

Annual Report and Accounts 2010-11

Department of Energy and Climate Change

Annual Report and Accounts 2010–11

For the year ended 31 March 2011

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This is part of a series of Annual Reports and Accounts which, along with the Main Estimates 2011-12 and the document Public Expenditure: Statistical Analyses 2011, present the Government's outturn and planned expenditure for 2011-12.

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Foreword from the Secretary of State

At the Department of Energy and Climate Change, we are doing what we can to reduce our greenhouse gas emissions and cut carbon out of the economy. From international negotiations to home insulation, we are working to put the UK on a cleaner, greener path.

We have already made a good start. In July 2010 we published the first ever Annual Energy Statement. Its four sections reflect our priorities: saving energy and supporting consumers, delivering secure energy on the way to a low carbon future, managing our energy legacy, and driving ambitious action on climate change at home and abroad.

The Government's position is clear: we must do everything in our power to get a global, legally binding deal to limit carbon emissions and avoid dangerous climate change; and we must cut our own emissions in support of our goal.

The Spending Review allocated £2.9 billion for international climate funding. We have established the Capital Markets Climate Initiative to leverage private finance to tackle climate change in developing countries and are establishing the Green Investment Bank to mobilise investment in low-carbon technology. In Europe, the Government is winning support for the EU's emissions reduction target to be raised from 20 to 30 per cent on 1990 levels by 2020, putting Europe at the heart of the global green economy.

In the UK, DECC is responsible for overseeing the Government's progress towards our own emissions targets. Making the case for stronger carbon cuts whilst protecting the economic recovery is an exercise in collective responsibility: our success in setting ambitious carbon budgets will be a marker of the Government's commitment to a greener future.

We must also close the growing gap between energy supply and demand. That means securing affordable, low-carbon energy supplies for the future – and cutting our energy demand now.

Energy efficiency is absolutely central to our policy. Shortly after taking office, we undertook to cut emissions from central government offices by 10 per cent, introducing a new Energy Efficiency Code to help departments cut carbon. And in December we introduced the Energy Bill in the House of Lords. The Bill includes our flagship policy,

the Green Deal: an innovative financing mechanism to drive a comprehensive programme of energy efficiency improvements in British properties.

Over the coming decades we must rebuild the UK's ageing energy infrastructure and decarbonise our energy system. The aim is to reduce our dependence on imports and our vulnerability to oil price shocks while keeping energy costs down. Greening our energy supply is the focus of our pioneering reform of the electricity market, which will introduce long-term contracts for low-carbon generation, capacity mechanisms, an emissions performance standard, and – together with the Treasury – a carbon price floor.

Despite a difficult financial environment, we are determined to deliver more efficient homes and businesses, a cleaner, more secure energy system, and a stronger international emissions regime.

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The Department

- 1.1** The Department of Energy and Climate Change (DECC) was created in 2008 to bring climate change and energy policy into one department. Climate change is not only a massive threat to the environment but also one of the greatest economic challenges facing us in the twenty-first century. It demands a global response. At the same time, the UK needs to secure clean, safe, affordable energy to heat and power its homes and businesses. Creating a low-carbon and resource-efficient world means making major structural changes to the way we work and live, including how we source, manage and use our energy.
- 1.2** The Department exists to take the lead in tackling these challenges.

Structure and ministerial responsibilities during the 2010-11 financial year

- 1.3** The Secretary of State for Energy and Climate Change is the Rt Hon Chris Huhne MP. The Ministers of State are Gregory Barker MP and Charles Hendry MP. The Parliamentary Under-Secretary of State is Lord Marland of Odstock.
- 1.4** The Permanent Secretary is Moira Wallace.
- 1.5** In 2010-11 DECC was organised into five Groups, led as follows:

International Energy and Climate Change (IECC)	Director General: Will Cavendish
Corporate and Professional Services (CPS)	Director General (acting): Edmund Hosker
Energy Markets and Infrastructure (EMI)	Director General: Simon Virley
National Climate Change and Consumer Support (NCCCS)	Director General: Phil Wynn Owen
Science and Innovation Group (SIG)	Chief Scientific Adviser: David Mackay

DECC Boards and Sub-Committees

- 1.6** The Management Board provided corporate strategic leadership for the Department. This involved setting the Department's corporate strategy, allocating resource, agreeing business plans and monitoring performance, enhancing departmental capability and setting standards, values and controls. Its terms of reference required it to work closely with Ministers.
- 1.7** Meetings of the Management Board were chaired by Moira Wallace and held monthly up to March 2011. The members of the Management Board were:

Moira Wallace	Permanent Secretary
Will Cavendish	Director General, International Energy and Climate Change
Simon Virley	Director General, Energy Markets and Infrastructure
Phil Wynn Owen	Director General, National Climate Change and Consumer Support
Edmund Hosker	Acting Director General, Corporate and Professional Services
David MacKay	Chief Scientific Adviser
Paddy Feeny	Director, Communications
Ravi Gurumurthy	Director, Strategy
Vanessa Howlison	Director, Finance
Alison Rumsey	Director, Human Resources
Richard Reed	Non-executive Director
Rob Whiteman	Non-executive Director

- 1.8** The **Audit Committee** supported the Management Board to ensure DECC is a financially sound and efficient organisation and reviewed the effectiveness of the Department's risk management framework to identify, assess and manage risk. It advised the Board and the Accounting Officer on the effective operation of the overall control, risk and governance arrangements that support the Accounting Officer's annual Statement on Internal Control and the Department's accounting policies, accounts and Annual Report.

1.9 Audit Committee members are independent of DECC. They are:

Rob Whiteman	Chairman and Non-executive Director
Wendy Barnes	Non-executive member
Barry Rourke	Non-executive member
Barry MacDonald	Non-executive member
Caroline Mawhood	Non-executive member

1.10 The Permanent Secretary, the Finance Director, the Head of Internal Audit, and the relevant director of the National Audit Office all attend meetings of the Audit Committee.

During 2010-11 the Management Board was also supported by the following:

- The **Operations Sub-Committee** considered major aspects of the Department's management and operations. It was chaired by Edmund Hosker, Acting Director General, Corporate and Professional Services.
- The **Pay and Performance Committee** determined the Department's Senior Civil Service pay strategy and authorised individual pay decisions. It was chaired by the Permanent Secretary, Moira Wallace.
- The **Strategy Board** guided the development of UK energy and climate change strategy within DECC. It was chaired by the Permanent Secretary, Moira Wallace.
- The **Approvals Committee** was established in July 2010 to challenge senior management so that the Department designs and initiates major projects and policies in a way that contributes to its strategic objectives, is affordable and deliverable, and offers good value for money. The Committee is chaired by the Permanent Secretary, Moira Wallace, with the Acting Chief Operating Officer, Edmund Hosker, as co-chair.
- The **Communications Committee** was established in September 2010 to oversee the Department's Communications Strategy and consider future challenges, including those relating to stakeholder engagement and media coverage. During 2010-11 it was chaired by the Director General of National Climate Change and Consumer Support, Phil Wynn Owen. From 1 April 2011 it has been chaired by the Acting Chief Operating Officer, Edmund Hosker.
- The **Evaluation Board** was established in October 2010 to oversee and steer the Department's work on measuring the actual effects of policies. It was chaired by Will Cavendish, Director General, International Energy and Climate Change.

1.11 Executive members of the Management Board and their sub-committees were civil servants appointed in accordance with the Civil Service Management Code.

Changes to DECC structures

- 1.12** At the end of the 2010-11 financial year, DECC underwent a number of structural changes which saw the work of the International Energy and Climate Change Group being taken up by EMI and NCCCS. NCCCS was renamed International Climate Change and Energy Efficiency and continues to be led by Phil Wynn Owen. EMI retained its name and Director General (Simon Virley). Will Cavendish moved to another role on 1 April 2011. From 1 April 2011, CPS became the Operations Group and Edmund Hosker became the Acting Chief Operating Officer.
- 1.13** The Department's corporate governance structure was revised at the end of the 2010-11 financial year. A Departmental Board was established in March 2011 to replace the Management Board. It met for the first time on 31 March 2011. The Departmental Board is chaired by the Secretary of State with the Lead Non-executive Director as deputy chair. The members of the Departmental Board are:

Chris Huhne	Secretary of State
Gregory Barker	Minister of State
Charles Hendry	Minister of State
Lord Marland	Parliamentary Under-Secretary of State
Moira Wallace	Permanent Secretary
Simon Virley	Director General, Energy Markets and Infrastructure
Phil Wynn Owen	Director General, International Climate Change and Energy Efficiency
Edmund Hosker	Acting Chief Operating Officer, Operations Group
Paul Walsh	Lead Non-executive Director ¹
Richard Reed	Non-executive Director
Rob Whiteman	Non-executive Director

- 1.14** The Board will meet quarterly and hold biannual strategy sessions. The Board's four main areas of responsibility are performance, strategy and learning, resources and change, capability, and risk.
- 1.15** The Lead Non-executive Director supports the Secretary of State in his role as Chair of the Departmental Board and liaises with lead non-executive directors across Government under the leadership of the Government's Lead non-Executive Director, Lord Browne.
- 1.16** As with the Management Board, executive members of the Departmental Board are civil servants appointed in accordance with the Civil Service Management Code.

¹ Paul Walsh was appointed Lead Non-executive Director on 16 February 2011

1.17 The Departmental Board will be supported by the following formal sub-committees:

- The **Talent, Succession and Remuneration Committee** replaces the Pay and Performance Committee. Membership and terms of reference are now being finalised.
- The **Audit and Risk Committee** replaces the Audit Committee. It will continue to be chaired by Rob Whiteman.

1.18 The Executive Team will be supported by the following management committees:

- The **Management and Change Committee** will oversee staff engagement, finance, the implementation of the DECC Future Change programme, and significant capability and management matters that need cross-DECC agreement. It will be chaired by the Permanent Secretary, Moira Wallace.
- The **Approvals Committee** will continue to consider delivery plans and business cases, and will continue to be chaired by the Permanent Secretary, Moira Wallace with the Acting Chief Operating Officer, Edmund Hosker, as co-chair.
- The **Strategy Development Committee** replaces the Strategy Board. Its role will be to ensure that cross-cutting and long-term strategic issues are identified and presented to Ministers and the Departmental Board in good time and on the basis of robust evidence. It will be chaired by the Permanent Secretary, Moira Wallace.

Risk management and governance

1.19 DECC's risk management procedures are covered in the Statement on Internal Control, which can be found in chapter 4 of this report.

Better regulation

1.20 The Department has conducted a series of internal and external exercises to meet the Coalition Government's new regulatory agenda:

- In June 2010, Lord Marland sent a letter to 250 DECC stakeholders² asking for suggestions as to how the burdens imposed by energy and climate change policies and regulation could be reduced or removed. A summary of the ideas and a response to all 250 stakeholders stating how the ideas were being used was published in November 2010 on: http://www.decc.gov.uk/en/content/cms/about/better_reg/better_reg.aspx
- In the summer of 2010, the Department compiled a list of all live regulations currently in place, and reviewed it to identify any redundant regulations for repeal or simplification.
- DECC has reviewed all the criminal offences in its jurisdiction and all suggestions submitted to the 'Your Freedom' website to identify ways to simplify regulations and reduce burdens.

² Stakeholders are people, groups, organisations or systems who affect or can be affected by DECC's actions.

- The Department is embedding the new regulatory agenda into its processes, raising awareness and pushing consideration and challenge early in the policy development process.

1.21 To date, these exercises have resulted in 27 pieces of regulation being repealed. They have also led to a number of suggestions as to where simplifications may be made.

One in, one out

1.22 DECC aims to regulate only where necessary to achieve its ambitious objectives. Between May 2010 and March 2011 the Department introduced 22 new pieces of legislation.

1.23 A new regulation within the scope of the ‘one in, one out’ rule is called an ‘IN’, the size of which is measured in terms of its annual net cost to business. An “OUT” is the removal or recasting of regulations currently on the Department’s books and is measured in the same way: the annual net reduction of costs to business.

1.24 The total value of policies currently classified as regulatory “INs” is zero. DECC has one additional “IN” with a value of £70,000 validated by the Regulatory Policy Committee (RPC), but this has yet to come into force. The total current value of “OUTs” is £40,000 (validated by the RPC and in force). DECC has an additional “OUT” of £1.1m validated by the RPC which has yet to come into force.

Regulatory Policy Committee

1.25 The Department has received opinions on 19 Impact Assessments (IAs) since the RPC took on the role of providing a ‘fit for purpose’ or ‘not fit for purpose’ rating to the end of the reporting period. The breakdown of opinions is set out below:

Regulatory Policy Committee opinions on DECC Impact assessments	
RPC rating as of end of March 2011	Number of Regulations
Fit for purpose	9
Consultation stage	1
Final stage	8
Not fit for purpose	10
Consultation stage	5
Final stage	5
Total	19

1.26 When DECC receives a “not fit for purpose” rating on a regulation, it considers the RPC’s comments and resubmits the IA. DECC is considering how to improve its processes to reduce the number of IAs rated “not fit for purpose”.

Alternatives to regulation

1.27 DECC is committed to exploring non-regulatory approaches to meeting its objectives. An example of such an approach is the Microgeneration Strategy, which identifies the non-financial barriers preventing the microgeneration sector from realising its full potential. The Department is working closely with the industry and other stakeholders to find ways of tackling these barriers through voluntary industry action, thus avoiding unnecessary regulatory burdens on business. Examples include:

- encouraging the industry-led Microgeneration Certification Scheme (MCS) to set itself up as a limited company;
- using industry-led market intelligence to improve technology performance and the supply chain; and
- using industry-led skills and supply chain to work in partnership with the Government and specific Sector Skills Councils.

EU regulations

1.28 The Department is committed to shaping EU policy in a way that benefits UK industry. Two examples from 2010-2011 are:

- **Revision of the 2004 Security of Gas Supply Directive (Directive 2004/67/EC).** The UK was instrumental in securing amendments to the European Commission's proposals to ensure that the obligations placed on Member States are proportionate and reflect market principles.
- **Framework for notifying the European Commission of energy infrastructure projects (Regulation (EC) 617/2010).** The UK played a key role in preventing excessive new reporting burdens on industry and government by:
 - ensuring no information already required under other EU legislation had to be duplicated;
 - ensuring Member States were not required to report on potential investments, but only on agreed investments, thereby reducing the complexity of reporting; and
 - ensuring that the lower agreed capacity and production thresholds for reporting for pipelines and plants were not set too low.

1.29 The Department has also reviewed the burden it places on local authorities. Proxies previously used for fuel poverty estimates have been replaced by internal DECC work using a consistent methodology. This has delivered savings of around £2m. DECC is also looking to reduce the burden of the requirement for local authorities to report own-use emissions.

Building DECC

The Capability Review

1.30 In response to the Capability Review undertaken by Cabinet Office in 2009, DECC is continuing to develop the delivery mechanisms required to meet the long-term challenges it faces. During the last year, DECC has established:

- a Delivery Unit to support and improve the way the Department plans and manages its large and challenging projects and programmes; and
- an Approvals Committee to ensure that DECC's major projects and programmes are deliverable and affordable with adequate planning, resourcing and governance structures. The Committee does this by considering business cases and delivery plans, including financial impacts, costs and value for money, to ensure they are fit for purpose. Significant pieces of work considered by the Approvals Committee include Electricity Market Reform, Carbon Capture and Storage Demonstrations, and Smart Meters.

1.31 The Department is also working to identify and fill gaps in the skills of its workforce and to offer training for individuals and teams on delivery planning, business cases, project and programme management, stakeholder engagement and other delivery skills.

DECC Future

1.32 The DECC Future programme was established to ensure the Department's budget is used for its top priorities and to enable the Department to live within its resource constraints. DECC Future included:

- a prioritisation exercise to align DECC's resources with its highest priorities; and
- a programme of work to identify the skills, including specialist skills, required to enable DECC to effectively achieve its priorities, and to determine how the Department will obtain these.

DECC Delivery Review

1.33 The Department has also carried out a Delivery Review, announced by the Secretary of State in the July 2010 Annual Energy Statement (AES). This looked at the delivery undertaken for DECC by the Carbon Trust, the Energy Saving Trust, Ofgem/E-Serve, the Coal Authority, the Environment Agency and DECC's Energy Development Unit, and considered how accountability to DECC Ministers and performance management could be improved and how value for money could be ensured.

1.34 The Delivery Review has proposed a number of measures to help ensure DECC is able to respond effectively to the future delivery challenge, including:

- improved governance arrangements for the delivery of existing DECC programmes;

- unless there is a clear case for placing delivery with a third party, delivery of new DECC programmes should be led by DECC itself to ensure accountability to Ministers, but with aspects of delivery contracted out, where possible and appropriate, to provide maximum value for money; and
- focusing delivery of our energy efficiency objectives through the Green Deal, competitively tendering where possible the services that will underpin it; and
- establishing a new office within DECC to drive a step-change in national energy efficiency.

People and culture

Values

1.35 The DECC Values are to “Aim High, Reach Out and Pull Together”. They were launched in October 2009 and are a central part of the work to build an ambitious and outward-focused DECC culture. Staff are assessed annually on what they achieve and how well they have demonstrated the DECC values. The recent annual staff survey (October 2010) showed that 95% of staff were aware of the values and 78% of respondents believed their team operated in accordance with them.

Learning and development

1.36 During 2010 and early 2011 the Department has focused on developing and starting key staff learning programmes based on the findings of the 2009 People Strategy, the Department’s Capability Review and an audit of staff’s skills and abilities. Programmes have included commercial awareness skills, stakeholder engagement, project and programme management and contract management. There has been a healthy take up of training in people management skills. The Department will continue to expand these programmes during 2011.

1.37 The development of talent has also been a DECC priority during 2010-11. More than 70 Fast Streamers entered the Department during this year. The appointments included specialist economists and researchers. Two specific programmes, “Preparation for Top Management” and “Crossing Thresholds” are preparing talented staff for progression into the Senior Civil Service. The latter programme focuses on talented female employees.

1.38 The Employee Engagement Survey in October 2010 showed that commercial awareness skills, stakeholder engagement, project and programme management and contract management remain a priority for staff to meet the Spending Review challenges and enhance their careers.

Staff engagement

1.39 DECC attaches great importance to staff engagement and has promoted it in various ways, including in 2010-11 through regular Management Board Roadshows. These give staff an opportunity to ask about any aspect of the way the Department operates and provide an opportunity for employees to put forward their ideas about issues directly affecting the Department.

1.40 The effectiveness of staff engagement is measured by the results of staff surveys. There were three surveys during 2010. Two were mini staff surveys to canvass trends of opinions; the third was the annual Civil Service-wide staff survey. These surveys consistently show DECC remaining within the high performance benchmark in how engaged its employees are with the Department and with their work. DECC scored 62% in the annual survey (100% represents a position where all respondents strongly agree with all five engagement statements). The benchmark engagement index for the Civil Service was 56%.

Trade unions

1.41 DECC continues to work with the three recognised trade unions – PCS (Public and Commercial Services Union), Prospect and FDA (First Division Association). This year has seen a continuing constructive relationship between unions and the management.

Equality and diversity

1.42 During 2010 the Department issued its first equality and diversity strategy. This set out specific delivery plans to ensure proportional representation of minority groups in DECC and the production of equality impact assessments to meet DECC's legal obligations. DECC has also appointed a senior management champion for equality and other champions for disability, race and sexual orientation.

1.43 An active network of equality representatives meets regularly to assess the Department's progress against the plans set out in its diversity and equality strategy. Notable successes in 2010 include DECC being able to offer the two ticks scheme, which guarantees interviews for applicants with disabilities, and rolling out a comprehensive e-learning module developing staff awareness of diversity issues.

1.44 The Department's diversity profile for Senior Civil Servants (SCS) is set out in the table below. It should be noted that due to the relatively small population (total number of SCS at a given time) there is a relatively large impact on percentages when an individual joins or leaves the Department.

DECC SCS diversity data at the start and end of the reporting period				
	31 March 2010		31 March 2011	
	Numbers	Proportion	Numbers	Proportion
Women	22 of 82	27%	26 of 90	29%
Women (pay band 2 and above)	5 of 21	24%	6 of 24	25%
Black and minority ethnic	3 of 82	4%	3 of 90	3%
Declared disabled	3 of 82	4%	5 of 90	6%

Sickness absence data

- 1.45** The Department encourages a culture where good attendance is expected and valued, but recognises some absences are unavoidable for medical reasons. The Department aims to treat its ill staff with sympathy and fairness, and where possible support their recovery to health and regular work. The Department monitors the annual working days lost figure on a quarterly basis. From 1 January 2010 to 31 December 2010 the annual average was 3.8 days per employee. This represents an increase of 0.9 days lost compared to the same period last year. The public sector average is 8.7 days per annum per employee.

Spending on consultancy and contingent labour

- 1.46** Departmental expenditure on consultancies and contingent labour (temporary staff) for 2010-11 was £13.1m and £7.2m respectively (including Non-Departmental Public Bodies).

DECC Spend on Consultancy 2010-11	
	£'000
Total Core DECC	9,163
Total NDPB	3,915
Total DECC spend	13,078

DECC spend on contingent labour 2010-11	
	£'000
Total Core DECC	4,890
Total NDPB	2,356
Total DECC spend	7,246

- 1.47** The table below provides a breakdown of each of DECC's NDPBs' spend on consultancy and contingent labour during 2010-11:

Breakdown of DECC's NDPB spend on consultancy and contingent labour during 2010-11		
NDPB	Consultancy £'000	Contingent labour £'000
Civil Nuclear Police Authority	558	578
Coal Authority	32	416
Nuclear Decommissioning Authority	3,325	1,362
Committee on Climate Change	0	0
Total	3,915	2,356

Professional support

Legal and analytical capacity

- 1.48** DECC has an in-house legal team which provides expert advice to its policy and delivery teams and is also responsible for the procurement of legal services from outside the Department.
- 1.49** The Department also has a substantial in-house team of analysts, including economists, statisticians, scientists, operational researchers, social researchers and other specialists. Analytical work is central to evidence-based policy making in every area of the Department.
- 1.50** The UK Statistics Authority has reviewed the Department's energy data to ensure compliance with its Code of Practice and has concluded that DECC energy statistics can be designated as national statistics.

Science & Innovation

- 1.51** **The 2050 pathways work**, which is driven by the Chief Scientific Adviser (CSA) and DECC's Strategy team, considers some of the choices and trade-offs needed over the next 40 years to deliver at least an 80% cut in UK greenhouse gases by 2050. It covers all parts of the UK economy and all UK greenhouse gas emissions, and considers what is physically and technically possible in each sector.
- 1.52** DECC's Science and Innovation Group and its economists have established an evidence team to provide high quality underpinning evidence to the Department's policy making teams. The Science Advisory Group, chaired by Professor John Shepherd, has been established to provide independent expert scientific and technical advice to DECC's CSA.

Shared services

1.53 DECC receives a number of shared services from its legacy departments, Defra and BIS. These services include accounting, finance, procurement (until December 2010), payroll and personnel management services, pension administration, travel and subsistence payments, knowledge and information management, estates management, and IT provision and support. The provision of these services is managed in accordance with memoranda of understanding and Service Level Agreements between DECC and the other departments.

Information management and personal data related incidents

1.54 The Department agreed an Information Management Strategy in 2009-10 and by April 2010 had rolled out access to Matrix (its electronic records and document management system), supported by training and online guidance. Legacy data from Defra was moved into Matrix, and new policies for handling Data Protection and Freedom of Information requests were implemented.

1.55 The procedures carried out by the Department relating to data handling and security arrangements are noted in the risk and control framework section of the Statement on Internal Control.

1.56 DECC reported no incidents of loss of protected personal data to the Information Commissioner's Office during 2010-11.

Communications

Publicity and advertising

1.57 During 2010-11 the Department spent £1.8m on publicity and advertising. The majority of this was incurred in the early part of the year, before the end of DECC's Act On CO₂ campaign.

Stakeholder research

1.58 DECC undertook its annual quantitative stakeholder survey in March 2011, covering 250 organisations. The results showed a 61% favourability rating for the Department.

Correspondence and enquiry handling

1.59 The Whitehall correspondence target requires Government departments to reply to correspondence within a maximum of 20 working days. DECC has set itself a target to respond to 80% of all correspondence within 15 working days. In March 2011, 91% of Ministerial correspondence and 93% of public enquiries were answered within 15 days. The table below summarises DECC's performance for the financial years 2009-10 and 2010-11.

Percentage of ministerial and public enquiries responded to within DECC's target of 15 working days

	2009-10	2010-11
Ministerial Correspondence	48%	72%
Public Enquiries	52%	67%

Estates management and health and safety

Estates management

1.60 In 2010-11 the Department operated from two buildings, 3 Whitehall Place in London and Atholl House in Aberdeen. Services for 3 Whitehall Place are procured from Defra using the Sustainable Workplace Management contract, a joint venture between Defra and Interserve. This provides standard facilities management and telephony services. For Atholl House the Department procures services from BIS under a contract with EC Harris covering facilities management services.

Security and resilience

1.61 The Department has put in place Incident Management and Business Continuity plans to help cope with unforeseeable incidents and has strengthened its planning to be able to respond to events such as a terrorist incident. DECC has tested its procedures through a programme of exercises intended to improve Business Continuity maturity.

1.62 The Department has a Senior Information Risk Owner and has implemented the required actions in the Government's review of data handling and security.

Health and safety

1.63 During 2010-11 the Department published Risk Assessment Guidance and health and safety policy, procedures and guidance documents on the DECC intranet. The Department's Health and Safety officer has worked with Estates and IT teams and provided advice on risk assessments for planned installations and ergonomic aids. DECC also provided 752 people with e-learning on the proper use of display screen equipment.

1.64 The Department's Health and Safety Committee meets quarterly and is made up of employee representatives. It provides advice on how to improve the safety of visitors to the Department and the health, safety and well-being of employees.

1.65 In 2010-11, 90 employees received advice or specialist equipment to help them with a health problem or disability.

Environmental Sustainability

- 1.66** On 14 May 2010, speaking at DECC's headquarters, the Prime Minister announced a target to reduce CO₂ emissions from central Government by 10% from its current level over the next 12 months. Helping to meet this target was a priority for DECC and the Department achieved a reduction of more than 21% during the target period. Over the 2010-11 financial year, DECC reduced the emissions from its buildings by 18.7% and its energy use by 25.0% compared to 2009-10. The Department also improved its Display Energy Certificate (DEC) rating for 3 Whitehall Place from an 'F' in April 2010 to a 'D' in April 2011. When DECC first took over the building in autumn 2008 it was rated 'G', which is the least energy efficient rating. Overall, the carbon footprint of DECC's buildings has fallen by 34% since 2008-09.
- 1.67** For the longer term, DECC has developed, through the Carbon Trust's Central Government Carbon Management Service, a five-year carbon management plan that should enable the Department to reduce its emissions by 25% by 2014-15.

Remuneration Report

Remuneration policy

- 1.68** The remuneration policy for senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.
- 1.69** 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.
- 1.70** 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.
- 1.71** The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.
- 1.72** Further information about the work of the Review Body can be found at www.ome.uk.com.

Performance and reward

- 1.73** The Senior Civil Service (SCS) pay system includes relative performance assessments. Individuals are assessed as being in Group 1, 2, 3 or 4 of their pay band.
- 1.74** All individuals in Group 1 and 2 receive a non-consolidated performance-related award as a reward for 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.
- 1.75** Further information about the performance and reward arrangement for Senior Civil Servants can be found at <http://www.civilservice.gov.uk/jobs/Entry/Experienced-Professionals/scs-pay.aspx>.

Pay and Performance Sub-Committee

- 1.76** The remuneration of the senior civil servants who are not members of the Management Board is determined by the departmental Pay and Performance Sub-Committee. In 2010-11 the members of the committee were:

Moira Wallace	Permanent Secretary
Will Cavendish	Director General, International Energy and Climate Change
Simon Virley	Director General, Energy Markets and Infrastructure
Phil Wynn Owen	Director General, National Climate Change and Consumer Support
Edmund Hosker	Acting Director General, Corporate and Professional Services
David MacKay	Chief Scientific Adviser
Alison Rumsey	Director, Human Resources

- 1.77** The arrangements for the committee will change following the development of the Talent, Succession and Remuneration Committee and will include an independent member to be appointed at an appropriate time.
- 1.78** The Terms of Reference of the Pay and Performance Sub-Committee are to determine and publish the Department's pay strategy, assess the relative contribution of its SCS members, authorise decisions on individual SCS pay awards and ensure the average cost increases are affordable and justifiable. The Committee also conducts an annual talent review of the SCS.

Service contracts

- 1.79** The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be on merit on the basis of fair and open competition.

- 1.80** 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 Commissioners can be found at www.civilservicecommissioners.org
- 1.81** 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 under a contract; this contract running to 30 September 2012.
- 1.82** Early termination other than for misconduct would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Salary and pension entitlements for Ministers of the Department

- 1.83** 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 2010–11 were as follows:

	Accrued pension at 65 at 31/03/11	Real increase in pension at age 65	CETV at 31/03/11	CETV at 31/03/10*	Real increase in CETV	Ministerial salary received 2010-11	Ministerial salary received 2009-10
	£'000	£'000	£'000	£'000	£'000	£	£
Secretary of State							
Rt Hon Chris Huhne (from 12 May 2010)	0-5	0-2.5	18	-	12	61,056 (full year equivalent £68,827)	-
Rt Hon Ed Miliband MP (to 11 May 2010)	0-5	0-2.5	37 ⁵	36	-	8,846 (full year equivalent £78,356)	78,356 ¹
Ministers of State							
Charles Hendry MP (from 13 May 2010)	0-5	0-2.5	11	-	6	29,187 (full year equivalent £33,002)	-
Gregory Barker MP (from 13 May 2010)	0-5	0-2.5	8	-	4	29,187 (full year equivalent £33,002)	-
Lord Hunt OBE ² (to 11 May 2010)	15-20	0-2.5	261 ⁵	259	2	13,698 (full year equivalent £121,323)	121,323
Joan Ruddock MP ³ (to 11 May 2010)	0-5	0-2.5	45 ⁵	43	1	4,589 (full year equivalent £38,823)	38,823
Mike O'Brien MP (to 8 June 2009)	-	-	-	-	-	-	10,161 (to 8 June 2009) (full year equivalent £40,646)
Parliamentary Under Secretary of State							
Lord Marland (from 14 May 2010) ⁴	-	-	-	-	-	-	-
David Kidney MP (to 11 May 2010) ⁴	-	-	-	-	-	-	-

1 The Department was recharged £19,589 in 2009-10 for salary costs paid by Cabinet Office, this is included in the table above.

2 Lord Hunt was joint Minister with the Department for Environment, Food and Rural Affairs (Defra) until 8 June 2009.

3 Parliamentary Under Secretary of State until 8 June 2009.

4 Unpaid Minister of the Department.

5 The CETV figures for these members are at the date they left the Department.

* The actuarial factors used to calculate CETVs were changed in 2010-11. The CETVs at 31 March 2010 and 31 March 2011 have both been calculated using the new factors, for consistency. The CETV at 31 March 2010 therefore differs from the corresponding figure in last year's report, which was calculated using the previous factors.

- 1.84** Ed Miliband received compensation of £19,589 for loss of office; Lord Hunt received compensation of £20,761 for loss of office.
- 1.85** 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 (£64,766 from 1 April 2009 and £65,738 from 1 April 2010) and various allowances to which they are entitled are borne centrally. However, 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 Management Board

- 1.86** The salary and pension entitlements of the members during the year of the Management Board were as follows:

	Accrued pension at age 60 at 31/03/11 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31/03/11	*CETV at 31/03/10	Real increase in CETV	Salary 2010-11	Bonus Payments 2010-11	Salary 2009-10	Bonus Payments 2009-10
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Moira Wallace	50-55 plus lump sum of 160-165	0-2.5 plus lump sum of 0-2.5	899	778	7	165-170	-	165-170	-
Will Cavendish ¹ (to 31 March 2011)	25-30	2.5-5	342	269	30	110-115	-	55-60 (from 13 October 2009) (110-115 full year equivalent)	-
Simon Virley	30-35 plus lump sum of 50-55	0-2.5	386	329	5	140-145	5-10	130-135	10-15
Phil Wynn Owen	50-55 plus lump sum of 155-160	0-2.5 plus lump sum of 2.5-5	919	787	15	140-145	10-15	105-115 (from 15 June 2009) (140-145 full year equivalent)	10-15
Edmund Hosker	45-50 plus lump sum of 145-150	0-2.5 plus lump sum of 0-2.5	922	808	-	120-125	5-10	120-125	10-15
Paddy Feeny	30-35 plus lump sum of 90-95	0-2.5 plus lump sum of 0-2.5	437	376	5	105-110	5-10	105-110	5-10
Ravi Gurumurthy	10-15 plus lump sum of 35-40	0-2.5 plus lump sum of 5-7.5	100	74	18	80-85	-	5-10 (from 1 March 2010) (80-85 full year equivalent)	-
Vanessa Howlison	40-45	0-2.5	512	436	8	120-125	-	50-55 (from 12 October 2009) (120-125 full year equivalent)	-
Alison Rumsey	5-10	0-2.5	103	81	13	95-100	5-10	95-100	5-10
David MacKay ²	-	-	-	-	-	-	-	-	-

* The actuarial factors used to calculate CETVs were changed in 2010-11. The CETVs at 31 March 2010 and 31 March 2011 have both been calculated using the new factors for consistency. The CETV at 31 March 2010 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

1 Will Cavendish left the Department on 31 March 2011.

2 The services of David MacKay, the Chief Scientific Adviser, were provided via a third party. During the period from 1 April 2010 to 31 March 2011 the Department was charged £143,055 (2009-10: £71,528 from 1 October 2009 to 31 March 2010), exempt of VAT, by the third party for his services under a contract that runs until 30 September 2012.

1.87 Below are details of Board members who served in 2009-10:

	Salary 2009-10	Bonus 2009-10
	£'000	£'000
William Rickett	85-90 (to 30 September 2009) (140-145 full year equivalent)	-
Peter Betts	50-55 (to 1 October 2009) (105-110 full year equivalent)	5-10
Jonathan Brearley	40-45 (to 14 September 2009) (100-105 full year equivalent)	10-15
Andrew Lawrence	65-70 (to 27 November 2009) (95-100 full year equivalent)	-
David Wagstaff	30-35 (from 14 September 2009 to 12 March 2010) (80-85 full year equivalent)	5-10
Mike Blackburn ¹	-	-

¹ The services of Mike Blackburn, the interim Finance Director, were provided via a third party. During the period from 1 April 2009 to 22 July 2009 the Department was charged £136,951, including VAT, by the third party for his services under a short-term contract that expired on 22 July 2009.

Non-executive Directors

1.88 The fees paid during the year were as follows:

	2010-11	2009-10
	£'000	£'000
Rob Whiteman*	16	8 (from 5 October 2009) (16 full year equivalent)
Richard Reed**	-	-
Paul Walsh (from 16 February 2011)	3 (20 full year equivalent)	-

*Rob Whiteman is also Chair of the Audit Committee.

** Richard Reed waived his fee for the year 2009-10 and 2010-11. According to his contract this would have been £12,000 per annum (from 14 October 2009).

Service contracts

1.89 Rob Whiteman's appointment is under a contract that runs until 4 October 2012; Richard Reed's appointment is under a contract that runs until 31 December 2011; and Paul Walsh's appointment is under a contract that runs until 15 February 2013.

Notes

- A new Departmental Board was instituted on 31 March 2011. This Board constituted Ministers and other individuals, all of whom are reported in the above tables.
- 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.
- The monetary value of benefits in kind covers any benefits provided by the Department and treated by HM Revenue and Customs as a taxable emolument. Neither Ministers nor Board members were in receipt of benefits in kind for the financial year 2010-11. In 2009-10 only Moira Wallace was in receipt of a benefit in kind, which was assessed at £7,917 for the use of a vehicle to 27 May 2009.
- Bonuses are based on performance levels attained and are made as part of the appraisal process. The bonuses reported in 2010-11 relate to performance in 2009-10 and the comparative bonuses reported for 2009-10 relate to the performance in 2008-09.

