	1,000	–	–	–	–
RIMNET	f	3,540	17,564	–	21,104	–	–	–	–
Total Core Department		**10,986**	**28,997**	**1,581**	**41,564**	**2,415**	**200**	**–**	**2,615**
Airwave Solutions Limited	g	904	4,092	–	**4,996**	783	2,855	2,106	**5,744**
Total Group		**11,890**	**33,089**	**1,581**	**46,560**	**3,198**	**3,055**	**2,106**	**8,359**

a) The Warmfront contract with Carillion Energy Services Limited agreed that all new and replacement gas central heating would receive a two year aftercare package; this includes two annual service visits (ASVs) and 24 hour access to a helpline. As part of the contract extension negotiations covering 2011-2013, it was agreed that for all heating jobs accepted during this period there will be one year of aftercare and one annual service visit offered.

b) The contractual agreement with SSCL will cover the provision of HR, finance and procurement transactional services. The contract was signed on 1 November 2013 and will cover a period of seven years.

c) The new iTECC Service Tower Model and associated contracts have been established to provide the migration to, and the provision of, a replacement IT service to the Department from 1 April 2014. The previous provision, a shared service arrangement based on the BIS Elgar Service, expired on 31 March 2014 (Note 21.4). The iTECC Service Integration Service tower has been procured for four years. It is an enabling service that allows the Department to exploit cost effective commodity services procured through the G-Cloud Framework, typically contracted for two years.

d) The existing Fujitsu contract for the provision of IT services terminated on 31 March 2014 (see Note 21.4). However, migration to the new service provision could not be effected until later in Quarter 1 of 2014-15. As a result a new contract has been put in place to continue services for Q1 2014-15.

e) The Global Threat Reduction Programme (GTRP) is managing a project in Ukraine to build a secure store for Highly Active Sealed Sources (HASS), located in the Chernobyl Exclusion Zone. The GTRP is working with UK Government, the European Union and the Ukrainian government to complete the project by the end of 2014.

f) RIMNET is the UK's radiation monitoring and emergency management system which meets international obligations in terms of notification of a nuclear emergency, regularly supports nuclear emergency exercises and would be at the forefront of a response to a nuclear emergency in the UK or anywhere in the world. It utilises the atmospheric dispersion and weather forecasting capabilities of the Met Office, and is currently managed and operated by the Met Office and delivered in partnership with CGI and Ultra-Electronics Nuclear Control Systems.

g) The Airwave Solutions Limited contract is for access to the Airwave communication network.

The 2012-13 figures have been restated as it was identified that the contract for the Combined Heat and Power Quality Assurance Programme previously reported as non-cancellable, contained a cancellation clause.

23. Financial instruments

23.1 Classification and categorisation of financial instruments

	Note	Core Department 31 March 2014 £'000	Departmental Group 31 March 2014 £'000	Core Department 31 March 2013 £'000	Departmental Group 31 March 2013 £'000
Financial assets					
Loans and receivables:					
Energy Efficiency Loans and Recyclable Energy Efficiency Loans	10.1	55,179	55,179	83,762	83,762
Green Deal Finance Company Loan	10.2	19,733	19,733	16,599	16,599
Finance lease receivable	10.6	–	44,355	–	43,164
Trade and other receivables	15.1	520,756	1,133,263	448,407	1,080,460
Cash at bank and in hand	16	302,869	467,595	100,172	317,629
Total loans and receivables		**898,537**	**1,720,125**	**648,940**	**1,541,614**
Available-for-sale assets:					
Investment in subsidiaries	10.3	–	225,737	–	225,737
Other investments	10.4	29,239	29,239	–	–
Total Available-for-sale assets		**29,239**	**254,976**	**–**	**225,737**
Financial liabilities					
Fair value through profit and loss (FVPTL)					
Derivative financial liabilities	17.1	–	(100)	–	(552)
Total fair value through profit and loss (FVPTL)	–	**–**	**(100)**	**–**	**(552)**
Other financial liabilities:					
Trade and other payables	17.1	(1,289,723)	(4,688,789)	(823,739)	(4,124,547)
Total other financial liabilities		**(1,289,723)**	**(4,688,789)**	**(823,739)**	**(4,124,547)**

23.2 Measurement of financial instruments

Financial instruments are carried on the Statement of Financial Position at their fair value or amortised cost. Fair value is the amount for which a financial asset could be exchanged or a financial liability settled between knowledgeable, willing parties in an arms-length transaction. This is market value where an active market exists. Where an active market does not exist generally accepted estimation and valuation techniques are used, including the discounted cash flow method.

The carrying values of other financial assets and financial liabilities do not differ from fair values in these accounts at either 31 March 2014 or 31 March 2013.

23.3 Significance of financial instruments to financial performance and position

IFRS 7: Financial Instruments: Disclosures requires the Group to disclose information which will allow users of these financial statements to evaluate the significance of financial instruments on the Group's financial performance and position and the nature and extent of the Group's exposure to risks arising from financial instruments.

Given its largely non-trading nature and that the Group is financed through the Estimates process, financial instruments play a much more limited role in creating or changing risk than would apply to a non-public sector body of a similar size.

Information about the Group's objectives, policies and processes for managing and measuring risk can be found in the Financial Overview.

23.4 Risk exposure from financial instruments

The Group is financed by a combination of Government funding and commercial activities, and as at the reporting date was not exposed to the degree of financial risk faced by other business entities. It does however experience some degree of risk due to the variability of commercial income.

The primary financial risks faced by the Group at the reporting date were commodity price risk and credit risk. Foreign currency risk, liquidity risk and interest rate risk are not considered to be significant risks for the Group.

Commodity Price risk

Commodity price risk is the risk or uncertainty arising from possible price movements and their impact on the commercial income and therefore ultimately on the funding requirements of the Group. The primary risk is that electricity prices will move adversely affecting commercial income between the time that the Group's funding requirements are set and the time when revenues are recognised. Details are shown in Note 17.1.

Credit risk

Credit risk for loans is described in Notes 10.1 and 10.2. Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

Credit risk for electricity sales is described in Note 15.1. As at the reporting date, the Group's exposure for other trade receivables was concentrated among a small number of customers. No collateral or other credit enhancements are held as security over the recoverability of these balances. The Group expects its receivable balances to be recovered in full due to its customers' past payment histories and high credit ratings.

Foreign currency risk

The Group is exposed to foreign currency risk through its operations as certain transactions are denominated in foreign currencies, primarily Euros or US dollars. The Group manages the exposure by implementing a policy of selling or purchasing forward foreign currency.

Interest rate risk

The Group does not invest or access funds from commercial sources and so is not exposed to significant interest rate risks.

Liquidity risk

Resources are voted annually by Parliament to finance the Group's net revenue resource requirements and its capital expenditure. The Group is therefore not exposed to significant liquidity risks.

23.5 FIDeR contracts

Financial Instruments will become increasingly significant in 2014-15 due to the recognition of FIDeR contracts. Further details are provided in Note 29.

24. Contingent liabilities and assets disclosed under IAS 37: Provisions, contingent liabilities and contingent assets

24.1 Contingent liabilities: Core Department

Basis of recognition	Description
Coal Industry Act 1994	Responsibility for compensation claims relating to personal injuries suffered by former British Coal mineworkers transferred to the Department on 1 January 1998 by a restructuring scheme under the Coal Industry Act 1994. The timing and amounts of any future liabilities are uncertain, except where provision has been made in the accounts. The future liabilities will depend on the nature of any injury and whether the courts decide that compensation is due.
Nuclear Liabilities Fund (British Energy)	The then Secretary of State for Trade and Industry created a constructive obligation due to her announcement in 2002 to the House of Commons regarding British Energy (BE) restructuring, stating that the Government would underwrite the Nuclear Liabilities Fund (NLF) in respect of BE's uncontracted and decommissioning liabilities to the extent that the assets of the Fund fall short. The restructuring was successfully completed on 14 January 2005, and the Department has assumed responsibility for these liabilities to the extent that the NLF is insufficient to meet liabilities as they fall due (further details are given in Note 18.1). Since 2009 the BE estate has been owned and operated by EDF Energy (EDF E). There is a high level of uncertainty relating to possible future cash flows which the Department might need to make for a prolonged period of time. In practice this will depend on investment returns received by the NLF, contributions made under contract to the NLF by EDF E (which have an indexation component) as well as the actual costs of meeting the decommissioning and uncontracted liabilities. As such, it is difficult to quantify whether this represents a contingent liability or asset. The Department's current estimate of the assets available to the NLF to meet its liabilities is £8.8 billion (2013: £9.0 billion) The latest estimate of the discounted liabilities for decommissioning and uncontracted liabilities is £7.2 billion (2013: £5.4 billion). However despite assets exceeding discounted liabilities by £1.6 billion, the undiscounted liabilities are greater than £19 billion and therefore this position is disclosed as a contingent liability. Currently 15% of the fund is invested externally, and the remainder is lodged with the National Loans Fund. This is risk-free, but the projected returns are lower than the projected returns on the externally-invested funds. There have been discussions about investing the assets exclusively with the National Loans Fund, but as yet no firm decisions have been taken. The discounted liabilities figure increased significantly during the year because reviews carried out by EDF E (and independently scrutinised by the Nuclear Decommissioning Authority) identified a number of one-off increases arising as a result of refining both the plans for decommissioning the estate and the plans for managing and storing spent fuel and other radioactive wastes. It is not expected that a similar scale of increase in the liabilities will arise in the future but they will continue to be subject to regular reviews.

Basis of recognition	Description
Deed Relating to the British Coal Staff Superannuation Scheme (BCSSS) under Paragraph 2(9) of Schedule 5 to the Coal Industry Act 1994 *Deed Relating to the Mineworkers' Pension Scheme (MPS) under Paragraph 2(9) of Schedule 5 to the Coal Industry Act 1994*	Government Guarantees were put in place on 31 October 1994, the day the Schemes were changed to reflect the impact of the privatisation of the coal industry. They are legally binding contracts between the Trustees and the Secretary of State for Energy and Climate Change. The Guarantees ensure that the benefits earned by Scheme members during their employment with British Coal, and any benefit improvements from surpluses which were awarded prior to 31 October 1994, will always be paid and will be increased each year in line with the Retail Prices Index. The 1994 arrangements provided for the following notional sub-funds to be established within each overall fund: • Guaranteed Fund; • Bonus Augmentation Fund; • Guarantor's Fund; and • Investment Reserve. Further details regarding the Schemes and the notional sub-funds can be found in Note 15.1. If at any periodic valuation the assets of the Guaranteed Fund were to be insufficient to meet its liabilities, the assets must be increased to bring the Fund back into balance. This might necessitate one or more of the following steps: • transfer of assets from the Investment Reserve; • equal transfers from the Guarantor's Fund and the Bonus Augmentation Fund; • payments from the Government under the terms of the Guarantees. This is a long term contingent liability dependent on the performance of the schemes' investments and their mortality experience.
Site restoration liabilities inherited from British Coal	The Department has inherited liabilities from British Coal to reimburse certain third parties with the costs necessary to meet statutory environmental standards in the restoration of particular coal-related sites. In addition to specific claims provided for (see Note 18.2) it remains possible that the Department will be held responsible for further environmental liabilities. The timing and amounts of any liability are uncertain.
Feed in Tariffs	The Department faces damages claims estimated at £196m (2013: £180m) plus costs from solar energy and construction companies affected by changes to Feed in Tariffs. The claims are being defended and the preliminary hearing took place on 19 May 2014.
EU Emissions Trading Scheme (ETS)	Permission for judicial review has been sought by two separate claimants in respect of the treatment of airlines under the aviation ETS and by four claimants in respect of the allocation of carbon allowances in relation to stationary ETS. While one of the aviation claims is stayed the other five are in progress. Liabilities are uncertain at this stage but may result in compensation claims plus costs if the government is unsuccessful in its defence, although the Department considers there are good arguments that these claims should be made against the EU.
Other	There are potential liabilities to the Department in respect of claims from suppliers, employees and/or third parties which depend on actual or potential proceedings. The timing and amounts of any liabilities are uncertain.