Ministerial pensions

- 1.90** 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).
- 1.91** 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 arrangements for Ministers provide benefits on an 'average salary' basis, taking account of all service as a Minister. The accrual rate has been 1/40th since 15 July 2002 (or 5 July 2001 for those who 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.
- 1.92** 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 Pensions Increase Legislation. From 1 April 2009 members pay contributions of 5.9% of their ministerial salary if they have opted for the 1/60th accrual rate, 7.9% of their salary if they have opted for the 1/50th accrual rate, or 11.9% of their salary if they have opted for the 1/40th accrual rate. There is also an employer contribution paid by the Exchequer representing the balance of cost as advised by the Government Actuary; this is currently 28.7% of the ministerial salary.

- 1.93** The accrued pension quoted is the pension the Minister is entitled to receive when he or she reaches 65, or immediately on ceasing to be an active member of the scheme if he or she is already 65.

Civil Service pensions

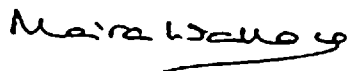
- 1.94** Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes: either a 'final salary' scheme (classic, premium or classic plus) or a 'whole career' scheme (nuvos). The statutory arrangements are 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).
- 1.95** Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' 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 updated 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.
- 1.96** 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.
- 1.97** 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.
- 1.98** Further details about the Civil Service pension arrangements can be found at the website <http://www.civilservice.gov.uk/my-civil-service/pensions/index.aspx>.

The Cash Equivalent Transfer Value

- 1.99** 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.
- 1.100** 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 within the guidelines and framework prescribed by the Institute and Faculties of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

- 1.101** 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.



Moira Wallace

Principal Accounting Officer and Permanent Secretary

6 July 2011

Performance

Coalition priorities

- 2.1** The Department's four priorities were first set out in draft, in the Annual Energy Statement published on 27 July 2010³. The priorities are to:
1. Save energy through the Green Deal and support vulnerable consumers;
 2. Deliver secure energy on the way to a low carbon energy future;
 3. Drive ambitious action on climate change at home and abroad; and
 4. Manage our energy legacy responsibly and cost-effectively.
- 2.2** These priorities were used to develop the DECC Business Plan, which was published in draft on 8 November 2010. Following consultation the final Business Plan was published on 13 May 2011⁴.
- 2.3** The Business Plan confirms the four priorities and sets out the vision for the work of the Department and how it will provide greater transparency to the public about its performance. The transparency measures include a schedule of planned actions, a set of input and impact indicators, and arrangements for publishing other data. This will allow the public to scrutinise what DECC does, particularly whether its policies and reforms are having the desired effect, if it is being run efficiently and how it is delivering the reform programme set out by the Coalition. The Business Plan is not intended to provide a complete overview of all the Department's business, and some areas of its ongoing work that remain key priorities for the Government are not specifically covered.
- 2.4** The final version of the Business Plan includes updates to the indicator suites and structural reform plans as well as policy changes and financial information which were not available until business planning was complete. The progress reports in this chapter are made against the indicators and actions from the draft report published in November 2010.

³ http://www.decc.gov.uk/en/content/cms/what_we_do/uk_supply/aes/aes.aspx

⁴ The Business Plan is available from:

http://www.decc.gov.uk/en/content/cms/about/business_plan/business_plan.aspx

Input and impact indicators

2.5 This section includes a progress report for the impact and input indicators for each of the four coalition priorities. Additional indicators have been included to demonstrate in more detail what DECC has delivered on each of the priorities in 2010-11.

Priority 1: Save energy with the Green Deal and support vulnerable consumers

Priority 1 Impact indicator 1	The total number of energy efficiency installations (cavity wall and loft insulation) in UK households		
Cavity wall insulation			
	2009-10	2010-11	2011-12
Number of cavity wall installations at start of period	9,436,000	10,169,000	10,760,000
Additional cavity wall installations during period	734,000	591,000	–
Loft insulation			
	2009-10	2010-11	2011-12
Number of lofts insulated at start of period	10,645,000	12,176,000	13,230,000
Additional lofts insulated during period.	1,530,000	1,054,000	–

Source: DECC Home insulation statistics⁵

This indicator tracks progress on the number of homes with adequate loft (at least 125mm) and cavity wall insulation in Great Britain.

Helping all homes maximise their energy efficiency potential is at the heart of objectives to deliver carbon budgets cost effectively. Cavity wall and loft insulation are two of the most cost-effective carbon saving measures. They are the principal measures deployed by energy suppliers to meet the household carbon saving obligations placed on them by Government.

Suppliers are believed to recover the costs of delivering their targets from their customer base, but as suppliers operate in a competitive market it is in their interests to minimise the costs they pass on to consumers.

Figures for March 2011 show:

- Of the 23.3 million properties in Great Britain with lofts, 13.2 million had loft insulation of at least 125mm thickness.
- Of the 18.7 million homes with cavity walls, 10.8 million homes had cavity wall insulation.

⁵ http://www.decc.gov.uk/en/content/cms/statistics/en_effic_stats/en_effic_stats.aspx

**Priority 1
Impact indicator 1**

**The total number of energy efficiency installations
(cavity wall and loft insulation) in UK households**

Continued

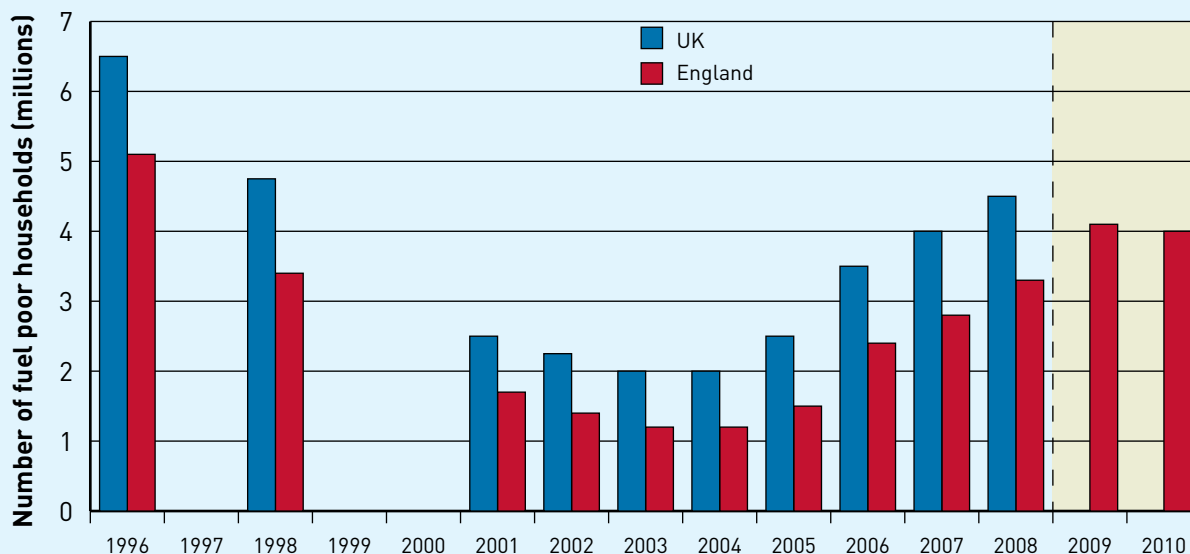
The number of installations in 2010-11 was less than in 2009-10 because by summer 2010 energy suppliers were close to achieving the original Carbon Emissions Reduction Target (CERT). In August the Government extended the CERT scheme to 2012; this will result in a further 3.5 million homes receiving installation measures.

Between 1 April 2010 and 31 March 2011, more than one million under-insulated homes received cavity wall or loft insulation, nearly all under the CERT scheme. A step-change in the installation of solid wall insulation will be needed under the Green Deal and new Energy Company Obligation to ensure compliance with legally binding carbon budgets.

There are a number of factors causing short-term fluctuations in the delivery of insulation including energy companies' promotional activities and seasonal variations.

While energy suppliers are expected to invest £5 billion in achieving the CERT between 2008 and 2012, the net present value of the CERT scheme to Great Britain is estimated to be £22 billion. A further value-for-money exercise will be undertaken at the end of the CERT scheme, but Departmental, National Audit Office and independent analyses have already shown the supplier obligation model to provide good value for money.

Priority 1 **The number of households in 'fuel poverty' (subject to independent review of the fuel poverty target and definition)**
Impact indicator 2



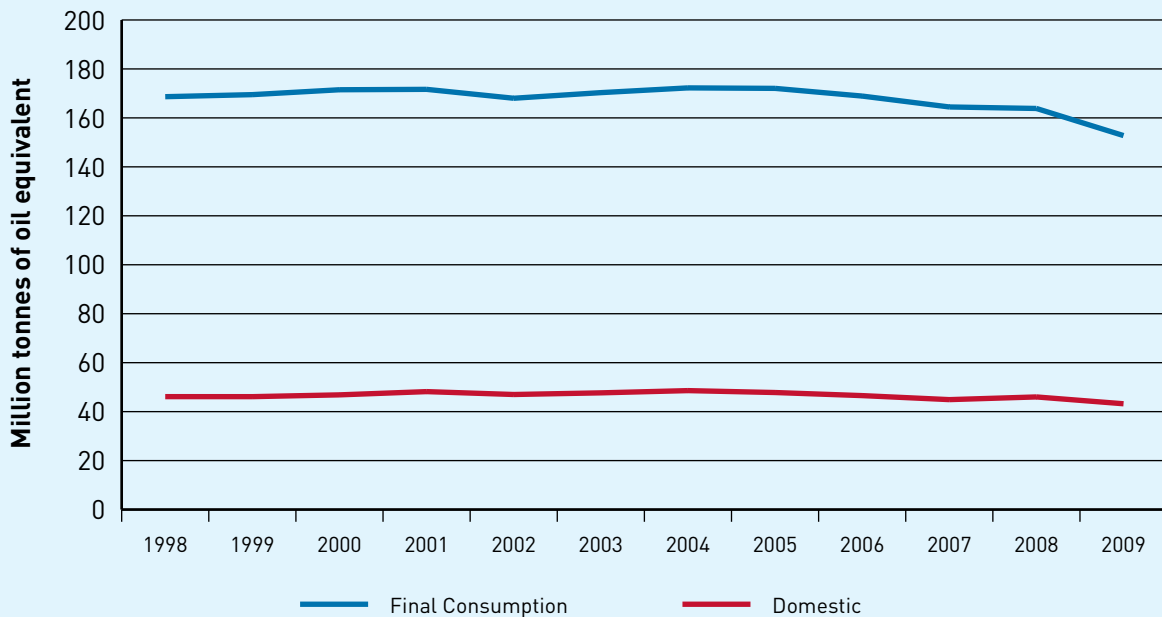
Source: DECC Annual Report on Fuel Poverty Statistics

This indicator records the number of households considered to be in fuel poverty. A household is defined as being in fuel poverty if it needs to spend more than 10% of household income (after income tax and national insurance) on domestic energy to maintain adequate warmth (21°C in the main living area and 18°C in other lived-in rooms).

Helping a household to improve the thermal comfort and efficiency of the dwelling through the installation of heating and energy efficiency measures is usually the most cost-effective way of reducing the cost of maintaining an adequate level of warmth and tackling fuel poverty. As upgrading the thermal efficiency of the housing stock is a gradual process, the Government has in place a range of cost-effective policies to address all three elements of the issue: energy efficiency, incomes and energy prices.

In 2008, 4.5 million households were considered to be in fuel poverty. The number of households in fuel poverty in England is projected to have fallen between 2009 and 2010. Confirmed data for 2009 and updated projections for 2010 will be published on 14 July in the Annual Report on Fuel Poverty Statistics 2011.

Priority 1
Additional indicator 1 **Final energy consumption (domestic/household energy consumption)**



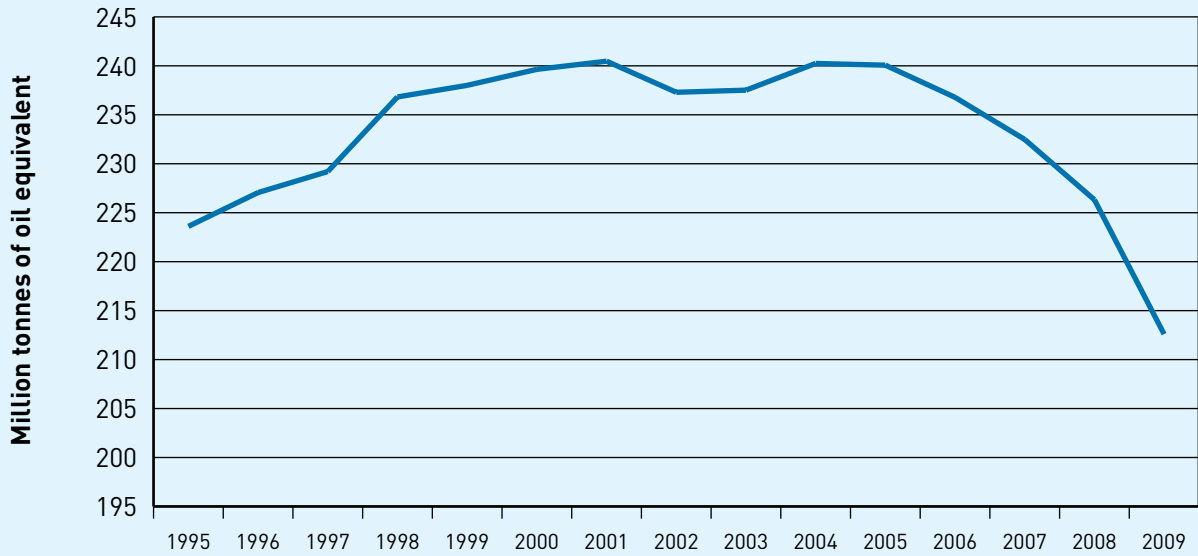
Source: DECC Energy Trends, table 1.3a⁶

This indicator shows the total final energy consumption and consumption by the domestic (residential) sector. It demonstrates the impact on consumption of the take-up of home energy efficiencies measured by the other indicators of Priority 1. Final energy consumption shows a strong seasonal pattern, with more energy being consumed in the winter months, particularly in the domestic and service sectors.

In 2009, the period for which the latest data is available, 152,771 thousand tonnes of oil equivalent was consumed, 43,213 thousand tonnes of oil equivalent by the domestic sector. Data for 2010 will be available in the DECC publication Energy Trends, to be published on 28 July 2011.

⁶ <http://www.decc.gov.uk/en/content/cms/statistics/source/total/total.aspx>

Priority 1 **Temperature-adjusted primary energy use**
Additional indicator 2



Source: DECC (National Statistics)

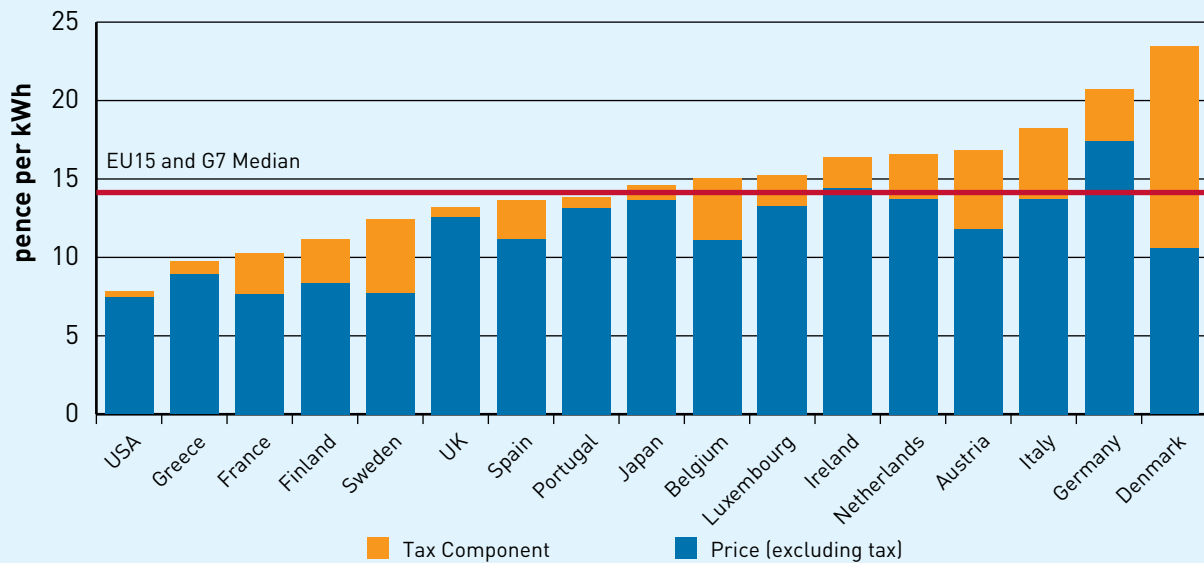
The measurement of temperature-adjusted primary energy use indicates what annual consumption might have been if the average temperature during the year had been the same as the average for the years 1971 to 2000. This complements additional indicator 1 (above) by showing the impact of seasonal and temperature effects on energy consumption.

A temperature-corrected domestic series is planned for later in the year.

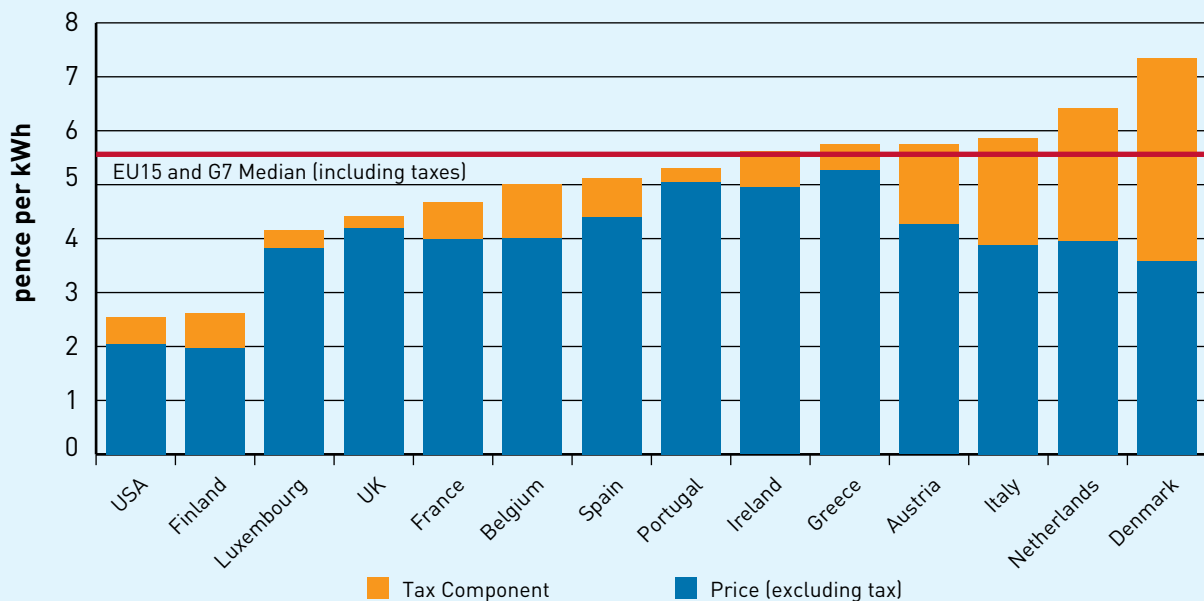
In 2009, the period for which the latest data is available, the UK consumed 212,597 thousand tonnes of oil equivalent. Data for 2010 will be available in the DECC publication Energy Trends, to be published on 28 July 2011.

Priority 1 **Average domestic electricity and gas prices (including**
Additional indicator 3 **taxes) within the EU15 and G7 in 2010-11**

Average electricity prices within the EU15 and G7 in 2010-11



Average gas prices within the EU15 and G7 in 2010-11



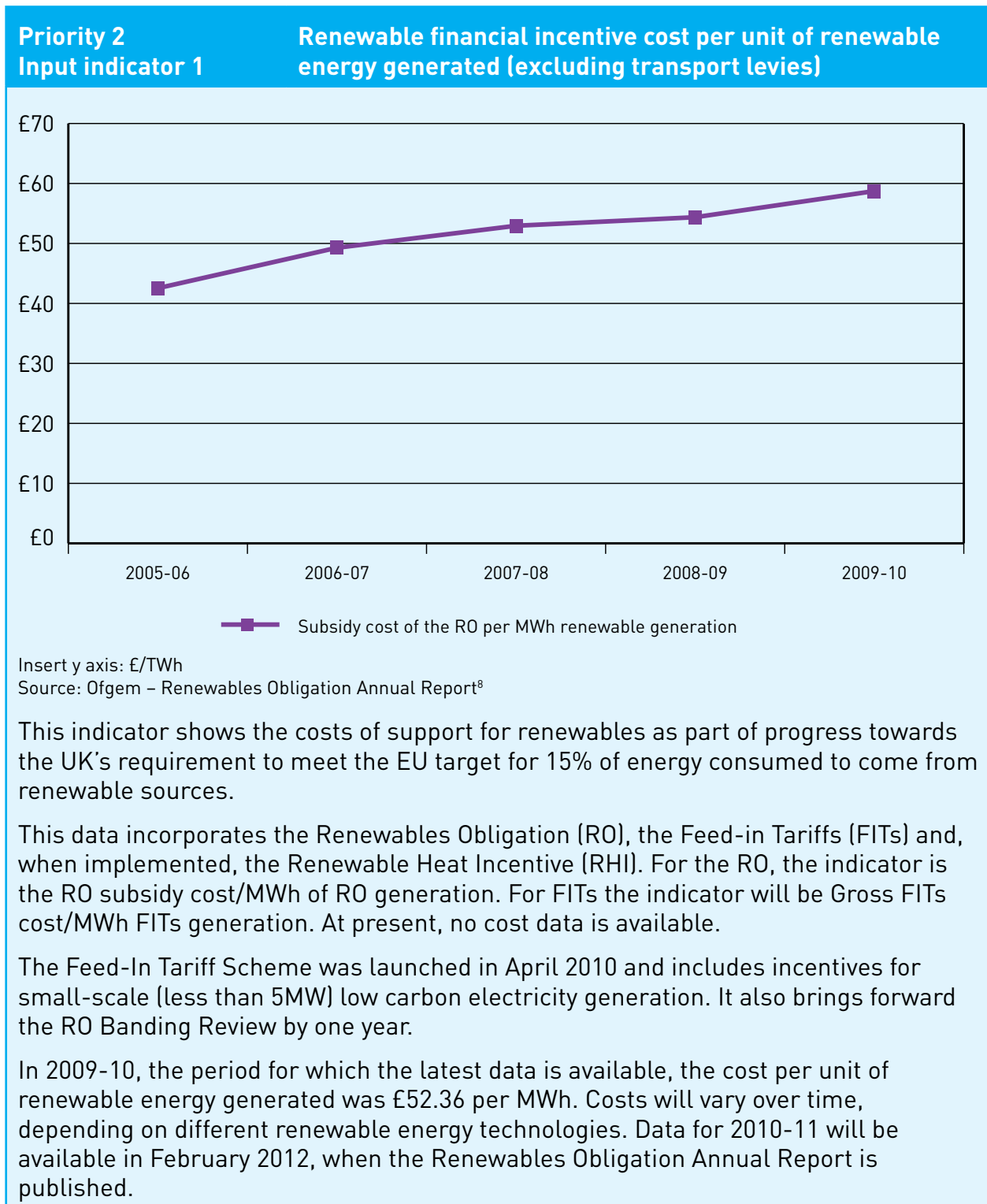
Source: DECC Quarterly energy prices⁷

Domestic electricity and gas prices are determined by the market, with firms setting prices and competing for customers. This market is regulated by Ofgem, which has a primary duty to act in the interest of consumers. During 2010-11, Government introduced no new taxes that will impact on prices. Specifically, VAT on domestic energy is set at 5% and has been unaffected by recent changes to VAT rates.

The data shows that the average UK electricity and gas prices remained below the EU15 and G7 median during 2010-11.

⁷ <http://www.decc.gov.uk/en/content/cms/statistics/publications/prices/prices.aspx>

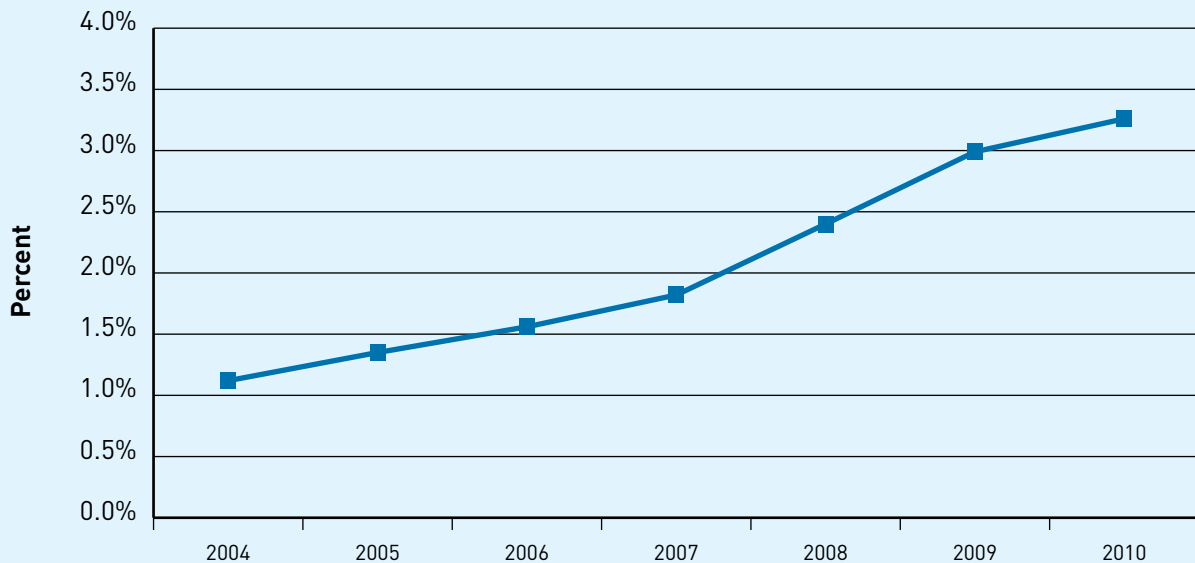
Priority 2: Deliver secure energy on the way to a low carbon energy future



⁸ <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=268&refer=Sustainability/Environment/RenewablObl>

**Priority 2
Impact indicator 1**

Percentage of energy consumed in the UK that has been generated from renewable sources



Source: DECC Energy trends June edition⁹

The indicator reports the UK's progress against the Renewable Energy Directive, published in July 2010. The directive set out an indicative trajectory towards the UK's target of 15% of energy consumption in 2020 being from renewable sources.

In 2010, 3.3% of the energy consumed in the UK was generated from renewable sources, which puts the UK on trajectory for the 15% target by 2020.

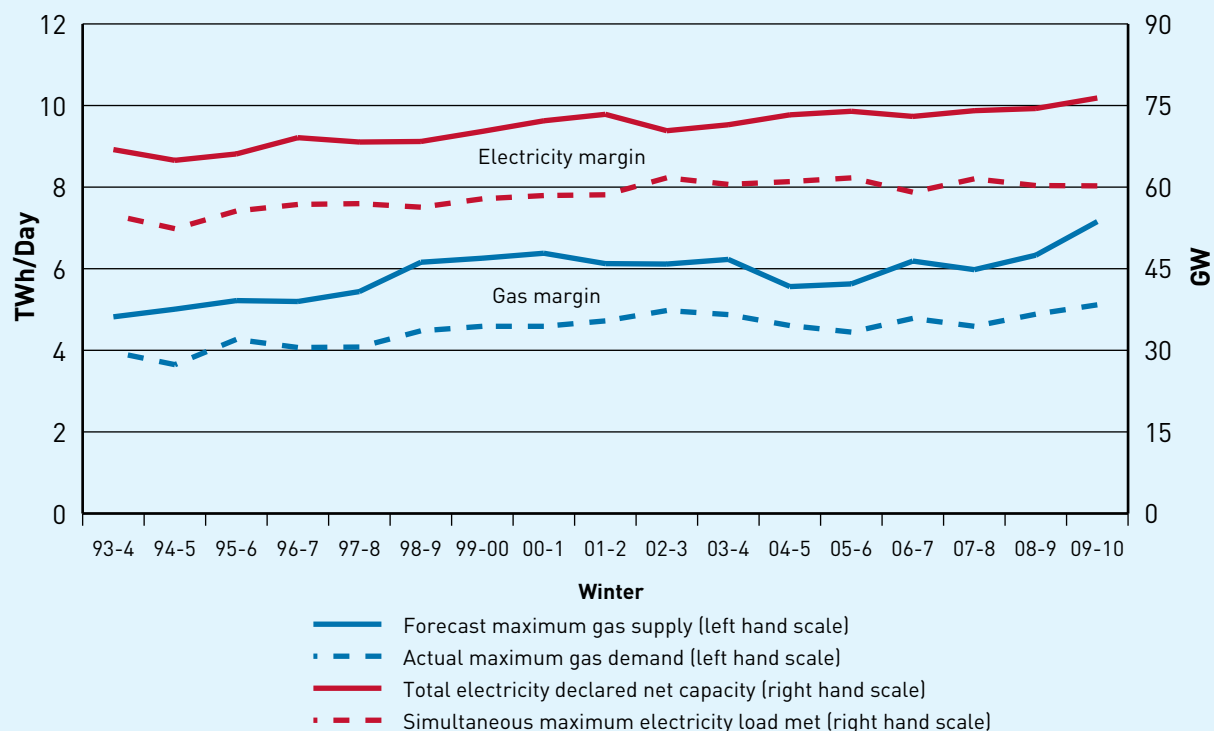
DECC will continue to maximise value for money and minimise the impact on consumer bills by:

- undertaking regular reviews of technology costs (which are expected to fall with time);
- ensuring that developers get an adequate incentive to drive deployment but that they do not become over-compensated at the expense of the consumer; and
- tackling delivery risk by bringing down technology costs and increasing competition through inward investment.

⁹ <http://www.decc.gov.uk/en/content/cms/statistics/publications/trends/trends.aspx>

**Priority 2
Impact indicator 2**

**The spare capacity of the UK's gas and electricity networks
(difference between maximum possible supply and actual peak demand)**



Source: DECC UK energy in Brief¹⁰

This indicator is one element of energy security and shows the difference between maximum supply and demand for gas and electricity. For electricity, the data shows the difference between the transmission entry capacity of UK power stations owned by major power producers and the simultaneous maximum load met in the UK. For gas, the data shows the difference between the peak forecast of supply and the actual maximum daily demand. This data is measured in winter, when demand for both electricity and gas is greatest.

Data for 2009-10 shows that:

- Gas supply was 7.2 TWh/d (Terawatt hours per day) and peak winter demand was 5.1 TWh/d
- Electricity supply was 76.4 GW (Gigawatts) and peak winter demand was 60.2 GW

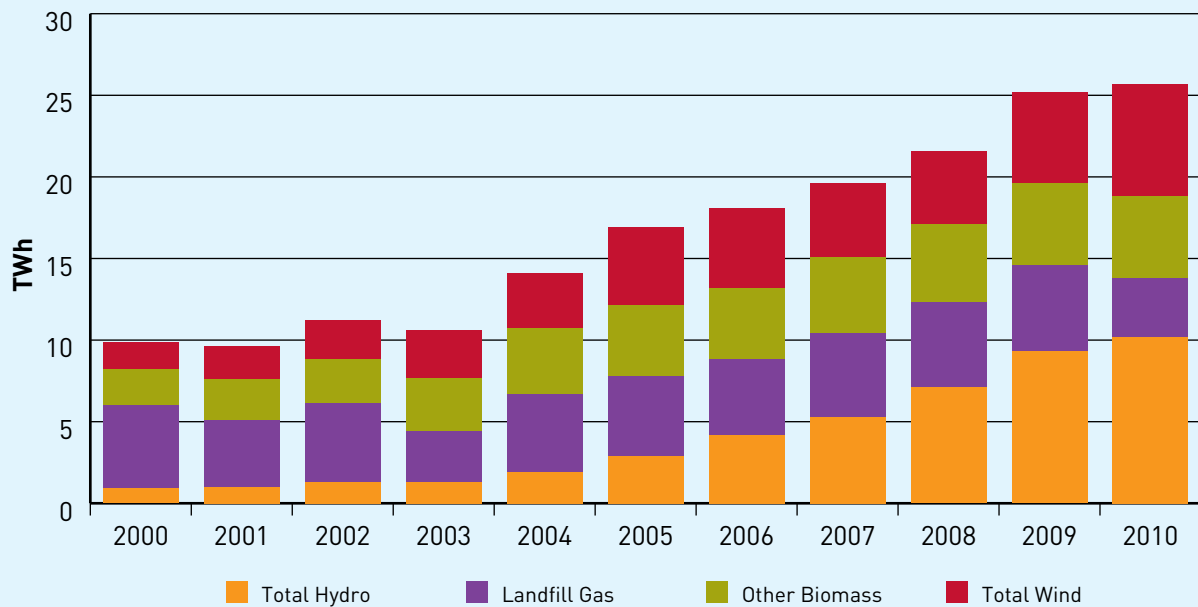
Data for 2010-11 will be available July 2011.

Electricity margins are currently at historic highs. However, 19 GW of capacity (roughly 25% of Britain's current generation) is scheduled to close by 2018. More than 20 GW (of which 12.5 GW is gas-fired and 6.5 GW wind powered) of new build is under construction or has planning consents. The Coalition Agreement sets out the actions this Government will take to ensure that security is improved over the life of this Parliament.

¹⁰ <http://www.decc.gov.uk/en/content/cms/statistics/publications/brief/brief.aspx>

Priority 2 Electricity generation from renewable sources

Additional indicator 1



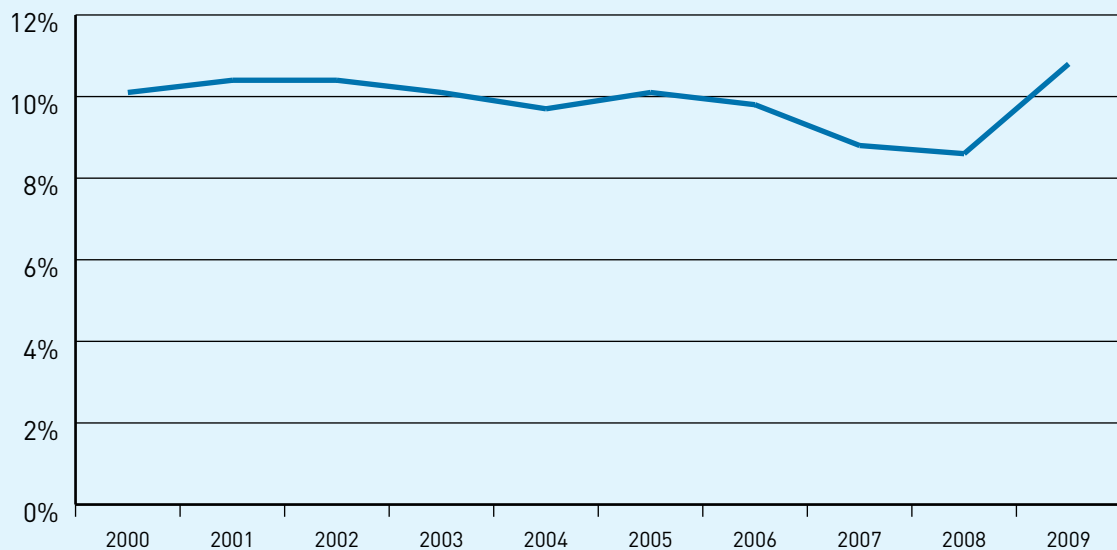
Source: DECC Energy Trends, June Edition¹¹

This indicator uses the data that reports the UK's progress against the Renewable Energy Directive and records the electricity generated from hydro, landfill gas, other biomass and total wind (onshore and offshore).

In 2010, 25.7 TWh of electricity was generated from renewable sources.

¹¹ <http://www.decc.gov.uk/en/content/cms/statistics/publications/trends/trends.aspx>

Priority 2 **The proportion of all UK energy generation from low carbon**
Additional indicator 2 **sources**



Source: DECC Energy trends, table 1.3a¹²

This indicator measures the investment in low-carbon technologies, which is included in the 'Plan for Growth'¹³. The data shows the sum of primary demand for non-fossil fuels (nuclear, wind, hydro, biomass and other renewables) divided by the sum of the primary demand for all fuels. Primary demand is defined as the sum of energy final consumption, transformation, transfers, energy industry use and losses, less non-energy use.

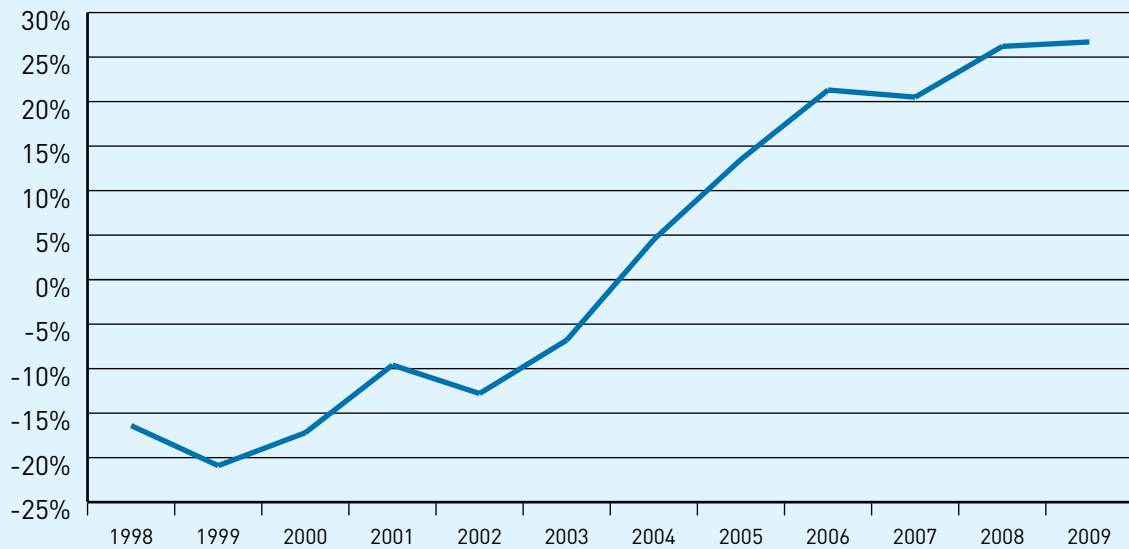
For 2009 (the period for which the latest data is available), 10.8 per cent of all UK energy generation came from low carbon sources. Data for 2010 will be available in the DECC publication Energy Trends, to be published on 28 July 2011.

In 2010-11 DECC has taken significant steps to encourage greater deployment of renewables, including reforming the electricity market, bringing forward the banding review of the RO, launching the Renewable Heat Incentive and establishing the Green Investment Bank. More information on these can be found in the section 'Other achievements relating to priority 2'.

¹² <http://www.decc.gov.uk/en/content/cms/statistics/source/total/total.aspx>

¹³ http://cdn.hm-treasury.gov.uk/2011budget_growth.pdf

Priority 2 **Net import dependency**
Additional indicator 3



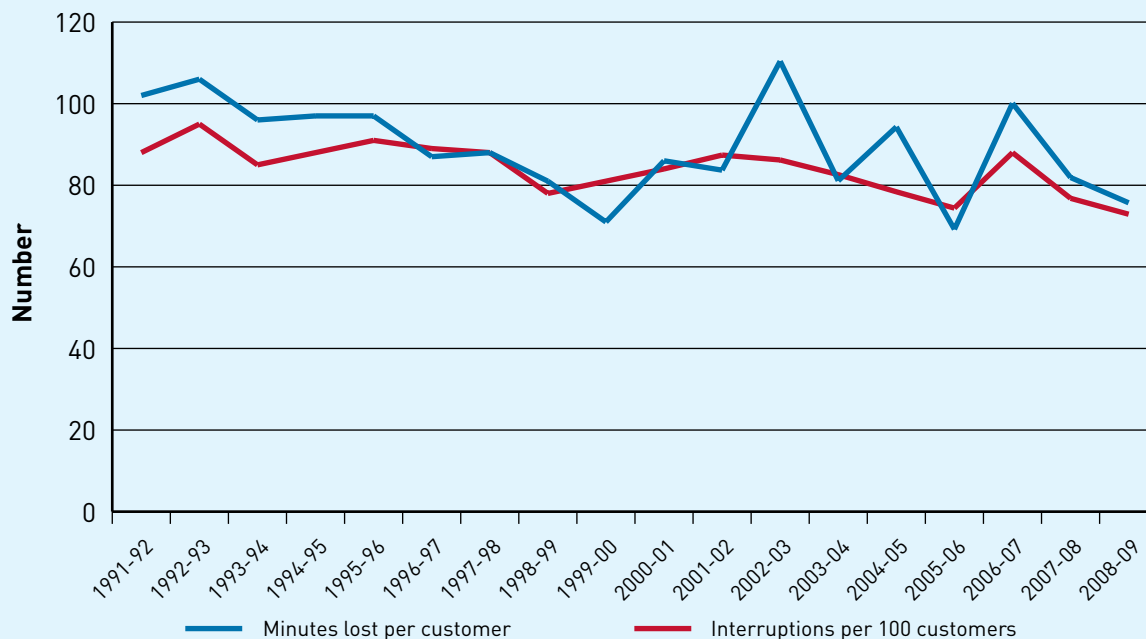
Source: DECC Energy trends, table 1.3a¹⁴

The decline of indigenous production has meant an increased dependency on imported supplies. The UK strategy for managing its import dependency is centred around making greater use of its own supplies. Government is currently promoting more energy generation from onshore and offshore wind, marine and waste.

In 2009 (the latest period for which data is available), UK imported 26.7% of its fuel, compared to 26.2% in 2008. Data for 2010 will be available in the DECC publication Energy Trends, to be published on 28 July 2011.

¹⁴ <http://www.decc.gov.uk/en/content/cms/statistics/source/total/total.aspx>

Priority 2 **Security and availability of electricity supply for the average**
Additional indicator 4 **customer**



Source: DECC UK Energy Sector Indicators¹⁵

Ofgem reports on the number of minutes of electricity supply lost per customer. This indicator is a measure of the reliance of the distribution network in the UK and demonstrates individuals' ability to access secure and reliable energy supplies.

In 2008-09 (the latest period for which data is available), 75.7 minutes per customer were lost through 72.9 interruptions per 100 customers. Data for 2009-10 will be available in October 2011.

Extreme weather conditions such as storms can impact upon performance.

Security of supply remains a key priority for DECC. In October 2010, as part of the consultation on Electricity Market Reform, the Department consulted on options for introducing a capacity mechanism to ensure long-term security of supply. DECC is considering next steps in light of the responses received and will be setting out the way forward in a forthcoming White Paper.

¹⁵ <http://www.decc.gov.uk/en/content/cms/statistics/publications/indicators/indicators.aspx>

Other achievements relating to priority 2

Electricity Market Reform

In December 2010, the Department published a consultation document on electricity market reform to examine the reforms necessary to ensure that the UK encourages low-carbon investment, guarantees security of supply and provides affordable electricity. The consultation closed in March and responses will inform the forthcoming White Paper.

Gas Markets

The gas market has delivered a five-fold increase in the UK's gas import capacity during the last decade. Over the past 12 months:

- Capacity at the Isle of Grain liquified natural gas import terminal has increased by around 50% to 7bcm (billion cubic meters).
- The Gjøa Gas Pipeline has been completed, delivering an additional 6.2bcm capacity per year.
- Installation of a fourth compressor on the BBL interconnector (with the Netherlands) has commenced which will enable an additional 3bcm capacity per year.

Rising energy imports mean increased exposure to the vagaries of international markets. The Energy Bill, introduced to the House of Lords on 8 December 2010, includes measures to reduce the likelihood, duration and severity of a gas supply emergency.

Carbon Capture and Storage

The continued use of high-carbon fossil fuels depends on carbon capture and storage technology. In October 2010 the Spending Review made available up to £1bn of capital funding for the first CCS demonstration project. This is the largest public funding contribution in the world to a single CCS project, ensuring that the UK will continue to lead the way on large-scale demonstration.

In November 2010, the Government announced that the selection process for the additional three demonstrations will be open to projects on gas-fired power stations as well as projects on coal-fired power stations. The European Commission published proposals for NER 300 funding for renewables and CCS projects, and UK bids are currently being assessed.

Security & Resilience

In line with the priorities set out in the Government's National Security Strategy, DECC is continuing to work with industry and regulatory authorities to improve the security of energy assets and networks and their resilience to disruptive events including terrorism, major accidents and natural hazards. As a result, more than £100m was allocated by Ofgem to electricity companies as part of the Distribution Price Control Review (DPCR5) to strengthen flood protection on the electricity distribution networks over the period 2010-15, and work is also underway to further improve physical security at key sites on electricity and gas transmission networks.

Other achievements relating to priority 2

Continued

Energy Planning

The **Planning Act 2008** established a new framework for determining major infrastructure proposals based on National Policy Statements (NPSs). Following the consultation on the draft energy NPSs in 2009-10, the Government decided to make some improvements to them and the associated Appraisals of Sustainability then re-consult on them. Following consideration of all responses the Government intends to submit the energy NPSs for ratification in Parliament during 2011.

During 2010-11 Ministers consented to nine applications for power stations in England and Wales that were received before the changes brought about by the Planning Act 2008. These represent 6,977 MW of capacity, comprising 6,690 MW of gas, 286 MW of wind (230 MW offshore and 56 MW onshore) and a small tidal scheme. Other applications determined during the period include gas infrastructure and overhead power lines. DECC continues to assess pre-Planning Act applications for power stations.

Network Delivery and Access

During 2010-11, DECC addressed the challenges facing Great Britain's onshore and offshore electricity networks. A new grid access regime was established so generators can connect to the grid earlier.

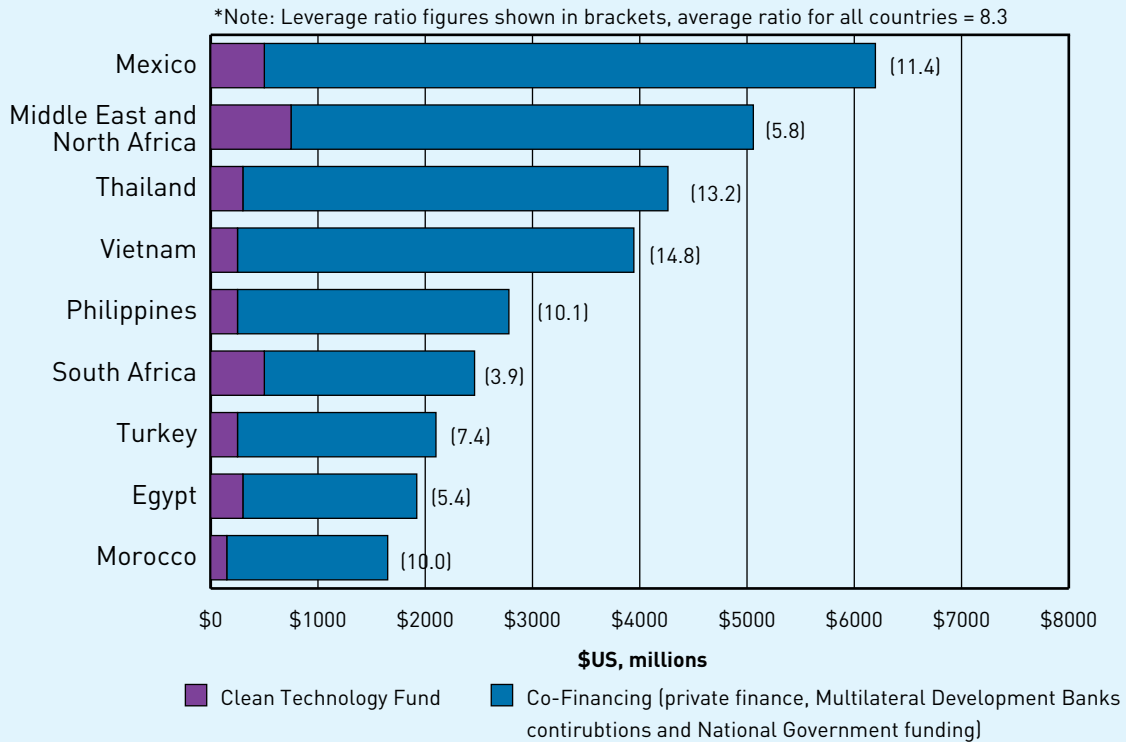
In December 2010 DECC gave offshore generators the flexibility to construct their own transmission assets. DECC and Ofgem have also created an expert industry forum, the Offshore Transmission Co-ordination Group, to maximise the opportunities for co-ordinated offshore transmission development.

The Department has analysed the role that demand-side response, storage and interconnection should play. This analysis will help develop a future networks strategy, to be published as part of the forthcoming White Paper on EMR. The Smart Grid Forum, an industry group DECC created with Ofgem, will explore the development of smarter networks and provide leadership and momentum. Under the Low Carbon Investment Fund, DECC has provided £2.7m to eight smart grid demonstration projects.

Priority 3: Drive ambitious action on climate change at home and abroad

Priority 3 Input indicator 1

Leverage of UK international climate change finance (\$US of international climate finance leveraged per \$US of funding)



Source: DECC based on data from Climate Investment Funds¹⁶

This indicator monitors the impact of UK climate finance on funding from other sources, including the private sector, multilateral development banks, recipient governments and non-governmental organisations. Leverage is an important indicator as it measures the potential of public funds to unlock markets and provide scaled-up, sustainable, private sector initiatives.

Of the UK's Fast Start climate finance spend, 80% (£455m out of £568m in 2010-11) has been disbursed through the World Bank-administered Climate Investment Funds (CIFs). Therefore, the leverage of CIF projects is used as a proxy to measure the impact of the UK's climate finance. The Clean Technology Fund (CTF) is the first CIF where a notional leverage ratio can be calculated (between 2008 and 2010, the UK contributed £385m to the CTF). The indicative leverage ratio of 8.3 means that for every dollar of CTF finance from donors, including the UK, other sources have contributed \$8.30.

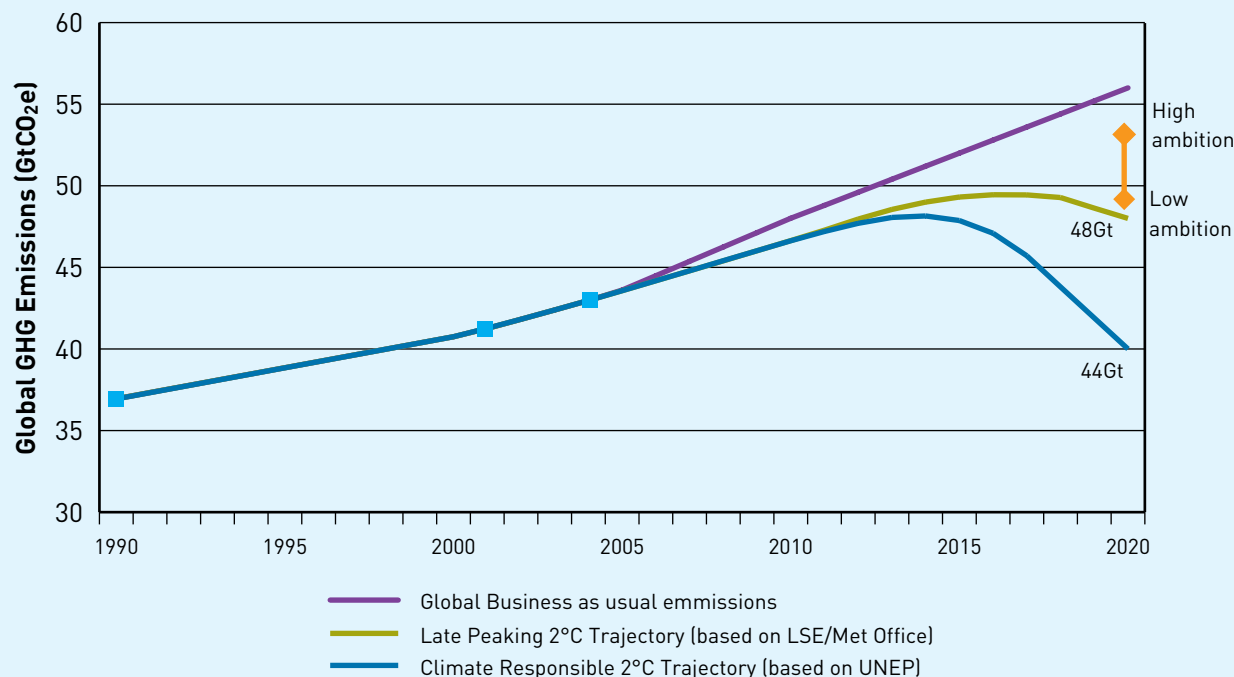
This is a high leverage ratio compared to other low-carbon development funds, and we expect lower leverage ratios when they become available for CIFs targeting adaptation, forests and capacity-building, assisting developing countries to respond to climate change.

The UK's contribution to the CTF will support investments, which should lead to estimated emissions savings of 33 MtCO₂/yr and the installation of more than 12GW of new clean energy capacity in developing countries.

¹⁶ <http://www.climateinvestmentfunds.org>

**Priority 3
Impact indicator 1**

The impact of other countries' pledges to decrease their greenhouse gas emissions on predicted global emissions



Source: DECC – based on data from the United Nations Environment Programme Emission Gap Report¹⁷

This indicator captures the extent to which countries' current national policies and the international negotiations have put the world on course to deliver on the goal of limiting average global temperature increase to below 2°C.

The data is from the Emission Gap Report, a detailed report by UNEP that aggregated a wide range of international researchers' estimates of possible 2°C trajectories and current national emission pledges.

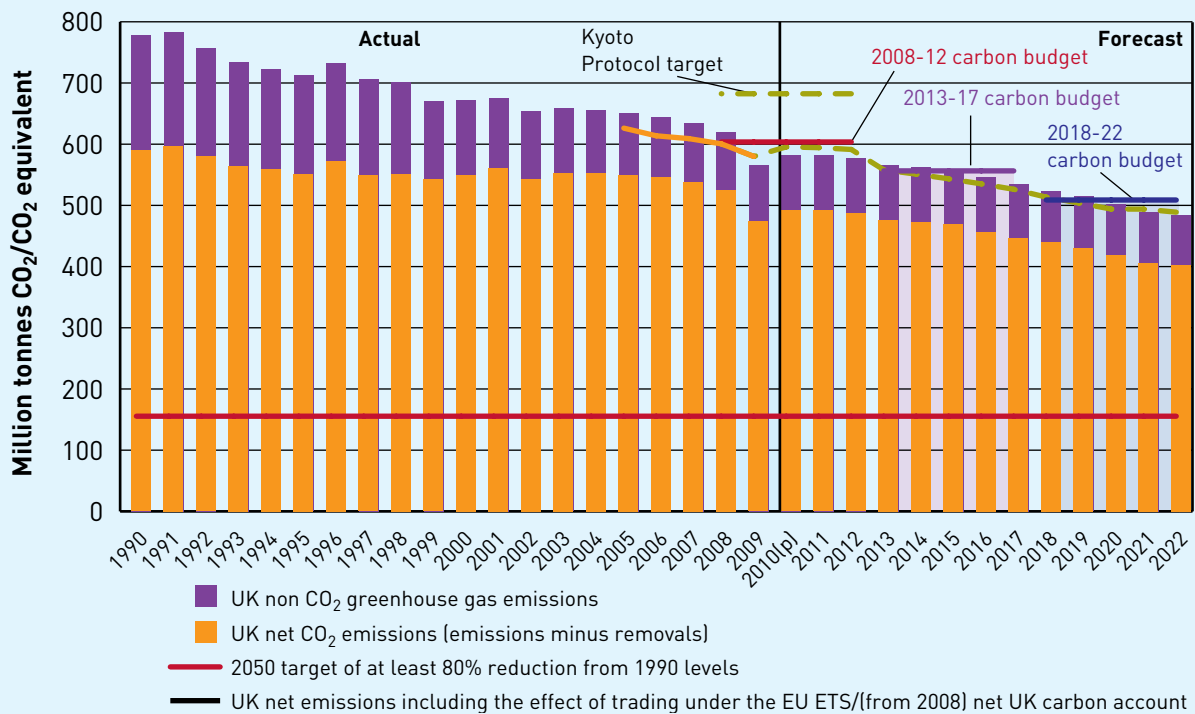
UNEP estimated that to be consistent with the 2 degree goal, global emissions should be around 44Gt in 2020 and that countries should have already committed to reducing their emissions by 3-7Gt below business as usual projections (56Gt), to 53-49Gt. This suggests that there is a 5-9Gt gap between current commitments and the level of reductions needed to be reach the 2°C goal. The gap is presented as a range because some countries' emission reduction pledges are expressed as ranges with conditional and unconditional components (high and low ambition) and there is some uncertainty over the international rules for how countries can meet their pledges, in particular in relation to use of carbon market credits and rules for forests and land use.

UNEP is planning to update its estimate ahead of the next Conference of the Parties, to reflect changes in national policies and commitments and underlying factors that affect emission projections like economic growth.

¹⁷ <http://www.unep.org/publications/ebooks/emissionsgapreport/>

Priority 3
Impact indicator 2

Total emissions of greenhouse gases from the UK, showing progress against legal limits on emissions (carbon budgets)



Source: DECC (National Statistics)¹⁸

Provisional estimates show that UK emissions increased by 2.84% to 582.4 MtCO₂e in 2010¹⁹ from 566.3 MtCO₂e in 2009. However, the UK remains on track to over-achieve on its Kyoto Protocol target.

The net UK carbon account²⁰ for 2010 is not yet available, so the following is based on data up to 2009. The net UK carbon account decreased by 3.6% to 575.3 MtCO₂e in 2009 from 596.7 MtCO₂e in 2008. The total net UK carbon account for 2008 and 2009 is 1,172 MtCO₂e, which equates to 586 MtCO₂e per annum on average. This is 1,846 MtCO₂e below the level of the first budget (3,018 MtCO₂e) so the net UK carbon account could average up to 615.3 MtCO₂e during the remaining three years and the first budget would still be met. Latest published projections from June 2010 indicate that the net UK carbon account is expected to be within budget.

The Government announced on 17 May 2011 that it proposed accepting the Climate Change Committee's advice to set a fourth carbon budget, the limit on emissions between 2023 and 2027, at 1,950 MtCO₂e. This represents a 50% reduction from 1990 levels. This proposal will be debated in Parliament with an aim to setting the fourth carbon budget in law by the end of June, as required by the Climate Change Act.

By setting this fourth carbon budget the UK is demonstrating that it is leading the way to a cleaner, low carbon future. Proposals and policies to meet the fourth carbon budget will be released later in 2011.

¹⁸ http://www.decc.gov.uk/en/content/cms/statistics/climate_change/gg_emissions/uk_emissions/uk_emissions.aspx

¹⁹ The provisional 2010 emissions estimate will be subject to revision when the final data is published in February 2012.

²⁰ The net UK carbon account is calculated by first taking net UK emissions for a given period, using data from the UK National Inventory. Net UK emissions are then adjusted to account for the amount of carbon units which have been purchased by Government and private sector installations under the EU Emissions Trading Scheme to offset UK emissions ("credits"), and UK carbon units which have been disposed of to a third party ("debits"). Credits for the purchase of carbon units from abroad reduce the UK net carbon account emissions, whilst debits will increase the UK net carbon account. The EU ETS figures (allowances purchased/sold) for 2010 will be available in June 2011.

Priority 4: Manage our energy legacy responsibly and cost-effectively

Priority 4 Input indicator 1	Proportion of the Nuclear Decommissioning Authority's budget that is spent on decommissioning and cleaning up nuclear plants.				
Year	2005-06	2006-07	2007-08	2008-09	2009-10
Proportion of budget spent on decommissioning and cleaning up nuclear plants	20%	24%	24%	24%	25%

Source: Nuclear Decommissioning Authority annual report and accounts

The Nuclear Decommissioning Authority's core mission is the decommissioning and cleaning up of the nuclear legacy sites, but it must also maintain the infrastructure, maintain safety, deliver risk and hazard reduction and sustain the operation of key plants. Decommissioning expenditure includes capital expenditure for new plant to undertake clean up operations, for example building a machine to extract waste safely. The NDA's objective is to reduce overhead and support costs across its estate and to increase the proportion of its budget spent on decommissioning. Early decommissioning delivers value for money by avoiding future overhead costs (such as building maintenance and security). The data is collected by the NDA and reported in its Annual Report and Accounts, which are audited by the NAO.

Priority 4 Impact indicator 2	Reduction in the Nuclear Liabilities Estimate through decommissioning and clean-up (in line with published Nuclear Decommissioning Authority business plans)				
Year	2005-06	2006-07	2007-08	2008-09	2009-10
Nuclear liabilities estimate (£bn)	1.3	1.5	1.8	1.4	1.8

Source: Nuclear Decommissioning Authority annual report and accounts

The Nuclear Liabilities Estimate is the total expected cost of carrying out the NDA's core mission of decommissioning and cleaning up its 19 sites, including waste management, maintaining safety and security at the sites and the NDA's share of the costs of the Geological Disposal Facility. It does not include the costs of commercial operations and the associated income. The indicator shows the total value of work completed in the year, offset by any increase in the NLE as a result of financing costs (unwind of discount and effect of inflation) and any change in scope. Because the mission is long term and because the challenge inherited by the NDA was poorly understood, the NLE is expected to rise in the short term as the NDA gets a full understanding of the task and related costs. Over time, efficiency and innovation should see the NLE fall as the work-off rate increases and starts to exceed any increases in the long term estimate. The data is collected by the NDA and reported in its Annual Report and Accounts, which are audited by the NAO.

Other achievements relating to priority 4

Oil and gas environmental controls

The Deepwater Horizon accident in the Gulf of Mexico was a serious and tragic event. Eleven people died and an estimated 4.9 million barrels of oil were released to the ocean before the leak was halted. Immediately following this event, DECC carried out an initial review of its environmental regime, which was already one of the most robust in the world. As a result of this review, DECC took action where appropriate to improve the regime further. This included increasing the numbers of offshore environmental inspectors to allow environmental inspections to increase from 60 per annum to 150 (once all new inspectors are in place and fully trained). A further, more detailed review of the UK's regulatory regime, taking full account of the Select Committee Report into Deepwater Drilling and the reports from the US official investigations, is currently being carried out to consider the implications for regulatory procedures, including safety and maritime regulation as well as offshore environmental regulation. The review, chaired by Prof. Geoffrey Maitland, is due to report later this year.

Coal liabilities

By December 2010, with fewer than 100 claims remaining to be settled, the Presiding High Court Judge approved the closure of the British Coal Respiratory Disease Litigation Chronic Obstructive Pulmonary Disease Compensation Scheme. This scheme has settled over 591,000 claims and paid out nearly £2.4bn in compensation to miners who damaged their lungs while working for the nationalised coal industry between 1954 to 1994. By April 2011 only 33 claims remained to be settled and we expect these to be resolved by summer 2011.

DECC remains engaged in defending two group litigation actions: osteoarthritis of the knee amongst coal miners, and various respiratory and cancer claims arising from employment at a Phurnacite production plant in Abercwmboi, South Wales. A judgment in January 2011 on the preliminary issues trial for the knee litigation on limitation ruled in favour of the Department. However, the claimants are now seeking permission to appeal this judgment. The Phurnacite litigation remains on schedule for a trial in Autumn 2011.

During 2010 DECC completed a competitive tender for the contract for all its legal and claims handling services associated with the nationalised coal industry. The new contract reduces the number of direct contractors from three to one, reducing administration costs and matching service requirements to the Department's current needs. The contract has an estimated value of around £25m over the next five years.

The **National Concessionary Fuel Scheme** provides concessionary solid fuel or cash in lieu to former nationalised coal industry employees. At the end of March 2011, the total number of beneficiaries in the scheme was 80,937 – a reduction of 6.92% from the previous year. Of these, around 14,500 beneficiaries took their entitlement in solid fuel. Contracts for the supply of fuel have recently been extended to March 2015.

Other Achievements relating to priority 4

The **Coal Authority**, which owns, on behalf of the UK, the majority of coal and coal mines in Great Britain is a DECC-sponsored Non-Departmental Public Body. During the past twelve months the Authority has undergone its first major reorganisation since it was established under the 1994 Coal Industry Act. This resulted in cost savings in its structure and processes. The Authority has also seen its status reviewed under the Cabinet Office Public Bodies Review and the DECC Delivery Review. Both Reviews re-confirmed the status of the Authority and found that it was effectively delivering its statutory and regulatory duties.

Response to events in Japan

The Secretary of State for Energy and Climate Change has asked UK Chief Nuclear Inspector Dr Mike Weightman to provide a report to the Government on the implications of the unprecedented events in Japan and the lessons to be learned for the UK nuclear industry. An interim report was published in May and a final report will be published later in 2011. The report will be conducted in close cooperation with the International Atomic Energy Agency, Japan and other international regulators to carefully establish what lessons can be learned.

Structural Reform Plan

- 2.6** The DECC Business Plan contains the Structural Reform Plan, which outlines high-level actions and milestones that DECC should undertake to implement the Coalition's programme for Government. To monitor implementation of the actions, DECC publishes monthly SRP implementation updates on both the No.10 and DECC websites²¹ to confirm whether or not the Department has met the actions set out in the Plan. The table below summarises DECC's performance on delivering the SRP actions that were due for completion in 2010-11 (these were contained in the draft Business Plan, published in November 2010).

²¹ Monthly SRP implementation updates are available from:
http://www.decc.gov.uk/en/content/cms/about/our_goals/our_goals.aspx
<http://transparency.number10.gov.uk/transparency/srp/>

DECC's 2010-11 implementation performance of the activities contained within the Structural Reform Plan						
Priority	Number of actions due FY 2010-11	Number of actions met on time	Number of actions missed by 1 month or less	Number of actions missed by 1-2 months	Number of actions missed by 2-3 months	Number of actions missed by more than 3 months
Save energy with the Green Deal and support vulnerable customers	8	8	0	0	0	0
Deliver secure energy on the way to a low carbon energy future	13	13	0	0	0	0
Drive ambitious action on climate change at home and abroad	4	4	0	0	0	0
Manage our energy legacy responsibly and cost-effectively	3	2	0	0	0	1
Total	28	27	0	0	0	1

2.7 DECC missed one action in 2010-11, which had originally been due in December 2010. This was action 4.3(i), to complete the policing strategy for Critical National Infrastructure and civil nuclear sites. Since this action was agreed, the scope of the work stream has been broadened to include the policing of other, non-civil nuclear sites. The policing strategy for critical national infrastructure and nuclear sites is a National Security Council Nuclear Sub-Committee workstream, led by the Home Office with contributions from DECC and the MoD. This action has therefore been removed from DECC's business plan.

2.8 Further details on the SRP actions summarised above can be found in Annex 1.

Carbon Plan

2.9 Reducing UK emissions and meeting the carbon budgets is a cross-Government responsibility, and there is a legal duty to report progress annually. Two reports fulfil this objective: the Annual Statement of Emissions for 2008²² and the Government Response to the annual progress reports by the Committee on Climate Change²³ (published each October).

²² The 'Annual Statement of Emissions for 2008', Government Responses to the annual 'Progress Reports by the Committee on Climate Change' and the 'Carbon Plan' can be found in the publications section of DECC's website: <http://www.decc.gov.uk/publications/>

²³ See footnote 7

2.10 To further improve transparency and accountability, the Government has published a draft Carbon Plan,²⁴ which sets out department-by-department actions and deadlines for the next five years. The Carbon Plan was initially published in draft in March 2011 in recognition that once the fourth carbon budget had been set in law DECC would need to publish an updated 'live' Carbon Plan later in the year. This document replaces departmental carbon reduction delivery plans and brings together the actions set out by departments in their own business plans. In particular it brings together the actions of the key carbon mitigation departments: DECC, Department for Transport, Department of Environment Food and Rural Affairs, Department for Communities and Local Government, Business Innovation and Skills and Treasury. The Carbon Plan will be updated and improved later this year to include details of quantitative indicators against which progress will be monitored. Quarterly updates on progress against actions in the Carbon Plan are published on both the No.10 and DECC websites,²⁵ alongside the progress reports on the Structural Reform Plan.

²⁴ See footnote 7

²⁵ http://www.decc.gov.uk/en/content/cms/tackling/carbon_plan/carbon_plan.aspx

Financial Overview

Introduction

- 3.1** This overview deals with the two different but overlapping financial control regimes that apply to central government bodies:
- the Estimates/Accounts boundary covering the Core Department (including the Advisory Non-Departmental Public Bodies) and the grant-in-aid funding of the Executive NDPBs. The Department does not have any Executive Agencies. The Executive NDPBs are not consolidated in the Accounts. Instead, the Department's cash funding of these bodies together with the commercial income of the Nuclear Decommissioning Authority (NDA) is treated as Non-Budget grant-in-aid. Executive NDPBs publish their own Annual Report and Accounts.
 - the Budget boundary covers the resource and capital consumption of the whole Departmental family (the Core Department and Executive NDPBs, so excluding the Non-Budget grant-in-aid).
- 3.2** The Accounts report the actual financial results based on the Estimates/Accounts boundary so the explanations below largely reflect that regime. However, from a Budget boundary perspective the Department is also responsible for the current and capital consumption of the whole Departmental family. The expenditure tables in Chapter 6 of this Report show the estimated outturn against the Budget, as published by HM Treasury in the 2011 Public Expenditure Outturn White Paper (PEOWP).
- 3.3** Because the provision of estimated outturn data to HM Treasury for PEOWP comes before the final drafts of the Accounts for the Department and the Executive NDPBs are prepared and audited, the outturn shown in Chapter 6 will not necessarily match the Budget outturn in the reconciliation between Estimates, Accounts and Budget below. The final Budget outturn figures are supplied to HM Treasury once all the contributing Accounts have been published.
- 3.4** In common with other central Government bodies, the Comptroller & Auditor General is the appointed external auditor.

The resources available to the Department

The Spending Review process

- 3.5** 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 Estimates. DEL Budgets for the three-year period 2008-09, 2009-10 and 2010-11 were set by the CSR in 2007 (CSR07).
- 3.6** DEL and AME Budgets are split between Resource and Capital. Within the DEL Resource Budget, the Administration Budget is separately identified.

From Estimates to Accounts to Budgets

- 3.7** 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 Department itself. Supply Estimates seek Parliamentary authority each year via a vote on the Request for Resources (RfR). The RfR itself only includes the DEL and AME expenditure of the Core Department plus the Non-Budget grant-in-aid to Executive NDPBs and therefore excludes the current and capital consumption of the Executive NDPBs.
- 3.8** Notes to the Estimate show the reconciliation between the RfR and the Budget. All subsequent changes to RfRs can only be approved by Parliament as part of the Supplementary Estimates process.
- 3.9** The Department seeks approval from Parliament for its Main Estimates for the year in April. Supplementary Estimates can be submitted in the summer, winter and spring. Estimates follow a standard format, comprising a Request for Resources (RfR) which set a limit on the resources required for each main activity, a request for capital funding and 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.
- 3.10** The Department's Estimate has a single RfR: "Supporting the provision of energy that is affordable, secure and sustainable; bringing about a low carbon UK, securing an international agreement on climate change; promoting low carbon technologies at home and in developing countries; and managing historic energy liabilities effectively and responsibly."
- 3.11** Under the Treasury's project to align Budgets, Estimates and Accounts (the Clear Line of Sight project) a number of changes have been made to the classification of DEL Budgets. The distinction between near-cash and non-cash resource has been

removed, and of those items previously classified as non-cash, the take-up and utilisation of provisions is now in Resource AME, depreciation and impairments are now part of Resource DEL and the cost of capital charge has been removed from Budgets, Estimates and Accounts. All items formerly in near-cash resource, including the cash utilisation of provisions are now part of what is simply known as Resource DEL. In addition, any profit or loss on the disposal of assets has moved from Capital to Resource.