24.2 Contingent liabilities: Departmental NDPBs

Category	Description
Inventories	At 31 March 2014 the NDA held inventories of reprocessed uranic material. These materials are currently held at nil value, due to uncertainty over their future use.
Pension Schemes – Deficits	Whilst not the lead employer, the NDA is the lead organisation and has ultimate responsibility for certain nuclear industry pension schemes, including the Combined Nuclear Pension Plan, the Magnox section of the ESPS, and the GPS pension scheme. Provisions for known deficits are included within Nuclear Provisions (Note 18). However, movements in financial markets may adversely impact the actuarial valuations of the schemes, resulting in an increase in scheme deficits and consequent increase in nuclear provision.
Subsidence damage and public safety liabilities	Licensees of mining operations are required to provide security to the Coal Authority to cover the future costs of settling subsidence damage liabilities within their Areas of Responsibility. Outside the Areas of Responsibility of the holders of licences under Part II of the 1994 Act, the Authority is responsible for making good subsidence damage. Where an Area of Responsibility is extinguished the Authority would become responsible for the discharge of outstanding subsidence liabilities. The Authority also has an ongoing liability to secure and keep secured most abandoned coal mines. (In all cases the liability for operating collieries is the responsibility of the licensees/lessees and security is held to address those liabilities.) Both of the above liabilities have been provided for within the Coal Authority provision (Note 18.2) based on analysis of trends and claims experience. However it is possible that significant, unexpected events outside of this provision may materialise. It is expected that any deficit will be covered by future allocations of grant in aid. In addition to the contingent liabilities outlined above the following should be noted: *Wentworth Woodhouse* Damage Notices have been submitted to the Coal Authority in respect of subsidence damage "in excess of £100 million" to Wentworth Woodhouse, a Grade 1 listed Country House. The Coal Authority has rejected these notices. Lands Tribunal Proceedings are ongoing and the Coal Authority will continue to strongly defend its case.
Restructuring Scheme	Where liabilities transferred under the various Coal Authority Restructuring Schemes (CARS) have crystallised due to planning conditions, agreements, claims etc, provision has been made in these financial statements. It has not, however, been possible to quantify contingent liabilities that may arise out of indemnities or warranties that may materialise in the future. It is expected that any costs will be covered by future allocations of grant in aid.
Legal claims	The Coal Authority is subject to various claims and legal actions in the ordinary course of its activities, for which provision is made in the accounts, where appropriate, on the basis of information available. The Authority does not expect that the outcome of the above issues will materially affect its financial position. The CNPA has a number of potential liabilities in respect of claims from employees, which depend on actual or potential proceedings. The timing and amounts of any payment are uncertain. These liabilities have not been provided for as CNPA believes that the claims are unlikely to be successful and unlikely to lead to a transfer of economic benefit. The NDA considers the likelihood of liabilities arising from two legal cases which are ongoing at the reporting date to be remote. Any liabilities that do result from these cases are expected to be immaterial to these financial statements.

Category	Description
Coal Authority Restructuring Schemes	By virtue of the seventh and ninth Coal Authority Restructuring Schemes (CARS 7 and 9) the Authority is the beneficiary of restrictive covenants and clawback provisions relating to properties sold by British Coal Corporation. In the event that the purchasers of the properties secure added value by obtaining planning consent for alternative uses the Authority will receive a share of the added value. Quantification of this asset is not possible.

25 Contingent liabilities not required to be disclosed under IAS 37, but included for Parliamentary reporting and accountability purposes

25.1 Unquantifiable

The Group has entered into the following unquantifiable contingent liabilities none of which is a contingent liability requiring disclosure under IAS 37 since the possibility of an outflow of economic benefits in settlement is too remote.

Core Department

Statutory Indemnities

- Indemnity in respect of National Grid Company's liabilities re: the interconnector linking the UK and France.

Indemnities to Directors

- Nuclear Liabilities Fund – Secretary of State Trustee Indemnities. Indemnities have been given to the three Trustees of the NLF appointed by the Secretary of State. These indemnities are against personal liability following any legal action against the Fund.
- Nuclear Liabilities Fund – British Energy Trustee Back Up Indemnities. Given to the two BE appointed Trustees of the Nuclear Liabilities Fund. These indemnities are against personal liability following any legal action against the Fund. These indemnities can only be used following failed recourse to an indemnity given by British Energy.
- Indemnities have been given to the Directors appointed by the Department to Low Carbon Contracts Company Limited (formerly CFD Counterparty Company Limited) and to Electricity Settlements Company Limited. These indemnities are against personal liability following any legal action against the companies.

Other

- Statutory liability for third party claims in excess of the operator's liability in the event of a nuclear accident in the UK.
- Liability for non-compliance with the Cogeneration Directive (2004/8/EC), in the event that contractors for the Department incorrectly certify combined heat and power plants.
- High Activity Sealed Sources (HASS) Directive: Council Directive 2003/122/EURATOM on the control of high-activity sealed radioactive sources and orphan sources. Liability for costs of retrieving and disposing of sealed radioactive sources in the event that a company keeping such sources becomes insolvent.

- Radioactive contaminated land remediation: under section 9 of The Radioactive Contaminated Land (Modification of Enactments) (England) (Amendment) Regulations 2007 SI 2007/3245 the Secretary of State is deemed to be the appropriate person to bear responsibility for remediation of land contaminated by a nuclear occurrence under the part 2A contaminated land regime.
- Energy Research Partnership: an indemnity for loss or damage caused to other Parties to the consortium agreement.
- EU Emissions Trading Scheme: Member States are required to appoint a Single Auction Monitor to oversee the auctioning of allowances in Phase III. The Joint Procurement Agreement for the Single Auction Monitor (JPA) provides for Member States to indemnify the Commission should the Commission be required to compensate a third party or another Member State for damages which arise in connection with the JPA e.g. as a result of failure to comply or if a challenge were brought in response to a decision taken by one of the Committees formed under the Agreement.
- Green Deal – Contingent Capital Fund. There may be a need for additional government funding to replenish junior capital, if there is high repayment default under the scheme. Maximum exposure is £30m but modelling indicates that this is highly unlikely to be called on.
- The Department has undertaken to support Ofgem's costs for administering the Renewables Obligation scheme. Where there is insufficient money in both the buyout fund and late payment fund the remaining costs will be met by the Department for England and Wales.
- The Department has issued a letter of indemnity to National Grid covering any financial losses which might result from third party claims in relation to preparatory work for EMR (Electricity Market Reform) delivery.
- The Department has indemnified Elexon Ltd against third party claims relating to the design and or implementation of CfD (Contracts for Difference) and CM (Capacity Markets) settlement systems which are not covered by insurance and/or guarantees by their sub-contractors.
- Planning Act 2008: cost of compensation payable as a result of revocation of a Development Consent Order, in the event that an Order is subject to legal challenge.
- OECD (Organisation for Economic Co-operation and Development) and IEA (International Energy Agency): an indemnity for any loss to the IEA arising from use of its data in the Department's Global Climate Change 2050 Pathways Calculator, limited to maximum of £100,000.

These liabilities are unquantifiable due to the nature of the liability and the uncertainties surrounding them.

Departmental NDPBs

Indemnities

- The NDA has non-quantifiable contingent liabilities arising from indemnities given as part of the contracts for the management of the Low Level Waste Repository, Sellafield and Dounreay. These indemnities are in respect of the uninsurable residual risk that courts in a country which is not party to the Paris and Brussels Conventions on third party liability in the field of nuclear energy may accept jurisdiction to determine liability in the event of a nuclear incident. These are not treated as contingent liabilities within the meaning of IAS 37 since the possibility of a transfer of economic benefit in settlement is considered too remote.

26 Losses and special payments

The disclosures in this note are in accordance with Managing Public Money. The purpose is to report on losses and special payments, which are of particular interest to Parliament.

26.1 Losses statement

Total losses during the year were as follows:

Type of loss	Core Department 2013-14 Total £	Core Department 2013-14 Number of cases	Departmental Group 2013-14 Total £	Departmental Group 2013-14 Number of cases	Core Department 2012-13 Total £	Core Department 2012-13 Number of cases	Departmental Group 2012-13 Total £	Departmental Group 2012-13 Number of cases
Cash losses	–	–	–	–	–	–	253	1
Stores losses	–	–	–	–	–	–	–	–
Losses of pay, allowances and superannuation	–	–	–	–	–	–	6,900	3
Fruitless payments	11,280	9	11,280	18	–	–	782,015	1
Claims waived or abandoned	58,715	714	60,472	728	35,669	554	43,223	589
Book-keeping losses	55,710	1	55,710	1	–	–	–	–
Exchange rate fluctuation losses	–	–	–	–	1,806	5	1,806	5
Bad Debts	516,416	29	517,759	34	19,546	4	19,546	4
Total	**642,121**	**753**	**645,221**	**781**	**57,021**	**563**	**853,743**	**603**

The fruitless payment in 2013 relates to Transmission Network charges paid to National Grid in respect of Oldbury. Despite the fact that there was no generation at Oldbury during 2012-13, the date of cessation of generation was not known enough in advance in order to give the required notice to National Grid, resulting in a full year's charge being incurred and paid.

The core Department bad debts figure contains £407,913, 26 cases (2012-13: £19,546, 4 cases) relating to Energy Efficiency loans which were impaired during the year. The Department impaired the loans having received objective evidence of impairment, which included significant financial difficulty or default of the counterparty (Note 10.1 provides further details).

26.2 Special payments

Special payments during the year were as follows:

Type of special payments	Core Department 2013-14 Total £	Core Department 2013-14 Number of cases	Departmental Group 2013-14 Total £	Departmental Group 2013-14 Number of cases	Core Department 2012-13 Total £	Core Department 2012-13 Number of cases	Departmental Group 2012-13 Total £	Departmental Group 2012-13 Number of cases
Compensation payments	6,652	1	6,652	1	6,750	1	48,750	2
Extra-contractual	–	–	–	–	108,232	2	113,232	3
Ex gratia	18,000	1	18,000	1	–	–	–	–
Special severance	10,000	1	10,000	1	–	–	–	–
Total	**34,652**	**3**	**34,652**	**3**	**114,982**	**3**	**161,982**	**5**

27 Related-party transactions

The Department is the sponsor of the four executive NDPBs as listed in Note 30, and also consolidates five Site Licence Companies (SLCs) into its Group accounts. The NDPBs and SLCs are regarded as related parties and the Department has had various material transactions with the NDPBs and the SLCs via its NDPB the NDA. The related parties of the NDPBs and Site Licence companies are disclosed in their respective accounts.

The Group has had various material transactions with other government departments, government bodies and devolved administrations comprising the Northern Ireland executive, Scottish Government and the Welsh Government. The most significant of these transactions have been with HM Treasury, the Department for Environment, Food and Rural Affairs (Defra), the Department for Communities and Local Government, Office of Gas and Electricity Markets (Ofgem) and Environment Agency.

No Department Ministers, Department senior management or the senior management of the NDPBs and SLCs have undertaken any material transaction with the Group during the year. Details of the Department's Ministers and senior management and their remuneration are shown in the Remuneration Report.

28 Third-party assets

The following are balances in accounts held in the core Department's name at banks but which are not core Departmental monies. They are held or controlled for the benefit of third parties. They are not departmental assets and are not included in these accounts. The assets held at the year end to which it was practicable to ascribe monetary values comprised monetary assets such as bank balances.

Bank Balances	Core Department Restated £'000	Departmental Group Restated £'000
At 1 April 2013	20,582	20,582
Gross inflows	–	–
Gross outflows	(4,014)	(4,014)
At 31 March 2014	**16,568**	**16,568**

At 31 March 2014 the core Department held £16m (1 April 2013: £20m) transferred from BNFL plc to meet the potential future capitalisation requirements of the National Nuclear Laboratory Ltd. These monies are held in GBS (Government Banking Service) accounts.

The core Department maintains a euro account with a commercial bank to hold European Commission contributions from the EU Instrument for Nuclear Safety Cooperation. The money is to be paid to contractors engaged on a Department-led project in Ukraine (details are in Note 22.2.e). The euro balance has remained unchanged but the sterling equivalents were £582,000 at 1 April 2013 (not previously reported) and £568,000 at 31 March 2014.

29 Events after the reporting period

Post 31 March 2014, the following are disclosed as having an effect on the department:

FIDeR Contracts

Final Investment Decision enabling for Renewables (FIDeR) Contracts will facilitate investment in low-carbon generation through provision of support payments which top up generators' income and remove their exposure to electricity price uncertainty.

The FIDeR programme gives generators a fixed price contract for their low carbon electricity, known as the "strike price". Each contract has a negotiated strike price. When the market price of electricity is below the strike price generators will be paid the difference between the wholesale price and the strike price by the Counterparty. Similarly, if and when the market price rises above the strike price, generators would be required to pay back the difference to the Counterparty. The Counterparty is a new body created by the Department to administer the scheme.

Eight FIDeR contracts were awarded on 23 April 2014, in relation to projects to be commissioned between 2015 and 2021. The programme will result in total capacity of 4,548 MW of low carbon generation.

The FIDeR contracts present the following characteristics of a derivative, as defined by IAS 39:

- its value changes in response to a specified index (reference price); in this case the contract is based on the wholesale electricity reference price;
- it requires no initial net investment; and
- it is settled at a future date.

However, there are some important ways in which the contracts are dissimilar to a derivative, namely that:

- the Department has no intention to trade FIDeR contracts; and
- the recognition of FIDeR liabilities in the Department is not offset by the recognition of FIDeR assets either within the Department or within another entity, although there is a legal obligation on licensed suppliers to fund these payments through a levy.

Recognition will be when it is probable that the economic benefits will flow to the Department. This is likely to be in 2014-15, at which point the Department will account for the transactions at Fair Value using a valuation model.

In developing the valuation model, consideration will be given to the following factors:

1. Discount future cashflows, using the appropriate HMT discount rate (2.2%)
2. The cashflows will be derived from and sensitive to:

- Assumptions on generating capacity and load factors

- Future forecast of prevailing electricity prices, derived from the Dynamic Dispatch Model (DDM)
- Future forecast for transmission loss factors, which were provided by National Grid and held by the Department's Energy Economics and Analysis team
- The commissioning start date, which represents the date at which the project begins active service and is provided by the developer in their binding application form. Any change to the commissioning date will change the timing of future cashflows and impact on the discounted Fair Value.

3. The valuation model will use the following types of inputs: portfolio data, observable market data and unobservable data, where:

- Portfolio data is obtained for each individual FIDeR contract and phase. This includes the generating capacity of plant
- Observable market data includes projected future electricity prices (based on the DDM as set out above)
- Unobservable data consists of load factors, and capacity (published figures in the Final Delivery plan), commissioning date of plants (based on bid submissions) and operating life assumptions (based in most cases on a 15 year life, and for Biomass up to 2027).

The DDM is a comprehensive fully integrated power market model covering the Great Britain (GB) power market over the medium to long term. It enables analysis of electricity dispatch from GB power generators and investment decisions in generating capacity from 2010 through to 2050. It considers electricity demand and supply on a half hourly basis for sample days.

Economic, climate, policy, generation and demand assumptions are external inputs to the model. It includes demand load curves for both business and non-business days and seasonal impacts. Specific assumptions can be modelled for domestic and non-domestic sectors and smart meter usage.

The DDM has been peer reviewed by external independent academics to ensure the model is fit for the purpose of policy development. Professors David Newbery and Daniel Ralph of the University of Cambridge undertook a peer review to ensure the model met the Department's specification and delivered robust results. The DDM was deemed an impressive model with attractive features and good transparency. For the Peer Review report see 'Assessment of LCP's Dynamic Dispatch Model for DECC' available on the Department's website.

In the Department's Main Estimate published on 29 April 2014 there was budgetary cover for AME Resource costs of £29.169 billion, of which £28.8 billion was for a provision for the Fair Value of liabilities incurred for Contracts for Difference expected to be signed under the Electricity Market Reform programme. In practice there may be no net liability to government because the matching receipts from electricity suppliers are classified as future taxation and they cannot be recognised as an offsetting asset in these accounts. Accounting rules mean that the estimated net present value of future payments to generators has to be recognised as a provision by the government counterparty company.

The resource AME budget cover of £28.8 billion included all contracts which may be entered into during 2014-15, including contracts under the Final Investment Decision Enabling programmes for both renewables and nuclear energy, and capacity market auctions.

Drax Power Limited: Judicial Review Claim

The Department faces a judicial review claim from Drax Power Limited in relation to the Secretary of State's decision not to award a FIDeR investment contract to Drax's Unit 3. The claim is for a quashing order quashing the previous decision and a mandatory order requiring the Secretary of State to award an investment contract in respect of Unit 3, and costs. The claim is being defended and the hearing is scheduled for 1 and 2 July 2014.

Radioactive Waste Management Limited

On 1 April 2014, the employees and operations of the Radioactive Waste Management Directorate (RWMD) transferred to a wholly owned subsidiary company of the NDA, Radioactive Waste Management Ltd.

Sellafield Land

On 1 May 2014 the NDA reached an agreement with Toshiba and its partner GDF Suez on the key commercial terms of an agreement in respect of the land at Moorside, Sellafield. This land is included in these accounts as an asset held for sale (see Note 13).

Dates accounts authorised for issue

In accordance with IAS 10: Events After the Reporting Period, the Accounting Officer duly authorised the issue of these financial statements on the date of the Comptroller and Auditor General's audit certificate.

30 Entities within the Departmental boundary

The entities within the boundary during 2013-14 were those entities listed in the Designation and Amendment Orders presented to Parliament. The bodies whose accounts have been consolidated within the Departmental group accounts are as follows:

- the core Department itself;

Executive NDPBs

- the Nuclear Decommissioning Authority (NDA), excluding its subsidiary undertakings;
- the Coal Authority (CA);
- the Civil Nuclear Police Authority (CNPA);
- the Committee on Climate Change (CCC);

Other entities

- Sellafield Limited (company registered number: 1002607);

- Magnox Limited (company registered number: 2264251);
- Dounreay Site Restoration Limited (DSRL) (company registered number: SC307493);
- Research Sites Restoration Limited (RSRL) (company registered number: 05915837); and
- LLW Repository Limited (LLWR) (company registered number: 05608448).

The annual report and accounts for each of the above are published separately.

The following Advisory NDPBs are listed in the Designation and Amendment Orders, but no separate accounts are produced as costs are included in the core Department's expenditure:

- Committee on Radioactive Waste Management
- Fuel Poverty Advisory Group
- Nuclear Liabilities Financing Assurance Board.

31 New IFRSs in issue but not yet effective and FReM changes 2014-15

New IFRSs that have an effective date after 31 March 2014 and which have an impact on the Group's future financial statements together with major FReM changes for 2014-15 are set out below giving details of the potential impact (if known) and date at which the Group plans to apply the changes. No new IFRSs were early adopted by the FReM.

31.1 New Standards not yet effective and not applied in the Department's Financial Statements

IFRS 9: Financial Instruments

This standard requires financial assets to be classified on the basis of the entity's business model and their contractual cash flow characteristics. The standard requires the assets to be measured initially at fair value, and subsequently at either fair value or amortised cost.

Applying this standard will lead to reclassifying:

- the Energy Efficiency Loans, Recyclable Energy Efficiency Loans and the Green Deal Finance Company Loan from "Loans and receivables" to "Amortised cost" as the business model objective is to collect the contractual cash flows and the contractual cash flows represent solely payment of principal.

The subsequent measurement is not expected to change as Energy Efficiency Loans and Recyclable Energy Efficiency Loans will continue to be measured at amortised cost.

This standard is effective for accounting periods on or after 1 January 2015. The Department will apply the standard in its financial statements when formally adopted in the FReM.

IFRS 10: Consolidated Financial Statements

IFRS 10 includes a new definition of control which applies to all potential parent-subsidiary relationships, including those arising from structured or special purpose entities.

This standard has been EU-adopted for accounting periods beginning on or after 1 January 2014, and is formally adopted in the 2014-15 FReM.

IFRS 12: Disclosure of Interests in Other Entities

The main objective of this standard is to require information that helps users of their financial statements evaluate the nature of and risks associated with interests in other entities, as well as the effects of those interests on financial statements.

This standard has been EU-adopted for accounting periods beginning on or after 1 January 2014, and is formally adopted in the 2014-15 FReM.

IFRS 13: Fair Value Measurement

This standard defines fair value, provides a framework for measuring fair value and sets out the disclosure requirements for fair value measurements. The effective date is for periods commencing on or after 1 January 2013. FReM application is expected from 2015-16.

The Group does not expect that the adoption of the IFRS 10 - 13 in future periods will have a material impact on its financial statements.

31.2 FReM changes 2014-15

Changes in FReM 2014-15 include:

- additional disclosures on special severance payments in the losses and special payments note

The Departmental Group will apply the above and report accordingly in line with the FReM requirement in future years.

Chapter 5

Trust Statement

Accounting Officer's Foreword to the Trust Statement

Scope

5.1 The Department of Energy and Climate Change (the Department) is responsible for collection and allocation of the receipts from the EU Emissions Trading Scheme (EU ETS), the Petroleum Licensing Regime and the Carbon Reduction Commitment (CRC) Scheme. The Department is also responsible for the expenses incurred in the collection of these receipts; the revenue income and expenditure; and the cash flows for the year then ended.

5.2 The Trust Statement reports the:

- Revenues, expenditure, assets and liabilities relating to proceeds received from the UK auctions of European Allowances under Phase III of the EU ETS for the financial year 2013-14. These amounts are collected by the Department for payment into the Consolidated Fund.
- Revenues, expenditure, assets and liabilities relating to the receipts of Petroleum Licences under The Petroleum Act 1998 for the financial year 2013-14. These amounts are collected by the Department for payment to the Consolidated Fund.
- Revenues and assets relating to the receipts of CRC Allowances under the CRC Efficiency Scheme Order (2010) for the financial year 2013-14. These amounts are collected by the Department for payment to the Consolidated Fund.
- Civil penalties levied against participants in the EU ETS and CRC Schemes. These amounts are collected by the Department for payment to the Consolidated Fund.

5.3 This statement is also prepared so as to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.

Background

EU ETS

5.4 The EU Emissions Trading Scheme is designed to reduce greenhouse gas (GHG) emissions at least cost to the European economy. It also aims to provide greater certainty that the UK and the EU will meet emission reduction targets.

5.5 The EU ETS includes more than 11,000 power stations and industrial plants across the EU. Over 1,000 of these are sited in the UK and comprise power stations, oil refineries, the offshore platforms and industries that produce iron and steel, cement and lime, paper, glass, ceramics and chemicals.

5.6 Other organisations may also be covered by the EU ETS, including universities, hospitals and aviation operators.

5.7 The EU ETS works on a 'cap and trade' basis, so there is a 'cap' or limit set on the total greenhouse gas emissions allowed by all participants covered by the Scheme and this cap is converted into tradable emission allowances.

5.8 Tradable emission allowances are allocated to participants in the market; in the EU ETS this is done via a mixture of free allocation and auctions. One allowance gives the holder the right to emit one tonne of CO_2 (or its equivalent). Participants covered by the EU ETS must monitor and report their emissions each year and surrender enough allowances to cover their annual emissions.

5.9 Participants who are likely to emit more than their allocation have a choice between taking measures to reduce their emissions or buying additional allowances, either from companies who will emit less, from the secondary carbon market or from Member State held auctions.

5.10 The carbon price signifies the amount participants in the EU ETS are willing to pay per EU allowance (EUA) given demand and supply. In addition, EU Aviation allowances (EUAAs) have been created to be used for compliance by airline operators.

5.11 The first phase of the EU ETS ran from 2005 to 2007 and the second phase ran from 2008 to 2012 to coincide with the first Kyoto Commitment Period. The current phase of the EU ETS builds upon the previous two phases and is significantly revised to make a greater contribution to tackling climate change.

5.12 In the current phase (Phase III) there is a single EU-wide cap. Each Member State was required to submit a list (called the NIMs) of all the participants that will be included in Phase III, setting out its proposed levels of free allocation in accordance with the revised ETS Directive.

5.13 For Phase III at least 50% of allowances will be auctioned across the EU. This includes full auctioning for the power generation sector in the UK and most Member States and for all Member States by 2020.

5.14 The UK appointed ICE Futures Europe to conduct auctions of EU ETS Phase III EUAs and EUAAs on behalf of DECC from November 2012. The full schedule for

Phase III auctions is available on the ICE emissions auctions web pages at www.theice.com/emissionsauctions.jhtml

Petroleum Licences

5.15 The Petroleum Act 1998 vests in the Crown all rights to the nation's petroleum resources. The Act gives the Secretary of State powers to grant licences that confer exclusive rights to "search and bore for and get" petroleum. Each of these licences confers such rights over a limited area and for a limited period.

5.16 The Department is therefore responsible for issuing and administering these licences. This process is carried out with a view to realising the full benefit to the UK of its petroleum resources in a way which balances the interests of potential developers with the interests of the nation as the owner of the resource.

5.17 Licences are awarded in periodic 'rounds' subject to a requirement that the holder will make annual payments (known as 'Licence Rental Fees') to the Department, which remits them to the Consolidated Fund. These payments are calculated on the basis of the area under licence, and incorporate an escalating scale of pre-determined rates per square kilometre. This is to encourage licensee companies to relinquish acreage not undergoing productive activity, thus making it available for relicensing to other potential interested applicants.