Reconciling Estimate, Accounts and Budget outturns

3.12 The Outturn for the Department's Estimate, Accounts and Budget boundaries is reconciled in the following table:

	Notes	2010-11	Restated 2009-10
		£'000	£'000
Net Resource Outturn (Estimate)	1	2,973,686	3,034,961
Adjustment in respect of:			
Consolidated Fund Extra Receipts (CFERs) in the Operating Cost Statement	2	(24,683)	(62,167)
Excess Appropriations in Aid	3	-	(68,578)
Effect of removal of cost of capital	4	-	75,520
Net Operating Cost (Accounts)		2,949,003	2,979,736
Adjustment in respect of:			
Capital Grants treated as Resource in Accounts, but Capital in Budget		(704,805)	(659,133)
Resource consumption of NDPBs	5	4,042,658	(358,089)
Voted expenditure outside the budget		-	(112)
Net Resource Outturn (Budget)		6,286,856	1,962,402
Of which:			
DEL		1,154,192	1,227,968
AME		5,132,664	734,434

Notes

1. See Statement of Parliamentary Supply in the Accounts.
2. See Note 6 to the Accounts.
3. The amount of operating income recognised in excess of that authorised to be Appropriated in Aid.
4. The 2009-10 Statement of Comprehensive Net Expenditure has been restated for the removal of cost of capital, however the Statement of Parliamentary Supply has, in accordance with HM Treasury instruction, not been restated; see Note 1.21 to the Accounts for further details of this adjustment.
5. Adjustments for the difference between the Non-Budget grant-in-aid and the Resource DEL Budget consumption.

The 2009-10 figures have been restated in order to reflect the final NDPB accounts and the removal of the cost of capital credit in accordance with the FReM.

Financial Review of the Accounts

Statement of Parliamentary Supply

- 3.13** This is the main accountability statement for Parliamentary reporting purposes, showing the Net Resource Outturn compared to the Estimate RfR. The Statement also includes a comparison of Non-Operating Appropriations in Aid (capital income) with the amount set out in the Estimate, and discloses amounts payable to the Consolidated Fund as Extra Receipts (CFERs).
- 3.14** The Net Resource Outturn for 2010-11 of £2,974m compares to the Estimate control total of £3,108m, a saving of £134m. The detailed analysis of the Net Resource Outturn is shown in Note 2 to the Accounts. The most significant variances are explained below:
- Bringing about a low carbon UK (Estimate Subhead C) was £45m (7%) lower than the Estimate mainly due to underspends on the Low Carbon Building Programme, Smart Meters and Bio energy grants, partially offset by extra spending on Warmfront;
 - Promoting low carbon technologies in developing countries (Estimate Subhead E) was £22m (8%) higher than the Estimate due to bringing forward expenditure on Official Development Assistance, the Department's contribution to the International Climate Fund;
 - Professional support and infrastructure (Estimate Subhead F) was £43m (27%) lower than the Estimate mainly as a result of savings on administrative costs; also the expenditure relating to the sale of Urenco was delayed until 2011-12 and expenditure relating to the boiler scrappage scheme was incurred earlier and so fell into the previous year;
 - Managing historic liabilities effectively and responsibly (Estimate Subhead I) was £73m (4%) lower than the Estimate due to a lower cash requirement of the Nuclear Decommissioning Authority as a result of cash received in the year for the previous year's sale of uranium stocks to Springfields Fuels Limited.

Operating Cost Statement

- 3.15** 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 Core Department on an accruals accounting basis, including that which sits outside of the Estimate. The Net Operating cost for 2010-11 was £2,949m (2009-10: £2,980m); this is lower than the previous year largely due to the previous year including a £74m increase in the concessionary fuel provision as a result of fuel prices partly offset by an increase in research and development costs of £46m mainly as a result of Front End Engineering Design costs related to the Carbon Capture and Storage demonstration project.

- 3.16** The difference between Net Operating Cost and Net Resource Outturn is income payable to the Consolidated Fund (see Note 4 to the Accounts).
- 3.17** The outturn administration costs for 2010-11 were £97m (2009-10: £100m). This compares to the administration budget of £118m, a saving of £21m due to government spending controls over recruitment, consultancy, travel, communications, IT and accommodation. The administration costs were £3m lower than the previous year due to the savings noted above which reduced other administration costs by £11m, offset by an increase in overall staff costs by £8m, the majority of which are administration costs.
- 3.18** The increase in staff costs is due to an increase in average headcount from 1,096 in 2009-10 to 1,211 in 2010-11 which reflects a number of vacancies being filled throughout the year partly offset by a reduction of 49 in the number of contingent workers.

Statement of Financial Position

- 3.19** The Department had total net liabilities at 31 March 2011 of £2,065m (31 March 2010: £2,204m). The movement in net liabilities is due to various elements: an increase in financial assets of £22m; decrease in cash and cash equivalents of £212m; decrease in trade and other payables of £220m; decrease in coal provisions of £70m; and decrease in the nuclear provision of £71m. These movements are explained in the following paragraphs.

Financial assets

- 3.20** The financial assets of the department consist of coal pensions investments and energy efficiency loans. Some of the energy efficiency loans were made through a fund repayable to DECC and some through a fund in which Carbon Trust recycled any repayments into further loans. Details are set out in Note 19 to the accounts.
- 3.21** The principle cause of the increase in Financial Assets during the year is that loans under the recycling scheme with a value of £38m were recognised at the year end. These were previously treated as grants because repayments were recycled by the Carbon Trust. The scheme was closed in March 2011 and, according to the terms of the agreement, repayments subsequent to closure are to be returned to the Department by the Carbon Trust. The loans are repayable over periods of up to four years and are valued according to their discounted future repayment cash flows.

Cash and cash equivalents

- 3.22** Details of cash and cash equivalents are set out in Note 22. The reduction during the year of £212m principally reflects: the coal pensions receipt on 31 March being £145m lower than the previous year; Energy Efficiency Loans payments of £45m accrued in the prior year; and the petroleum licences cash receipts of £33m at the year-end now being reflected in the Trust Statement.

Trade and other payables

3.23 Details of trade and other payables are set out in Note 24. The reduction during the year reflects principally a reduction of £268m in amounts due to be paid to the Consolidated Fund, partly offset by an increase of £45m in accruals and deferred income which was largely due to a promissory note of £25m issued at the year-end for the International Environmental Transformation Fund. The reduction in amounts due to be paid to the Consolidated Fund is due to: the coal pensions receipt on 31 March being £145m lower than the previous year; the previous year including £69m excess A in A; and the petroleum licences cash receipts of £33m at the year-end now being reflected in the Trust Statement.

Coal provisions

3.24 The health liabilities of British Coal transferred to the Government on 1 January 1998 (under the terms of the Coal Industry Act 1994) and are explained in Note 25.

3.25 There are provisions covering injury-related compensation claims such as Chronic Obstructive Pulmonary Disease (COPD), Vibration White Finger (VWF) noise induced hearing loss, pneumoconiosis and other diseases amounting to £31m at 31 March 2011 (31 March 2010: £29m). The vast majority of these claims are expected to be settled by 2026.

3.26 The non-health related provisions are predominantly due to the National Concessionary Fuel Scheme, where the Department has assumed the liability to provide either solid fuel or a cash alternative to former employees of the British Coal Corporation and their widows. The concessionary fuel provision is valued at £440m at 31 March 2011 (31 March 2010: £486m) the increase being mainly due to the unwinding of the discount, £11m, offset by cash payments of £56m.

3.27 Other non-health related provisions include the environmental remedial obligations at two former coalfield sites and the related administration costs of the concessionary fuel and site restoration liabilities. Other non-health related provisions amounting to £39m at 31 March 2011 (31 March 2010: £71m) include site restoration of Avenue Cokeworks and Grassmoor Lagoons sites, both near Chesterfield, and administration of non-health related liabilities and indemnities.

3.28 The net reduction in liabilities is due to concessionary fuel payments of £56m and a payment during the year of £31m relating to Avenue Cokeworks, part of the site restoration provision.

Nuclear provision

3.29 The Department is obliged to assist British Energy to meet its historic nuclear fuel liabilities, so there is a provision in the accounts at 31 March 2011 of £2,009m (31 March 2010: £2,080m). The valuation is based on discounting the expected monthly contracted cash payments to be made until 2029. The reduction in the provision during the year is because the actual cash payments made exceed the unwinding of one year's discount. Details are set out in Note 26 to the accounts.

Cash Flow Statement

3.30 The amount of cash required to fund the Department's activities during 2010-11 was £3,090m (2009-10: £3,260m) compared to an Estimate of £3,423m, a saving of £333m. The saving was due to the following factors:

- the saving of the Net Resource Outturn of £134m as noted in paragraph 3.14 above;
- changes in working capital other than cash of £197m, mainly due to the reduction in the CFER creditors as noted in paragraph 3.23 above.

Other information

Risks and uncertainties

3.31 The Management Board regularly reviewed the principal risks that might impact on the Department's position, either in the immediate or long-term future. The overall risk policy is summarised in the Statement on Internal Control. The key element is an active management of the risks with mitigating actions planned and implemented in response to the risks once they have been identified. The responsibility for risk management was held not only by the Management Board but also by other levels of management down through individual programmes and projects. Risk management at the programme and project level has been strengthened by the introduction of the Approvals Committee which has scrutinised the relevant documentation including programme and project risk registers.

3.32 During 2010-11 the year the risks that the Department faced included the continuing threats to the implementation of adequate international action on climate change and to the delivery of policies for the development of carbon capture and storage and new nuclear power generation. Financial risks have included the potential impact of the Nuclear Decommissioning Authority's volatile incomes from its generating business, which risk has been mitigated by new arrangements agreed with HM Treasury. The Department also has to contribute to the management of longer-term risks for example risks to the overall security and resilience of the energy supply market in the UK and the risks inherent in technologies such as nuclear power and offshore drilling for oil and gas.

Liquidity, interest and currency risks

3.33 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 30.4 to 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 Balance Sheet.

Contingent liabilities

3.34 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 Note 32 to the Accounts.

Research and development

3.35 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 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 to support the Green Deal and research into renewable energy technologies, including their environmental impacts.

Personal data

3.36 The procedures carried out by the Department relating to data handling and security arrangements are noted in the final section of the Statement on Internal Control in Chapter 4. There have been no reported incidents of lost personal data.

Events after the reporting period

3.37 Details of events after the reporting period are given in Note 35 to the Accounts.

3.38 The Review of DECC's Delivery Landscape was published on 19 May 2011. The review considered the delivery undertaken for DECC by a number of organisations including the Energy Saving Trust, the Carbon Trust, Ofgem/E-Serve, Environment Agency, Coal Authority and DECC's Energy Development Unit. The review included a finding that the Department's relationships with the Carbon Trust and Energy Saving Trust should change; core grant funding will cease from 2012-13, but the Department expects both organisations to be interested in bidding for contracts to deliver activities to support the Green Deal.

Going concern

3.39 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 2011-12 has been voted on account already and the Supply and Appropriation (Main Estimates) Bill was put before Parliament on 6 July 2011; 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

- 3.40** 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.
- 3.41** 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 Balance Sheet. Further details can be found in Note 11 to the Accounts and in the Remuneration Report in Chapter 1.
- 3.42** It was announced in the Budget on 22 June 2010 that the Government intends to adopt the Consumer Price Index (CPI) for the indexation of public service pensions from April 2011. This will affect the future operation of the pension schemes that the Department provides to employees.

Charitable donations

- 3.43** There were no charitable donations in excess of £200 in aggregate made by the Department.

Payment of suppliers

- 3.44** The Department's policy is to comply with the Institute of Credit Management's Prompt Payment Code, of which the Department is an approved signatory. Whilst the Department's standard terms and conditions for the supply of goods or services specify payment within 30 working days of receipt of a valid invoice, the Department aims to pay all valid invoices within five working days of receipt. For the year 2010-11, 99.8% (2009-10: 99.1%) of undisputed invoices were paid within the 30 working day target and 92.9% (2009-10: 77.7%) of undisputed invoices were paid within five working days.

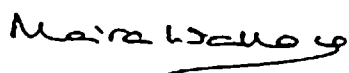
Auditors

- 3.45** 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 69 to 70 and pages 150 to 151. The notional cost to the Department of the external audit of the financial statements by the National Audit Office for the C&AG was £165,000 (2009-10: £190,000). There were no fees in respect of non-audit work.
- 3.46** Following the publication by the Comptroller and Auditor General's report on Government Funding for Developing Renewable Energy Technologies (HC 35, Session 2010-11, 10 June 2010), the Public Accounts Committee of the House of Commons took evidence from the Department on 19 October 2010 and subsequently published its own report on 30 November 2010 (Seventh Report of Session 2010-11, HC 538).

- 3.47** The Committee concluded that DECC should demonstrate a greater sense of urgency and purpose to drive the dramatic increase in renewable energy supplies needed to meet the legally-binding target to supply 15 per cent of all the UK's energy from renewable sources by 2020. The Committee made recommendations in various areas including budgetary control and planning, the feasibility of meeting the 2020 renewable energy target, the time taken to complete the Renewables Obligation banding review, and the need for better coordination between the different funding organisations involved.
- 3.48** The government published its formal response to the Public Account Committee's recommendations in February 2011 (Treasury Minutes, Government responses on the Third to the Thirteenth Reports from the Committee of Public Accounts, Cm 8014, pages 26 to 32). The Government either accepted in part or accepted in full all of the Committee's recommendations and noted that the developments now in train – including the creation of the Office for Renewable Energy Deployment, the 2050 Pathways analysis, the setting up of an internal Evaluation Board, and the preparation of the Renewables Roadmap – will help to address previous weaknesses and create a more structured basis on which to go forward.
- 3.49** The NAO reported on preparations for the roll-out of smart meters (HC1091 2010-11, 30 June 2011). The report provided an early assessment of the Department's progress in preparing for the mass roll-out of smart meters and the risks to securing value for money for taxpayers and consumers. The report's recommendations were that the Department should: identify more precisely the critical paths and build sufficient flexibility and clearly-defined review points in to the programme; develop its draft benefits realisation strategy and consumer engagement plan; determine the criteria it will use to evaluate whether suppliers are delivering smart meters efficiently and effectively; and research the extent to which different socio-economic groups are likely to secure the benefits of new smart meter tariffs.

Disclosure of audit information

- 3.50** As Accounting Officer, as far as I am aware there is no relevant audit information of which the Department's auditors are unaware. 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



Moira Wallace

Principal Accounting Officer and Permanent Secretary

6 July 2011

Accounts

Statement of Accounting Officer's responsibilities

- 4.1** Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Department of Energy and Climate Change (the Department) to prepare, for each financial year, accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the Department during the year. 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 of its net resource outturn, recognised gains and losses and cash flows for the financial year.
- 4.2** In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:
- observe the Accounts Direction issued by 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 accounts; and
 - prepare the accounts on a going concern basis.
- 4.3** HM Treasury has appointed the Permanent Secretary of the Department as Accounting Officer of the Department. 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 Department of Energy and Climate Change's assets, are set out in *Managing Public Money* as published by HM Treasury.

Statement on Internal Control

Scope of responsibility

- 4.4** As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Department of Energy and Climate Change's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.
- 4.5** The Department is responsible for all aspects of UK energy and climate change policy, and for tackling global climate change. Our priorities were set out in the DECC Business Plan published in draft on 8 November 2010, which sets out a vision for the work of the Department and aims to provide greater transparency to the public about its performance. The Department's priorities are as follows:
- **Save energy with the Green Deal and support vulnerable consumers**
Reduce energy use by households and businesses through the Green Deal, and help protect the fuel poor.
 - **Deliver secure energy on the way to a low carbon energy future**
Reform the energy market and work internationally to ensure the UK has a diverse, safe, secure and affordable energy system and incentivise low carbon investment and deployment.
 - **Drive ambitious action on climate change at home and abroad**
Work for international action to tackle climate change, and work with other Government departments to ensure we meet UK carbon budgets efficiently and effectively.
 - **Manage our energy legacy responsibly and cost-effectively**
Ensure public safety and value for money in the way we manage our nuclear, coal and other energy liabilities.
- 4.6** A central support priority is to:
- **Deliver the capability DECC needs to achieve its goals**
Support the delivery of the Coalition Priorities through the provision of corporate and other central services that meet the Department's needs and provide value for money.
- 4.7** Before the establishment of the DECC Business Plan, DECC's Departmental Strategic Objectives had been as follows:
- Secure global commitments which prevent dangerous climate change.
 - Reduce greenhouse gas emissions in the UK.
 - Ensure secure energy supplies.
 - Promote fairness through our climate and energy policies at home and abroad.

- Ensure that the UK benefits from the business and employment opportunities of a low carbon future.
- Manage energy liabilities effectively and safely.
- Develop the Department's capability, delivery systems and relationship so that we serve the public effectively.

Governance

4.8 Governance of all Whitehall Departments changed in the course of 2010-11, and the new Departmental Board met for the first time on 31 March 2011. The Board is chaired by the Secretary of State, with the Lead Non-executive Director as deputy. The Board comprises the Department's Ministers, the Permanent Secretary, three Directors General and two other Non-executive Directors. The Director of Strategy is a standing attendee.

4.9 The Board will meet quarterly and will also hold two additional strategy offsite sessions. The Board's five main areas of responsibility are:

- **Performance** – agreeing the three-year rolling Business Plan, including strategic aims and objectives; monitoring and steering performance against the Plan; scrutinising performance of sponsored bodies; and setting the Department's standards and values;
- **Strategy and learning** – setting the Department's vision and mission and ensuring all activities, either directly or indirectly, contribute towards them; long-term capability and horizon scanning, ensuring strategic decisions are based on a collective understanding of policy issues; using outside perspectives to ensure that departments are held to account for their outcomes;
- **Resources and change** – approving delegation documents; signing off large projects or programmes; ensuring sound financial management; scrutinising allocations of financial and human resources to achieve the Business Plan; ensuring organisational design supports attaining strategic objectives; evaluating the Board and its members; and succession planning;
- **Capability** – ensuring the Department has the capability to deliver and to plan to meet current and future needs; and
- **Risk** – setting the Department's risk appetite and ensuring controls are in place to manage risk.

4.10 The Departmental Board will have two formal sub-committees to support it during 2011-12: **Audit and Risk** and **Talent, Succession and Remuneration**.

4.11 These new arrangements provide an opportunity to strengthen governance of the Department through increased collective engagement of Ministers, non-executives and officials.

- 4.12** The Management Board, whose membership was described in last year's report will be wound down. As Accounting Officer I will be supported in my responsibilities by the following three executive committees:
- A new **Management and Change Committee**, which will meet quarterly to oversee the implementation of the DECC Future Change programme, staff engagement, and significant capability, finance and management matters that need cross-DECC agreement;
 - The **Approvals Committee**, which approves delivery plans and business cases and;
 - The **Strategy Development Committee**, whose role will be to ensure that cross-cutting and long-term strategic issues are identified and presented to Ministers and the Departmental Board in good time and on the basis of robust evidence.
- 4.13** Responsibility for the sponsorship of arm's-length bodies is held by Director Generals. At the end of 2010-11, responsibility for sponsorship of the Nuclear Decommissioning Authority moved from the Director General, Energy Markets and Infrastructure to the Chief Operating Officer. The Shareholder Executive continues to advise the Department on NDA governance and operational issues.

The purpose of the system of internal control

- 4.14** The system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives; to evaluate the likelihood of those risks being realised, and the impact should they be realised; and to manage them efficiently, effectively and economically.
- 4.15** The system of internal control has been in place and progressively improved in the Department for the year ended 31 March 2011 and up to the date of approval of the Accounts, and now accords with Treasury guidance.

Progress in 2010-11

Finance and management information

- 4.16** During 2010-11 the Department has continued to develop and strengthen its internal control systems. Significant improvements have been made to management information, with finance information expanded and integrated with HR information.
- 4.17** Improvements have also been made to the profile of finance and the understanding of financial issues, through the Finance Improvement Programme and the introduction of a suite of financial governance documentation available on the Department's intranet.

4.18 The restructure of the Finance team resulted in more dedicated resource being provided to Groups, to help improve their financial management and financial information. Improvements have been made to bring in arm's-length bodies and ensure there is mutual understanding of financial issues through regular meetings of the DECC family.

4.19 Finance staff also review submissions to ensure financial issues are visible and Accounting Officer issues are considered. Finance has also mapped and documented key finance and procurement processes, and identified areas where control needs to be strengthened. Process maps have been reviewed by Internal Audit.

Shared Services

4.20 The Department has now established Service Level Agreements (SLAs) and Key Performance Indicators (KPIs) for all areas of shared service provision. A number of financial shared-service functions have also been brought in-house where it was considered better value for money to do so (for example elements of financial accounting, parliamentary estimates, and procurement).

4.21 DECC continues to work with existing suppliers to improve the current services but is considering options for the future, which will be pursued over the next 18 months in the context of Government-wide proposals on this issue.

Procurement

4.22 Significant improvements have been made to the procurement function since it has been brought in-house, changing the service from an "advice on demand" service to one that provides more systematic and proactive support across the Department. A contracts register was compiled during the year and will be used during 2011-12 to begin early work on retendering and specifications as well as looking for opportunities to rationalise or amalgamate similar contracts with the same supplier. The procurement function will also help the organisation specify and secure any externally provided procurement advice needed for major projects. A mechanism will also be developed to track the financial stability of key suppliers, along with contingency and continuity arrangements for key suppliers and services.

Human Resources

4.23 In 2010-11, the Human Resources team harmonised policies and procedures for the Department, which required consultation with trade unions and a systematic revision of policies by DECC governance committees. On 1 November 2010 the Department moved to a single shared services provider for HR transactional services such as payroll and pensions. This has brought about a significant improvement in control.

Programme management

4.24 The Department has introduced stronger project management disciplines, with programme and project plans in place covering all aspects of delivery. DECC

provides briefing sessions for Senior Responsible Officers who deliver these programmes and projects and has established a Delivery Unit with a Programme & Project Management Centre of Excellence. The Approvals Committee now focuses on the initiation stage of major new projects and policies, with some scrutiny of major delivery plans. DECC has taken steps to improve its ability to identify and address potential Accounting Officer issues across the Department. The Approvals Committee is supported by an Evidence Panel to identify gaps in the evidence base and an Evaluation Steering Board to ensure evaluation of policies is more systematic and of a more consistent quality.

4.25 The Department will continue to develop its delivery capability and skills during 2011-12. This will include the recruitment of staff with specialist skills from outside the organisation. DECC continues to develop its governance, performance and risk management systems. Key areas include embedding performance and risk management to track delivery and enable rigorous challenge. For 2011-12, each Group will have more Programme Management support to maintain effective focus on delivery. DECC has focused on improving commercial skills at all levels across the Department and has recruited a new, dedicated Commercial Director.

4.26 The Department will also take steps to consider how best to develop a portfolio management process to provide the Approvals Committee with a better understanding of the context and interdependencies of each programme.

Prioritisation

4.27 In allocating budgets for 2011-12, DECC has set out a vision for how it will deploy its people and resources to match top priorities and change the way it works. This will lead to a major reprioritisation of the work of the Department during 2011-12. The key changes planned are as follows:

- Redirecting additional resources to the following areas:
 - The Green Deal
 - Smart meters
 - Renewables and low carbon heat
 - Electricity Market Reform
 - New nuclear
 - Nuclear safety and security
 - Carbon capture and storage.
- Making additional savings by;
 - Consolidating overlapping areas
 - Concentrating efforts on where DECC can add most value
 - Reducing non-pay costs

- Achieving savings from our arm’s-length bodies
- Managing programmes tightly and reallocating resource when they finish.
- Introducing a new structure that will result in DECC moving from five Directors General to four. One of those roles will be the new post of Chief Operating Officer.
- Redeploying some staff to new posts in the organisation while also externally recruiting for posts that require specialist skills.
- Doubling investment in Learning and Development to support up-skilling for all staff in DECC.

Risk

- 4.28** The Department has clearly articulated the key risks to achieving its objectives and recognises the importance of having a consistent approach to managing them across the organisation. The Management Board considered a top-level Risk Register on a quarterly basis throughout 2010-11. The top-level Risk Register is compiled from risk registers at Group level, and these in turn build on risk management processes in individual programmes and projects.
- 4.29** The Audit Committee is responsible for assessing the Department’s risk policy and its effectiveness. It now sees the latest agreed version of the top-level Risk Register at every meeting.
- 4.30** The Department has also established a Risk Group comprising the managers of high-level risk registers within the Department. This group is responsible for disseminating the risk framework and spreading good practice throughout the Department.
- 4.31** Despite the Management Board’s strong focus on risk, it recognised that improvements could still be made to DECC’s risk management framework and commissioned a review from Internal Audit during 2010-11. The review recognised the progress made by the Department in developing its risk management arrangements but found that more needed to be done to embed it in the delivery culture of the organisation. The Department has now established a plan for improving risk management in DECC, including the development of a new formal policy and programme of activities to embed risk management in the Department. The plan was approved by the Management Board at its December 2010 meeting and action will be taken to implement it throughout 2011-12. As part of the plan, the Department will revisit its risk appetite and risk will be discussed by the new Departmental Board early in 2011-12 to ensure there is clear Ministerial visibility of risk and mitigations.
- 4.32** A risk assurance framework will also be developed so that the Department can gain a better understanding of the assurances it currently receives and better identify its future assurance needs.

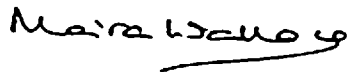
- 4.33** To ensure a common and consistent approach to all risks within the Department, information security risks are subject to the same risk management arrangements. The Department has a Senior Information Risk Owner (SIRO), Chief Information Officer (CIO) and Departmental Security Officer (DSO). The Department has worked to strengthen its security environment, and in 2010-11 established quarterly meetings with all SIROs in the DECC family. These meetings provide updates of any new information regarding information security, brings in experts from across Government to undertake presentations on various aspects of information assurance, discusses any issues which may have arisen and exchanges best practice.
- 4.34** In undertaking the annual Security Risk Management Overview, one area of concern was the level of refresher training completed during 2010-11. The DECC Information Assurance Manager and Departmental Security Officer have worked with senior management to address this by providing a regular update to DECC directors of e-learning completion in DECC by directorate to show areas of concern. This has resulted in 75% of staff completing the mandatory e-learning course. The Department expects to reach 80% completion by July 2011.

Review of effectiveness

- 4.35** As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Department who have responsibility for the development and maintenance of the internal control framework; and comments made by the external auditors in their management letter and other reports. The Audit Committee also provides me with further assurance.
- 4.36** My review has provided me with assurance that the system of internal control in operation in the Department throughout the year had sufficient strength but that some weaknesses needed to be addressed. In such cases improvements have been made and plans developed to further strengthen controls in 2011-12.
- 4.37** The effectiveness of the system of internal control is reviewed in-year by my Directors General, who each provide me with a Statement on Risk Management, Internal Control and Corporate Governance for their Group, informed by returns or opinions they themselves receive from their Heads of Management Units through formal reviews. The Head of Internal Audit and the Chair of the Audit Committee review each Statement with the relevant Director General and discuss the key findings with me. Directors General provide me with an updated position statement on their return at year-end.
- 4.38** The Department's Executive Non-Departmental Public Bodies (NDPBs) each conduct a review of the effectiveness of internal control in preparing a Statement on Internal Control 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.

- 4.39** The Department also has clear arrangements for monitoring those sponsored bodies which are not consolidated into the Departmental Accounts but which participate in the delivery of Departmental objectives. During 2010-11, DECC commissioned an audit on the sponsorship of its executive NDPBs and produced guidance for the Department as a whole on sponsorship. DECC will continue to develop skills in this area.
- 4.40** While DECC has improved financial governance of its NDPBs, the introduction of Clear Line of Sight / Alignment Project (CLoS) in 2011-12 brings significant challenges. A formal CLoS project has been established which DECC's Executive NDPBs all contribute to through their participation in the Working Group and Project Board.
- 4.41** DECC's internal audit programme is designed specifically to identify control weaknesses and make recommendations for improvement. No organisation is without weakness and DECC welcomes the assurance that the audit programme provides. This statement sets out the main audit findings and how they have been addressed.
- 4.42** The Head of Internal Audit has provided me with an Annual Report which incorporates an opinion on DECC's system of internal control. This opinion takes account of the residual risk carried by the Department during 2010-11 and of the findings of audit reviews. The auditors issue one of three opinion ratings: satisfactory, **improvement required**, and unsatisfactory. In 2010-11 the auditors' assessment was that there was improvement required at DECC. The Department accepts this assessment and has either implemented or started work to implement the improvements suggested by Internal Audit in its reports for the year.
- 4.43** Where weaknesses in the control environment have been identified this year, action to strengthen control has been taken or is planned. The key weaknesses are set out in this statement, together with the action we have taken to address them. DECC monitors progress on implementing audit recommendations throughout the year and provides regular updates to the Audit Committee.
- 4.44** During the year, Internal Audit undertook a number of reviews covering various aspects of DECC's corporate systems. Overall, it found a significant improvement in the control environment operating in these areas. Internal Audit also found that significant progress had been made in putting in place effective business continuity arrangements but that a lack of resource was delaying delivery of some key requirements. As a result, DECC will recruit additional resource in 2011-12 to deliver these requirements. Some wider issues identified related to the need to raise commercial awareness across the Department and to continue to develop its programme management capability. The Department is aware of these wider issues and is addressing them as part of the DECC Future Change Programme.

4.45 In addition to the Internal Audit plan, the National Audit Office (NAO) produces a number of value-for-money reports. This work identifies opportunities for DECC to make improvements and, along with Office of Government Commerce gateway reviews, provide me with assurance that DECC is getting the most it can out of its major programmes. For each recommendation in NAO value-for-money reports there is a clear owner within the relevant business area who is responsible for implementation. As added assurance, a tracker is currently being developed to monitor progress in implementing NAO recommendations, and this will be fully operational by September 2011.



Moira Wallace

Principal Accounting Officer and Permanent Secretary

6 July 2011

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 for the year ended 31 March 2011 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, Statement of Comprehensive Net Expenditure and the Statement of Financial Position, the Statement of Cashflows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, 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 circumstances 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 Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on Regularity

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

Opinion on Financial Statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2011 and of its net cash requirement, net resource outturn and 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.

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 the Structure and Ministerial Responsibilities during the 2010-11 Financial Year, Changes to DECC Structures, Environmental Sustainability, Performance and Financial Overview sections within the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP
7 July 2011

Statement of Parliamentary Supply

Summary of Resource Outturn 2010-11

					Estimate			Outturn			2010-11 £'000	2009-10 £'000
											Net Total Outturn compared with Estimate: saving/ (excess)	Net Total
Request for Resources	Note	Gross Expenditure	A-in-A	Net Total	Gross Expenditure	A-in-A	Net Total	Gross Expenditure	A-in-A	Net Total		
RfR 1	2	4,304,254	(1,196,609)	3,107,645	4,111,008	(1,137,322)	2,973,686	4,111,008	(1,137,322)	2,973,686	133,959	3,034,961
Total resources	4	4,304,254	(1,196,609)	3,107,645	4,111,008	(1,137,322)	2,973,686	4,111,008	(1,137,322)	2,973,686	133,959	3,034,961
Non Operating Cost A-in-A	9	-	(17,799)	(17,799)	-	(17,799)	(17,799)	-	(17,799)	(17,799)	-	(160,936)

Net cash requirement 2010-11

				2010-11 £'000	2009-10 £'000
				Net Total Outturn compared with Estimate: saving/ (excess)	Outturn
	Note	Estimate	Outturn		
Net cash requirement	5	3,422,946	3,090,173	332,773	3,260,098

Summary of income payable to the Consolidated Fund

In addition to Appropriations in Aid (A in A), the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics).

			2010-11 £'000 Forecast	2010-11 £'000 Outturn	
Note	Income	Receipts	Income	Receipts	
Total	6	103,185	<i>103,185</i>	104,044	<i>103,192</i>

Further details and explanations of the variation between Estimate and Outturn are given in Note 4 and the Financial Overview section of this report.

The Notes on pages 77 to 142 form part of these Accounts.

Statement of Comprehensive Net Expenditure for the year ended 31 March 2011

	Note	Staff costs	Other costs	2010-11 £'000 Income	Restated 2010-11 £'000 Total
Administration costs					
Staff costs	11.1	67,080			58,694
Other administration costs	12		31,427		42,606
Income	16			(1,640)	(1,179)
Programme costs					
Staff costs	11.1	3,615			4,052
Programme costs	13		4,008,886		4,357,320
Income	16			(1,160,365)	(1,481,757)
Totals		70,695	4,040,313	(1,162,005)	
Net Operating cost	4.1			2,949,003	2,979,736

All income and expenditure is derived from continuing operations.

The Notes on pages 77 to 142 form part of these Accounts.

Other Comprehensive Expenditure

for the year ended 31 March 2011

	Note	2010–11 £'000	2009–10 £'000
Net operating cost for the year ended 31 March 2011		2,949,003	2,979,736
Net loss on revaluation of financial assets	19	14,777	237,539
Total Comprehensive Net Expenditure for the year ended 31 March 2011		2,963,780	3,217,275

The Notes on pages 77 to 142 form part of these Accounts.

Statement of Financial Position

as at 31 March 2011

	Note	31 March 2011 £'000	Restated 31 March 2010 £'000	Restated 1 April 2009 £'000
Non-current assets				
Property, plant and equipment	17	7,146	8,426	4,711
Intangible assets	18	431	-	-
Financial assets	19	646,047	646,227	469,580
Total non-current assets		653,624	654,653	474,291
Current assets				
Trade and other receivables	21	78,830	109,664	153,885
Financial assets	19	119,005	97,216	417,540
Cash and cash equivalents	22	59,752	271,286	702,308
Total current assets		257,587	478,166	1,273,733
Total assets		911,211	1,132,819	1,748,024
Current liabilities				
Trade and other payables	24	(396,561)	(616,945)	(984,307)
Provisions				
Coal	25	(98,819)	(123,155)	(191,141)
Nuclear	26	(225,474)	(214,031)	(204,915)
Total current liabilities		(720,854)	(954,131)	(1,380,363)
Non-current assets less net current liabilities		190,357	178,688	367,661
Non-current liabilities				
Trade and other payables	24	(1,351)	(264)	-
Provisions				
Coal	25	(471,036)	(516,847)	(534,522)
Nuclear	26	(1,783,175)	(1,865,660)	(1,948,251)
Total non-current liabilities		(2,255,562)	(2,382,771)	(2,482,773)
Assets less liabilities		(2,065,205)	(2,204,083)	(2,115,112)
Taxpayers' equity				
General fund		(2,737,836)	(2,853,664)	(3,002,232)
Revaluation reserve		634,804	649,581	887,120
Donated asset reserve		37,827	-	-
Total taxpayers' equity		(2,065,205)	(2,204,083)	(2,115,112)

Maira Wallace

Maira Wallace

Principal Accounting Officer and Permanent Secretary

6 July 2011

The Notes on pages 77 to 142 form part of these Accounts.

Statement of Cash Flows

for the year ended 31 March 2011

	Note	2010–11 £'000	Restated 2009–10 £'000
Cash flows from operating activities			
Net operating cost	4.1	(2,949,003)	(2,979,736)
Adjustments for non-cash transactions	14, 16	204,789	116,375
Decrease in trade and other receivables	21	30,834	44,221
Movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure		(51,930)	(34,632)
(Decrease) in trade and other payables	24	(219,297)	(367,098)
Movements in payables relating to items not passing through the Statement of Comprehensive Expenditure		313,479	392,438
Use of provisions	5	(346,045)	(427,494)
Net cash outflow from operating activities		(3,017,173)	(3,255,926)
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,141)	(4,404)
Purchase of intangibles		(436)	–
Proceeds of disposal of property, plant and equipment		–	160,936
Energy Efficiency Loans advanced to other bodies		(60,274)	(29,958)
Repayments from other bodies		18,623	–
Net cash outflow from investing activities		(43,228)	126,574
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		3,077,000	3,150,404
From the Consolidated Fund (Supply) – prior year		65,131	–
Net financing		3,142,131	3,150,404
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund			
		81,730	21,052
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		78,509	504,471
Payments of amounts due to the Consolidated Fund		(371,773)	(956,545)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		(211,534)	(431,022)
Cash and cash equivalents at the beginning of the period	22	271,286	702,308
Cash and cash equivalents at the end of the period	22	59,752	271,286

The Notes on pages 77 to 142 form part of these Accounts.