5.18 The amount collected in recent financial years in respect of licence rental fees has been £68m in 2013-14 and £70m in 2012-13. The vast majority of this comes from offshore licensing.

CRC

5.19 The CRC Energy Efficiency Scheme (CRC) is a mandatory UK-wide trading scheme that was brought into law via the CRC Energy Efficiency Scheme Order 2010 (SI 2010/768) (the 'CRC Order'). The scheme is designed to incentivise large public and private sector organisations to take up cost-effective energy efficiency opportunities through the application of a range of drivers and thereby drive down the carbon emissions throughout the UK. The CRC Scheme is designed to tackle the four main barriers to the take up of energy efficiency highlighted by the Carbon Trust report in 2005, namely insufficient financial incentives to reduce emissions, uncertain reputational benefits of demonstrating leadership, split incentives between landlord and tenants and organisational inertia.

5.20 The CRC is designed to improve energy efficiency and thereby reduce emissions primarily from large non-energy intensive organisations in the private and public sectors. The sectors being targeted include large retail organisations, banks, large offices, universities, large hospitals, large local authorities and central government departments.

5.21 The Environment Agency in its role of UK Scheme Administrator, administers the scheme on behalf of DECC and the Devolved Administrations. It maintains a UK Registry that is used to administer the scheme. Participants use it to, amongst other things, report annually their energy supply data and purchase and surrender allowances as required each compliance year. The Environment Agency along with the devolved scheme administrators, namely Scottish Environment Protection Agency, Northern Ireland Environment Agency and Natural Resources Wales, are responsible for the audit and enforcement of the scheme, including the issue of Civil Penalties as required. The Environment Agency report to DECC who are responsible for the overall monitoring and reporting of CRC, ensuring that the figures recorded in the Trust Statement are complete and correct.

The scheme started in April 2010 with a four year introductory phase. There are over 2000 participants in the scheme. The CRC tackles the barriers to energy efficiency in three ways. Firstly, the CRC has standardised and structured reporting requirements which require participants to monitor and report their emissions; secondly it has a reputational driver through the publication of data[44]; and thirdly its financial element which requires participants to buy allowances for the carbon they emit. This brings energy efficiency to the attention of finance directors and makes it a boardroom issue.

Future developments

EU ETS

5.22 The Department has published a schedule of Phase III general allowance auctions through to December 2014 and will announce further auctions in due course.

Petroleum Licences

5.23 The Department held its 28th Seaward Oil and Gas Licensing Round between 24 January and 25 April 2014 inviting applications for petroleum licences for unlicensed seaward blocks in the United Kingdom Continental Shelf. Applications will be assessed during the spring and summer 2014. Proposed awards will then be screened to establish whether environmental assessment such as under the Birds Directive, is necessary. The first tranche of awards (those for which these assessments are not necessary) is expected in quarter 4 of the 2014 calendar year. Further awards are expected subsequently, subject to the outcome of the relevant environmental assessments.

5.24 The Department has also consulted on its Strategic Environmental Assessment for the future 14th onshore oil and gas licensing. The consultation closed on 28 March 2014. DECC is currently analysing the consultation responses and will issue a 'post-adoption statement' in due course.

CRC

5.25 Following a broader simplification review and engagement and consultation with stakeholders, the Department has implemented proposals for a simplified CRC. This created a new, leaner, simplified and refocused CRC. The simplified CRC delivers its energy efficiency and carbon reduction objectives whilst making

44 Formerly, the Performance League Table. The league table was removed following the Chancellor's Autumn Statement in December 2012, with the final table being published in February 2013. The Environment Agency now publish participants' aggregated energy use and emissions data, annually.

compliance easier and less burdensome for participants. In summary, the simplification measures have:

- provided greater business certainty by introducing two fixed price sales of allowances a year (one forecast and one retrospective);
- allowed for greater flexibility for organisations to participate in 'natural business units';
- reduced the reporting burden in particular by reducing the number of the fuels reported from 29 to 2; using only electricity measured by settled half hourly meters for qualification purposes; ending the requirement for footprint reports; and other practical measures such as reduced requirements on maintaining records;
- reduced scheme complexity by removing the residual percentage rule ('90% rule') and Climate Change Agreement (CCA) exemption rules;
- reduced overlap with other schemes so that organisations covered entirely by CCAs do not need to register; no longer requiring EU ETS installations to purchase allowances for electricity supplies.

5.26 Government has made and laid an Order before Parliament, the Scottish Parliament, National Assembly for Wales and the Northern Ireland Assembly via the affirmative resolution process, with the Order coming into force on 13 May 2013. Finalising CRC simplification was completed through the CRC Energy Efficiency Scheme (Amendment) Order 2014, which comes into force from 1 April 2014.

Financial Review

EU ETS

5.27 The UK held 24 auctions during 2013-14 that yielded income of £369m (2012-13: £278m) as shown in Note 2 to the Trust Statement. All the auctions were wholly competitive auctions.

5.28 For each auction the total amount received was passed to the Consolidated Fund within a few days of the auction. The timing of the revenues in euros and onward transfer in sterling gave rise to exchange differences in the case of each auction totalling £204,000 (2012-13: £449,000). These exchange differences are recognised in the Statement of Revenue, Other Income and Expenditure. There was one civil penalty totalling £1,000 levied under the EU ETS scheme for the year under review (2012-13: Nil).

5.29 The costs associated with administering the scheme were borne by the Department as shown in Note 3 and included within the Department's Accounts.

Petroleum Licences

5.30 Fees received in respect of Petroleum licences amounted to £68m in 2013-14 (2012-13: £70m). Under Section 2 of the Miscellaneous Financial Provisions Act 1968, the Northern Ireland Government is entitled to a share of the proceeds received under the regime, totalling £1,759,000 (2012-13: £1,634,000). These payments are recognised in the Statement of Revenue, Other Income and Expenditure.

5.31 The costs associated with administering the licensing regime were borne by the Department as shown in Note 3 and included within the Department's Accounts.

CRC

5.32 Allowance sales under the CRC Scheme generated £671m (2012-13: £674m).

5.33 There were four civil penalties levied against companies participating in the CRC Scheme in the financial year under review. The civil penalties amounted to £190,000 (2012-13: Nil).

5.34 The costs incurred by the Department in administering the CRC Scheme were borne by the Department as shown in Note 3 and included within the Department's Accounts.

Auditors

5.35 These financial statements have been audited, under the Government Resources and Accounts Act 2000, by the Comptroller and Auditor General (C&AG), who is appointed under statute and reports to Parliament. The audit opinion is on pages 172 to 173. The auditor's notional remuneration is included within the Department's Accounts. There were no fees in respect of non-audit work.

Basis for preparation

5.36 The HM Treasury Accounts Direction, issued under section 7(2) of the Government Resources and Accounts Act 2000, requires the Department to prepare the Trust Statement to give a true and fair view of the state of affairs relating to the collection and allocation of the carbon allowance auction receipts for the EU Emissions Trading Schemes, the receipts from the Petroleum Licences regime, together with the revenue income, expenditure and cash flows for the financial year, and the allowance sales and civil penalties receivable under the CRC Scheme. Regard is given to all relevant accounting and disclosure requirements given in Managing Public Money and other guidance issued by HM Treasury.

Accounting judgements

5.37 As Accounting Officer, it is my responsibility to apply suitable accounting policies in the preparation of the Trust Statement. Revenues are recognised in the period in which the event that generates the revenue takes place, consequently the anticipated proceeds from future auctions and licences as detailed in Note 2 are not recognised as assets within this statement.

5.38 All the transactions within the Trust Statement reflect transactions that have taken place in the financial year and consequently do not require accounting judgements to be made.

Events after the reporting period

5.39 Details of events after the reporting period are given in Note 11 to the Trust Statement.

Stephen Lovegrove
Accounting Officer and Permanent Secretary

19 June 2014

Statement of the Accounting Officer's Responsibilities in Respect of the Trust Statement

Under section 7 of the Government Resources and Accounts Act 2000, HM Treasury has directed the Department of Energy and Climate Change to prepare for each financial year a Trust Statement in the form and on the basis set out in the Accounts Direction.

HM Treasury has appointed the Permanent Secretary as Accounting Officer of the Department of Energy and Climate Change with overall responsibility for preparing the Trust Statement and for transmitting it to the Comptroller and Auditor General.

The Accounting Officer is responsible for ensuring that there is a high standard of financial management, including a sound system of internal control; that financial systems and procedures promote the efficient and economical conduct of business and safeguard financial propriety and regularity; that financial considerations are fully taken into account in decisions on policy proposals; and that risk is considered in relation to assessing value for money.

The Accounting Officer is responsible for the fair and efficient administration of the EU Emissions Trading Scheme (EU ETS) including conducting the auction of EU Allowances in the UK for Phase III of the Scheme, collection of the proceeds and onward transmission of the funds in their entirety to the Consolidated Fund. The Accounting Officer is also responsible for the collection of Petroleum Licences receipts for onward transmission to the Consolidated Fund, the collection of CRC Allowances for onward transmission to the Consolidated Fund and, the collection of civil penalties levied under the CRC and EU ETS scheme for onward transmission to the Consolidated Fund.

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

The Trust Statement must give a true and fair view of:

- the state of affairs of the EU ETS Scheme and Petroleum Licensing regime, and penalties issued under the EU ETS and CRC Schemes. These streams of income are recognised on an accruals basis;
- the state of affairs of the CRC Allowance Scheme sales which are recognised on a cash received basis; and
- the revenue collected and expenditure incurred together with the net amounts surrendered to the Consolidated Fund.

In preparing the Trust Statement, 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 HM Treasury, 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 account; and
- prepare the Trust Statement on a going concern basis.

Governance Statement

The Department's Governance Statement, covering both the Accounts and the Trust Statement, is included in Chapter 4 of this Report.

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

I certify that I have audited the financial statements of the Department of Energy and Climate Change Trust Statement for the year ended 31 March 2014 under the Government Resources and Accounts Act 2000. The financial statements comprise the Statement of Revenue, Other Income and Expenditure, the Statement of Financial Position, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them.

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, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the Department of Energy and Climate Change Trust Statement and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Department; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Accounting Officer's Foreword to the Trust Statement, to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the Department of Energy and Climate Change Trust Statement gives a true and fair view of the state of affairs of balances stemming from the collection of EU Emissions Trading Scheme (ETS) auction receipts, Carbon Reduction Commitment (CRC) Energy Efficiency Scheme allowance sales, Petroleum Licence receipts, and EU ETS and CRC Scheme civil penalty receipts as at 31 March 2014 and of the net revenue for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the information given in the Accounting Officer's Foreword to the Trust Statement, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse 23 June 2014
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Statement of Revenue, Other Income and Expenditure

for the year ended 31 March 2014

	Note	2013-14 £'000	2012-13 £'000
Revenue			
Licence fees and taxes			
Carbon Reduction Commitment allowance sales	2.1	670,606	673,525
EU Emissions Trading Scheme auction income	2.2	368,801	277,750
Petroleum licences	2.3	67,665	69,514
Total		1,107,072	1,020,789
Fines and penalties			
Civil penalties – EU Emissions Trading scheme	2.4	1	(1,071)
Civil penalties – CRC Scheme	2.4	190	(222)
Total		191	(1,293)
Total revenue and other income		1,107,263	1,019,496
Expenditure			
EU Emissions Trading Scheme costs	3.1	(204)	(449)
Total		(204)	(449)
Disbursements			
Northern Ireland Government payments	3.2	(1,759)	(1,634)
Total		(1,759)	(1,634)
Total expenditure and disbursements		(1,963)	(2,083)
Net revenue for the Consolidated Fund		**1,105,300**	**1,017,413**

There were no recognised gains or losses accounted for outside the above Statement of Revenue, Other Income and Expenditure.

The notes on pages 177 to 184 form part of this statement.

Statement of Financial Position

as at 31 March 2014

	Note	31 March 2014 £'000	31 March 2013 £'000
Current assets			
Receivables and accrued fees	4	2,467	5,919
Cash and cash equivalents	5	21,968	50,996
Total current assets		24,435	56,915
Current liabilities			
Payables	6	(1,650)	(1,603)
Deferred revenue	7	(579)	(502)
Total current liabilities		(2,229)	(2,105)
Net current assets		22,206	54,810
Total net assets		**22,206**	**54,810**
Represented by:			
Balance on Consolidated Fund Account	8	**22,206**	**54,810**

Stephen Lovegrove
Accounting Officer and Permanent Secretary

19 June 2014

The notes on pages 177 to 184 form part of this statement.