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2011

	Note	General fund £'000	Revaluation reserve £'000	Donated Asset reserve £'000	Total reserves £'000
Balance at 31 March 2009		(3,002,232)	887,120	-	(2,115,112)
Net parliamentary funding – drawn down		3,150,404	-	-	3,150,404
Net parliamentary funding – deemed		44,563	-	-	44,563
Supply payable adjustment	21	65,131	-	-	65,131
CFERs ¹ payable to the Consolidated Fund		(131,984)	-	-	(131,984)
Net operating cost for the year	4.1	(2,979,736)	-	-	(2,979,736)
Net gain on revaluation of coal pensions investments	19.1	-	99,761	-	99,761
Release of previous coal pensions investments revaluation gains	19.1	-	(337,300)	-	(337,300)
Non-cash charges – auditors' remuneration	14	190	-	-	190
Balance at 1 April 2010		(2,853,664)	649,581	-	(2,204,083)
Net parliamentary funding – drawn down		3,077,000	-	-	3,077,000
Net parliamentary funding – deemed		-	-	-	-
Supply payable adjustment	21	13,173	-	-	13,173
CFERs ¹ payable to the Consolidated Fund	7, 9	(25,507)	-	-	(25,507)
Net operating cost for the year	4.1	(2,949,003)	-	-	(2,949,003)
Recyclable Energy Efficiency Loans Scheme	19.3	-	-	37,827	37,827
Net gain/(loss) on revaluation of coal pensions investments	19.1	-	63,023	-	63,023
Release of previous coal pensions investments revaluation gains	19.1	-	(77,800)	-	(77,800)
Non-cash charges – auditors' remuneration	14	165	-	-	165
Balance at 31 March 2011		(2,737,836)	634,804	37,827	(2,065,205)

1 Consolidated fund extra receipts

The General fund represents the total assets less liabilities of the Department.

The Revaluation reserve reflects the cumulative balance of revaluation adjustments of the Coal Pensions Investments financial assets (see Note 19.1)

The donated asset reserve represents a loan scheme transferred to the Department from the Carbon Trust, further details are shown under Note 19.3.

The Notes on pages 77 to 142 form part of these Accounts.

Notes

1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2010-11 *Government Financial Reporting Manual* (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Department of Energy and Climate Change (the Department) for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Department 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 Department to prepare an additional primary statement. The *Statement of Parliamentary Supply* and supporting notes show Outturn against Estimate in terms of the net resource requirement and the net cash requirement.

These Financial Statements are presented in pounds sterling, which is the functional currency of the Department.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of certain financial instruments, as described in paragraph 1.7.

1.2 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. These assets are carried at fair value.

The Department does not hold any property assets. In accordance with the FReM, the Department has opted to value its non-property assets on a depreciated historical cost basis as a proxy for fair value, as these assets have short useful lives or are of low value.

1.3 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:

Scientific equipment	5 to 15 years
Information Technology	2 to 12 years
Furniture, fixtures and fittings	5 years
Office machinery and equipment	5 to 11 years
Plant and machinery	5 years

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

Further details are provided in Note 17.

1.4 Impairment of property, plant and equipment

At each year end, the Department reviews the carrying amounts of its property, plant and equipment 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. Recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is assumed to equal the cost of replacing the service potential provided by the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, then the asset is impaired and the carrying amount of the asset is reduced to its recoverable amount. 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.

1.5 Non Current Assets – Intangible Assets

Computer software licences with a useful economic life greater than one year are capitalised as intangible non-current assets where expenditure of £2,000 or more is incurred. Software licences are amortised on a straight line basis over the period of the useful economic life, five years.

1.6 Research and development

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

- an asset can be identified;
- it is probable that future economic benefits attributable to the assets will flow in to the Department; and
- the cost can be measured reliably.

Property, plant and equipment and intangible assets acquired for use in research and development are depreciated or amortised over the life of the associated research project, or according to the asset category if the asset is to be used for subsequent production work

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

1.7 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.

Financial assets and liabilities are initially measured at fair value plus transaction costs unless they are carried at fair value through profit and loss in which case transaction costs are charged to operating costs.

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

The fair value of financial instruments is determined by reference to quoted market prices where an active market exists for the trade of these instruments.

The fair value of financial instruments which are not traded in an active market is determined using generally accepted valuation techniques including estimated discounted cash flows.

Financial assets

The Department classifies financial assets into the following four categories:

- Financial assets at fair value through profit or loss;
- Held-to-maturity investments;
- Loans and receivables; and
- Available-for-sale assets.

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

The Department holds financial assets in the following categories:

- Loans and receivables

These are non derivative financial assets with fixed or determinable payments that are not traded in an active market.

Loans and receivables comprise cash and cash equivalents, loans under the interest free Energy Efficiency Loans Scheme, Recyclable Energy Efficiency Loans Scheme and trade and other receivables in the Statement of Financial Position.

Loans made under the interest free Energy Efficiency Loans Scheme and Recyclable Energy Efficiency Loans Scheme are held at amortised cost using the Treasury's discount rate of 3.5%. The charge and credit arising from the discounting of the loan receivables and the unwinding of the discount are disclosed within programme non-cash expenditure and programme non-cash income. Appropriate allowances for estimated irrecoverable amounts are recognised in the Statement of Comprehensive Net Expenditure when there is objective evidence that the asset is impaired.

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 their fair value.

CFER receivables are carried at historical cost in accordance with the FReM. All other loans and receivables are measured at amortised cost after initial recognition. Since these balances are expected to be realised within twelve months of the reporting date there is no material difference between fair value, amortised cost and historical cost. Gains or losses when the asset is impaired or derecognised are recognised in the Statement of Comprehensive Net Expenditure.

- Available-for-sale assets

These are non derivative financial assets designated as such or not classified in any of the other categories above.

Available-for-sale assets comprise the Coal Pensions Investments, which after initial recognition are measured at fair value.

Gains and losses in fair value are recognised directly to Taxpayers' equity except where there is objective evidence that the asset is impaired. Impairment losses are recognised in the Statement of Comprehensive Net Expenditure along with any cumulative losses previously recognised in Taxpayers' equity.

On derecognition the cumulative gain or loss previously recognised in equity is recognised in the Statement of Comprehensive Net Expenditure.

The Department holds a number of special and ordinary shares which are required to be accounted for in accordance with the FReM. 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.

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.

The Department holds financial liabilities in the following category:

- Other financial liabilities

Other financial liabilities comprise Trade and other payables in the Statement of Financial Position.

CFER payables and amounts issued from the Consolidated Fund for Supply but not spent at year end are carried at historical cost in accordance with the FReM. All other financial liabilities are measured at amortised cost after initial recognition. 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.

Risk management

As the cash requirements of the department are met through the Estimates process, financial instruments play a more limited role in managing risk than would apply to a non-public sector body of a similar size. Further information on the Department's management of and exposure to the risks associated with financial instruments is in Note 30.4.

1.8 Provisions

Provisions are recognised when the Department 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 Department discounts the provision to its present value using a discount rate of 2.2%, the Government's standard rate. 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.

1.9 Operating income

Operating income is income that relates directly to the operating activities of the Department and is recognised to the extent that it is probable that the economic benefits will flow to the Department and can be reliably measured. It comprises, principally, fees and charges for services provided, on a full cost basis, to external customers and public sector repayment work and dividends. Dividends are recognised when the Department's right to receive payment has been established. It also includes other income such as that from certain investments. It includes both income Appropriated-in-Aid and income collected by the Department on behalf of HM Treasury on an agency basis and payable to the Consolidated Fund. This income is known as Consolidated Fund Extra Receipts (CFERs).

The Department is required to identify those CFERs that are negative public expenditure (amounts used to reduce the amount of expenditure the Department would otherwise have to spend) and those revenue CFERs that relate to the recovery of costs recorded in the Statement of Comprehensive Net Expenditure, or to returns on certain investments. These types of CFERs are credited to the Statement of Comprehensive Net Expenditure as income to the Department. The remaining CFERs are not included in the Department's Statement of Comprehensive Net Expenditure and are accounted for through cash and payables.

1.10 Administration and programme expenditure and income

The Statement of Comprehensive Net Expenditure is analysed between administration and programme income and expenditure. Administration costs reflect the costs of running the Department, as defined under the Administration Cost-Control Regime, together with the associated operating income. Income is analysed in the notes between

that which, under the Regime, 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-in-aid, grants and other disbursements by the Department, in support of policy initiatives.

1.11 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 on 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 year-end are included in Trade and other payables.

Grants payable to other government departments under the Energy Efficiency Loan Scheme are recognised and expensed through the Statement of Comprehensive Net Expenditure when the grant is irrevocably committed.

1.12 Foreign exchange

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. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition are recognised in the Statement of Comprehensive Net Expenditure in the period in which they arise.

1.13 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) as described at Note 11. The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. The Department 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 Department recognises the contributions payable for the year.

1.14 Taxation

The Department is exempt from income and corporation tax by way of its Crown exemption.

Value Added Tax (VAT) is accounted for by amounts being shown net of VAT except:

- irrecoverable VAT being charged to the Statement of Comprehensive Net Expenditure and included under the heading relevant to the type of expenditure; or
- irrecoverable VAT on the purchase of an asset being included in the capitalised purchase cost of the asset.

The net amount due to, or from, HM Revenue and Customs in respect of VAT is included within trade and other receivables and trade and other payables on the Statement of Financial Position.

1.15 Statement of Parliamentary Supply

The information contained in the Statement of Parliamentary Supply and associated Notes is based on the Supply Estimates information that forms part of the Parliamentary approval process.

1.16 Leases

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

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

Rentals due under operating leases are charged to the Statement of Comprehensive Net Expenditure over the lease term on a straight-line basis, or on the basis of actual rentals payable where this fairly reflects the usage. Future payments, disclosed in Note 28.1, are not discounted.

1.17 Service Concessions

Service concession arrangements are assessed as to whether they are in the scope of IFRIC12: Service Concession Arrangements. Where an arrangement is within the scope of IFRIC12 the Department, 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.

1.18 Contingent Assets and Liabilities

In addition to contingent liabilities or assets disclosed in accordance with *IAS37: Provisions, Contingent Liabilities and Contingent Assets*, the Department 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 £250,000 (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 Department entering into the arrangement; and
- all items (whether or not they arise in the normal course of business) over £250,000 (or lower, where required by specific statute or where material in the context of the Accounts), which are required by the FReM to be noted in the Accounts.

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.

In accordance with the FReM, the Department does not disclose any contingent liabilities of its Non Departmental Public Bodies that arise in the normal course of business.

1.19 Third-party assets

The Department holds, as custodian or trustee, certain cash balances at commercial banks belonging to third parties. These are not recognised in the accounts since neither the Department, nor Government more generally, has a direct beneficial interest in them.

1.20 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:

- impairment of assets (Note 20);
- provisions (Notes 25 and 26); and
- the fair value of financial instruments (Notes 19 and 30).

1.21 Restatement of prior year comparatives

Removal of capital charge

The FReM no longer requires a cost of capital charge or credit to be included in the accounts. As a result of this accounting policy change the prior year comparatives have been restated to remove all transactions and balances relating to cost of capital.

In connection with the above, in line with HM Treasury advice, the Prior Period Adjustment arising from the removal of the cost of capital charge was not included in the Spring Supplementary Estimate for 2010-11, other than as a note, on the basis that the PPA numbers could have been misleading. The impact of this accounting policy change on Supply outturn in respect of 2009-10 is shown below:

	2009-10 £'000
Net Resource Outturn (Statement of Parliamentary Supply)	3,034,961
Removal of cost of capital charge	75,520
Adjusted Net Resource Outturn	<u>3,110,481</u>

In accordance with Treasury instructions, the Statement of Parliamentary Supply is not restated.

Other restatements

Additionally from 2010-11 the Department was required to report income received under the Petroleum Licensing Regime, that was previously reported in the Department's accounts, in the Trust Statement. In line with HM Treasury guidance, CFER and related balances have not been restated and retained in the Department's accounts in order to maintain the integrity of the previously reported CFER balances. For consistency, previously restated CFER and related balances arising from EU ETS have been reinstated in the Department's accounts for 2008-09 figures.

A further restatement reflects the change in treatment for timing differences relating to un-cleared bank payments that were previously disclosed as an overdraft under Trade Payables and are now included within the cash balance.

Details of all the above restatements are shown in Note 38.

1.22 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 Department's accounts are given in Note 39 to these statements.

2 Analysis of net resource outturn by section

	Outturn						2010-11 £'000 Estimate	2009-10 £'000	
Request for Resources 1 (RfR 1)	Administration	Other Current	Grants	Gross Resource Expenditure	A in A	Net Total	Net Total	Net Total Outturn compared with Estimate	Prior Year Outturn
Spending in Departmental Expenditure Limits (DEL)									
Central Government spending									
A Supporting affordable, secure and sustainable energy	-	25,403	68,373	93,776	(6,537)	87,239	82,518	(4,721)	82,687
B Managing historic energy liabilities effectively and responsibly	-	295	-	295	(260)	35	6,000	5,965	(1,106,578)
C Bringing about a low carbon UK	-	71,681	587,912	659,593	(37,584)	622,009	667,071	45,062	793,314
D Developing an international agreement on climate change	-	447	4,928	5,375	-	5,375	6,522	1,147	4,283
E Promoting low carbon technologies in developing countries	-	289	278,291	278,580	-	278,580	256,804	(21,776)	104,257
F Professional support and infrastructure	98,507	21,601	-	120,108	(2,254)	117,854	160,655	42,801	113,598
Spending in Annually Managed Expenditure (AME)									
Central Government spending									
G Managing historic energy liabilities effectively and responsibly	-	163,906	40,955	204,861	(1,011)	203,850	196,472	(7,378)	130,689
Non-Budget									
H Supporting affordable, secure and sustainable energy	-	-	-	-	-	-	-	-	112
I Managing historic energy liabilities effectively and responsibly	-	-	2,744,089	2,744,089	(1,089,676)	1,654,413	1,726,934	72,521	2,910,153
J Bringing about a low carbon UK	-	-	4,241	4,241	-	4,241	4,321	80	2,446
Spending in Annually Managed Expenditure (AME)									
Central Government spending									
K Bringing about a low carbon UK	-	-	90	90	-	90	348	258	-
Resource Outturn	98,507	283,622	3,728,879	4,111,008	(1,137,322)	2,973,686	3,107,645	133,959	3,034,961

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

Key to Request for Resources

RfR1: Supporting the provision of energy that is affordable, secure and sustainable; bringing about a low carbon UK, securing an international agreement on climate change; promoting low carbon technologies at home and in developing countries; managing historic energy liabilities effectively and responsibly.

3 Segmental Analysis

3.1 For the year ended 31 March 2011

	Corporate and professional services	Energy Markets and infrastructure	NDA	Energy and climate change international	National climate change and consumer support	Science and innovation group	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Administration income								
Revenue from external customers	(562)	(515)	-	(74)	(344)	-	(145)	(1,640)
Administration expenditure								
Staff costs	14,530	23,032	-	6,800	15,180	2,786	4,752	67,080
Other Admin Costs	15,588	8,805	-	1,112	2,799	309	707	29,320
Depreciation and amortisation	1,085	857	-	-	-	-	-	1,942
Other non cash costs	165	-	-	-	-	-	-	165
Programme income								
Revenue from external customers	(1,794)	(5,739)	(1,071,523)	-	(4,698)	-	-	(1,083,754)
Programme Expenditure								
Staff costs	-	3,518	-	48	49	-	-	3,615
NDPBs resource consumption	-	26,449	1,515,446	-	4,243	-	-	1,546,138
Grants	-	39,443	-	20	120,594	-	-	160,057
Research and Development expenditure	1,594	46,649	-	259	1,749	18,512	-	68,763
International Subscriptions	618	26,016	-	4,742	7	14	-	31,397
Other Programme costs	444	31,078	-	3,994	13,851	702	-	50,069
Movements in provisions	-	280,019	-	-	-	-	-	280,019
Depreciation and amortisation	20	-	-	-	-	-	-	20
Other non cash costs	-	-	-	-	1,001	-	-	1,001
Total Resource DEL	31,688	479,612	443,923	16,901	154,431	22,323	5,314	1,154,192

	Corporate and professional services	Energy Markets and infrastructure	NDA	Energy and climate change international	National climate change and consumer support	Science and innovation group	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Resource AME	(1,011)	(54,279)	5,187,864	-	90	-	-	5,132,664
Total Capital DEL	(3,577)	54,524	1,293,847	275,000	392,185	1,340	-	2,013,319
Capital AME	-	(77,800)	-	-	-	-	-	(77,800)
Total DEL and AME (Resource)								6,286,856
Remove Resource consumption of NDPBs								(4,042,658)
Capital Grants treated as Resource in Department's Accounts but Capital in Budgets								704,805
Remove Consolidated Fund Extra Receipts (CFERs) in AME but not in Net Resource Outturn								24,683
Net Resource Outturn (Resource DEL and AME)								2,973,686
Add in Consolidated Extra Fund Receipts (CFERs) in the Operating Cost Statement								(24,683)
Total Net Operating Costs								2,949,003

Notes

Expenditure within the following segments includes capital expenditure which is ring fenced: Energy and Climate Change International and National Climate Change and Consumer Support. NDA spend in its entirety is ring fenced.

The Board organises the Department into Groups, making a distinction between differing policy and business delivery areas.

Management Accounts are presented to the Board on a monthly basis for the purpose of making decisions about allocating resource to the Groups and assessing their performance. The information presented does not include assets and liabilities on a group basis.

The Department's spending is controlled through the use of Departmental Expenditure Limits (DEL) and capital spending is controlled separately from resource spending

3.2 For year ended 31 March 2010

	Corporate and professional services	Energy Markets and infrastructure	NDA	Energy and climate change international	National climate change and consumer support	Science and innovation group	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Administration income								
Revenue from external customers	(62)	(351)	-	(133)	-	-	(633)	(1,179)
Administration expenditure								
Staff costs	11,956	22,071	-	6,553	11,575	2,012	4,527	58,694
Interest Expense	47	-	-	-	-	-	-	47
Other Admin Costs	24,952	7,161	-	2,798	3,896	556	1,574	40,937
Depreciation and amortisation	1,430	-	-	-	-	-	-	1,430
Other non cash costs	192	-	-	-	-	-	-	192
Programme income								
Revenue from external customers	(148)	(5,886)	(1,242,051)	(111)	(10,458)	-	-	(1,258,654)
Programme Expenditure								
Staff costs	57	3,942	-	-	53	-	-	4,052
NDPBs resource consumption	-	29,844	1,771,915	-	3,667	-	-	1,805,426
Grants	-	30,608	-	250	137,025	883	-	168,766
Research and Development expenditure	-	4,644	-	47	1,500	16,922	-	23,113
International Subscriptions	-	22,991	-	7,822	-	139	-	30,952
Other Programme costs	2,691	48,321	-	1,172	21,396	1,388	-	74,968
Movements in provisions	-	271,893	-	-	-	-	-	271,893
Depreciation and amortisation	42	-	-	-	-	-	-	42
Other non cash costs	-	15	-	-	7,274	-	-	7,289
Total Resource DEL	41,157	435,253	529,864	18,398	175,928	21,900	5,468	1,227,968

	Corporate and professional services	Energy Markets and infrastructure	NDA	Energy and climate change international	National climate change and consumer support	Science and innovation group	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Resource AME	-	(26,076)	760,510	-	-	-	-	734,434
Total Capital DEL	5,189	10,284	1,020,100	100,000	670,240	-	-	1,805,813
Capital AME	-	(337,300)	-	-	-	-	-	(337,300)
Total DEL and AME (Resource)								1,962,402
Remove Resource Consumption of NDPBs								358,089
Capital grants treated as Resource in Accounts but Capital in Budgets								659,133
Remove Consolidated Fund Extra Receipts (CFERs) in AME but not in Net Resource Outturn								62,167
Excess A in A								68,578
Effect of removal of cost of capital								(75,520)
Voted expenditure outside Budget								112
Net Resource Outturn								3,034,961
Add in Consolidated Extra Fund Receipts (CFERs) in the Operating Cost Statement								(62,167)
Add back Excess A in A								(68,578)
Add back effect of removal of cost of capital								75,520
Total Net Operating Costs								2,979,736

Notes

Expenditure within the following segments includes capital expenditure which is ring fenced: Energy Markets and Infrastructure, Energy and Climate Change International, and National Climate Change and Consumer Support. NDA spend in its entirety is ring fenced.

The Board organises the Department into Groups, making a distinction between differing policy and business delivery areas.

Management Accounts are presented to the Board on a monthly basis for the purpose of making decisions about allocating resource to the Groups and assessing their performance. The information presented does not include assets and liabilities on a group basis.

The Department's spending is controlled through the use of Departmental Expenditure Limits (DEL) and capital spending is controlled separately from resource spending.

4 Reconciliation of outturn to net operating cost and against administration budget

4.1 Reconciliation of net resource outturn to net operating cost

				2010–11 £'000	2009–10 £'000
	Note	Outturn	Supply Estimate	Outturn compared with Estimate	Restated Outturn
Net Resource Outturn	2, 5	2,973,686	3,107,645	133,959	3,034,961
Non-supply income (CFERs)	7	(24,683)	(22,148)	2,535	(130,745)
Adjustments for changes in accounting policy – cost of capital charge		–	–	–	75,520
Net Operating Cost		2,949,003	3,085,497	136,494	2,979,736

4.2 Outturn against final administration budget

			2010–11 £'000	2009–10 £'000
	Note	Budget	Outturn	Outturn
Gross administration budget	2	120,163	98,507	101,530
Income allowable against the administration budget	16	(2,224)	(1,640)	(1,179)
Net outturn against final administration budget		117,939	96,867	100,351

The saving against budget is due to government spending controls over recruitment, consultancy, travel, communications, IT and accommodation.

5 Reconciliation of Net Resource Outturn to Net Cash Requirement

	Note	Estimate £'000	Outturn £'000	2010–11 Net Total Outturn compared with Estimate: saving/ (excess) £'000
Resource Outturn	2	3,107,645	2,973,686	133,959
Capital				
Acquisition of property, plant and equipment	17	–	617	(617)
Acquisition of intangible assets	18	–	496	(496)
Investments		17,800	14,988	2,812
Less Non–operating A in A				
Repayment of loans	9	(17,799)	(17,799)	–
Accruals adjustments				
Non–cash items	14, 16	(205,164)	(204,789)	(375)
Changes in working capital other than cash		174,652	(21,984)	196,636
Changes in trade and other payables falling due after more than one year	24	–	(1,087)	1,087
Use of provisions	25, 26	345,812	346,045	(233)
Net cash requirement		3,422,946	3,090,173	332,773

Explanations for significant differences between the Outturn and Estimate are given in the Financial Overview section of this Report.

6 Analysis of income payable to the Consolidated Fund

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

			2010–11 £'000 Forecast		2010–11 £'000 Outturn
	Note	Income	Receipts	Income	Receipts
Operating income and receipts – excess A in A		–	–	–	–
Other operating income and receipts not classified as A in A	7	22,148	<i>22,148</i>	24,683	<i>24,683</i>
		22,148	<i>22,148</i>	24,683	<i>24,683</i>
Non–operating income and receipts – excess A in A	9	–	–	824	–
Non–operating income and receipts not classified as A in A	10	81,037	<i>81,037</i>	77,800	<i>77,800</i>
Other amounts collectable on behalf of the Consolidated Fund	8	–	–	737	<i>709</i>
Total income payable to the Consolidated Fund		103,185	<i>103,185</i>	104,044	<i>103,192</i>

The forecast is an estimate of the CFERs the Department expected to collect in 2010–11. However, CFERs do not form part of the departmental Supply Estimate and are not disclosed in the Statement of Parliamentary Supply.

7 Reconciliation of income recorded within the Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund

	Note	2010–11 £'000	2009–10 £'000
Operating income	16	(1,162,005)	(1,482,936)
Adjustments*:			
NDA land sale	16	–	160,936
Warmfront VAT recovery		–	9,215
Gross income		(1,162,005)	(1,312,785)
Less: Income authorised to be Appropriated in Aid	16	1,137,322	1,182,040
Operating income payable to the Consolidated Fund	4	(24,683)	(130,745)

*These income streams are permitted to be netted off the related expenditure in the Statement of Parliamentary Supply.

Income from the sale of NDA land was classified as non operating income in the 2009–10 estimate; similar income is classified as operating income in the 2010–11 estimate (see Note 16).

8 Consolidated Fund Income

Consolidated Fund income shown in Note 7 above does not include any amounts collected by the Department where it was acting as agent of the Consolidated Fund rather than as principal. 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 Trading Scheme and the Petroleum Licensing Regime. Other amounts payable to the Consolidated Fund are shown below.

			2010-11
	Coal Authority	Other	Total
	£'000	£'000	£'000
Balance held at the start of the year	283	23	306
Payments received in year	728	9	737
Less payments receivable at the end of the year	(28)	-	(28)
Payments into the Consolidated Fund	(457)	(23)	(480)
Balance held on trust at the end of the year	526	9	535

9 Non-operating income – Appropriations in Aid

	2010-11	2009-10
	£'000	£'000
Proceeds from disposal of land	-	160,936
Repayment of loans	18,623	-
Non-operating income	18,623	160,936
Allowable A in A	(17,799)	(161,000)
Non-operating income – excess Ain A	824	-

Income from the sale of NDA land was classified as non operating income in the 2009-10 Estimate; similar income is classified as operating income in the 2010-11 Estimate (see Note 16).

Repayment of loans was not included as non operating Appropriations in Aid in the 2009-10 estimate and so were payable to the Consolidated Fund; repayments were classified as non operating income in the 2010-11 Estimate.

10 Non-operating income not classified as Appropriations in Aid

	Note	2010–11 £'000 Income	2010–11 £'000 Receipts
Coal pensions investments surplus releases	19.1	77,800	77,800
Total		77,800	77,800

In accordance with Government's Guarantee arrangements with the Mineworkers' Pension Scheme (MPS) and the British Coal Staff Superannuation Scheme (BCSSS) the Department received £Nil (2009-10: £Nil) from the Investment Reserves and £77.8m (2009-10: £337.3m) from the Guarantor's Funds of these Schemes. These amounts are not treated as income by the Department and are surrendered to the Consolidated Fund.

11 Staff numbers and related costs

11.1 Staff cost

	Permanently employed staff	Others	Ministers ¹	Special advisers	2010–11 £'000 Total	Restated 2009–10 £'000 Total
Wages and salaries	49,917	6,275	187	269	56,648	50,658
Social security costs	4,340	3	13	19	4,375	3,961
Other pension costs	9,909	7	-	30	9,946	8,639
Total	64,166	6,285	200	318	70,969	63,258
Less recoveries in respect of outward secondments	(274)	-	-	-	(274)	(512)
Total net costs	63,892	6,285	200	318	70,695	62,746

¹ Includes compensation payments made to Ministers under former Government for loss of office, for further details please see Remuneration Report.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme, but the Department of Energy and Climate Change is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007. Details can be found in the accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/my-civil-service/pensions).

For 2010-11, employer contributions of £9,857,485 (2009-10: £8,445,669) were payable to the PCSPS at one of four rates in the range 16.7% to 24.3% (2009-10: 16.7% to 24.3%) of pensionable pay, based on salary bands. The Scheme's Actuary reviews employer contributions usually every four years following a full Scheme valuation. The last time the rates changed were from 1 April 2009, they have remained unchanged since. The salary bands have changed on an annual basis. The contribution rates reflect benefits as they accrue, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £76,178 (2009-10: £80,838) 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% (2009-10: 3% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £5,337, 0.8% (2009-10: £4,754, 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 £5,911 (2009-10:£6,927). Contributions prepaid at the date were £Nil (2009-10:£Nil).

In 2010-11, one person (2009-10: Nil persons) retired early on ill-health grounds. The total additional accrued pension liabilities in the year amounted to £Nil (2009-10: £Nil).

11.2 Average number of persons employed

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

	Permanent staff	Others	Ministers	Special advisers	2010-11 Number Total	2009-10 Number Total
Total	1,004.5	200.0	4.0	2.0	1,210.5	1,095.7

Staff receivables

At 31 March 2011, 224 employees (31 March 2010: 295 employees) of the Department were in receipt of advances of travel and housing loans, repayable to the employer. The amount receivable is disclosed in Note 21.

11.3 Exit Packages – Civil Service and other compensation scheme

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band 2010-11	Total number of exit packages by cost band 2009-10
£50,000 – £100,000	–	1	1	–
£100,000 – £150,000	–	–	–	1
£200,000 – £250,000	–	–	–	1
Total number of exit packages by type		1	1	2
Total Resource cost		£53,000	£53,000	£326,000

Redundancy and other departure costs are 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. 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 exit package disclosed under 2010-11 fell outside the Civil Service Compensation Scheme and was made on the conclusion of an industrial tribunal case. The exit packages disclosed under 2009-10 were for 'other departures agreed' and were within the Civil Service Compensation Scheme Arrangements.

12 Other administration costs

	Note	2010-11 £'000	Restated 2009-10 £'000
Professional services		10,892	15,070
Accommodation		7,722	8,865
PFI service charges		4,065	4,453
IT support		2,072	2,791
Travel and subsistence		1,792	3,348
Training and other staff costs		1,232	1,901
Conference facilities		172	272
Interest charges		-	47
Rentals under operating leases		8	57
Other		1,365	4,180
		29,320	40,984
Non-cash items:			
Depreciation and amortisation	17, 18	1,942	1,430
Impairment	20	-	2
Auditors' remuneration		165	190
Total non-cash		2,107	1,622
Total other administration costs		31,427	42,606

Auditors' remuneration represents the cost of the audit of the Department's 2010-11 accounts and Trust Statement. There were no fees in respect of non-audit work.

13 Programme costs

	Note	2010-11 £'000	Restated 2009-10 £'000
Grant in Aid		2,748,330	3,073,535
Grants		904,104	877,847
Research and development		68,764	23,113
International subscriptions		31,397	30,952
Professional services		22,240	35,593
IT support		13,938	20,248
PFI Service Charge		477	558
Rentals under operating leases		73	130
Net gain/loss on foreign exchange		(496)	299
Other		14,092	19,356
		3,802,919	4,081,631
Non-cash items:			
Movement in provisions	25, 26	145,023	205,023
Unwinding of discount on provisions	25, 26	59,833	63,335
Specific bad debt write off		-	15
Discount on interest free loans		1,001	7,274
Depreciation and amortisation	17	20	42
Impairment	20	90	-
Total non-cash		205,967	275,689
Total programme costs		4,008,886	4,357,320

Grant in Aid includes £2,711m (2009-10:£3,032m) in respect of the Nuclear Decommissioning Authority which is presented gross of the commercial income shown in Note 16. The net cost of funding the NDA was £1,620m (2009-10: £1,629m).

Included in the table above under Grants, Professional services, IT support and Other is expenditure on the following schemes:

	2010-11 £'000	2009-10 £'000
Fuel Poverty	318,594	429,487
International Environmental Transformation Fund	275,000	100,000
Carbon Trust	76,791	102,911
National Environmental Transformation Fund	50,803	50,858
Global Threat Reduction Programme	45,110	36,044
Regional Development Agencies	38,768	45,824
Low Carbon Buildings Programme	38,457	38,841
Energy Saving Trust	34,237	38,525
Boiler Scrappage	28,694	20,601
Energy Efficiency Loans	547	15,762
Carbon Capture and Storage	4,762	9,309
Other Programme spend	42,611	64,882
	954,374	953,044

14 Administration and Programme non-cash costs summary

The total for non-cash costs in Note 12 (Other administration costs) and Note 13 (Programme costs) is as follows:

	Note	2010–11 £'000	Restated 2009–10 £'000
Movement in provisions	13	145,023	205,023
Unwinding of discount on provisions	13	59,833	63,335
Depreciation and amortisation	12, 13	1,962	1,472
Discount on interest free loans	13	1,001	7,274
Impairments	12, 13	90	2
Auditors' remuneration	12	165	190
Specific bad debt write off	13	–	15
Total		208,074	277,311

15 Analysis of net operating cost by spending body

	2010–11 Budget £'000	2010–11 Outturn £'000	Restated 2009–10 Outturn £'000
Core Department	396,537	386,245	431,341
Non Departmental Public Bodies:			
Nuclear Decommissioning Authority	1,690,234	1,620,000	1,629,000
Coal Authority	34,500	33,000	36,468
Committee on Climate Change	4,321	4,241	2,446
Civil Nuclear Police Authority	2,200	1,413	2,634
Other central government:			
Regional Development Agencies	38,768	38,768	45,824
Grants to Local Authorities	–	2,192	–
Grants to other bodies:			
Carbon Trust	79,568	76,791	105,177
Energy Saving Trust	34,477	34,237	39,525
Other	804,892	752,116	687,321
Net Operating Cost	3,085,497	2,949,003	2,979,736

16 Income

	Note	2010-11 £'000	2009-10 £'000
Administration income:			
Fees and charges received from external customers		642	407
Fees and charges from other departments		986	763
Other allowable within the Administration cost limit		12	9
Total Administration income (A in A)	4.2	1,640	1,179
Programme income:			
Nuclear Decommissioning Authority		1,071,523	1,242,051
NDA land sale		18,153	160,936
Unwinding of discount on interest free loans	19.2	3,285	-
Other		42,721	16,603
Programme income (A in A)		1,135,682	1,419,590
Programme income outside of the supply process			
Consolidated Fund Extra Receipts (CFERs):			
Grant repayments		3,065	40,127
Urenco dividend		21,618	22,040
Total Programme income		1,160,365	1,481,757
Total income	7	1,162,005	1,482,936

Total income allowable against the Estimate, as shown in the Statement of Parliamentary Supply, amounted to £1,196,609,000 (2009-10: £1,182,040,000); the amount appropriated in aid for 2010-11 was £1,137,322,000 (2009-10: £1,182,040,000).

17 Property, plant and equipment

As at 31 March 2011

	Scientific equipment £'000	Information technology £'000	Furniture, fixtures and fittings £'000	Office machinery and equipment £'000	Plant and machinery £'000	Total £'000
Cost or valuation						
At 1 April 2010	12,858	11,537	1,793	4	-	26,192
Additions	-	483	44	-	90	617
Impairments	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
At 31 March 2011	12,858	12,020	1,837	4	90	26,809
Depreciation						
At 1 April 2010	12,858	4,712	193	3	-	17,766
Charged in year	-	1,537	359	1	-	1,897
Impairments	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
At 31 March 2011	12,858	6,249	552	4	-	19,663
Net book value at 31 March 2011	-	5,771	1,285	-	90	7,146
Net book value at 31 March 2010	-	6,825	1,600	1	-	8,426
Asset financing						
On balance sheet PFI contract	-	2,915	-	-	-	2,915
Owned	-	2,856	1,285	-	90	4,231
Net book value at 31 March 2011	-	5,771	1,285	-	90	7,146

Included within Information technology are assets with a cost of £3,879,000 (2009-10 restated: £3,396,000) and a net book value of £2,915,000 (2009-10 restated: £3,111,000) that are capitalised as part of the service contract for the provision of IT services to the Department by the operator.

This contract is a five year contract which expires in March 2014 and has been assessed as a service concession arrangement within the scope of IFRIC12: Service Concession Arrangements. The infrastructure assets have been capitalised at the start of the contract and are depreciated over five years (see Note 28.2).

As at 31 March 2010

	Scientific equipment £'000	Information technology £'000	Furniture, fixtures and fittings £'000	Office machinery and equipment £'000	Total £'000
Cost or valuation					
At 1 April 2009	12,858	10,576	–	57	23,491
Additions	–	3,396	1,793	–	5,189
Impairments	–	(16)	–	(5)	(21)
Disposals	–	(2,419)	–	(48)	(2,467)
At 31 March 2010	12,858	11,537	1,793	4	26,192
Depreciation					
At 1 April 2009	12,728	6,004	–	48	18,780
Charged in year	130	1,141	193	8	1,472
Impairments	–	(14)	–	(5)	(19)
Disposals	–	(2,419)	–	(48)	(2,467)
At 31 March 2010	12,858	4,712	193	3	17,766
Net book value at 31 March 2010	–	6,825	1,600	1	8,426
Net book value at 31 March 2009	130	4,572	–	9	4,711
Asset financing					
On balance sheet PFI contract	–	2,987	–	–	2,987
Owned	–	3,838	1,600	1	5,439
Net book value at 31 March 2010	–	6,825	1,600	1	8,426

18 Intangible assets

	Software licences £'000	Total £'000
Cost or valuation		
At 1 April 2010	-	-
Additions	496	496
Impairments	-	-
At 31 March 2011	496	496
Amortisation		
At 1 April 2010	-	-
Charged in year	65	65
Impairments	-	-
At 31 March 2011	65	65
Net book value at 31 March 2011	431	431
Net book value at 31 March 2010	-	-

The Department had no intangible assets during 2009-10.