Statement of Cash Flows

for the year ended 31 March 2014

	Note	2013-14 £'000	2012-13 £'000
Net cash flows from revenue activities	A	**1,108,876**	**1,019,141**
Cash paid to the Consolidated Fund	8	(1,137,904)	(982,307)
Increase/(decrease) in cash in this period	B	**(29,028)**	**36,834**

Notes to the Statement of Cash Flows

A: Reconciliation of Net Cash Flow to Movement in Net Funds			
Net Revenue for the Consolidated Fund		1,105,300	1,017,413
(Increase)/decrease in receivables and accrued income	4	3,452	5,130
Increase/(decrease) in payables and deferred income	6, 7	124	(3,402)
Net cash flows from revenue activities		**1,108,876**	**1,019,141**

B: Analysis in changes in Net Funds			
Increase/(decrease) in cash in this period		(29,028)	36,834
Net Funds as at 1 April (net cash at bank)	5	50,996	14,162
Net Funds as at 31 March (closing balance)	5	**21,968**	**50,996**

The notes on pages 177 to 184 form part of this statement.

Notes to the Trust Statement

1 Statement of accounting policies

1.1 Basis of Accounting

The Trust Statement is prepared in accordance with the accounts direction issued by HM Treasury under section 7(2) of the Government Resources and Accounts Act 2000. The Trust Statement is prepared in accordance with the accounting policies detailed below. These have been agreed between the Department of Energy and Climate Change (the Department) and HM Treasury and have been developed in accordance with International Financial Reporting Standards (IFRS) and other relevant guidance. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

The income and associated expenditure contained in the Trust Statement are those flows of funds which the Department handles on behalf of the Consolidated Fund.

The financial information in the Trust Statement is rounded to the nearest £'000.

The Trust Statement is presented in pounds sterling, which is the functional currency of the Department.

1.2 Accounting convention

The Trust Statement has been prepared in accordance with the historical cost convention.

1.3 Revenue recognition

Revenue is recognised when it can be measured reliably and it is probable that the economic benefits will flow to the Exchequer. It is measured at the fair value of amounts received or receivable, net of repayments.

EU Emissions Trading Scheme receipts represent proceeds from the auction of carbon allowances under Phase III of the EU Emissions Trading Scheme. Revenue is recognised at the close of each competitive auction, when the revenue can be measured reliably.

Revenue income in respect of petroleum licence fees is recognised when it falls due, which is on the anniversary date of each existing licence.

Revenue in respect of civil penalties is recognised when the penalty is imposed.

Revenue in respect of CRC allowance sales is recognised on cash received basis.

1.4 Financial instruments

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

1.5 Financial assets

The Department classifies financial assets into the following categories:

- Loans and receivables; and
- Cash and cash equivalents.

Loans and receivables comprise:

- for EU ETS the amounts due from Primary Participants in respect of established auction liabilities for which, at the financial year end, payments had not been received; the amounts due are measured at fair value calculated at the close of each auction and have a maturity of less than three months;
- for Petroleum licences the amounts due from companies for the licence fees invoiced which have not been received at the financial year end together with accrued amounts receivable which have not been invoiced at the year-end: and
- civil penalties levied against participants in the EU ETS and CRC Schemes, amounts for which have not been received at the financial year end.

The carrying amount of these assets approximates to their fair value.

Cash and cash equivalents comprise cash in hand and current balances with banks and other financial institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less. The carrying amount of these assets approximates to their fair value.

1.6 Financial Liabilities

The Department classifies financial liabilities into the following two categories:

- Financial liabilities at fair value through profit or loss; and
- Other financial liabilities.

The categorisation depends on the purpose for which the financial liability is held or acquired. Management determines the categorisation of financial liabilities at initial recognition and re-evaluates this designation at each reporting date.

For the purposes of this Trust Statement the Department holds financial liabilities in the following category:

- Other financial liabilities.

Other financial liabilities comprise:

- Payables in the Statement of Financial Position. Payables are amounts established as due at the reporting date, but where payment is made subsequently; and
- Deferred revenue which represents petroleum licence income invoiced and received in advance relating to a future financial year.

Since these balances are expected to be settled within twelve months of the reporting date there is no material difference between fair value, amortised cost and historical cost.

1.7 Foreign currency

Transactions that are denominated in a foreign currency are translated into sterling at the rate of exchange ruling on the date of each transaction. Monetary assets and liabilities denominated in foreign currency at the year-end are translated at the rates ruling at that date unless a forward rate has been fixed with the Bank of England. All translation differences are included in the Statement of Revenue, Other Income and Expenditure for the period.

2 Revenue

2.1 Carbon Reduction Commitment Allowance sales

	2013-14 £'000	2012-13 £'000
Allowance sales	670,606	673,525
Total	**670,606**	**673,525**

2.2 EU Emissions Trading Scheme auction income

Auction date	Auction type	Allowances auctioned	2013-14 £'000	2012-13 £'000
10 May 2012	Competitive	4,000,000	–	21,414
5 July 2012	Competitive	3,999,600	–	25,985
6 September 2012	Competitive	3,999,600	–	25,687
27 September 2012	Competitive	4,000,000	–	23,717
25 October 2012	Competitive	4,319,000	–	25,980
21 November 2012	Competitive	6,500,000	–	34,560
5 December 2012	Competitive	5,758,000	–	26,579
16 January 2013	Competitive	4,134,000	–	19,896
30 January 2013	Competitive	4,134,000	–	13,209
13 February 2013	Competitive	4,134,000	–	16,267
27 February 2013	Competitive	4,134,000	–	15,139
13 March 2013	Competitive	4,134,000	–	12,948
27 March 2013	Competitive	4,134,000	–	16,369
10 April 2013	Competitive	4,134,000	16,182	–
24 April 2013	Competitive	4,134,000	10,320	–
8 May 2013	Competitive	4,134,000	12,292	–
22 May 2013	Competitive	4,134,000	12,153	–
5 June 2013	Competitive	4,134,000	13,929	–
19 June 2013	Competitive	4,134,000	16,024	–
3 July 2013	Competitive	4,134,000	13,528	–
17 July 2013	Competitive	4,134,000	14,327	–
31 July 2013	Competitive	4,134,000	14,804	–
14 August 2013	Competitive	2,075,000	7,577	–

Auction date	Auction type	Allowances auctioned	2013-14 £'000	2012-13 £'000
28 August 2013	Competitive	2,075,000	8,163	–
11 September 2013	Competitive	4,134,000	17,169	–
25 September 2013	Competitive	4,134,000	18,491	–
9 October 2013	Competitive	4,134,000	16,452	–
23 October 2013	Competitive	4,134,000	16,174	–
6 November 2013	Competitive	4,134,000	16,504	–
20 November 2013	Competitive	4,134,000	15,250	–
4 December 2013	Competitive	4,134,000	15,176	–
15 January 2014	Competitive	4,630,000	18,856	–
29 January 2014	Competitive	4,630,000	21,178	–
12 February 2014	Competitive	4,630,000	24,329	–
26 February 2014	Competitive	4,630,000	23,489	–
12 March 2014	Competitive	2,515,000	14,259	–
26 March 2014	Competitive	2,515,000	12,175	–
Total			**368,801**	**277,750**

Auctions under Phase II of the scheme were held until October 2012, Phase III auctions were held from November 2012, for further details see the foreword.

Subsequent dates for the carbon allowances auctions under Phase III of the EU ETS, along with the number of units to be auctioned on each date are given below. The dates and volumes may be subject to change and further information is available on the Intercontinental Exchange website on the auction calendar link at https://www.theice.com/emissionsauctions.jhtml.

Auction Date	Allowances for auction
9 April 2014	2,515,000
23 April 2014	2,515,000
7 May 2014	2,515,000
21 May 2014	2,515,000
4 June 2014	2,515,000
18 June 2014	2,515,000
2 July 2014	2,515,000
16 July 2014	2,515,000
30 July 2014	2,515,000
13 August 2014	1,215,000
27 August 2014	1,215,000
10 September 2014	2,515,000
24 September 2014	2,515,000
8 October 2014	2,515,000
22 October 2014	2,515,000
5 November 2014	2,515,000
19 November 2014	2,515,000
3 December 2014	2,515,000

2.3 Petroleum licence income

	2013-14	2012-13
	£'000	£'000
Fees receivable	67,665	69,514
Total	**67,665**	**69,514**

2.4 Civil penalties

	2013-14	2012-13
	£'000	£'000
Levied under EU ETS Scheme	1	(1,071)
Levied under CRC Scheme	190	(222)
Total	**191**	**(1,293)**

An EU ETS penalty of £1,071,000 and CRC penalties of £222,000, which were shown as receivables in 2011-12, were derecognised in 2012-13 as these penalties were successfully appealed by the companies on which they were levied.

3 Expenditure and disbursements

3.1 Costs incurred in the collection of receipts

	2013-14	2012-13
	£'000	£'000
Foreign currency translation costs (EU ETS)	204	449
Total	**204**	**449**

3.2 Disbursements

	2013-14	2012-13
	£'000	£'000
Payments to Northern Ireland Government	1,759	1,634
Total	**1,759**	**1,634**

Payments to the Northern Ireland Government reflect their share of the proceeds received by the Department under the Petroleum Licensing Regime. These payments are made under Section 2 of the Miscellaneous Financial Provisions Act 1968. The amounts outstanding at the reporting date are disclosed under Payables (Note 6).

In addition to the costs and disbursements above the Department incurred expenditure of £3,176,000 (2012-13: £1,403,000) in administering EU ETS, £2,996,000 (2012-13: £2,881,000) in respect of the Petroleum Licensing Regime and £871,000 (2012-13: £1,560,000) in respect of the CRC Scheme. This expenditure is included in the Department's Accounts because there is no express statutory provision for these costs to be deducted from the revenue collected and paid over to the Consolidated Fund.

4 Receivables and accrued fees

	31 March 2014	31 March 2013
	£'000	£'000
Petroleum licence fees and civil penalties receivable	2,198	3,166
Accrued petroleum licences receivable	269	2,753
Total	**2,467**	**5,919**

Petroleum licence fees and civil penalties receivable represent the amounts due from the licensees/participants where invoices for payment have been issued but not paid for at the year end. Accrued petroleum licences receivable represents the amount of revenue from licences which relate to the financial year but for which invoices had not been issued at the reporting date.

5 Cash and cash equivalents

	2013-14	2012-13
	£'000	£'000
Balance as at 1 April	50,996	14,162
Net change in cash and cash equivalent balances	(29,028)	36,834
Balance at 31 March	**21,968**	**50,996**
The following balances at 31 March were held at:		
Government Banking Service	21,968	50,996
Total	**21,968**	**50,996**

6. Payables

	31 March 2014	31 March 2013
	£'000	£'000
Accruals	1,650	1,600
Other	–	3
Total	**1,650**	**1,603**

7. Deferred revenue

	31 March 2014	31 March 2013
	£'000	£'000
Deferred revenue	579	502
Total	**579**	**502**

Deferred revenue represents licence fees received in the current year that relate to future financial periods.

8. Balance on the Consolidated Fund Account

	2013-14	2012-13
	£'000	£'000
Balance on the Consolidated Fund as at 1 April	54,810	19,704
Net revenue for the Consolidated Fund	1,105,300	1,017,413
Adjustment for amounts reported in prior year accounts	–	–
Less amounts paid to the Consolidated Fund	(1,137,904)	(982,307)
Balance on the Consolidated Fund as at 31 March	**22,206**	**54,810**

9 Financial instruments

9.1 Classification and categorisation of financial instruments

	Note	31 March 2014 £'000	31 March 2013 £'000
Financial assets:			
Cash	5	21,968	50,996
Petroleum licence fees and civil penalties receivable	4	2,198	3,166
Accrued petroleum licence fees receivable	4	269	2,753
Total loans and receivables		**24,435**	**56,915**
Financial liabilities:			
Accruals	6	(1,650)	(1,600)
Other payables	6	–	(3)
Deferred revenue	7	(579)	(502)
Total other financial liabilities		**(2,229)**	**(2,105)**

9.2 Risk exposure to financial instruments

EU Emissions Trading Scheme

The EU Emissions Trading Scheme is exposed to foreign currency risk due to the timing difference in recognising the proceeds at the auction exchange rate and the date at which the proceeds are converted into sterling, which is one day after the close of the auction; this results in either an exchange loss or gain. As shown in Note 3 there was an exchange loss incurred this financial year of £204,000 (2012-13: £449,000). The scheme is not exposed to interest rate or liquidity risk and its exposure to market risk is limited due to there being a current demand for carbon allowances.