19 Financial assets

2010–2011	Note	Value at 1 April 2010 £'000	Additions £'000	Revaluation £'000	Impairment £'000	Unwinding of discount £'000	Repayments £'000	Release of previous revaluation gains £'000	Value at 31 March 2011 £'000
Coal Pensions Investments	19.1	649,581	–	63,023	–	–	–	(77,800)	634,804
Energy Efficiency Loans	19.2	93,862	13,987	–	(90)	3,285	(18,623)	–	92,421
Recyclable Energy Efficiency Loans	19.3	–	37,827	–	–	–	–	–	37,827
Ordinary shares	19.5	–	–	–	–	–	–	–	–
Total		743,443	51,814	63,023	(90)	3,285	(18,623)	(77,800)	765,052

2009–10	Note	Value at 1 April 2009 £'000	Additions £'000	Revaluation £'000	Impairments £'000	Unwinding of discount £'000	Repayments £'000	Release of previous revaluation gains £'000	Value at 31 March 2010 £'000
Coal Pensions Investments	19.1	887,120	–	99,761	–	–	–	(337,300)	649,581
Energy Efficiency Loans	19.2	–	95,101	–	–	–	(1,239)	–	93,862
Ordinary shares	19.5	–	–	–	–	–	–	–	–
Total		887,120	95,101	99,761	–	–	(1,239)	(337,300)	743,443

The “Recyclable Energy Efficiency Loans Scheme” is recognised for the first time in 2010-11, having transferred to the Department on 31 March following a decision by the Carbon Trust to close the scheme for new loans. This scheme is administered by Carbon Trust and has previously been accounted for by the Department as grant payments as the loans are extended, because the repayments to Carbon Trust are recycled into subsequent loans. The outstanding loans have been recognised as financial assets by the Department for the first time in 2010-11 following closure of the scheme in March 2011. As a result of the scheme’s closure the outstanding loan monies will be returned to the Department as they are repaid by the ultimate recipient, rather than recycled into subsequent loans.

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

	31 March 2011	31 March 2010	31 March 2009
	£'000	£'000	£'000
Non-current assets			
Coal Pension Investments	559,118	571,781	469,580
Energy Efficiency Loans	65,948	74,446	–
Recyclable Energy Efficiency Loans	20,981	–	–
Total non current assets	646,047	646,227	469,580
Current assets			
Coal Pension Investments	75,686	77,800	417,540
Energy Efficiency Loans	26,473	19,416	–
Recyclable Energy Efficiency Loans	16,846	–	–
Total current assets	119,005	97,216	417,540
Total	765,052	743,443	887,120

19.1 Coal Pensions Investments

2010–11	Value at 1 April 2010	Revaluation	Release of previous revaluation gains	Value at 31 March 2011
	£'000	£'000	£'000	£'000
BCSSS Investments				
Investment Reserve	115,761	11,649	–	127,410
Guarantor's Fund	233,625	23,208	(47,000)	209,833
MPS Investments				
Investment Reserve	96,005	10,415	–	106,420
Guarantor's Fund	204,190	17,751	(30,800)	191,141
Total	649,581	63,023	(77,800)	634,804

2009–10	Value at 1 April 2009	Revaluation	Release of previous revaluation gains	Value at 31 March 2010
	£'000	£'000	£'000	£'000
BCSSS Investments				
Investment Reserve	118,630	(2,869)	–	115,761
Guarantor's Fund	380,012	45,613	(192,000)	233,625
MPS Investments				
Investment Reserve	80,405	15,600	–	96,005
Guarantor's Fund	308,073	41,417	(145,300)	204,190
Total	887,120	99,761	(337,300)	649,581

Coal Pensions Investments are categorised as 'available-for-sale' financial assets, as defined in Note 1.6 and measured at fair value through taxpayers' equity, however they represent expected or potential cash flows arising from the Government's residual interest in a portion of the net assets of the British Coal Staff Superannuation Scheme (BCSSS) and the Mineworkers' Pension Scheme (MPS). This residual interest is represented by the Investment Reserves and the Guarantor's Funds which have been established as notional sub-funds within each Scheme.

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

2010-11	Within 1 year £'000	Within 1 to 5 years £'000	Within 6 to 10 years £'000	Total £'000
BCSSS Investments				
Investment Reserve	–	68,081	59,329	127,410
Guarantor's Fund	45,411	166,797	(2,374)	209,834
MPS Investments				
Investment Reserve	–	56,865	49,554	106,419
Guarantor's Fund	30,275	111,202	49,664	191,141
Total	75,686	402,945	156,173	634,804

2009-10	Within 1 year £'000	Within 1 to 5 years £'000	Within 6 to 10 years £'000	Total £'000
BCSSS Investments				
Investment Reserve	–	47,100	68,661	115,761
Guarantor's Fund	47,000	172,635	13,990	233,625
MPS Investments				
Investment Reserve	–	39,250	56,755	96,005
Guarantor's Fund	30,800	113,131	60,259	204,190
Total	77,800	372,116	199,665	649,581

On 31 October 1994 the Government gave a guarantee in relation to the benefits payable to members and beneficiaries of the BCSSS and MPS. As part of this agreement a portion of the net assets of each Scheme were earmarked as Investment Reserves within each Scheme.

Investment Reserves

The Department's BCSSS and MPS Investment Reserve financial assets are derived from the unallocated share of the surpluses attributable to British Coal at the time of privatisation of the industry in 1994. The Investment Reserves were established at the guarantee date and in accordance with the rules¹ of each Scheme continue to exist as

¹ Clauses 6 and 6A of the Rules of the BCSSS and clauses 18A and 18B of the Rules of the MPS.

notional sub-funds² within each scheme. These Investment Reserves are intended to act as a buffer against adverse experience over the period during which a substantial portion of each Scheme's liabilities will be paid. To the extent that the Investment Reserves are not required to meet a Scheme's liabilities they are to be repaid to the Department on behalf of the Government as the Guarantor of each Scheme. The expectation is that the Investment Reserves would be distributed by means of a phased release, weighted towards the second half of the 25 year period following the guarantee date.

Guarantor's Funds

The rules of each Scheme provide for a number of other notional sub-funds in addition to the Investment Reserves to be established, including the Guarantor's Funds. Under the provisions of each Scheme any (post guarantee date) surpluses arising are to be shared equally between the members and the Government, as the Guarantor to each scheme. Surpluses are determined on the basis of triennial actuarial valuations by each Scheme's actuary, the Government Actuary's Department (GAD). The Guarantor's Funds record the Government's share of any surpluses arising from these valuations.

Scheme valuations

The most recent completed valuations of the BCSSS and the MPS are 31 March 2009 and 30 September 2008 respectively. Actuarial valuations are carried out every three years by GAD after consultation on the actuarial assumptions to be used with both the Trustees and the Government. GAD assesses both the market value and the actuarial value of each Scheme's assets³ and liabilities. This information is used by management to inform the calculation of fair value.

Fair value

The balances disclosed in these accounts are fair values. Fair value is the amount financial assets could be exchanged between knowledgeable and willing parties in an arms length transaction. This would generally be market value if an active market exists, however no active market exists for the exchange of these financial assets. Management has therefore used a generally accepted estimation technique and discounted these cash flows over the period to 2019 at a rate of 3.5% (the Treasury's real discount rate for assessing investments) to determine fair value.

Changes in the value of the investments since the last actuarial valuation dates are management estimates of the current fair value taking into account any payment made to the Department on behalf of the Government as Guarantor to the Schemes. The value of the investments may be adjusted by interim valuations undertaken by each Scheme's Actuary, when these are completed.

2 The notional sub-funds established within each Scheme are: the Guaranteed Fund which meets the costs of all benefits payable to members (subject to the Government guarantee); the Bonus Augmentation Fund which records the members' share of any surpluses (post guarantee date); the Investment Reserve; and the Guarantor's Fund.

3 The assets of each Scheme are not segregated between the separate notional sub-funds. These sub-funds, including the Investment Reserves and Guarantor's Funds, are established as notional sub-funds for each Scheme's administrative and accounting purposes only.

Risk

The Department, in representing the Government as Guarantor to these Schemes, does not hold these financial instruments to manage or change the risks it faces. In contrast to each Scheme the Department is not directly exposed to the various component elements of market risk, although future cash flows from the Coal Pensions Investments are linked to the future financial performance and position of each Scheme.

Additionally, since all future cash flows from these financial assets are payable by the Department directly to the Consolidated Fund, the risk that future cash flows will not be realised, particularly because adverse market conditions result in reduction to the net assets of the schemes, does not put at risk the achievement of the Department's objectives.

The Department manages its exposure to any risks associated with these financial assets in accordance with its risk management objectives, policies and procedures. The details of which can be found in Note 30. In addition, the Department takes professional actuarial advice when necessary.

Each Scheme's Trustees must act at all times in the best interests of the beneficiaries. The Department is not a beneficiary and is not treated as such.

Each Scheme's Trustees are responsible for the investment strategy employed to manage the Scheme's assets and these strategies see both Schemes holding financial assets which are linked to interest rates and also those that are traded in active markets.

Details of these financial assets, their significance to each Scheme's financial position and performance, the investment strategy and the Scheme's objectives, policies and procedures for monitoring and measuring the risks associated with these financial assets can be found in the Report and Accounts for each Scheme which can be found on www.bcsss-pension.org.uk and www.mps-pension.org.uk.

19.2 Energy Efficiency Loans

2010-11	Value at 1 April 2010 £'000	Additions £'000	Unwinding of discount £'000	Impairment £'000	Repayments £'000	Value at 31 March 2011 £'000
Loans to SMEs	50,662	13,786	1,773	(90)	(12,871)	53,260
Loans to PSBs	43,200	201	1,512	-	(5,752)	39,161
Totals	93,862	13,987	3,285	(90)	(18,623)	92,421

2009-10	Value at 1 April 2009 £'000	Additions £'000	Unwinding of discount £'000	Impairment £'000	Repayments £'000	Value at 31 March 2010 £'000
Loans to SMEs	-	51,901	-	-	(1,239)	50,662
Loans to PSBs	-	43,200	-	-	-	43,200
Totals	-	95,101	-	-	(1,239)	93,862

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

2010-11	Within 1 year £'000	Within 1-5 years £'000	Total £'000
Loans to Small and Medium sized Enterprises	21,576	31,684	53,260
Loans to Public Sector Bodies	4,897	34,264	39,161
Totals	26,473	65,948	92,421

2009-10	Within 1 year £'000	Within 1-5 years £'000	Total £'000
Loans to Small and Medium sized Enterprises	13,637	37,025	50,662
Loans to Public Sector Bodies	5,779	37,421	43,200
Totals	19,416	74,446	93,862

Energy Efficiency Loans are classified as 'Loans and receivables'.

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 businesses are administered by the Carbon Trust and for public sector organisations by its wholly owned subsidiary company Salix.

The Carbon Trust Loans scheme for businesses

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. Carbon Trust ran an interest free loan scheme for SME energy efficiency projects between 2003 and 2011 (with the scheme expanding substantially in

2009-11). The scheme is now closed, although when open it was available to SMEs which had been trading for at least one year, could pass a commercially benchmarked credit check and had a project that would see the loan repaid from energy bill savings within 4 years and meets a minimum carbon saving threshold. The Budget 2009 provided £67.1million and £16.8million for non recyclable energy efficiency loans in 2009-10 and 2010-11 respectively. This included up to £4.1million and £ 2.0 million respectively for directly attributable administration and marketing payable to the Carbon Trust.

Each loan project was considered on its technical merit and its potential to deliver energy savings. Businesses were able to borrow interest free between £3,000 and £500,000 (2000-11: £3,000 and £100,000). Loans are repayable over a period of up to 4 years.

The Salix Loans scheme for the public sector

Salix was set up in 2004 to accelerate public sector investment in energy efficiency technologies through invest to save schemes. The Energy Efficiency Loan Scheme provided interest free loans in 2009-10 to facilitate investment in energy efficiency measures across the public sector to support further progress towards reducing energy bills and carbon emissions. The minimum project value was £500 with a minimum individual application value of £5,000; there was no maximum, subject to funding availability. Loans are repaid over 4 years.

Measurement

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 as described in Note 1.6.

Impairment

The Department impairs loan balances only 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.

An impairment charge of £90,000 has been recognised in the statement of comprehensive net expenditure for 2010-11 (2009-10:£Nil). This charge was in respect of 18 companies that were subsequently placed under administration. As at 31 March 2011 these companies owed a total of £228,000. The amount is carried down in the Department's loan book and has not been further impaired as it is unable to quantify to what extent the Department will recover the balances owed from each company.

The Department has received confirmation from Carbon Trust that a further ten companies in its private sector client base have defaulted on their loan repayments. The total amount of the default is £19,000 with the debt being on average 3.5 months overdue. The Department has not impaired the carried down loan balance for these

defaults as management have not assessed these amounts to be irrecoverable. Apart from the above there are no other past-due loan balances to report.

Two entities under the Salix loan scheme breached their terms and conditions and were required to pay back their loans in full, the loan amounts repaid were £107,000.

As at the year-end two entities under the Salix loan scheme were in default of their loan repayments but settled the amounts in the new financial year.

The credit quality of loans that are neither past due nor impaired is considered to be good and the full amounts are expected to be repaid.

Risk Management

The risks associated with the Energy Efficiency loans are controlled and managed by the processes of extending the loans and obtaining repayments, in both cases via the Carbon Trust and Salix. The processes, as defined in the terms and conditions of the loan offer and the contract with the Carbon Trust, 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.

The credit risk is borne by the Department who 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. Every application is manually inspected by a Carbon Trust consultant prior to a confirmed offer being made. Carbon Trust uses a professional repayment and collection firm and with them have developed robust processes to minimise instances of default. The Department monitors Carbon Trust's administration of the scheme in accordance with the terms and conditions set out in the relevant grant offer letters.

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 2011, the maximum undiscounted credit exposure was £97,934,000 (31 March 2010: £28,718,000) based on loans drawn down at that date. At 31 March 2011 the undiscounted value of offers made to applicants under the interest free loans scheme which had not been drawn down by recipients was £133,000 (31 March 2010: £72,418,000).

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.

Foreign Currency risk

All loans are denominated in sterling, as such there is no foreign exchange risk.

Liquidity Risk

The Department is not exposed to liquidity risk in running this scheme. See Note 30 for further details.

19.3 Recyclable Energy Efficiency Loans Scheme

2010-11	Value at 1 April 2010 £'000	Additions £'000	Impairment £'000	Repayments £'000	Value at 31 March 2011 £'000
Loans to SMEs	-	37,827	-	-	37,827
	-	37,827	-	-	37,827

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

2010-11	Within 1 year £'000	Within 1-5 years £'000	Total £'000
Loans to Small and Medium sized Enterprises	16,846	20,981	37,827
Totals	16,846	20,981	37,827

Loans under the Recyclable Energy Efficiency Loans Scheme are classified as 'Loans and receivables'.

Scheme details

The Carbon Trust Recyclable Energy Efficiency Loans Scheme was opened in 2005 and offered interest free loans valued between £3,000 and £500,000 (reducing to £100,000 in 2010-11) to SMEs to fund energy efficiency projects which would pay back within 4 years with repayments set to match expected energy bill savings. Repaid loans were then recycled by Carbon Trust (minus administration costs) in order to offer new loans to SMEs for the same purposes. The original capital funding was provided by the Department and predecessor Departments. As the loans were recycled to subsequent recipients by Carbon Trust as they were repaid, the original funding was accounted for as grant payments.

The scheme closed to businesses in March 2011. As a result of the scheme's closure repayments made by the ultimate recipients of the loans are returned to the Department rather than being recycled. Consequently, following the scheme's closure, the loans are recognised as financial assets by the Department.

Measurement

The loans have been measured at fair value, being the amount of the present value of the discounted cash flows repayable, and then subsequently held at amortised cost as described in Note 1.6.

Impairment

The Department impairs loan balances only 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.

Risk Management

The scheme's risk is managed via the contract with Carbon Trust in the management of the disbursement and collection of loans. The Department bears all the credit risk for default under this agreement. Under its management processes Carbon Trust assessed all applicants' credit risk before making loan offers. All loan applicants are required to make repayments by direct debit. Carbon Trust manages the repayment process and takes steps to recover loans which have gone into arrears.

Credit risk

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

The credit risk is borne by the Department who 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 incorporates an industry standard credit test as part of the application process, also every application is manually inspected by a Carbon Trust consultant prior to a confirmed offer being made. Carbon Trust uses a professional repayment and collection firm and with them have developed robust processes to minimise instances of default. The Department monitors Carbon Trust's administration of the scheme in accordance with the terms and conditions set out in the relevant grant offer letters.

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 2011, the maximum undiscounted credit exposure was £29,994,000 (31 March 2010: £Nil) based on loans drawn down at that date. At 31 March 2011 the undiscounted value of offers made to applicants under the interest free loans scheme which had not been drawn down by recipients was £10,316,000 (31 March 2010: £Nil).

Interest Rate Risk

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

Foreign Currency Risk

All loans are denominated in sterling, as such there is no foreign exchange risk.

Liquidity Risk

The Department is not exposed to liquidity risk in running this scheme. See Note 30 for further details.

19.4 Share of net assets and results of bodies outside the consolidation boundary

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		Enrichment Holdings Limited		National Nuclear Laboratories Holdings Limited	
	£m		£m		£m	
	Restated		Restated		Restated	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
Assets	8,599.1	8,510.6	403.1	359.1	58.0	58.0
Liabilities	(8,599.1)	(8,510.6)	-	(31.3)	(33.2)	(40.2)
Net assets	-	-	403.1	327.8	24.8	17.8
Turnover	56.8	52.2	-	-	78.3	75.9
Surplus/profit for the year	88.6	225.2	110.6	101.7	7.0	6.7

Notes:

- Nuclear Liabilities Fund (NLF):** The information is extracted from their unaudited accounts for the year to 31 March 2011; the accounts were prepared in accordance with IFRS. The 2009-10 comparatives have been restated based on the final audited accounts of NLF for 2009-10. The assets primarily arise from the sale of the Government's interest in British Energy (BE) and are to be applied to fund the decommissioning costs of BE's eight existing nuclear power stations, together with defueling costs and other qualifying liabilities (as defined in the restructuring agreements between Government and British Energy). 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 (British Energy Generation Limited) at that date. The liabilities disclosed in Note 31 represent the discounted actual estimated liabilities.
- Enrichment Holdings Limited:** The share of net assets and results disclosed is extracted from the draft group accounts for the year ended 31 March 2011 of Enrichment Holdings Limited, prepared under the historical cost convention and in accordance with IFRS. The 2009-10 comparatives have been restated based on the final audited accounts of Enrichment Holdings Limited for 2009-10. Enrichment Investments Limited is the wholly owned subsidiary of Enrichment Holdings Limited and owns 33% of Urenco Limited. Consequently, the net assets and results of Enrichment Holdings Limited shown above represent 33% of the results and net assets of Urenco Limited. Enrichment Holdings Limited accounts for these using the equity method of accounting as defined in IAS28: Investments in Associates. The Department receives dividends from Urenco via Enrichment Investments Limited and Enrichment Holdings Limited as disclosed in Note 16.

- **National Nuclear Laboratories Holdings Limited:** The share of net assets and results disclosed is extracted from the draft consolidated accounts for the period-ended 31 March 2011 of National Nuclear Laboratories Holdings Limited, prepared under the historical cost convention and in accordance with IFRS. The 2009-10 comparatives have been restated based on the final audited accounts of National Nuclear Laboratories Holdings Limited for 2009-10. Included in the net assets shown above for 2010-11 and 2009-10 is £20m cash held by National Nuclear Laboratories Holdings Limited, this is shown as third party assets in Note 36 below.

National Nuclear Laboratories Limited (NNL) is the wholly owned subsidiary of National Nuclear Laboratories Holdings Limited. The function of NNL is to build a sustainable business which will incorporate key UK Nuclear skills and facilities. The business will provide a core offering of technology services and solutions across the nuclear fuel cycle, primarily based in the UK but with increasing overseas market and is run on a full commercial basis, with no government support or subsidy.

19.5 Ordinary shares

Ordinary shares are valued at historical cost as required by the FReM.

The Department owns two shares of £1 each in Enrichment Holdings Limited which has been set up as the holding company, via Enrichment Investments Limited, for a 33% share of Urenco Limited as detailed in Note 19.4 above.

The Department holds two shares of £1 each in NNL Holdings Limited which has been set up to hold all of the shares in National Nuclear Laboratories Limited, as detailed in Note 19.4 above.

The Department owns the founding share of £1 in Africarbon Limited which was incorporated in July 2008. Its objective with other UK partners was to catalyse Clean Development Mechanism projects in sub-Saharan African countries but since 31st July 2009 it has been dormant whilst the UK pursued other capacity building work. Action to dissolve the company was taken in April 2011.

19.6 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 2011 was £Nil (31 March 2010: £Nil). Each member is required to pay an amount not exceeding £1 if and only if the Carbon Trust is wound up whilst a member, or within one year after ceasing to be a member, for the payment of the Carbon Trust's debts and liabilities contracted before ceasing to be a member, and of the costs, charges and expenses of winding up, and for the adjustment of the rights of the contributors among themselves.

19.7 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
<p>British Energy Group plc £1 Special Share, British Energy Holdings plc £1 Special Share, British Energy Generation Ltd £1 Special Share, and British Energy Ltd £1 Special Share</p>	<ul style="list-style-type: none"> ● 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 : <ul style="list-style-type: none"> - 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 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: <ul style="list-style-type: none"> - 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 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: <ul style="list-style-type: none"> - 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 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: <ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> ● 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: <ul style="list-style-type: none"> – 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.

20 Impairments

During the year the Department impaired its financial assets to the value of £14,867,000. The impairments were taken through both the statement of comprehensive net expenditure and the revaluation reserve. The details of the assets impaired are given below.

	Note	2010–11 £'000	2009–10 £'000
Taken through revaluation reserve:			
Financial Assets – Coal Pension Investments	19.1	14,777	237,539
Taken through statement of comprehensive net expenditure:			
Financial Assets – Energy Efficiency Loans to Small and Medium Sized Enterprises	19.2	90	–
Property, plant and equipment	17	–	2
Total		14,867	237,541

21 Trade and other receivables

21.1 Analysis by type

	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
Amounts falling due within one year			
Trade receivables	20,067	7,803	10,426
Other receivables	1,578	8,278	110,865
VAT	8,261	8,024	3,572
Staff debtors	280	235	164
Prepayments and accrued income	35,471	20,193	28,858
Amounts due from the Consolidated Fund in respect of supply	13,173	65,131	-
Total trade and other receivables	78,830	109,664	153,885

Included within other receivables are CFER receivables of £852,000 (31 March 2010: £5,090,000, 31 March 2009: £104,838,000).

21.2 Intra-Government balances

	Amounts falling due within one year		
	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
Balances with:			
Other Central Government bodies	30,012	74,476	8,609
Local Authorities	19	61	67
NHS Trusts	-	-	-
Public Corporations and Trading Funds	-	2	-
Subtotal: Intra-Government balances	30,031	74,539	8,676
Bodies external to Government	48,799	35,125	145,209
Total trade and other receivables	78,830	109,664	153,885

22. Cash and cash equivalents

	2010–11	Restated 2009–10
	£'000	£'000
Balance as at 1 April	271,286	702,308
Net change in cash and cash equivalent balances	(211,534)	(431,022)
Balance at 31 March	59,752	271,286

	31 March 2011	Restated 31 March 2010	Restated 31 March 2009
	£'000	£'000	£'000
The following balances at 31 March were held at:			
Government Banking service	59,412	268,034	701,798
Cash in hand and commercial banks	340	3,252	510
Balance	59,752	271,286	702,308

The Department's cash balances as at 31 March 2010 include £35,126,000 (31 March 2009: £44,034,000) received from the Petroleum Licensing regime, subsequently paid to the Consolidated Fund. These monies represent cash received in respect of income disclosed in the Department's Trust Statement.

23. Reconciliation of Net Cash requirement to increase/(decrease) in cash

	2010	2009
	£'000	£'000
Net Cash requirement	(3,090,173)	(3,260,098)
From the Consolidated Fund (Supply) – current year	3,077,000	3,150,404
From the Consolidated Fund (Supply) – prior year	65,131	–
Amounts due to the consolidated fund received in a prior year and paid over	(336,416)	(657,744)
Amounts due to the consolidated fund received and not paid over	72,924	336,416
Increase/(decrease) in cash	(211,534)	(431,022)

24 Trade and other payables

24.1 Analysis by type

	31 March 2011 £'000	Restated 31 March 2010 £'000	Restated 31 March 2009 £'000
Amounts falling due within one year:			
Other taxation and social security	2,378	6	6
Trade payables	8,414	3,214	17,713
Other payables	4,745	10,343	22,997
Accruals and deferred income	307,248	261,876	136,446
Amounts issued from the Consolidated Fund for Supply but not spent at year end	-	-	44,563
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund:	-	-	-
Received	72,924	336,416	657,744
Receivable	852	5,090	104,838
Total trade and other payables	396,561	616,945	984,307

	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
Amounts falling due after more than 1 year			
Accruals and deferred income	1,351	264	-
	1,351	264	-

24.2 Intra-Government balances

	Amounts falling due within one year			Amounts falling due after more than one year		
	31 March 2011 £'000	Restated 31 March 2010 £'000	Restated 31 March 2009 £'000	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
Balances with:						
Other Central Government bodies	102,245	365,784	900,329	-	-	-
Local Authorities	2,591	1	9	-	-	-
NHS Trusts	-	1	1	-	-	-
Public Corporations and Trading Funds	1,258	3,413	5,646	-	-	-
Subtotal: Intra-Government balances	106,094	369,199	905,985	-	-	-
Bodies external to Government	290,467	247,746	78,322	1,351	264	-
Total trade and other payables	396,561	616,945	984,307	1,351	264	-

25 Provisions for liabilities and charges: Coal

	Note	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
Health related	25.1	90,798	83,043	195,700
Non health related	25.2	479,057	556,959	529,963
Total		569,855	640,002	725,663

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

	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
Current liabilities	98,819	123,155	191,141
Non-current liabilities	471,036	516,847	534,522
Total	569,855	640,002	725,663

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

	31 March 2011 £'000
Not later than one year	98,819
Later than one year and not later than five years	211,500
Later than five years	259,536
Balance at 31 March 2011	569,855

25.1 Health related provisions

	COPD	VWF	NIHL	Pneumoconiosis	Other diseases	Misc Benefits	Administrative Advisers	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2010	6,641	296	9,074	4,987	7,768	672	53,605	83,043
Unwinding of one year's discount	146	7	200	110	171	15	1,178	1,827
Increase in provision	2,310	2,591	9,547	187	4,708	-	21,786	41,129
Amounts written back	-	-	-	-	-	(174)	-	(174)
Utilised in year	(8,059)	(2,826)	(4,076)	(1,172)	(2,011)	(15)	(16,868)	(35,027)
At 31 March 2011	1,038	68	14,745	4,112	10,636	498	59,701	90,798
	COPD	VWF	NIHL	Pneumoconiosis	Other diseases	Misc Benefits	Administrative Advisers	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2009	68,615	3,216	6,561	6,960	25,476	604	84,268	195,700
Unwinding of one year's discount	1,510	71	144	153	560	13	1,855	4,306
Increase in provision	12,477	25,082	5,504	-	-	74	12,622	55,759
Amounts written back	-	-	-	(599)	(16,521)	-	-	(17,120)
Utilised in year	(75,961)	(28,073)	(3,135)	(1,527)	(1,747)	(19)	(45,140)	(155,602)
At 31 March 2010	6,641	296	9,074	4,987	7,768	672	53,605	83,043

Responsibility for the 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.

Chronic Obstructive Pulmonary Disease (COPD)

These liabilities arise from claims relating to respiratory diseases such as emphysema and chronic bronchitis, caused by exposure to mine dust and fumes. This scheme is closed to new claims. The undiscounted amount of this provision has currently been calculated at £1.1m (31 March 2010: £6.7m). As at 31 March 2011 over 99% of the total expected liability has already been paid with an estimated 30 claims remaining to be settled. Settlement of all COPD schemed claims is expected to be reached by July 2011.

Vibration White Finger (VWF)

These liabilities arise from claims relating to damage caused by the prolonged use of vibratory tools. This Scheme is closed to new claims. The undiscounted amount of this provision has currently been calculated at £0.1m (31 March 2010: £0.3m). As at 31 March 2011 over 99% of the total expected liability has already been paid with an estimated 38 claims remaining to be settled.

Noise induced hearing loss (NIHL)

These liabilities arise from claims relating to personal injuries arising as a result of Noise Induced Hearing Loss conditions. The total number of NIHL claims received is 42,249. The undiscounted amount of this provision has currently been calculated at £15.6m (31 March 2010: £9.7m).

Pneumoconiosis

These liabilities arise from claims submitted under the Coal Workers Pneumoconiosis Scheme (CWPS). Since its inception in 1974 the total number of claims received under the CWPS are 92,000. The undiscounted amount of this provision has currently been calculated at £4.5m (31 March 2010: £5.4m).

Other injury related provisions

As shown in the table above, there are other injury-related compensation claims including asbestos related conditions, dermatitis, cancer, rheumatic diseases and Minor Benefits Schemes. The undiscounted amount of these provisions has currently been calculated at £12.1m (31 March 2010: £9.5m) with an estimated end date of 2050.

Administrative advisers provision

These costs are in addition to those directly related to the handling of the claims noted above. The largest element of these costs relates to the defence of the two main litigation processes, the Knee Injury Group Litigation Action and the Phurnacite Group Litigation Action, which could entail significant liabilities as detailed in Note 31. The projection of administrative costs going forward is based on the resources required to deal with these cases and the extent to which further litigation might be pursued against the Department.

The future cash flows in relation to administrative expenditure are based upon best estimates according to the existing contractual arrangements with legal advisors, records management and other relevant contractors.

Part of the increase in the provision, approx 20%, is due to a revision of the actual costs already incurred to March 2010 (based on data supplied by our contractors to inform the forecast), which have now been corrected having been identified as incorrect in the previous forecast. The remaining variance responds to an increase in the total costs going forward as a result of a change in our assumptions and taking into account revised modeling of the expected expenditure required for the custodianship of the British Coal employment and compensation scheme records and revised modeling of our legal costs. The undiscounted amount of this provision has currently been calculated at £66.1m (31 March 2010: £58.4m) with an estimated end date of 2022.

25.2 Non health related provisions

	Concessionary fuel £'000	Site restoration £'000	Non health admin £'000	Total £'000
At 1 April 2010	486,081	58,026	12,852	556,959
Unwinding of one year's discount	10,694	1,276	283	12,253
Increase in provision	-	-	-	-
Amounts written back	(849)	(379)	(6)	(1,234)
Utilised in year	(56,332)	(31,000)	(1,589)	(88,921)
At 31 March 2011	439,594	27,923	11,540	479,057

	Concessionary fuel £'000	Site restoration £'000	Non health admin £'000	Total £'000
At 1 April 2009	461,368	56,816	11,779	529,963
Unwinding of one year's discount	10,150	1,250	259	11,659
Increase in provision	73,692	-	1,944	75,636
Amounts written back	-	(40)	-	(40)
Utilised in year	(59,129)	-	(1,130)	(60,259)
At 31 March 2010	486,081	58,026	12,852	556,959

Concessionary fuel

The Department has inherited a responsibility to provide either solid fuel or a cash alternative to nearly 81,000 beneficiaries who are ex-miners and their dependants formerly employed by British Coal. Around 66,000 of these have opted for the cash alternative at an average of around £520 per annum; for the remainder, the average solid fuel cost to the Department is around £1,400 per annum (this includes the cost of distribution). The number of beneficiaries is currently decreasing at around 7% per annum. 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 at a constant rate of 8.5% for National Concessionary Fuel Association beneficiaries and 7.2% for British Association of Colliery Miners beneficiaries.

Some changes to the provision arise from modifications to the forecasting model following an actuarial review for the National Concessionary Fuel Scheme carried out by the Government Actuary's Department (GAD) in 2010.

Site Restoration

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.

Ongoing projects are the Avenue Cokeworks and Grassmoor Lagoons sites, both near Chesterfield. Liabilities at Avenue Cokeworks will be fully discharged in 2011-12 while the remediation of Grassmoor Lagoons is likely to conclude around 2013-14.

The future cashflows are based upon third party estimates of the scope and timing of remediation works. These are subject to ongoing uncertainty given the potential for identification of unforeseen site contamination and adverse weather impacting the remediation processes.

Non health administration provision

This provision relates to costs for the administration of non-health related liabilities and indemnities issued at privatisation. The majority of this liability relates to payments to the National Concessionary Fuel Office who administer the concessionary fuel scheme on behalf of the Department, based upon existing contractual arrangements.

26. Provisions for liabilities and charge

British Energy	2010–11 £'000	2009–10 £'000
At 1 April	2,079,691	2,153,166
Unwinding of one year's discount	45,753	47,370
Increase in provision	105,302	90,788
Amounts written back	–	–
Utilised in year	(222,097)	(211,633)
At 31 March	2,008,649	2,079,691

The above nuclear provision is disclosed in the Statement of Financial Position as follows:

	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
Current liabilities	225,474	214,031	204,915
Non-current liabilities	1,783,175	1,865,660	1,948,251
Total	2,008,649	2,079,691	2,153,166

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 £227.9m (undiscounted at current prices) for each of the next 3 years 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 excluding Mortgage Interest Payments (RPIX) and the level of provision adjusted accordingly, this is in accordance with the Historic Liabilities Funding Agreement with BE.

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

	31 March 2011 £'000
Not later than one year	225,474
Later than one year and not later than five years	809,781
Later than five years	973,394
Balance at 31 March 2011	2,008,649

27. Capital commitments

There were no capital commitments as at the 31 March 2011 or at 31 March 2010.

28. Commitments under leases

28.1 Operating leases

Total future minimum lease payments under operating leases are given in the table below, for each of the following periods.

	31 March 2011 £'000	31 March 2010 £'000
Obligations under operating leases for the following periods comprise		
Buildings		
Not later than 1 year	–	32
Later than one year and not later than 5 years	–	–
Later than 5 years	–	–
	–	32
Other		
Not later than 1 year	10	37
Later than one year and not later than 5 years	1	11
Later than 5 years	–	–
	11	48

28.2 Service concessions

There are three service contracts for the provision of IT services to the Department.

On balance sheet contract

During 2009-10, the Department entered into a five year contract with Fujitsu Services Limited, which expires in March 2014 and may be terminated by the Department with twelve months' notice. This has been assessed as a service concession arrangement within the scope of IFRIC12: Service Concession Arrangements. The infrastructure assets have been capitalised at the start of the contract and are depreciated over five years (see Note 17), the contract payments relating to the infrastructure assets are all made in the first year of the contract and consequently there is no lease commitment or liability at 31 March 2011.

The total amount charged to the statement of comprehensive net expenditure in respect of the service element of this on-balance sheet service concession arrangement is £3,467,000 (2009-10: £1,905,000) as PFI service charges and £Nil (2009-10: £47,000) as interest charges.

Total obligations for the above contract comprise:

	31 March 2011 £'000	31 March 2010 £'000
Not later than 1 year	2,660	2,497
Later than 1 year but not later than 5 years	-	-
Later than 5 years	-	-
	2,660	2,497

There is no interest element to the above commitment as the capital payments relating to the contract were all made in the first year of the contract.

Other contracts

The Department receives charges in respect of contracts which have been assessed as within the scope of IFRIC 12 but where the Department is not the principal to the contract. These contracts are held by the legacy departments involved in the October 2008 machinery of government change which created the Department. These arrangements have not been held on balance sheet as the apportioned capital elements are not material or significant to the Department's activities.

As part of the BIS ELGAR contract, the Department's office in Aberdeen has been provided with specialist IT equipment. This arrangement expires in March 2014 and the total cost expended during 2010-11 was £1,045,000 (2009-10: £1,677,000) as PFI service charges.

The Department has been charged for using services under Defra's IT contract during the year. These costs were expensed through the Statement of Comprehensive Net Expenditure as PFI service charges and the total cost in the year was £30,000 (2009-10: £1,429,000). This arrangement has now been substantially replaced by the Department's own IT contract described above.

The total commitments relating to the above contracts comprise

	31 March 2011 £'000	31 March 2010 £'000
Not later than 1 year	1,069	1,263
Later than 1 year but not later than 5 years	-	-
Later than 5 years	-	-
	1,069	1,263

29. Other financial commitments

The Department occupies a building which is leased from Defra under a rental agreement which involves no financial commitment; the facilities management services relating to the building are covered under this arrangement.

The Department has entered into non-cancellable contracts (which are not leases or PFI contracts), for subscriptions to international bodies and a contract with Carillion Energy Services Limited (formerly Eaga PLC). The payments to which the Department is committed during 2011-12, analysed by the period during which the commitments expire, are given in the table below.

	31 March 2011 £'000	31 March 2010 £'000
Expiry within 1 year	6,685	-
Expiry within 2 to 5 years	3,562	-
Expiry thereafter	27,867	28,480
	38,114	28,480

29.1 The amounts for annual subscriptions are paid as follows:

Organisation	Note	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	a	-	-	1,313	1,313
International Atomic Energy Agency	b	-	-	21,078	21,078
Organisation for the Prohibition of Chemical Weapons	c	-	-	3,509	3,509
International Energy Agency	d	-	-	1,500	1,500
Nuclear Energy Agency	e	-	640	-	640
European Energy Charter	f	-	-	400	400
International Energy Forum Secretariat	g	-	-	67	67
Total		-	640	27,867	28,507

Notes:

- a) The UK's financial contributions to international work on climate change include two annual mandatory subscriptions to the United Nations Framework Convention on Climate Change and related funds initiatives. Payments are made to the core budget of the Climate Change Convention and support the Kyoto Protocol, which are calculated for all ratifying parties on the basis of the UN scale. The payments fund the Secretariat to provide the necessary organisation and support to the convention and the Protocol, including the annual Conference of the Parties (COP) attended by Ministers (such as COP 15 in Copenhagen in December 2009) and meeting of the Convention Subsidiary Bodies and to carry out activities and initiatives mandated by the parties.

- b) The International Atomic Energy Agency (IAEA) is the world's centre of co-operation in the nuclear field. It was established in 1957 as an independent international organisation under the United Nations (UN) and as of 1 January 2010 it has a membership of 151 Nation States. It is the UN's nuclear watchdog and is the verification authority for the Treaty on the Non-Proliferation of Nuclear Weapons (NPT). In this capacity it is responsible for promoting and agreeing international nuclear safeguards with States, and for verifying that non-proliferation commitments are met. It is also charged with fostering safety and security in nuclear related activities and with contributing to goals of sustainable development in key areas of the peaceful application of nuclear science and technology.
- c) The Chemical Weapons Convention (CWC), which came into force on 29 April 1997, is the first arms control treaty which seeks to introduce a verifiable ban on an entire class of weapons of mass destruction. It is administered by the Organisation for the Prohibition of Chemical Weapons (OPCW), which is based in The Hague. As of 20 January 2011 the OPCW had 188 States Party. As part of its verification responsibilities, the OPCW undertakes inspections in States Party and the UK has received 119 inspections since 1997. DECC, as the UK National Authority, is responsible for the implementation of the CWC in the UK. The powers to implement the declaration and verification provisions in the CWC are contained in the Chemical Weapons Act 1996.
- d) The International Energy Agency (IEA) is an autonomous organisation founded in response to the 1973-74 oil crisis, which works to ensure reliable, affordable and clean energy for its 28 member countries. The UK's subscription supports these objectives. DECC's subscription is mandatory for membership of the IEA, allowing DECC to engage with the Agency, influence its work programme and strategy, and gain access to its analysis. The subscription is paid in euros and so is subject to exchange rate fluctuations. Total contributions from all members are currently set at zero nominal growth, but the proportion each member pays is subject to an equation based on relative GDP, and so is subject to fluctuation.
- e) DECC pays the UK's annual contribution to the Nuclear Energy Agency (NEA) on behalf of a number of Departments and Agencies that participate in the NEA's work. The NEA is an agency within the OECD and is an internationally recognised organisation providing a forum for sharing information and experience and promoting international co-operation on technical, scientific, legal and economic issues affecting the peaceful use of nuclear energy globally.
- f) DECC is responsible for the UK's subscription to the European Energy Charter Treaty. The Energy Charter Treaty provides a unique legally-binding multilateral instrument to encourage international investment in energy and ensure its secure transit. It strives towards open, efficient, sustainable and secure energy markets and promotes a constructive climate conducive to energy interdependence on the basis of trust between nations. The main aim of the Treaty is to liberalise energy trade, transit and investment within and between its (mainly Eurasian) signatory countries. This is an aim which the UK strongly supports. The subscription allows membership

of the Energy Charter Treaty and for its tenets to apply to the UK. It is paid in euros and is therefore subject to exchange rate fluctuations.

- g) DECC is responsible for paying the UK's contribution to the International Energy Forum Secretariat (IEFS). The IEFS's role is to enhance and support the global dialogue between energy producers and consumers. The UK is a member of the Executive Board. Payment of the subscription is a requirement of all Board Members. To date, the UK has played a pivotal role in the IEFS's work and would face reputational damage if support was withdrawn. A key focus at this time is the agreement of an International Energy Forum Charter. Going forward, it is likely that the importance of the IEFS will grow, as it is increasingly being asked by G20 to lead international energy analysis and activity, and the UK should remain a key player in the Forum to influence policy and have direct access to IEFS data and analysis. The subscription is paid for in USD and is therefore subject to exchange rate fluctuations.

29.2 The amounts for the contract with Carillion Energy Services Limited (formerly Eaga PLC) contract are as follows

Organisation	Note	Expiry within	Expiry within	Expiry over	Total
		1 Year	2 to 5 Years	5 years	
		£'000	£'000	£'000	£'000
Warmfront ASV	a	6,685	2,922	-	9,607
Total		6,685	2,922	-	9,607

- a) The contract with Carillion Energy Services Limited (formerly Eaga PLC) 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. At the end of 2010-11 there will be one year of aftercare remaining for systems installed in 2009-10 and two years of aftercare for jobs installed in 2010-11. The recent contract extension negotiations, covering 2011-2013 agreed that for all jobs taken during this period there will be one year of aftercare and one annual service visit offered. The Aftercare service is important for the vulnerable client group who benefit from the scheme and who need additional support understanding how their system works and providing maintenance to it during the first year after it has been installed. The Annual Service Visit (part of the aftercare service) is necessary to ensure that the two year boiler manufacturer guarantee remains valid; the terms state that if the heating system is not serviced in the first year after it has been installed then the guarantee will not be honoured.

30. Financial instruments

30.1 Classification and categorisation of financial instruments

	Note	31 March 2011 £'000	Restated 31 March 2010 £'000	Restated 31 March 2009 £'000
Financial assets				
Loans and receivables:				
Energy Efficiency Loans	19.2	92,421	93,862	-
Recyclable Energy Efficiency Loans	19.3	37,827	-	-
Trade and other receivables	21	78,830	109,664	153,885
Cash at bank and in hand	22	59,752	271,286	702,308
Total loans and receivables		268,830	474,812	856,193
Available-for-sale assets:				
Coal Pensions Investments	19.1	634,804	649,581	887,120
Ordinary shares	19.5	-	-	-
Total Available-for-sale assets		634,804	649,581	887,120
Financial liabilities				
Other financial liabilities:				
Trade and other payables	24	397,912	617,209	984,307
Total other financial liabilities		397,912	617,209	984,307

30.2 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, which is the case for Coal Pension Investments, generally accepted estimation and valuation techniques are used, including the discounted cash flow method.

Energy Efficiency loans and Recyclable Energy Efficiency Loans are carried at amortised cost by discounting the cash flows receivable using HM Treasury's discount rate of 3.5%.

The carrying values of other financial assets and financial liabilities do not differ from fair values in these accounts at either 31 March 2011, 31 March 2010 or 31 March 2009.

30.3 Significance of financial instruments to financial performance and position

IFRS7: Financial Instruments: Disclosures requires the Department to disclose information which will allow users of these financial statements 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 risks arising from financial instruments.

Given its largely non-trading nature and that the Department 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 Department's objectives, policies and processes for managing and measuring risk can be found in the Financial Overview.

30.4 Risk exposure from financial instruments

The majority of financial instruments relate to contracts to buy non-financial items in line with the Department's expected purchase and usage requirements and the Department is therefore not directly exposed to significant market, credit or liquidity risk.

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

Further information about the risks associated with the Coal Pensions Investments and Energy Efficiency Loans are disclosed in Note 19 to these financial statements.

Market risk

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

Foreign currency risk

The Department's exposure to foreign currency risk during the year was minimal. Foreign currency income and expenditure was a small percentage of their respective totals.

Interest rate risk

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

Other price risk

The Department does not have any significant holding of financial instruments that are traded in an active market and as such is not directly exposed to other price risks.

Credit risk

The Department is exposed to credit risk from loans it has advanced under the Energy Efficiency Loans Scheme and Recyclable Energy Efficiency Loans Scheme as detailed in Notes 19.2 and 19.3.

Liquidity risk

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

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

Basis of recognition	Description
<p><i>Coal Industry Act 1994</i></p>	<p>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 liability are uncertain, depending on the nature of any injury and whether the courts decide that compensation is due. The status of specific litigation is as follows:</p> <p><i>Knee injury litigation</i> The Preliminary Issues Trial was concluded and Judgment was made on 10 January 2011 in favour of the Department. On 8 June permission was granted to the claimants for the case to progress to the Court of Appeal.</p> <p><i>Phurnacite litigation</i></p> <p>The Trial is scheduled for October 2011.</p> <p><i>Pleural plaques litigation</i></p> <p>The House of Lords announced in 2007 that pleural plaques were not a “compensatable” injury. This is the current position in England and Wales as the House of Lords judgement still stands. In Scotland the Damages (Asbestos Related Conditions) (Scotland) Act 2009 was introduced to reverse the House of Lords decision. An initial challenge by the insurers was dismissed by the Court of Session in January 2010 on the grounds that the legislation did not satisfy the standard of ‘irrationality’ as would be required to invalidate a primary act of legislation. On 12 April 2011, the Court of Session rejected the insurer’s appeal. The Association of British Insurers have indicated that it is their intention to make an appeal to the UK Supreme Court. Possible plural plaque claims in Scotland are estimated at £1m.</p>
<p><i>Nuclear Liabilities Fund (British Energy)</i></p>	<p>The then Secretary of State for Trade and Industry created a constructive obligation due to her announcement in 2002 to the House 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 as such 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 26).</p> <p>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. This is dependent on BE’s estimates for the costs of meeting their decommissioning and uncontracted liabilities and the timescales over which they will be discharged, which may be revised year-on-year, and on the contributions from BE. As such, it is difficult to quantify whether this represents a contingent liability or asset. On the basis of the Department’s current estimate of the assets available to the NLF to meet its liabilities, £8.8 billion (2010: £8.8 billion), and BE’s unaudited estimate for decommissioning and uncontracted liabilities, £5.1 billion (2010: £4.9 billion), there is a contingent asset of £3.7 billion (2010: £3.9 billion). The liabilities figure is subject to review by the Nuclear Decommissioning Authority, the results of which had not been received by the time of finalising these accounts.</p>

Basis of recognition	Description
<p>Deed Relating to the British Coal Staff Superannuation Scheme under Paragraph 2(9) of Schedule 5 to the Coal Industry Act 1994</p> <p>Deed Relating to the Mineworkers' Pension Scheme under Paragraph 2(9) of Schedule 5 to the Coal Industry Act 1994</p>	<p>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.</p> <p>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.</p> <p>The 1994 arrangements provided for the following notional sub-funds to be established within each overall fund:</p> <ul style="list-style-type: none"> ● Guaranteed Fund; ● Bonus Augmentation Fund; ● Guarantor's Fund; and ● Investment Reserve. <p>Further details regarding the Schemes and the notional sub-funds can be found in Note 19.1, particularly the Guarantor's Fund and the Investment Reserves which have been recognised as financial assets in these accounts.</p> <p>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:</p> <ul style="list-style-type: none"> ● 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. <p>This is a long term contingent liability dependent on the performance of the schemes' investments and their mortality experience.</p>
<p>Site restoration liabilities inherited from British Coal</p>	<p>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.</p> <p>In addition to specific claims provided for (see note 25.2) it remains possible that the Department will be held responsible for further environmental liabilities. The timing and amounts of any liability are uncertain.</p>
<p>Other</p>	<p>There are a number of potential liabilities to the Department in respect of claims from suppliers and employees, which depend on actual or potential proceedings. The timing and amounts of any liability are uncertain.</p>

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

32.1 Quantifiable

The Department has entered into the following quantifiable contingent liabilities by offering guarantees or indemnities. None of these is a contingent liability requiring disclosure under IAS 37 since the possibility of an outflow of economic benefits in settlement is too remote. Managing Public Money requires that the full potential costs be reported to Parliament and these costs are reproduced in the table below.

	1 April 2010 £'000	Increase (Decrease) in year £'000	New crystallised liability £'000	Liabilities crystallised in year £'000	Obligations expired in year £'000	31 March 2011 £'000
Statutory Guarantees						
Guarantee for Carbon Trust Directors – prevent Director liabilities	15,600	(6,345)	–	(3,437)	–	5,818
Guarantee for Energy Saving Trust Directors – prevent Director liabilities	7,900	(7,042)	–	(358)	–	500
Other						
Contractual Commitment to cover demobilisation costs – Warm Front contract with Carillion Energy Services (formerly Eaga Plc)	7,500	(500)	–	(7,000)	–	–
Total	31,000	(13,887)	–	(10,795)	–	6,318

32.2 Unquantifiable

The Department has entered into the following unquantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. None of these is a contingent liability requiring disclosure under IAS 37 since the possibility of an outflow of economic benefits in settlement is too remote.

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 Enrichment Holdings Limited, Enrichment Investments Limited and Urenco Limited. These indemnities are against personal liability following any legal action against the Company.

Other

- Statutory liability for third party claims in excess of the operator’s liability in the event of a nuclear accident in the UK.
- Quality Assurance for Combined Heat and Power contractors wrongly assessing a scheme (reclassified from quantifiable remote liabilities).
- High Activity Sealed Sources (HASS) Directive: costs of retrieving and disposing of sealed radioactive sources in the event that a company keeping such sources becomes insolvent (reclassified from quantifiable remote liabilities).
- 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.

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

33 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.

33.1 Losses statement

	2010–11 £'000	2009–10 £'000
Total	145	465
	476 cases	796 cases

There were no cases over £250,000.

33.2 Special payments

There were four cases of ex-gratia payments totalling £3,030 made during the financial year (2009-10: one case of £45,000).

34 Related-party transactions

The Department is the sponsor of the Non-Departmental Public Bodies shown in Annex 4 to this report. These bodies are regarded as related parties with which the Department has had various material transactions during the year.

The Department has also had various material transactions with other Government Departments and Government bodies. The most significant of these transactions have been with the Department for Business, Innovation and Skills (BIS), and the Department for Environment, Food and Rural Affairs (Defra).

No DECC Ministers or Management Board members have undertaken any material transaction with the Department during the year.

35 Events after the reporting period

There were no significant events after the reporting period that require disclosure other than noted below.

The Delivery review

The Review of the Department's Delivery Landscape was published on 19 May 2011. The review considered the delivery undertaken for the Department by a number of organisations including the Energy Saving Trust, the Carbon Trust, Ofgem/E-Serve, Environment Agency, Coal Authority and the Energy Development Unit (within DECC). The review included a finding that the Department's relationships with the Carbon Trust and Energy Saving Trust should change; core grant funding will cease from 2012-13, but we expect both organisations to be interested in bidding for contracts to deliver activities to support the Green Deal.

Date accounts authorised for issue

The Accounting Officer of the Department has authorised these accounts to be issued on 7 July 2011

36 Third-party assets

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

The Department holds £20m at bank, transferred from BNFL plc to meet the potential future capitalisation requirements of the National Nuclear Laboratories Ltd. These monies are held in a GBS (Government Banking Service) account in the name of>NNL Holdings Limited and may only be utilised with Departmental and Treasury approval.

The Department also holds £47,000 in respect of Enrichment Holdings Limited. These monies are held in a GBS (Government Banking Service) account and formed part of the dividends from Enrichment Investments Limited, held within Enrichment Holdings Limited (with Treasury's permission) in order to pay for accountancy and audit fees.

	Bank balances
	£'000
At 1 April 2010	20,000
Gross inflows	47
Gross outflows	-
At 31 March 2011	20,047

37 Entities within the departmental boundary

A list of these bodies within the departmental boundary can be found in Annex 4 of this report. There are no bodies within the Department's accounting boundary that require consolidation into the Accounts.

38 Prior year comparatives

The FReM no longer requires the inclusion of the cost of capital charge in the Department's accounts. The comparative data has therefore been re-stated as if the new arrangement i.e. the removal of the cost of capital charge, had been in place in the previous year.

Additionally from 2010–11 the Department was required to report income received under the Petroleum Licensing Regime, that was previously reported in the Department's accounts, in the Trust Statement. In line with HM Treasury guidance, CFER and related balances have not been restated and retained in the Department's accounts in order to maintain the integrity of the previously reported CFER balances. For consistency, previously restated CFER and related balances arising from EU ETS have been reinstated in the Department's accounts for 2008–09 figures.

A further change shown below reflects the change in treatment for timing differences relating to uncleared bank payments that were previously disclosed as an overdraft under Trade Payables and are now included within the cash balance.

The following note sets out how the 2009–10 published figures for the Department's accounts have been affected by these changes. In the case of the Statement of Financial Position two years comparative data is given.

Statement of Comprehensive Net Expenditure

	Previously reported 2009–10 £'000	Removal of cost of capital charge £'000	Restated 2009–10 £'000
Administrative costs			
Staff costs	58,694	–	58,694
Other administrative costs	42,836	(230)	42,606
Operating income	(1,179)	–	(1,179)
Programme costs			
Staff costs	4,052	–	4,052
Programme costs	4,281,570	75,750	4,357,320
Income	(1,481,757)	–	(1,481,757)
Net operating cost	2,904,216	75,520	2,979,736

Statement of Financial Position

	Previously reported 31 March 2010 £'000	Restatement adjustments 31 March 2010 £'000	Restated 31 March 2010 £'000	Previously reported 31 March 2009 £'000	Restatement adjustments 31 March 2009 £'000	Restated 31 March 2009 £'000
Non-current assets	654,653	-	654,653	474,291	-	474,291
Current assets						
Trade and Other Receivables	109,664	-	109,664	153,885	-	153,885
Financial Assets	97,216	-	97,216	417,540	-	417,540
Cash and cash equivalents	272,529	(1,243)	271,286	661,902	40,406	702,308
Total Current Assets	479,409	(1,243)	478,166	1,233,327	40,406	1,273,733
Total assets	1,134,062	(1,243)	1,132,819	1,707,618	40,406	1,748,024
Current liabilities						
Trade and other payables	(618,188)	1,243	(616,945)	(943,901)	(40,406)	(984,307)
Provisions – coal	(123,155)	-	(123,155)	(191,141)	-	(191,141)
Provisions – Nuclear	(214,031)	-	(214,031)	(204,915)	-	(204,915)
Total current liabilities	(955,374)	1,243	(954,131)	(1,339,957)	(40,406)	(1,380,363)
Non-current assets less net current liabilities	178,688	-	178,688	367,661	-	367,661
Non-current liabilities	(2,382,771)	-	(2,382,771)	(2,482,773)	-	(2,482,773)
Assets less liabilities	(2,204,083)	-	(2,204,083)	(2,115,112)	-	(2,115,112)
Total taxpayers' equity	(2,204,083)	-	(2,204,083)	(2,115,112)	-	(2,115,112)

Statement of Cash Flows

	Previously reported 2009-10 £'000	Trust Statement adjustments 2009-10 £'000	Restated 2009-10 £'000
Net cash outflow from operating activities	(3,255,926)	-	(3,255,926)
Net cash outflow from investing activities	126,574	-	126,574
Net financing	3,150,404	-	3,150,404
Net increase/decrease in cash and cash equivalents in the period before adjustments for receipts and payments to the Consolidated Fund	21,052	-	21,052
Receipts due to the Consolidated Fund Which are outside the scope of the Department's activities	504,471	-	504,471
Payments of amounts due to the Consolidated Fund	(916,121)	(40,424)	(956,545)
Net increase/decrease in cash and cash equivalents in the period after adjustments for receipts and payments to the Consolidated Fund	(390,598)	(40,424)	(431,022)
Cash and cash equivalents at the beginning of the period	661,884	40,424	702,308
Cash and cash equivalents at the end of the period	271,286	-	271,286

39 New IFRSs in issue but not yet effective and FReM changes 2011-2012

New IFRSs that have an effective date after 31 March 2011 and which have an impact on the Department's future Accounts together with major FReM changes for 2011-12 are set out below giving details of the potential impact (if known) and date at which the Department plans to apply the changes. No new IFRSs were early adopted by the FReM.

39.1 New Standards not yet effective and not applied in the Department's Financial Statements

IFRS9: 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 and Recyclable Energy Efficiency Loans 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; and
- Coal Pension Investments will be reclassified from “Available for sale assets” to “Fair value through other comprehensive expenditure”.

The subsequent measurement is not expected to change as Energy Efficiency Loans and Recyclable Energy Efficiency Loans will continue to be measured at amortised costs and the Coal Pension Investments will be measured at fair value using generally accepted estimation and valuation techniques.

The standard is effective for accounting periods beginning on or after 1 January 2013. The Department will apply the standard in its Accounts when formally adopted in the FReM.

39.2 FReM changes 2011-2012

Parliamentary Accountability

The Estimates from 2011-12 will be based on departmental budgets and the structure of the Estimates will reflect the split between the Departmental Expenditure Limit (DEL) and the Annually Managed Expenditure (AME). Consequently the presentation of the Statement of Parliamentary expenditure will be affected by this change as both DEL and AME Estimate and outturn figures will be shown in the primary statement itself.

Accounting Boundary

The Department’s accounting boundary will be extended to include the results, assets and liabilities of its four NDPBs and other bodies classified to Central Government by the Office for National Statistics in the Accounts for 2011-12 to comply with Clear Line of Sight reporting requirements.

Income

Appropriations in Aid will no longer be reported separately in the Accounts; the Voted Totals for the Department will be shown net of the income allowed to be retained by the Department. The Parliamentary Supply and associated notes will be affected by this change.

Trust Statement

Principal Accounting Officer's foreword to the Trust Statement

Scope

- 5.1** The Department of Energy and Climate Change (the Department) is responsible for the state of affairs relating to the collection and allocation of the receipts from the EU Emissions Trading Scheme (EU ETS) and the Petroleum Licensing Regime. 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 and expenditure and assets and liabilities relating to proceeds received from the UK auctions of European Allowances under Phase II of the EU ETS for the financial year 2010-11. These amounts are collected by the Department for payment into the Consolidated Fund.
 - Revenues and expenditure and assets and liabilities relating to the receipts of Petroleum Licences under The Petroleum Act 1998 for the financial year 2010-11. 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 ETS 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 works on a 'cap and trade' basis to deliver a set amount of emission reductions against a verified emissions baseline. Industry is allocated emissions 'allowances' (equivalent to one tonne of CO₂) which can then be traded. This is intended to encourage companies that are in a position to reduce emissions to do so and to sell any unused allowances.
- 5.6** The Government believes that auctioning is a cost effective means of allocating allowances from the EU ETS into the market. Auctioning removes any distortions that can be created by free allocation, reinforcing the 'polluter pays' principle. The number of tradable allowances each installation will receive is established in the National Allocation Plan (NAP). The Emissions Trading Directive sets a limit that up to 10% of allowances may be auctioned. The UK NAP states that the UK will auction 7 per cent of allowances, approximately 86 million, plus any surplus from the new Entrant Reserve and allowances from closures up to the 10% limit set by the Directive.
- 5.7** Installations covered by the EU ETS are in heavy emitting industries such as: electricity generation; iron and steel; mineral processing industries such as cement and lime manufacture; pulp and paper processing industries; glass manufacture; ceramics industries; refineries; and offshore oil and gas production. Approximately 50% of the EU's CO₂ emissions are covered by the EU ETS. From 2012, emissions from aviation will be included in the EU ETS. From 2013, a number of additional industrial sectors and gases will also be included.
- 5.8** Phase I of the Scheme ran from 2005-2007. Phase II runs from 2008-2012 to coincide with the first Kyoto Commitment Period. Phase III of the Scheme runs from 2013-2020 under a single EU-wide cap with greater harmonisation of the rules.
- 5.9** In Phases I and II of the EU ETS, Member States were required to develop NAPs. Each plan set the overall cap for that Member State and the total amount of emissions allowed from each installation covered by the system. However, the carbon price collapsed to near zero by 2007 due to insufficient stringency in Phase I of the System – the collective cap was not tight enough and it was designed to be a 'learning by doing' phase (as emissions trading had never been attempted on such a large scale before). In Phase III there is a single EU-wide cap with Member States required to produce National Implementation Measures by September 2011 which will set out how common EU rules are being implemented.
- 5.10** In Phase II of the EU ETS eighteen auctions have taken place up to 31 March 2011, the majority of which were wholly competitive auctions involving primary participants. Auctions with facilities for non-competitive bidding have now been discontinued.

- 5.11** UK EU ETS auctions are run by the UK's Debt Management Office on behalf of DECC and HM Treasury. UK auctions are open to Primary Participants who are parties approved to bid both on their own account and on behalf of other parties (who are known as Indirect Bidders). Primary Participants must have an office in a member state, have the ability to meet their financial commitments, the ability to participate effectively in an auction on behalf of others and systems to prevent the disclosure of confidential information.
- 5.12** In 2009-10 the UK ran two non-competitive auctions aimed at EU ETS small emitters, who only need to buy a few allowances for regulatory compliance. Participants were limited in the number of allowances they could purchase and had to accept the settlement price determined by the main competitive auction running alongside.

Petroleum Licences

- 5.13** The Petroleum Act 1998 vests all rights to the nation's petroleum resources in the Crown. On the Crown's behalf, the Secretary of State can 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.
- 5.14** The Department is responsible for issuing and administering licences to oil and gas companies to search for and exploit both the onshore and offshore oil and gas resources of the United Kingdom. This process is carried out with a view to maximising UK oil and gas economic activity, in a way that balances the needs of both business and Government, while taking due consideration of external factors which might be affected by such activity (e.g. environmental effects, strategic defence procedures).
- 5.15** Such licences are awarded to successful applicant-companies with a requirement that they will make annual payments (known as 'Licence Rental Fees') to DECC, which remits them to the Consolidated Fund. These payments are in most cases calculated on the basis of the area under licence, and incorporate an escalating scale of pre-determined rates per square kilometres. This is to encourage licensee companies to relinquish acreage not undergoing productive activity, thus making it available for relicensing to other potential interested applicants.
- 5.16** The amount collected in recent financial years in respect of licence rental fees has been £65m in 2009-10 and £70m in 2010-11. The vast majority of this comes from offshore licensing.

Future developments

EU ETS

- 5.17** The Department has published a schedule of Phase II auctions until November 2011 and will announce the schedule for the rest of the Phase in due course. Phase III is due to run from 2013 and the EU wide rules for auctioning are currently being negotiated via the EU ETS Directive comitology process.

Petroleum Licences

5.18 A further round of onshore licensing is expected in the course of 2011, and a further round of offshore licensing in 2012.

Financial Review

EU ETS

5.19 The UK held 8 auctions during 2010–11 as shown in Note 2 to the Trust Statement. All the auctions were wholly competitive auctions.

5.20 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 £199,000 (2009–10: £602,000). These exchange differences are recognised in the Statement of Revenue and Expenditure.

5.21 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

5.22 Fees received in respect of Petroleum licences amounted to £70m (2009–10: £67m). 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 £1,626,000 (2009–10: £1,577,000). These payments are recognised in the Statement of Revenue and Expenditure.

5.23 As with the EU ETS Scheme 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.

Auditors

5.24 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 page 150. 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

5.25 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 and the receipts from the Petroleum Licences regime, together with the revenue income and expenditure and cash flows for the financial year. Regard is given to all relevant accounting and disclosure requirements given in Managing Public Money and other guidance issued by HM Treasury.

Accounting judgements

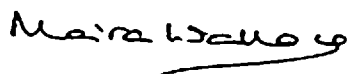
- 5.26** As Principal Accounting Officer, it is my responsibility to apply suitable accounting policies in the preparation of the Trust Statement. Revenues are recognised in the period in which the event that generates the revenue takes place, consequently the anticipated proceeds from future auctions and licences as detailed in Note 2 are not recognised as assets within this statement.
- 5.27** 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

- 5.28** Details of events after the reporting period are given in Note 9 to the Trust Statement.

Reporting for 2010–11

- 5.29** This is the second Trust Statement prepared by the Department as required by HM Treasury and in line with the Accounts Direction. The revenues and expenditure and assets and liabilities relating to Petroleum Licences were previously brought to account in the Department's 2009–10 Accounts.
- 5.30** This Trust Statement has been prepared with comparative data for the 2010–11 reporting period. In line with HM Treasury guidance, CFER and related balances have not been restated and retained in the Department's accounts in order to maintain the integrity of the previously reported CFER balances. Restatement adjustments are shown in Note 10 to these accounts.



Moira Wallace

Principal Accounting Officer and Permanent Secretary

6 July 2011

Statement of the Principal Accounting Officer's Responsibilities in Respect of the Trust Statement

- 5.31** 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.
- 5.32** HM Treasury has appointed the Permanent Secretary as Principal 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.
- 5.33** The Principal 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.
- 5.34** The Principal Accounting Officer is responsible for the fair and efficient administration of the EU Emissions Trading Scheme (EU ETS) which is one of the policies being introduced across Europe to reduce emissions and is a high priority of the UK Government, including conducting the auction of EU Allowances in the UK for Phase II 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.
- 5.35** The responsibilities of an 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.
- 5.36** The Trust Statement is prepared on an accruals basis and must give a true and fair view of the state of affairs of the EU ETS and Petroleum Licensing regime, including the revenue collected and expenditure incurred together with the net amounts surrendered to the Consolidated Fund.
- 5.37** In preparing the Trust Statement, the Principal Accounting Officer is required to comply with the requirements of the Government Financial 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.

Statement on Internal Control

The Department's Statement on Internal Control, 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 Department of Energy and Climate Change's (the Department's) Trust Statement for the year ended 31 March 2011 under the Government Resources and Accounts Act 2000. The Trust Statement comprises the Statement of Revenue and Expenditure, the Statement of Financial Position, the Statement of Cash Flows and the related notes. The Trust Statement has been prepared under the accounting policies set out within the notes to the Statement.

Respective responsibilities of the Principal Accounting Officer and auditor

As explained more fully in the Statement of the Principal Accounting Officer's Responsibilities in respect of the Trust Statement, 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 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 Trust Statement

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 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 Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on Regularity

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

Opinion on Financial Statements

In my opinion:

- the financial statements give a true and fair view of the state of affairs as at 31 March 2011 relating to the collection and allocation of the carbon allowance auction receipts for the EU Emissions Trading Schemes and the receipts from the Petroleum Licensing regime, together with the revenue income and expenditure and cash flows for the financial year; 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 Principal Accounting Officer's Foreword to the Trust Statement for the financial year in which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria, London,
SW1W 9SP
7 July 2011

Statement of Revenue and Expenditure

for the year ended 31 March 2011

	Note	2010-11 £'000	Restated 2009-10 £'000
Income			
EU Emissions Trading Scheme auction Income	2.1	446,080	413,730
Petroleum licences	2.2	70,057	67,381
Total		516,137	481,111
Expenditure			
EU Emissions Trading Scheme costs	3.1	(199)	(602)
Credit losses – debts written off	4.1	(4)	-
Total expenditure		(203)	(602)
Disbursements			
Northern Ireland Government payments	3.2	(1,626)	(1,577)
Total disbursements		(1,626)	(1,577)
Total expenditure and disbursements		(1,829)	(2,179)
Net revenue for the Consolidated Fund		514,308	478,932

There were no gains or losses accounted for outside the above Statement of Revenue and Expenditure.

The notes on pages 155 to 165 form part of this statement.

Statement of Financial Position

as at 31 March 2011

	Note	31 March 2011 £'000	Restated 31 March 2010 £'000	Restated 31 March 2009 £'000
Current assets				
Receivables and accrued fees	4	5,662	-	-
Cash and cash equivalents	5	33,088	-	-
Total current assets		38,750	-	-
Current liabilities				
Trade and other payables	6	(1,626)	(1,577)	(1,502)
Total current liabilities		(1,626)	(1,577)	(1,502)
Net current assets		37,124	(1,577)	(1,502)
Total net assets		37,124	(1,577)	(1,502)
Represented by:				
Balance on Consolidated Fund Account	7	37,124	(1,577)	(1,502)

Maira Wallace

Maira Wallace

Principal Accounting Officer and Permanent Secretary

6 July 2011

The notes on pages 155 to 165 form part of this statement.

Statement of Cash Flows

for the year ended 31 March 2011

	Note	2010-11 £'000	2009-10 £'000
Net cash flows from revenue activities	A	513,785	487,752
Cash paid to the Consolidated Fund and shown in the Department's Accounts ¹		(5,090)	(34,200)
Cash paid to the Consolidated Fund		(475,607)	(453,552)
Increase in cash in this period	B	33,088	-

Notes to the Statement of Cash Flows

A: Reconciliation of Net Cash Flow to Movement in Net Funds

Net Revenue for the Consolidated Fund		514,308	478,932
Adjustments for amounts reported in previous year's Accounts ²		5,090	8,745
(Increase)/decrease in receivables	4	(5,662)	-
Increase in payables	6	49	75
Net cash flows from revenue activities		513,785	487,752

B: Analysis in changes in Net Funds

Increase/(decrease) in cash in this period		33,088	-
Net Funds as at 1 April	5	-	-
Net Funds as at 31 March	5	33,088	-

1 These amounts represent cash paid to the Consolidated Fund by the Department in respect of Petroleum Licence CFERs as shown in the Department's Accounts. The amount of £5,090,000 paid across in 2010-11 reflects CFER receivables at 31 March 2010.

2 In line with HM Treasury guidance, CFER and related balances have not been restated and retained in the Department's Accounts in order to maintain the integrity of the previously reported CFER balances.

The notes on pages 155 to 165 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 with reference to 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 and where it is acting as agent rather than principal.

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 II 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.

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; and
- 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 had not been invoiced at the 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 Trade and other payables in the Statement of Financial Position. 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.

Trade payables are amounts established as due at the balance sheet date, but where payment is made subsequently.

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. All translation differences are included in the Statement of Revenue and Expenditure for the period.

1.8 Restatement of prior year comparatives

The Trust Statement comparatives have been restated for the inclusion of Petroleum Licensing receipts which are now required to be reported within the Trust Statement under the 2010-11 Accounts Direction issued by HM Treasury. Details of the restatement for the Petroleum Licensing receipts are shown in Note 10.

2 Revenue

2.1 EU Emissions Trading Scheme auction income

Auction date	Auction type	Allowances auctioned	2010–11 £'000	2009–10 £'000
4 June 2009	Competitive	4,200,000	–	50,231
9 July 2009	Competitive	4,199,660	–	48,467
10 September 2009	Competitive	4,199,840	–	55,606
8 October 2009	Competitive	4,199,925	–	51,532
5 November 2009	Competitive	4,199,480	–	53,370
7 January 2010	Competitive	4,886,750	–	53,392
7 January 2010	Non-competitive	13,201	–	144
4 February 2010	Competitive	4,399,950	–	48,670
18 March 2010	Competitive	4,498,330	–	52,306
18 March 2010	Non-competitive	1,000	–	12
10 June 2010	Competitive	4,399,560	56,506	–
8 July 2010	Competitive	4,399,750	53,729	–
9 September 2010	Competitive	4,399,800	56,517	–
07 October 2010	Competitive	4,399,875	59,582	–
04 November 2010	Competitive	4,399,845	56,153	–
13 January 2011	Competitive	4,398,950	51,416	–
10 February 2011	Competitive	4,399,510	53,523	–
10 March 2011	Competitive	4,399,850	58,654	–
Total			446,080	413,730

Subsequent dates for the carbon allowances auctions under Phase II 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 Debt Management Office Website: www.dmo.gov.uk

Auction Date	Allowances for auction
9 June 2011	3,500,000
7 July 2011	3,500,000
8 September 2011	3,500,000
6 October 2011	3,500,000
10 November 2011	3,500,000

2.2 Petroleum licence income

	2010–11 £'000	2009–10 £'000
Fees received	70,057	67,381
Total	70,057	67,381

3 Costs and disbursements

3.1 Costs incurred in the collection of receipts

	2010–11 £'000	2009–10 £'000
Foreign currency translation costs (EU ETS)	199	602
Total	199	602

3.2 Disbursements

	2010–11 £'000	2009–10 £'000
Payments to Northern Ireland Government	1,626	1,577
Total	1,626	1,577

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 were outstanding at the year end and are disclosed under Trade payables (Note 6).