The civil penalties imposed under the EU ETS scheme are subject to credit risk, but this risk is assessed by management as minimal due to the nature of the participants in the scheme.

Petroleum Licensing Regime

The fees receivable under the Petroleum Licensing Regime are subject to credit risk, but this risk is assessed by management as minimal which has been demonstrated by the fact that in the running of this scheme bad debts have been immaterial and there have been none in the last three years. There is no foreign exchange risk as all the fees under this regime are receivable in sterling. The market risk is limited due to there being a constant demand for licences and this is borne out by uptake of the new licences issued each year in the annual licensing round.

CRC Scheme

The allowance sales under the Carbon Reduction Commitment are subject to credit risk, but this risk is assessed by management as low. This is borne out in the results from the early years of the scheme.

The civil penalties imposed under the CRC scheme are subject to credit risk, but this risk is assessed by management as minimal due to the nature of the participants in the scheme.

Information which will allow Trust Statement users to evaluate the significance of financial instruments on the Department's financial performance and position and the nature and extent of the Department's exposure to other risks arising from financial instruments can be found in Note 23 to the Department's Accounts.

10 Contingent Liability

A contingent liability exists for refunds DECC may have to pay to participants in the CRC Energy Efficiency Scheme who have over-surrendered allowances. This is as a result of legislation included in the CRC Order 2013, which came into force in May 2013. The refunds are contingent upon participants being able to prove that the over-surrender was due to a reporting error and must be agreed by the Secretary of State. DECC is unable to quantify the amount of future refunds, but based on the most recent information available from the scheme administrators, the refunds are not expected to be significant. Future refunds will be paid as and when they fall due out of future scheme receipts.

The Department has issued guidance to participants detailing the refund process.

11 Events after the reporting period

There were no significant events after the reporting period that require disclosure.

Date Trust Statement authorised for issue

The Accounting Officer has duly authorised the issue of the Trust Statement on the date of the Comptroller and Auditor General's audit certificate.

Accounts Direction given by HM Treasury in accordance with section 7(2) of the Government Resources and Accounts Act

1. This direction applies to those government departments listed in Appendix 2.

2. The Department shall prepare a Trust Statement ("the Statement") for the financial year ended 31 March 2014 for the revenue and other income, as directed by the Treasury, collected by the department as an agent for others, in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual by HM Treasury (FReM) which is in force for 2013-14.

3. The Statement shall be prepared, as prescribed in Appendix 1, so as to give a true and fair view of (a) the state of affairs relating to the collection and allocation of taxes, licence fees, fines and penalties and other income by the Department as agent and of the expenses incurred in the collection of those taxes, licence fees, fines and penalties insofar as they can properly be met from that revenue and other income; (b) the revenue and expenditure; and (c) the cash flows for the year then ended.

4. The statement shall also be prepared so as to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.

5. When preparing the Statement, the Department shall comply with the guidance given in the FReM (Chapter 13). The Department shall also agree with HM Treasury the format of the Accounting Officer's Foreword to the Statement, and the supporting notes, and the accounting policies to be adopted, particularly in relation to revenue recognition. Regard shall also be given to all relevant accounting and disclosure requirements in Managing Public Money and other guidance issued by HM Treasury, and to the principles underlying International Financial Reporting Standards.

6. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with HM Treasury.

7. The Statement shall be transmitted to the Comptroller and Auditor General for the purpose of his examination and report by a date agreed with the Comptroller and Auditor General and HM Treasury to enable compliance with the administrative

deadline for laying the audited accounts before Parliament before the Summer Recess.

8. The Trust Statement, together with this direction (but with the exception of the related appendices) and the Report produced by the Comptroller and Auditor General under section 7(2) of the Government Resources and Accounts Act 2000 shall be laid before Parliament at the same time as the Department's Resource Accounts for the year unless the Treasury have agreed that the Trust Statement may be laid at a later date.

Ross Campbell
Deputy Director, Government Financial Reporting
Her Majesty's Treasury

20 December 2013

Appendix to the Accounts Direction given by HM Treasury in accordance with section 7(2) of the Government Resources and Accounts Act 2000

Trust Statement for the year ended 31 March 2014

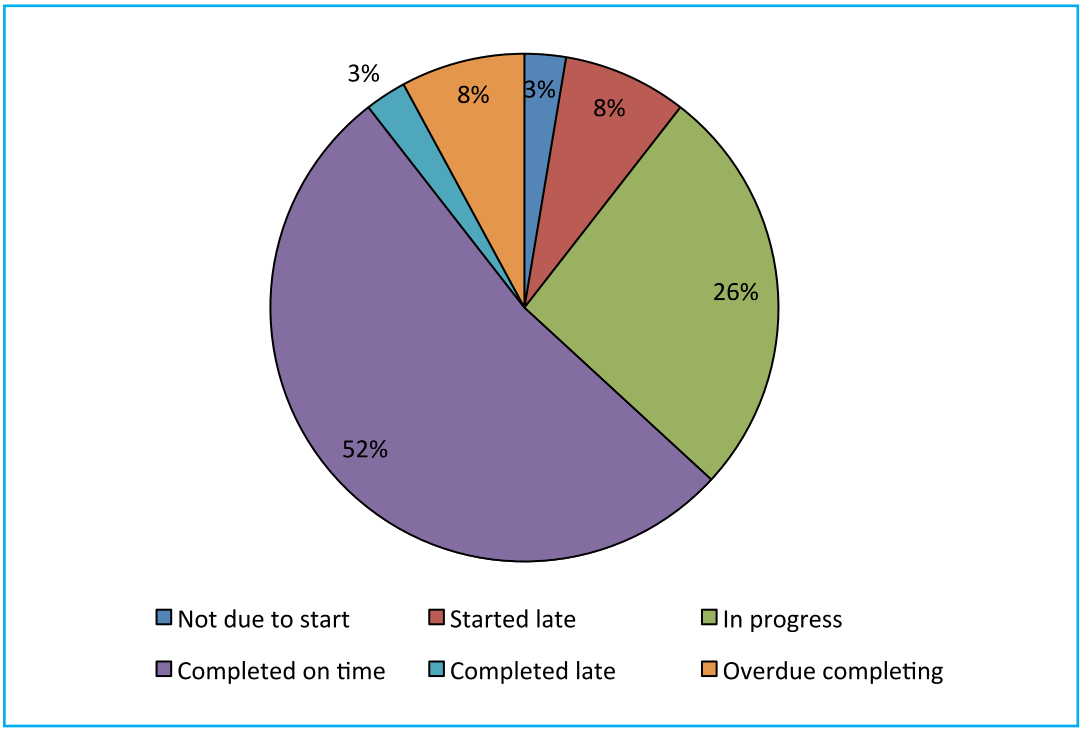
1. The Trust Statement shall include:
   - a Foreword by the Accounting Officer;
   - a Statement of the Accounting Officer's Responsibilities;
   - a Governance Statement;
   - a Statement of Revenue, Other Income and Expenditure;
   - a Statement of Financial Position;
   - a Cash Flow Statement; and
   - such notes as may be necessary to present a true and fair view.
2. The Notes shall include among other items:
   - the accounting policies, including the policy for revenue recognition and estimation techniques and forecasting techniques together with statements explaining any significant uncertainty surrounding estimates and forecasts;
   - a breakdown of material items within the accounts;
   - any assets, including intangible assets and contingent liabilities;
   - summaries of losses, write-offs and remissions;
   - post balance sheet events; and
   - any other notes agreed with HM Treasury and the National Audit Office.

Appendix 2 to Annex D (extract)

No	Sponsoring Department	Income stream	Responsible Entity
02	DECC	Petroleum licenses	DECC
02	DECC	EU Emissions Allowance	DECC
02	DECC	Fines and Penalties	DECC
02	DECC	CRC Allowances	DECC

Structural Reform Plan (SRP)

The chart below summarises the Department's performance on completing SRP actions due in the 2013-14 financial year.



The Department missed 7 out of 32 actions in 2013-14. The reasons why actions were missed are set out in the tables below:

Actions missed due to reasons outside the Department's control:

Action	Reason for delay
2.1(i) Publish first Green Deal Annual Report as part of our ongoing monitoring of the Green Deal's impact on the energy efficiency market	Certain elements of the Green Deal, including Green Deal finance, will only have been operational for a year in early summer 2014. Government also has a programme of research into how the Green Deal has operated. We are committed to meeting the statutory obligation to publish a Green Deal Annual Report, including the new developments, in 2014, but will now do so later in the year.
3.3(ii) Publish a UK solar photovoltaic strategy to support solar photovoltaic deployment and growth of the domestic supply chain in the UK	This was published on 4 April 2014.

Actions missed due to reasons inside the Department's control:

Action	Reason for delay
2.1(ii) Carry out public consultation on Private Rented Sector legislation	The timing of this consultation is being delayed until later in 2014 to allow for a period of further engagement with the Private Rented Sector and for further policy development in partnership with colleagues across government.
2.1(iii) Consult on Energy Company Obligation Phase 2 from March 2014	As above.
3.3(vi) Consult on and bring into force extended support through the Renewable Heat Incentive to additional non-domestic technologies and to the domestic sector	This Action is delayed to spring 2014. https://www.gov.uk/government/policies/increasing-the-use-of-low-carbon-technologies/supporting-pages/renewable-heat-incentive-rhi
3.3(vii) Consult on and bring into force longer term non-domestic cost control measures, biomass sustainability, air quality standards and changes to the existing regulations, reflecting lessons learn since the Renewable Heat Incentive	All completed, apart from biomass sustainability regulations which have been re-scheduled for autumn 2014.
3.4(i) Take all the decisions government needs to make in order to facilitate nuclear operators to proceed to a final investment decision on the first new nuclear power stations. These include planning consent, agreement on funded decommissioning, regulatory design acceptance and sufficient progress on Electricity Market Reform scheme opened	Government has made significant progress in facilitating nuclear operators to proceed to final investment decision on the first new nuclear power stations. This includes reaching, in principle, agreement on the Heads of Terms for a strike price for Hinkley Point C (October 2013). The details of the investment contract will conclude the funded decommissioning agreement and the HM Treasury infrastructure guarantee, to be closed out by summer 2014.
3.5(i) Award contract(s) for activities that reduce the risk and cost of Carbon Capture and Storage	Action was due for completion in October 2013 and completed in February 2014. Notes: https://www.gov.uk/uk-carbon-capture-and-storage-government-funding-and-support

Annex B

Delivery Partners

During 2013-14 the DECC Departmental family contained seven non-departmental public bodies (NDPBs). The Department is also responsible for overseeing one non-ministerial department and two public corporations, and over the financial year has been associated with a number of other bodies.

Executive non-departmental public bodies

Civil Nuclear Police Authority www.cnpa.police.uk

Coal Authority www.coal.gov.uk

Nuclear Decommissioning Authority www.nda.gov.uk

Committee on Climate Change www.theccc.org.uk

Advisory non-departmental public bodies

Committee on Radioactive Waste Management www.corwm.org.uk

Fuel Poverty Advisory Group www.decc.gov.uk/en/content/cms/what_we_do/consumers/fuel_poverty/fpag

Nuclear Liabilities Financing Assurance Board
www.gov.uk/government/organisations/nuclear-liabilities-financing-assurance-board

Non-ministerial department

Gas and Electricity Markets Authority [Ofgem] www.ofgem.gov.uk

Public corporation

National Nuclear Laboratory www.nnl.co.uk

Nuclear Liabilities Fund www.nlf.uk.net

Sponsored partners

The Carbon Trust www.carbontrust.co.uk

Energy Saving Trust www.energysavingtrust.co.uk

National non-Food Crops Centre www.nnfcc.co.uk

Where the Department is responsible for appointments to the boards of our delivery partners, it is committed to basing appointments on merit. Public appointments to the boards of the NDPBs and agencies are made by Ministers in accordance with the Code of Practice of the Office of the Commissioner for Public Appointments.

Each NDPB is overseen by a sponsor team which agrees the body's remit and monitors performance. The sponsor teams work with their NDPBs to support their high-level aims. Sponsor teams also challenge NDPBs to ensure rules of regularity and propriety are adhered to, and to provide budgetary control.

Executive NDPBs publish their own annual reports and accounts. These describe the targets and the performance of the organisation and provide financial information. They can be obtained from their websites or from The Stationery Office. Following the introduction of the Clear Line of Sight reporting requirements during the year, the Department's Accounts are now prepared on a Group basis which fully consolidates the core Department and the four executive NDPBs.

Non-Ministerial departments generally cover matters for which direct political oversight is judged unnecessary or inappropriate. They are headed by senior civil servants. Some fulfill a regulatory or inspection function.

Public corporations are industrial or commercial enterprises under direct government control. Their Board members are appointed by Ministers (the Secretary of State is responsible for all appointments to the board of the Department's public corporation) and meet at least four times a year. Public corporations manage their own staff and have their own budgets.

The Department funds **Carbon Trust** to deliver outcomes, primarily:

- Carbon savings achieved by those it advises.
- Cost savings to those it advises as a result of energy savings.
- Accelerating development of low carbon technologies – measured in a number of ways, and in particular by leverage of private sector investment in innovative early stage low carbon businesses.

The Department provides the core funding for the **Energy Saving Trust** (EST) and is its sponsor Department. EST helps the Department to carry out numerous activities, including Customer advice. This is a householder engagement activity which is delivered through specialist advice services and a website. It aims to raise awareness and therefore drive householders to take action on energy saving.

National Non-Food Crops Centre is a leading international consultancy with expertise on the conversion of biomass to bioenergy, biofuels and bio-based products. The Department has used them for many pieces of work on bioliquids for Combined Heat and Power (CHP) and for heat only.

Complaints to the Parliamentary Ombudsman

In the financial year 2013-14, seven new complaints about the Department were accepted for investigation by the Parliamentary and Health Service Ombudsman (PHSO).

Three complaints were not upheld relating to Heat and Industry, Feed-in Tariffs and the Warm Home Front

One (the warm front complaint) was partially upheld. No service failings were found against the Department.

One was upheld, and will be anonymised and published by the PHSO on its website.[11] The Department is currently arranging the resolution within the set timescale.

One was closed, following our intervention, with no further action for the Department.

One (relating to the Green Deal) is on-going.

11 www.ombudsman.org.uk

Annex D

DECC Sustainability Report

DECC Group Consolidated Sustainability Report for the year ended 31 March 2014

Sustainability at DECC

Sustainability is fundamental to the remit of DECC. The Department's policies are beneficial for the environment (through decarbonisation), the economy (by ensuring a secure and affordable supply of energy) and people (through targeted interventions on fuel poverty, for example). The Department recognises the importance of its own sustainability performance in order to show leadership and support its policy objectives.

Scope

This report covers four principal areas of sustainable operations;

- greenhouse gases,
- waste minimisation and management,
- water consumption and
- sustainable procurement.

Wider sustainability issues, including mainstreaming sustainability into policy and decision making, are covered at the end of the Annex. The reporting boundary includes DECC and one of its Non-Departmental Public Bodies (NDPBs), the Nuclear Decommissioning Authority (NDA) but not its subsidiaries and Site Licenced Companies that work under contract. This is consistent with our boundary under the Greening Government Commitments (GGCs) as required by HM Treasury's Public sector annual reports: sustainability reporting guidance. The mainstreaming sustainability section refers to core DECC alone.

Greenhouse Gas Emissions

Background

Reducing the Department's greenhouse gas emissions and energy consumption is a high priority for the Department. Since its creation in October 2008, major strides have been made in increasing the energy efficiency of core DECC's estate and reducing greenhouse gas emissions from departmental travel. Under the GGC commitments, there is a target of a 25% reduction against the 2009-10 baseline (excluding international travel).

Embedding an energy efficient, lower carbon ethos

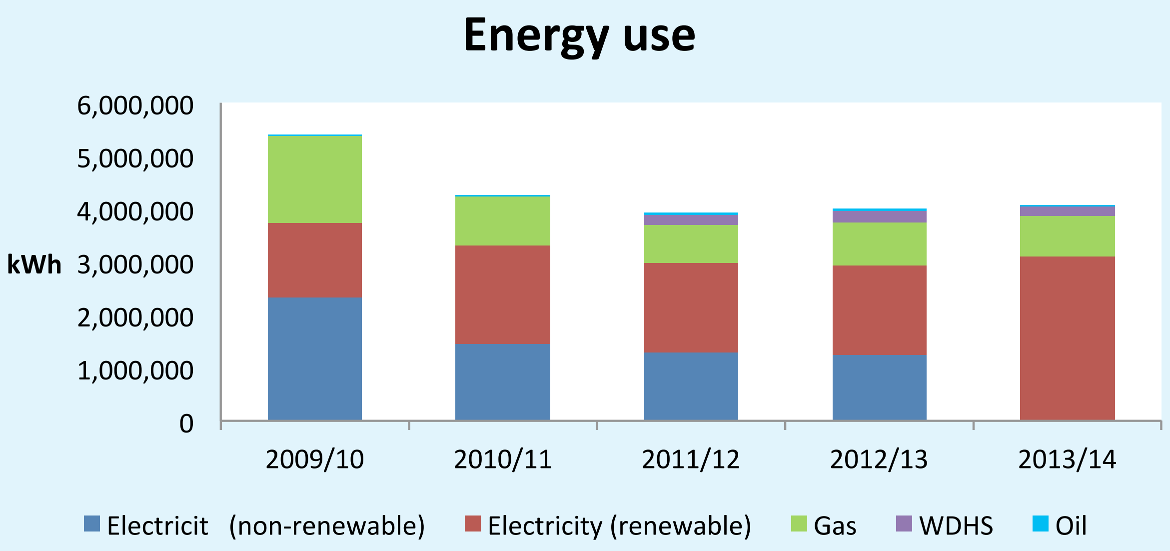
To ensure that there is an effective framework in place to manage and reduce energy consumption, core DECC has achieved certification to the ISO 50001 standard for energy management. DECC is one of the first organisations in the UK and the first government department in the world to do so. Reflecting this, both principal core DECC buildings have numerical DEC ratings that are significantly better than what is considered typical.

In addition, the Department has produced a Carbon Management Plan to cover the period 1 April 2010 to the 31 March 2015. This helps us to meet the GGC commitments but also sets out additional targets and presents a strategic vision for the implementation of improved performance

The NDA has produced a delivery plan which sets out the actions to be taken to reduce emissions and also meet the other GGC targets. This flows from the continuous improvement obligation required by the NDA's ISO 14001 certificated Environmental Management System.

FINITE RESOURCE CONSUMPTION – ENERGY		2009-10 (Baseline)	2010-11	2011-12	2012-13	2013-14
Non-Financial Indicators (kWh)	Electricity: Standard Tariff	2,330,841	1,450,056	1,291,017	1,256,499	n/a
	Electricity: Green Tariff	1,395,833	1,864,070	1,690,667	1,674,457	3,098,977
	Electricity Total	3,726,674	3,314,126	2,981,684	2,930,956	3,098,977
	Gas	1,639,127	911,372	714,834	807,686	762,525
	Whitehall District Heating System	n/a	n/a	190,125	225,391	185,730
	Oil	35,108	29,004	44,966	36,963	25,238
	Total Energy	5,400,909	4,254,502	3,931,609	4,000,995	4,072,471
	Total energy per FTE	3,359	2,684	2,422	2,279	2,199
Financial Indicators (£k)	Total Energy Expenditure	476	388	390	363	519

Graphical Analysis



Targets and Narrative

The Department has made good progress in increasing energy efficiency, with a 25% reduction in energy usage since 2009-10, the GGC baseline year. Although, there has been a slight year on year rise in energy usage since 2011-12, this reflects the increase in core DECC's staff numbers and the size of its estate. Despite this there has been a reduction in kwh per FTE, implying that in relative terms energy efficiency has improved.

It has been a challenging year for energy efficiency in the Department with a significant rise in the number of full time staff, the occupancy of new office space and faults identified with some of the department's plant resulting in a rise in electricity usage which will be monitored closely. Nevertheless, the overall picture remains positive.

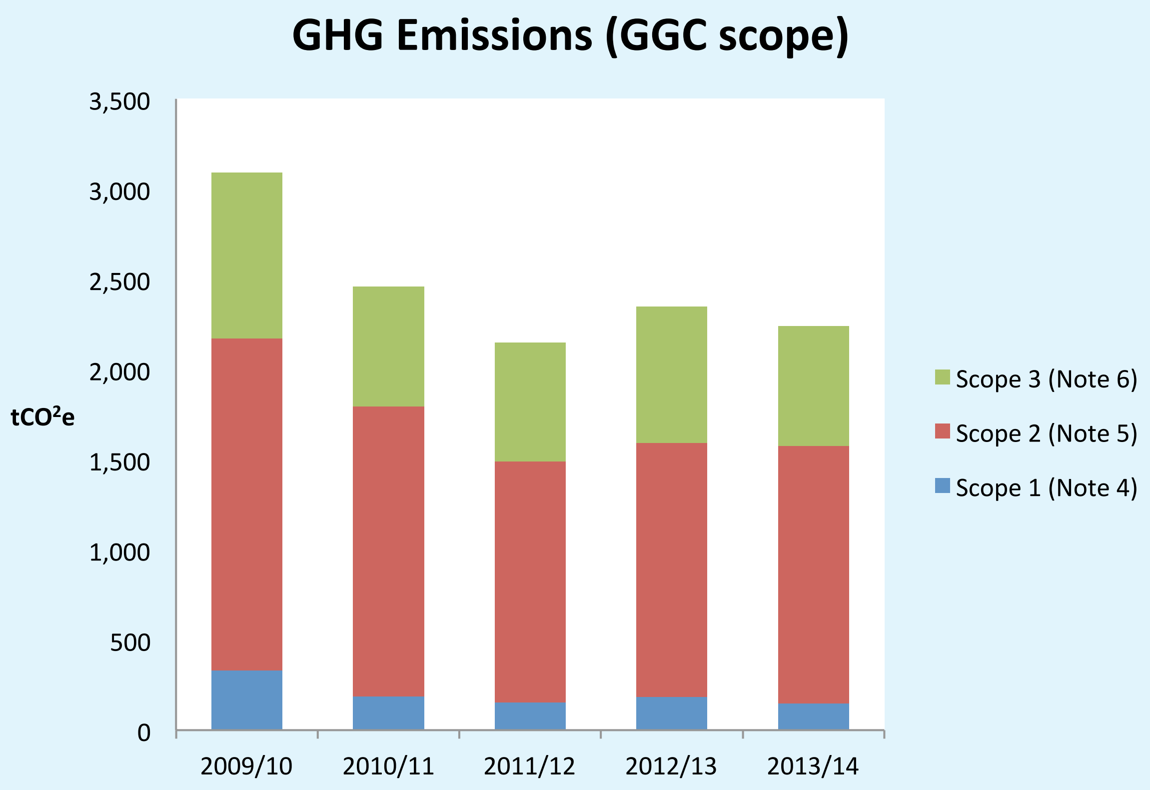
Greenhouse gas emissions performance

The following table presents an overall summary of emissions for the DECC Family, principally according to the GGC scope but also presenting total net emissions that include international travel.

GREENHOUSE GAS EMISSIONS			Baseline (2009-10)	2010-11	2011-12	2012-13	2013-14
Non-Financial Indicators (tCO_2e)	GGC Scope	Scope 1[12] emissions	331	188	156	184	147
		Scope 2[13] emissions	1,840	1,608	1,335	1,408	1430
		Scope 3[14] emissions (domestic)[15]	918	663	657	756	664
		Total emissions (GGC scope)	3,089	2,459	2,149	2,347	2241
		Emissions per FTE (GGC scope)	1.92	1.55	1.32	1.34	1.21
		% emissions reduction against 2009/10 baseline	N/A	-20%	-30%	-24%	-27%
	Total	Scope 3 Total (inc international)	3,382	2,110	2,036	1,741	1,624
		Total Gross Emissions	5,553	3,906	3,638	3,332	3,201
		Total Offsets (GCOF)	1,006	1,031	1,420	1,576	805
		Total Net Emissions	4,547	2,875	2,218	1,756	2,396
Other non-financial indicators	Full Time Equivalents (FTEs)		1,608	1,585	1,623.6	1,755.7	1856.6

12 Direct GHG emissions from owned and controlled sources (e.g. from combustion of gas in boilers)
13 Energy indirect emissions (e.g. from electricity consumption)
14 Indirect emissions, a consequence of activity which is not owned or controlled by the accounting entity (e.g. travel in non-owned vehicles)
15 Emissions from DECC's taxi travel are not included, as mileage data is not available for this. Also excluded are any DECC air and rail journeys not booked through one of the department's travel providers.

Graphical Analysis



Targets and Commentary

This year total GGC scope emissions were 2241, exceeding the GGC target by 3%.

The Department has made a number of technical interventions, ranging from the installation of a summer boiler to solar film on windows. These interventions culminated with a major project under the Mayor of London RE:FIT Programme under which the principal London building has had energy efficient LED lighting installed together with improvements to the Building Management System. These actions are expected to reduce emissions by 160 tonnes per annum.

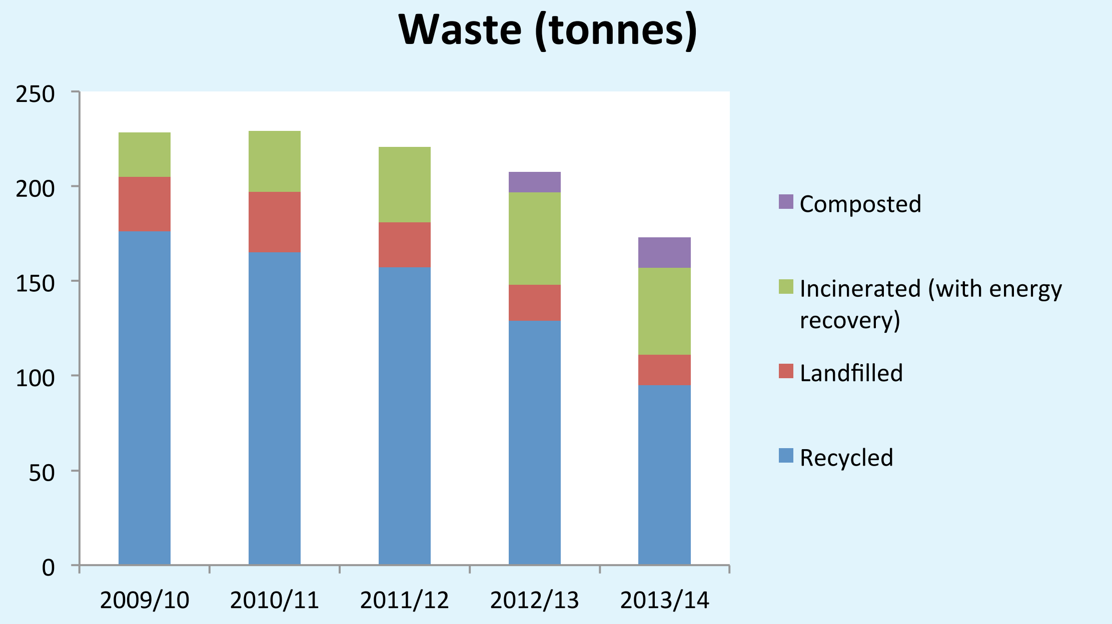
Waste management and minimisation

The Department's waste derives almost entirely from its office estate, with the majority being recycled or incinerated with energy recovery. The Department's waste reduction strategy is detailed in the Waste Management Plan. An increasing quantity of material undergoes closed loop recycling, including all core DECC white and confidential waste paper.

In addition to the overall GGC target for waste, there is also a requirement to cut paper use by 10%. Only NDA data is used for compliance with this target because core DECC does not have a paper use baseline. The NDA have reduced paper use significantly, by 50%, from 7,193 reams of A4 equivalent to 3,494 in 2013-14.

WASTE			2009-10 (Baseline)	2010-11	2011-12	2012-13	2013-14
Non-Financial Indicators (t)	Total Waste		228	229	221	196	158
	Waste per FTE (kg)		142	145	136	112	88
	Non-Hazardous Waste	Landfill	29	32	24	19	16
		Recycled[16]	176	165	157	129	95
		Incinerated (with energy recovery)	23	32	40	49	42
		Composted/ anaerobic digestion	n/a	n/a	n/a	11	16
	Paper use (A4 reams equivalent)[17]		7,193	5,044	3,731	3,997	3,494
Financial Indicators (£k)	Total disposal cost[18]		68	67	73	51	46

Graphical analysis



Targets and Narrative

The target is the Greening Government Commitment to reduce waste by 25%. The Department is on course to achieve this target and indeed currently operates below the 171 tonne goal. Within the overall trend there are other positive signs including a 45% reduction in the volume of material being sent to landfill.

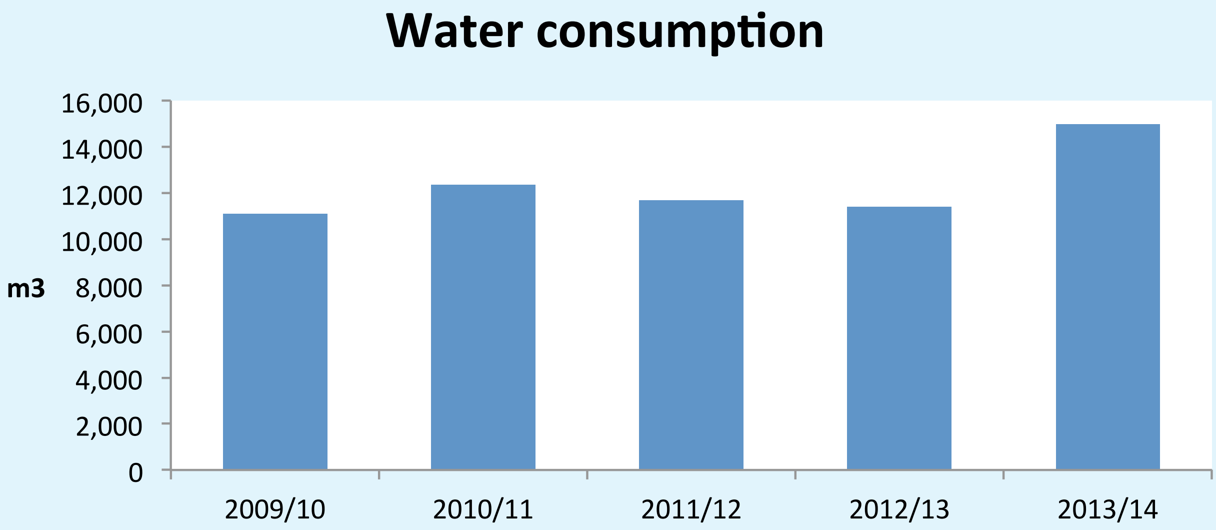
The replacement of paper hand towels with energy efficient hand driers in March 2013 was a significant intervention, reducing waste figures by 8 tonnes.

16 Figures re-baselined in 2012-13 to include confidential waste, toner cartridges or used cooking oil – we did not have ways of collecting this data until 2011-12. Data for ICT recycling are not included as we do not have this data.
17 Paper use figures are for the NDA only. Data on paper use in core DECC is not available prior to 2011.
18 Waste disposal costs are not available separately, as they are part of wider arrangements with landlords or facilities management companies. These figures are therefore estimates.

Water consumption[19]

FINITE RESOURCE CONSUMPTION - WATER		Baseline	2010-11	2011-12	2012-13	2013-14
Non-Financial Indicators	Water Consumption (m^3)	11,108	12,358	11,678	11,405	14792
	Water consumption (m^3/FTE)	6.9	7.8	7.2	6.5	8.0
Financial Indicators (£k)	Water Supply Costs	41	34	77[19]	51	43

Graphical analysis



Performance Commentary (including Targets)

The Greening Government Commitments target is to reduce water consumption by 2014-15 compared to a baseline of 2009-10. This target is currently at risk. Additionally, at 8m3 per FTE we are in the poor performance bracket for this metric.

Faulty equipment, now fixed, contributed to the poor performance. A comprehensive external water audit has been undertaken and showed that, this specific issue aside, water infrastructure is at a high standard.

An intensive effort will be made to meet the GGC target during 2014-15, including the production of a new water management plan and the aiming for core DECC of the Carbon Trust Water Standard as an aid to good practice.

Summary of performance against the GGC targets

The following table presents an overall summary of performance against the GGC targets.

19 DECC was informed in 2011 that we had been under-charged for water in our HQ building in previous years, and paid a back-payment to settle this. This has resulted in artificially low costs for 2009/10 and 2010/11, and artificially high costs for 2011/12.

Target	Baseline (2009-10)	Target	2013-14	% change against baseline in 2013-14
GHG Emissions (tonnes)	3,131	2,348	2241	-28
Number of domestic flights	2,193	1,754	1173	-47
Water consumption (m^3)	11,108	11,107	14792	+33
Water consumption (m^3/FTE)	6.9	Good practice ($\leftarrow 4m^3$)	8.0	+16
Waste (tonnes)	228[20]	171	164	-28
Paper (A4 reams)	7,193	6,474	3584	-50
Performance Commentary				
This table summarises each of the sections in this report. Overall it shows that we are meeting or exceeding all our GGC targets except for those on water consumption.				

Sustainable Procurement

Core DECC has embedded sustainability into its procurement processes through a number of measures. These include incorporating sustainability into business cases for all procurements over £20,000 providing guidance to staff on sustainable procurement and on how to identify and assess sustainability impacts.

The Department is mandated to use Crown Commercial Service frameworks where a suitable framework exists for the procurement of goods and services. As an alternative, we may utilise other government department or other viable frameworks. When the Department procures directly, we have standard sustainable procurement terms and conditions that apply to suppliers and contractors. Additionally, core DECC is currently conducting an exercise to benchmark and identify its supply chain impacts for Greenhouse Gas emissions.

Procurement of food and catering services

Core DECC uses Defra's catering contract as a shared service. This contract was awarded on 16 May 2011 and fully complies with the Government Buying Standards for Food and Catering. The NDA catering services provider makes an active effort to find sustainable and responsible suppliers.

ISO 14001

During the current financial year DECC has achieved ISO 14001 certification for our environmental management system. This demonstrates a clear commitment to best practice in this area and significant third party assurance that the Department has a strong framework in place to manage environmental impacts.

20 The waste data was rebaselined in August 2012 from 196 tonnes to 228 tonnes to take account of missing data streams not available in the baseline year.

Biodiversity and Natural Environment

The Department has no significant direct impact on biodiversity. It is also a contractual requirement for the Site Licence Companies managing the NDA's nuclear sites to have in place suitable Biodiversity Action Plans.

Mainstreaming Sustainability

Mainstreaming sustainability is at the heart of the Department's mission. We state that:

'The Department of Energy and Climate promotes economic growth by delivering affordable, sustainable and secure energy to the UK, while driving ambitious action on climate change internationally. DECC works to maximise the benefits of a low carbon energy future to society, the economy, the environment and future generations. It works to support the most vulnerable members of society in meeting the cost of energy bills. DECC also works with Defra and other government departments to mainstream sustainable development across government.'

The Department has made good progress against this statement in 2013-14 through a range of policies including the Energy Act 2013, Warm Home Discount, Green Deal, Energy Company Obligation and Electricity Market Reform.

Assessing and managing environmental, social and economic impacts

Assessing and managing sustainability impacts are a standard part of the Department's policy and decision making. Impact Assessments (IAs) are the main tool for policy appraisal in DECC using the BIS IA template and the Better Regulation Framework Manual guidance which include economic, social and environmental considerations.

We also provide guidance on our intranet to help staff assess environmental, social and economic impacts and opportunities in policy development and other decision making. Sustainability considerations form an essential part of programme and project business cases and compliance with this requirement is ensured by sign off by the Head of Sustainability in the Investment Committee log book.

Supportive processes for sustainable development

The Department has made a significant contribution to the development and implementation of the Mainstreaming Sustainable Development agenda. DECC officials play a leading role in mainstreaming sustainability across Government through membership of a number of Cross-Whitehall sustainability fora. The Department makes a valuable contribution to sustainable development capability building through the DECC School and Civil Service Learning developing modules on different aspects of carbon, climate change and energy available to all civil servants.

NOTES:

1. The above report has been prepared in accordance with guidelines laid down by HM Treasury in 'Public Sector Sustainability Reporting' published at www.financial-reporting.gov.uk.

2. Detailed Departmental policies for sustainability accounting within DECC, in support of HMT Guidance, can be found on our website at https://www.gov.uk/making-the-department-of-energy-climate-change-sustainable. Detailed policies for emissions accounting within the NDA can be found on their website www.nda.gov.uk. Defra conversion rates have been used to account for greenhouse gas emissions. Emissions data has not been weather-corrected.

3. The FTE figures used in this Annex are those calculated in our Greening Government Commitments return, though it may differ from other figures provided in this report due to different methodologies.

4. International Air Travel emissions include an uplift factor of 1.9 to account for radiative forcing (sunlight received by the Earth and energy radiated back to space), in accordance with GCOF rules.

5. Details of the Greening Government Commitments can be found at http://sd.defra.gov.uk/gov/green-government/commitments/

Annex E

DECC Financial Core Tables

The Core tables for DECC can be found on the internet using the following link;
https://www.gov.uk/government/publications/annual-report-and-accounts-2013-to-2014

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