In addition to the costs and disbursements above the Department incurred expenditure of £888,000 (2009–10: £705,000) in administering EU ETS and £4,089,000 (2009–10: £4,455,000) in respect of the Petroleum Licensing Regime. 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 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
Petroleum licence fees receivable	2,331	–	–
Accrued revenue receivable	3,331	–	–
Total	5,662	–	–

Petroleum licence fees receivable represent the amounts due from the licensees where invoices for payment have been issued but not paid for at the year end.

Accrued revenue 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.

4.1 Credit losses

	2010-11 £'000	2009-10 £'000
Specific bad debts written off (petroleum licences)	4	–
Total	4	–

5. Cash and cash equivalents

	2010-11 £'000	2009-10 £'000
Balance as at 1 April	–	–
Net change in cash and cash equivalent balances	33,088	–
Balance at 31 March	33,088	–

	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
The following balance at 31 March were held at:			
Government Banking Service	33,088	–	–
Total	33,088	–	–

6. Trade and other payables

	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
Trade payables	1,626	1,577	1,502
	1,626	1,577	1,502

7. Balance on the Consolidated Fund

	2010–11 £'000	2009–10 £'000
Balance on the Consolidated Fund as at 1 April	(1,577)	(1,502)
Net revenue for the Consolidated Fund	514,308	478,932
Adjustment for amounts reported in prior year Accounts	–	8,745
Less amounts paid to the Consolidated Fund	(475,607)	(487,752)
Balance on the Consolidated Fund as at 31 March	37,124	(1,577)

The prior year overdrawn balance on the Consolidated Fund does not represent amounts receivable from the Consolidated Fund. These amounts are due to the Northern Ireland Government, but by convention are paid out of the cash receipts in the following financial year. These amounts were previously netted off against the petroleum licence receipts within the Department's Accounts.

8. Financial instruments

8.1 Classification and categorisation of financial instruments

	Note	31 March 2011 £'000	Restated 31 March 2010 £'000	Restated 31 March 2009 £'000
Financial assets:				
Cash	5	33,088	–	–
Trade receivables	4	2,331	–	–
Accrued fees receivable	4	3,331	–	–
Total loans and receivables		38,750	–	–
Financial liabilities				
Trade payables	6	(1,626)	(1,577)	(1,502)
Total Other Financial Liabilities		(1,626)	(1,577)	(1,502)

8.2 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 two days 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 £199,000 (2009-10: £602,000). 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.

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 there have been very few bad debts in the running of this scheme. 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.

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 30 to the Department's Accounts.

9. Events after the reporting period

As stated in Note 2 the auction of 3,500,000 carbon allowances took place on 9 June 2011. The results of this auction is as follows:

Auction date	Auction type	Allowances auctioned	Income £'000
9 June 2011	Competitive	3,499,575	50,792

These receipts will be brought to account in the Trust Statement for 2011-12.

Date Trust Statement authorised for issue

The Principal Accounting Officer has authorised this Trust Statement to be issued on 7 July 2011

10. Prior year comparatives

The comparative information in the Trust Statement has been restated to include the Petroleum Licences which were reported in DECC's Accounts in the previous year. In the 2009-10 Department's accounts Petroleum Licence receipts were classified as other amounts collectible on behalf of the Consolidated Fund and were therefore not included within the 2009-10 Operating Cost Statement.

The following note sets out how the 2009-10 published figures for the Trust Statement have been affected by the inclusion of Petroleum Licence fees. In line with HM Treasury guidance, CFER and related balances have not been restated and retained in the Department's accounts in order to maintain the integrity of the previously reported CFER balances. For consistency, previously restated CFER and related balances arising from EU ETS have been reinstated in the Department's accounts for 2008-09 figures.

Statement of Revenue and Expenditure

	Previously reported 2009-10 £'000	Restatement adjustments £'000	Restated 2009-10 £'000
Income			
Licence Fees and Taxes			
EU Emissions Trading Scheme auction Income	413,730	–	413,730
Petroleum licences	–	67,381	67,381
Total	413,730	67,381	481,111
Expenditure			
EU Emissions Trading Scheme costs	(602)	–	(602)
Total Expenditure	(602)	–	(602)
Disbursements			
Northern Ireland Government payments	–	(1,577)	(1,577)
Total disbursements	–	(1,577)	(1,577)
Total Expenditure and disbursements	(602)	(1,577)	(2,179)
Net revenue for the Consolidated Fund	413,128	65,804	478,932

The revenue figure reported in DECC's Accounts for 2009-10 was £65,878,000, which reflects the cash receipts received during the year. This has been restated as £67,381,000 to reflect the grossing up of the income for the payment to the Northern Ireland Government, which was netted off the CFER payments to the Consolidated Fund in the Department's accounts, and other adjustments to reflect the accruals basis upon which the Trust Statement is prepared.

Statement of Financial Position

	Previously reported 31 March 2010 £'000	Restatement adjustments £'000	Restated 31 March 2010 £'000	Previously reported 31 March 2009 £'000	Restatement adjustments £'000	Restated 31 March 2009 £'000
Current assets						
Cash and cash equivalents	-	-	-	40,424	(40,424)	-
Total current assets	-	-	-	40,424	(40,424)	-
Current liabilities						
Trade Payables	-	(1,577)	(1,577)	-	(1,502)	(1,502)
Total current liabilities	-	(1,577)	(1,577)	-	(1,502)	(1,502)
Net current assets	-	(1,577)	(1,577)	40,424	(41,926)	(1,502)
Total net assets	-	(1,577)	(1,577)	40,424	(41,926)	(1,502)
Represented by:						
Balance on Consolidated Fund Account	-	(1,577)	(1,577)	40,424	(41,926)	(1,502)

Statement of Cash Flows

		Previously reported 2009–10 £'000	Restatement adjustments £'000	Restated 2009–10 £'000
Net cash flows from revenue activities	A	413,128	74,624	487,752
Cash paid to the Consolidated Fund and shown in the Department's Accounts		–	(34,200)	(34,200)
Cash paid to the Consolidated Fund		(453,552)	–	(453,552)
Increase/(decrease) in cash in this period	B	(40,424)	40,424	–

Notes to the Statement of Cash Flows

A: Reconciliation of net cash flow to movement in net funds

Net revenue for the Consolidated Fund	413,128	65,804	478,932
Adjustments for amounts reported in previous year's Accounts	–	8,745	8,745
Increase/(decrease) in payables	–	75	75
Net cash flows from revenue activities	413,128	74,624	487,752

B: Analysis in Changes in Net Funds

Increase/(decrease) in cash in this period	–	–	–
Net Funds as at 1 April	–	–	–
Net Funds as at 31 March	–	–	–

ANNEX A

ACCOUNTS DIRECTION GIVEN BY HM TREASURY IN ACCORDANCE WITH SECTION 7(2) OF THE GOVERNMENT RESOURCES AND ACCOUNTS ACT 2000.

- 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 2011 for the revenue and other income 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 2010-11.
- 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 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 Principal 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 ensure 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 Accounts for the year unless the Treasury have agreed that the Trust Statement may be laid at a later date.

Chris Wobschall

Head, Assurance and Financial Reporting Policy
HM Treasury

22 December 2010

Appendix 1 to Annex A

Trust Statement for the year ended 31 March 2011

- 1 The Trust Statement shall include:
 - a Foreword by the Principal Accounting Officer;
 - a Statement of the Principal Accounting Officer's Responsibilities;
 - a Statement on Internal Control;
 - a Statement of Revenue 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 A (extract)

No	Sponsoring Department	Income stream	Responsible Entity
02	DECC	Petroleum licences	DECC
02	DECC	EU Emissions Allowance	DECC

Expenditure tables

Table 1 Total departmental spending

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Outturn	Outturn	Outturn	Outturn	Estimated outturn	Plans	Plans	Plans	Plans
Resource DEL									
Section A: Supporting affordable, secure and sustainable energy	65,818	71,192	69,679	80,222	84,185	47,750	45,600	44,800	38,800
Section B: Managing historic energy liabilities effectively and responsibly	-956,944	-1,199,351	-1,693,582	-970,159	280,053	289,100	293,000	297,400	283,800
Section C: Bringing about a low carbon UK	140,175	117,662	152,591	185,399	193,422	134,900	94,800	73,500	69,700
Section D: Developing an international agreement on climate change	38,757	49,477	22,276	4,283	5,399	5,200	5,200	4,800	4,600
Section F: Professional support and infrastructure	71,321	91,996	87,978	118,547	116,593	179,979	185,996	189,711	190,524
Section G: Nuclear Decommissioning Authority (NDPB) (net)	1,534,007	1,521,569	1,597,580	1,771,915	443,923	817,958	746,961	704,964	411,966

	£'000								
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Outturn	Outturn	Outturn	Outturn	Estimated outturn	Plans	Plans	Plans	Plans
Section H: Coal Authority (NDPB) (net)	23,505	26,128	30,939	29,668	26,498	32,936	32,663	33,087	42,909
Section J: Committee on Climate Change (NDPB) (net)	-	-	1,070	3,667	4,243	2,200	2,200	2,200	2,200
Section E: Promoting low carbon technologies in developing countries	-	-	23,222	4,250	3,580	-	-	-	-
Section I: Civil Nuclear Police Authority (NDPB) (net)	661	-	23	176	-49	-	-	-	-
Total Resource DEL	917,300	678,673	291,776	1,227,968	1,157,847	1,510,023	1,406,420	1,350,462	1,044,499
<i>Of which:</i>									
Pay	108,824	118,679	154,343	163,217	170,612	148,600	137,461	126,977	117,148
Net current procurement ¹	701,490	436,049	424	849,336	785,806	1,144,321	1,089,612	1,072,257	784,221
Current grants and subsidies to the private sector and abroad	102,819	116,932	113,485	177,271	169,042	191,102	171,347	147,228	141,130
Current grants to local government	-	-	-	-	-	-	-	-	-
Depreciation ²	6,266	6,937	3,933	12,412	9,636	7,000	8,000	9,000	8,000
Other	-2,099	76	19,591	25,732	22,751	19,000	-	-5,000	-6,000
Resource AME									
Section K: Managing historic energy liabilities effectively and responsibly	94,050	-233,736	50,697	-24,480	-97,786	-164,903	-178,630	-192,832	-189,040
Section L: Nuclear Decommissioning Authority (NDPB) (net)	6,761,691	7,506,522	2,350,254	760,510	5,187,864	665,000	507,000	362,000	265,000
Section M: Coal Authority (NDPB) (net)	-2,635	1,305	2,767	-1,420	42,447	1,000	1,000	1,000	1,000

	£'000								
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Outturn	Outturn	Outturn	Outturn	Estimated outturn	Plans	Plans	Plans	Plans
Section N: Civil Nuclear Police Authority (NDPB) (net)	-	-	136	-176	49	-65	-60	-26	-
Section R: Renewable Heat Incentive	-	-	-	-	-	56,000	133,000	251,000	424,000
Supporting affordable, secure and sustainable energy	-	1	2	-	-	-	-	-	-
Bringing about a low carbon UK	3	-	-	-	90	-	-	-	-
Professional support and infrastructure	-	-	51	-	-	-	-	-	-
Total Resource AME	6,853,109	7,274,092	2,403,907	734,434	5,132,664	557,032	462,310	421,142	500,960
<i>Of which:</i>									
Pay	-	-	-	-	-	-	-	-	-
Net current procurement ¹	1,960	-70,149	52,171	1,094	29,994	25,000	3,300	-	-
Current grants and subsidies to the private sector and abroad	823,494	696,911	299,410	155,602	35,027	2,077,000	2,770,500	3,444,300	4,302,300
Current grants to local government	-	-	-	-	-	-	-	-	-
Net public service pensions ³	-	-	-	-	-	-	-	-	-
Take up of provisions	6,649,212	6,977,539	2,247,591	812,951	5,296,390	606,297	438,470	283,668	176,860
Release of provisions	-1,077,028	-999,566	-612,946	-449,563	-362,350	-350,265	-322,960	-322,826	-308,200
Depreciation ²	455,468	669,356	448,903	236,390	155,131	200,000	200,000	200,000	200,000
Other	3	1	-31,222	-22,040	-21,528	-2,001,000	-2,627,000	-3,184,000	-3,870,000
Total Resource Budget	7,770,409	7,952,765	2,695,683	1,962,402	6,290,511	2,067,055	1,868,730	1,771,604	1,545,459
<i>Of which:</i>									
Depreciation ²	461,734	676,293	452,836	248,802	164,767	207,000	208,000	209,000	208,000

	£'000								
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Outturn	Outturn	Outturn	Outturn	Estimated outturn	Plans	Plans	Plans	Plans
Capital DEL									
Section A: Supporting affordable, secure and sustainable energy	4,116	1,522	204	1,688	2,968	3,680	-	-	-
Section C: Bringing about a low carbon UK	405,730	407,689	451,217	668,411	429,149	147,100	260,600	286,200	746,800
Section E: Promoting low carbon technologies in developing countries	-	-	50,000	100,000	275,000	140,000	240,000	400,000	220,000
Section F: Professional support and infrastructure	-	-	-	5,189	1,113	1,600	2,300	4,000	1,600
Section G: Nuclear Decommissioning Authority (NDPB) (net)	1,051,870	1,071,365	1,128,098	1,181,036	1,293,847	1,204,000	1,502,000	1,510,000	1,734,000
Section H: Coal Authority (NDPB) (net)	1,181	3,561	10,128	8,484	8,627	7,200	7,600	7,800	8,600
Section I: Civil Nuclear Police Authority (NDPB) (net)	-	955	1,281	1,792	2,449	2,100	500	-	-
Section B: Managing historic energy liabilities effectively and responsibly	-	-	-	-160,936	-	-	-	-	-
Section D: Developing an international agreement on climate change	-	80	25,362	-	-	-	-	-	-
Section J: Committee on Climate Change (NDPB) (net)	-	-	64	149	166	-	-	-	-
Total Capital DEL	1,462,897	1,485,172	1,666,354	1,805,813	2,013,319	1,505,680	2,013,000	2,208,000	2,711,000

	£'000								
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Outturn	Outturn	Outturn	Outturn	Estimated outturn	Plans	Plans	Plans	Plans
<i>Of which:</i>									
Net capital procurement ⁴	1,053,051	1,075,881	1,139,571	1,035,714	1,261,856	1,214,900	1,612,400	1,721,800	2,444,200
Capital grants to the private sector and abroad	409,846	409,291	516,583	647,471	731,955	317,780	429,600	515,200	275,800
Capital support for local government	-	-	-	-	-	-	-	-	-
Capital support for public corporations	-	-	-	-	-	-	-	-	-
Other	-	-	10,200	122,628	19,508	-27,000	-29,000	-29,000	-9,000
Capital AME									
Section K: Managing historic energy liabilities effectively and responsibly									
	-569,000	-419,000	-279,000	-337,300	-77,800	-78,000	-78,000	-78,000	-78,000
Total Capital AME	-569,000	-419,000	-279,000	-337,300	-77,800	-78,000	-78,000	-78,000	-78,000
<i>Of which:</i>									
Capital grants to the private sector and abroad	-	-	-	-	-	-	-	-	-
Net lending to the private sector and abroad	-569,000	-286,000	-146,000	-145,300	-30,800	-31,000	-31,000	-31,000	-31,000
Capital support for public corporations	-	-	-	-	-	-	-	-	-
Other	-	-133,000	-133,000	-192,000	-47,000	-47,000	-47,000	-47,000	-47,000
Total Capital Budget	893,897	1,066,172	1,387,354	1,468,513	1,935,519	1,427,680	1,935,000	2,130,000	2,633,000
Total departmental spending⁵	8,202,572	8,342,644	3,630,201	3,182,113	8,061,263	3,287,735	3,595,730	3,692,604	3,970,459
<i>of which:</i>									
Total DEL	2,373,931	2,156,908	1,954,197	3,021,369	3,161,530	3,008,703	3,411,420	3,549,462	3,747,499
Total AME	5,828,641	6,185,736	1,676,004	160,744	4,899,733	279,032	184,310	143,142	222,960

¹ Net of income from sales of goods and services

² Includes impairments

³ Pension schemes report under FRS 17 accounting requirements. These figures therefore include cash payments made and contributions received, as well as certain non-cash items

⁴ Expenditure on tangible and intangible fixed assets net of sales

⁵ Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.

Note: Table 1 is prepared on a 2011-12 classification basis so numbers may not reconcile to Table 2 which is prepared on a 2010-11 basis. In addition, due to timing differences, the Estimated Outturn for 2010-11 shown in this table and Tables 2 and 4 (which is sourced from the COINS database) differs from that shown elsewhere in the accounts.

Table 2 Total departmental spending

	2010-11 Original Provision	2010-11 Final provision	2010-11 Estimated outturn
Resource DEL			
Section A: Supporting affordable, secure and sustainable energy	79,148	79,031	84,185
Section B: Managing historic energy liabilities effectively and responsibly	-923,000	6,000	35
Section C: Bringing about a low carbon UK	174,104	183,155	192,161
Section D: Developing an international agreement on climate change	11,497	6,522	5,399
Section E: Promoting low carbon technologies in developing countries	-	6,804	3,580
Section F: Professional support and infrastructure	121,673	153,308	117,854
<i>Nuclear Decommissioning Authority (NDPB) (net)</i>	<i>1,426,065</i>	<i>479,065</i>	<i>443,923</i>
<i>Coal Authority (NDPB) (net)</i>	<i>31,404</i>	<i>29,811</i>	<i>26,498</i>
<i>Committee on Climate Change (NDPB) (net)</i>	<i>4,321</i>	<i>3,141</i>	<i>4,243</i>
<i>Civil Nuclear Police Authority (NDPB) (net)</i>	<i>2,874</i>	<i>1,085</i>	<i>-49</i>
<i>Non-voted: Managing historic energy liabilities effectively and responsibly</i>	<i>270,501</i>	<i>278,657</i>	<i>280,018</i>
Total Resource DEL	1,198,587	1,226,579	1,157,847
<i>Of which:</i>			
Pay	100,502	120,894	130,225
Net current procurement ¹	906,747	877,822	780,894
Current grants and subsidies to the private sector and abroad	165,329	196,380	214,363
Current grants to local government	-	-	-
Depreciation ²	8,665	11,905	9,636
Other	17,344	19,578	22,729
Resource AME			
Section G: Managing historic energy liabilities effectively and responsibly	102,045	196,472	203,850
Section K: Bringing about a low carbon UK	-	348	90
<i>Nuclear Decommissioning Authority (NDPB) (net)</i>	<i>2,200,000</i>	<i>2,213,000</i>	<i>5,187,864</i>
<i>Coal Authority (NDPB) (net)</i>	<i>-1,000</i>	<i>45,446</i>	<i>42,447</i>
<i>Civil Nuclear Police Authority (NDPB) (net)</i>	<i>-50</i>	<i>-85</i>	<i>49</i>
<i>Non-Voted: Managing historic energy liabilities effectively and responsibly</i>	<i>-294,000</i>	<i>-300,805</i>	<i>-301,636</i>
Total Resource AME	2,006,995	2,154,376	5,132,664
<i>Of which:</i>			
Pay	-	-	-
Net current procurement ¹	33,000	29,989	29,994
Current grants and subsidies to the private sector and abroad	36,000	35,600	35,027
Current grants to local government	-	-	-
Net public service pensions ³	-	-	-
Take up of provisions	1,722,495	2,259,338	5,296,390

	2010-11 Original Provision	2010-11 Final provision	2010-11 Estimated outturn
Release of provisions	-362,500	-362,306	-362,350
Depreciation ²	600,000	213,000	155,131
Other	-22,000	-21,245	-21,528
Total Resource Budget	3,205,582	3,380,955	6,290,511
<i>Of which:</i>			
Depreciation ²	608,665	224,905	164,767
Capital DEL			
Section A: Supporting affordable, secure and sustainable energy	-	3,487	3,054
Section C: Bringing about a low carbon UK	472,257	482,917	432,952
Section E: Promoting low carbon technologies in developing countries	250,000	250,000	275,000
Section F: Professional support and infrastructure	-	8,347	1,113
<i>Nuclear Decommissioning Authority (NDPB) (net)</i>	<i>1,187,169</i>	<i>1,296,844</i>	<i>1,293,847</i>
<i>Coal Authority (NDPB) (net)</i>	<i>10,600</i>	<i>11,100</i>	<i>8,627</i>
<i>Civil Nuclear Police Authority (NDPB) (net)</i>	<i>2,000</i>	<i>2,475</i>	<i>2,449</i>
<i>Committee on Climate Change (NDPB) (net)</i>	<i>-</i>	<i>-</i>	<i>166</i>
<i>Non-Voted: Supporting affordable, secure and sustainable energy</i>	<i>-</i>	<i>-</i>	<i>-86</i>
<i>Non-Voted: Bringing about a low carbon UK</i>	<i>-</i>	<i>-3,237</i>	<i>-3,803</i>
Total Capital DEL	1,922,026	2,051,933	2,013,319
<i>Of which:</i>			
Net capital procurement ⁴	1,199,769	1,311,419	1,261,856
Capital grants to the private sector and abroad	717,544	765,315	731,955
Capital support for local government	-	-	-
Capital support for public corporations	-	-	-
Other	4,713	-24,801	19,508
Capital AME			
<i>Non-Voted: Managing historic energy liabilities effectively and responsibly</i>	<i>-77,800</i>	<i>-77,800</i>	<i>-77,800</i>
Total Capital AME	-77,800	-77,800	-77,800
<i>Of which:</i>			
Capital grants to the private sector and abroad	-	-	-
Net lending to the private sector and abroad	-30,800	-30,800	-30,800
Capital support for public corporations	-	-	-
Other	-47,000	-47,000	-47,000
Total Capital Budget	1,844,226	1,974,133	1,935,519
Total departmental spending⁵	4,441,143	5,130,183	8,061,263
<i>of which:</i>			
Total DEL	3,111,948	3,266,607	3,161,530
Total AME	1,329,195	1,863,576	4,899,733

¹ Net of income from sales of goods and services

² Includes impairments

³ Pension schemes report under FRS 17 accounting requirements. These figures therefore include cash payments made and contributions received, as well as certain non-cash items

⁴ Expenditure on tangible and intangible fixed assets net of sales

⁵ Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.

Note: Table 2 is prepared on a 2010-11 classification basis so numbers may not reconcile to Table 1 which is prepared on a 2011-12 basis. Lines which were Non-Voted in 2010-11 are shown in italics. In addition, due to timing differences, the Estimated Outturn for 2010-11 shown in this table and Tables 1 and 4 (which is sourced from the COINS database) differs from that shown elsewhere in the accounts.

Table 3 Capital employed

	£'000							
	2007-08 outturn (restated)	2008-09 outturn (restated)	2009-10 outturn (restated)	2010-11 outturn	2011-12 plans	2012-13 plans	2013-14 plans	2014-15 plans
Assets and liabilities on the Statement of Financial Position at year end:								
Assets								
Non-current assets (at net book value)								
Property, plant and equipment	5,893	4,711	8,426	7,146	5,285	3,839	4,509	3,792
of which:								
Scientific equipment	443	130	0	0	0	0	0	0
Information technology	5,431	4,572	6,825	5,771	4,138	2,955	3,923	3,346
Furniture, fixtures and fittings	0	0	1,600	1,285	1,075	830	550	428
Office machinery and equipment	19	9	1	0	0	0	0	0
Plant and machinery	0	0	0	90	72	54	36	18
Intangible assets (software licences)	0	0	0	431	332	233	134	34
Financial assets	2,972,927	469,580	646,227	646,047	534,182	419,162	300,878	179,393
Current assets								
Trade and other receivables	130,913	153,885	109,664	78,830	88,351	88,351	88,351	88,351
Financial assets	279,000	417,540	97,216	119,005	112,899	112,899	112,899	112,899
Cash and cash equivalents	262,291	702,308	271,286	59,752	100,000	100,000	100,000	100,000
Liabilities								
Current Liabilities								
Trade and other payables	(345,000)	(984,307)	(616,945)	(396,561)	(407,254)	(407,254)	(407,254)	(407,254)
Provisions - coal	(361,100)	(191,141)	(123,155)	(98,819)	(65,752)	(57,393)	(53,537)	(45,887)
Provisions - nuclear	(205,700)	(204,915)	(214,031)	(225,474)	(225,474)	(225,474)	(209,369)	(193,264)
<i>Non-current liabilities</i>								
Trade and other payables	0	0	(264)	(1,351)	(1,351)	(1,351)	(1,351)	(1,351)
Provisions - coal	(466,854)	(534,522)	(516,847)	(471,036)	(415,648)	(367,399)	(321,944)	(283,141)
Provisions - nuclear	(2,114,784)	(1,948,251)	(1,865,660)	(1,783,175)	(1,596,930)	(1,406,588)	(1,228,164)	(1,061,919)
Capital employed within main Department	157,586	(2,115,112)	(2,204,083)	(2,065,205)	(1,871,360)	(1,740,975)	(1,614,848)	(1,508,347)
NDPB net assets	(44,105,365)	(45,415,367)	(46,099,853)	(51,453,315)	(51,448,987)	(51,448,837)	(51,448,837)	(51,448,837)
Total capital employed in Departmental Group	(43,947,779)	(47,530,479)	(48,303,936)	(53,518,520)	(53,320,347)	(53,189,812)	(53,063,685)	(52,957,184)

Table 4 Administration budget

	£'000								
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Outturn	Outturn	Outturn	Outturn	Estimated outturn	Plans	Plans	Plans	Plans
Section C: Bringing about a low carbon UK	27,873	32,201	34,320	35,050	46,664	11,800	2,200	2,200	2,200
Section F: Professional support and infrastructure	71,321	91,996	87,978	98,990	95,606	154,900	148,500	132,900	117,900
Section G: Nuclear Decommissioning Authority (NDPB) (net)	43,864	51,794	67,785	57,288	44,432	46,000	47,000	48,000	49,000
Section H: Coal Authority (NDPB) (net)	3,881	4,667	6,455	6,104	6,527	5,100	4,100	3,700	3,700
Section J: Committee on Climate Change (NDPB) (net)	–	–	1,070	3,667	4,243	2,200	2,200	2,200	2,200
Section A: Supporting affordable, secure and sustainable energy	1,097	265	514	504	550	–	–	–	–
Section I: Civil Nuclear Police Authority (NDPB) (net)	661	–	23	176	–49	–	–	–	–
Total administration budget	148,697	180,923	198,145	201,779	197,973	220,000	204,000	189,000	175,000
<i>Of which:</i>									
Paybill	105,177	115,179	147,322	157,661	162,254	148,600	137,461	126,977	117,148
Expenditure	49,929	73,298	115,565	118,403	110,757	80,400	75,539	71,023	65,852
Income	-6,409	-7,554	-64,742	-74,285	-75,038	-9,000	-9,000	-9,000	-8,000

Note: Table 4 is prepared on a 2011-12 classification basis so numbers may not reconcile to the Administration Budget shown elsewhere in the accounts which are prepared on a 2010-11 basis. In addition, due to timing differences, the Estimated Outturn for 2010-11 shown in this table and Tables 1 and 2 (which is sourced from the COINS database) differs from that shown elsewhere in the accounts.

Table 5 Staff in post

	2008-09 Actual	2009-10 Actual	2010-11 Actual
Full time employees	768.1	948.2	1004.5
Others	122.5	147.5	206.0
Total	890.6	1095.7	1210.5

Table 6 Total identifiable expenditure on services by country and region, 2005-06 to 2010-11

Department of energy and climate change	National Statistics					2010-11 plans	£ million
	2005-06 outturn	2006-07 outturn	2007-08 outturn	2008-09 outturn	2009-10 outturn		
North East	260	218	189	137	100	70	
North West	408	1,109	860	740	1,145	1,195	
Yorkshire and the Humber	374	342	304	214	186	135	
East Midlands	201	196	176	157	122	133	
West Midlands	159	158	150	150	131	107	
East	136	174	142	109	127	134	
London	74	91	92	110	107	105	
South East	446	299	300	222	284	297	
South West	176	110	237	198	284	295	
Total England	2,235	2,697	2,448	2,037	2,486	2,471	
Scotland	676	372	332	243	320	335	
Wales	210	282	124	105	105	90	
Northern Ireland	2	1	2	2	1	0	
UK identifiable expenditure	3,123	3,353	2,906	2,387	2,912	2,896	
Outside UK	50	42	51	51	42	52	
Total identifiable expenditure	3,173	3,394	2,958	2,438	2,954	2,948	
Non-identifiable expenditure	23	40	50	121	121	272	
Total expenditure on services	3,196	3,434	3,008	2,559	3,075	3,221	

Table 7 Total identifiable expenditure on services by country and region, per head 2005-06 to 2010-11

Department of energy and climate change	National Statistics					£ per head
	2005-06 outturn	2006-07 outturn	2007-08 outturn	2008-09 outturn	2009-10 outturn	2010-11 plans
North East	102	85	74	53	39	27
North West	60	162	125	108	166	173
Yorkshire and the Humber	73	67	59	41	35	25
East Midlands	47	45	40	35	27	30
West Midlands	30	29	28	28	24	20
East	24	31	25	19	22	23
London	10	12	12	14	14	13
South East	55	36	36	26	34	35
South West	35	21	46	38	54	56
England	44	53	48	40	48	47
Scotland	133	73	65	47	62	64
Wales	71	95	42	35	35	30
Northern Ireland	1	1	1	1	0	0
UK identifiable expenditure	52	55	48	39	47	47

Table 8 Total identifiable expenditure on services by function, country and region, for 2009-10

Data in this table are
National Statistics

	£ million																	
Department of energy and climate change	North East	North West Yorkshire and The Humber	East Midlands	West Midlands	East	London	South East	South West	England	Scotland	Wales	Northern Ireland UK	Identifiable expenditure	OUTSIDE UK	Total identifiable expenditure	Not identifiable	Totals	
General public services																		
Executive and legislative organs, financial and fiscal, external affairs	0.5	1.4	1.0	0.9	1.1	1.1	1.5	1.7	1.0	10.3	1.0	0.6	0.4	12.3	40.0	52.3	8.7	61.0
Total general public services	0.5	1.4	1.0	0.9	1.1	1.1	1.5	1.7	1.0	10.3	1.0	0.6	0.4	12.3	40.0	52.3	8.7	61.0
Public order and safety																		
Police services	0.0	0.4	0.0	0.0	0.0	0.1	0.0	0.2	0.2	0.8	0.3	0.0	0.0	1.1	0.0	1.1	0.0	1.1
<i>of which: other police services</i>	<i>0.0</i>	<i>0.4</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.1</i>	<i>0.0</i>	<i>0.2</i>	<i>0.2</i>	<i>0.8</i>	<i>0.3</i>	<i>0.0</i>	<i>0.0</i>	<i>1.1</i>	<i>0.0</i>	<i>1.1</i>	<i>0.0</i>	<i>1.1</i>
Total public order and safety	0.0	0.4	0.0	0.0	0.0	0.1	0.0	0.2	0.2	0.8	0.3	0.0	0.0	1.1	0.0	1.1	0.0	1.1
Economic affairs																		
General economic, commercial and labour affairs	2.3	6.1	4.7	3.9	4.8	5.1	6.9	7.5	4.6	45.8	0.0	0.0	0.0	45.8	0.0	45.8	0.0	45.8
Fuel and energy	48.4	49.6	68.2	44.4	25.1	11.5	14.2	19.8	26.4	307.5	53.9	47.3	0.2	408.9	0.3	409.3	0.0	409.3
R&D economic affairs	0.6	7.2	1.1	0.8	0.7	1.0	0.9	2.0	1.9	16.3	2.1	0.7	0.0	19.1	0.3	19.3	0.0	19.3
Economic affairs n.e.c	3.1	38.6	5.7	4.5	3.9	5.4	4.9	10.9	10.4	87.4	11.3	3.7	0.0	102.4	1.5	103.9	0.0	103.9
Total economic affairs	54.4	101.4	79.6	53.6	34.6	23.0	26.9	40.2	43.5	457.1	67.3	51.7	0.2	576.3	2.1	578.3	0.0	578.3
Environment protection																		
Waste management	0.0	904.4	0.0	0.0	0.0	35.2	0.0	139.6	181.7	1,260.9	242.2	46.9	0.0	1,550.1	0.0	1,550.1	0.0	1,550.1
Pollution abatement	12.6	32.1	22.6	20.7	22.4	47.0	48.7	60.4	28.1	294.7	9.5	1.6	0.0	305.8	0.0	305.8	7.5	313.3

Data in this table are
National Statistics

	£ million																	
Department of energy and climate change	North East	North West Yorkshire and The Humber	East Midlands	West Midlands	East	London	South East	South West	England	Scotland	Wales	Northern Ireland UK	Identifiable expenditure	OUTSIDE UK	Total Identifiable expenditure	Not Identifiable	Totals	
Protection of biodiversity and landscape	0.8	0.0	15.8	15.5	9.7	0.0	0.0	0.0	41.7	0.0	4.2	0.0	45.9	0.0	45.9	0.0	45.9	
R&D environment protection	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.5	
Environment protection n.e.c	31.5	105.1	67.2	31.5	63.0	21.0	29.4	42.0	29.4	420.3	0.0	0.0	420.3	0.0	420.3	104.3	524.5	
Total environment protection	44.9	1,041.5	105.6	67.7	95.1	103.2	78.2	242.1	239.3	2,017.6	251.7	52.7	0.0	2,322.0	0.0	2,322.0	112.2	2,434.2
TOTAL DEPARTMENT OF ENERGY AND CLIMATE CHANGE	99.9	1,144.7	186.2	122.2	130.8	127.4	106.6	284.1	283.9	2,485.8	320.4	104.9	0.6	2,911.7	42.0	2,953.7	120.9	3,074.6

Implementation of the Structural Reform Plan

The table below summarises the progress made on the implementation of the actions contained in DECC's Business Plan, for the year ended 31 March 2011. Actions due from July 2010, up to and including October 2010, are taken from the September draft of the Business Plan. Although this plan was not published, DECC provided monthly implementation updates against the actions it contained. Actions due between November 2010, up to and including March 2011, are taken from DECC's Business Plan published in draft in November 2010.

DECC, along with other departments, published updated Business Plans in May 2011. Progress on the implementation of the actions contained within these will be published on both the No.10 and DECC websites, with a summary of progress given in the 2011-12 Annual Report.

Action	Due	Status
1.2ia. Ask all departments to provide implementation plans	July 2010	Complete
1.2ib Ask all departments to have real-time energy displays at their head offices	July 2010	Complete
1.3i. Publish, with Ofgem, a smart metering Prospectus	July 2010	Complete
2.1 Announce steps to improve gas security in the first Annual Energy Statement	July 2010	Complete
2.2 Announce electricity market review and Ofgem review in Energy Statement	July 2010	Complete
2.4i Ask the Committee on Climate Change for advice on increasing the target for renewables in the UK	July 2010	Complete
4.2 Complete NDA Public Value Programme	July 2010	Complete
1.2 Headquarter real-time energy displays implemented by each department	August 2010	Complete
2.1i Consult on proposed gas security mechanisms	October 2010	Complete
2.3i Provide HMT with analysis of different carbon process and wider policy impacts for autumn consultation	October 2010	Complete
2.7i Agree the scope for CCS demonstration projects within HMT	October 2010	Complete
3.5i Publish government response to Committee on Climate Change progress report	October 2010	Complete
1.1i Design Green Deal finance mechanism to (a) help households and businesses fund energy efficiency improvements through savings on their energy bills, and (b) pass that charge onto a future bill-payer so that they only pay whilst enjoying the benefits.	November 2010	Complete
2.7ii. Seek clear national action plans to reduce inefficient fossil fuel subsidies at G20 summit in Seoul	November 2010	Complete
3.4iii. Publish first EU report on the progress of fast-start funding	November 2010	Complete
1.1v Introduce Energy Security and Green Economy Bill in Parliament to create powers to support the Green Deal, including the new energy company obligation.	December 2010	Complete
2.1i. Publish gas market reform, via the Energy Security and Green Economy Bill, strengthening the market mechanism for ensuring that sufficient gas is available	December 2010	Complete
2.3i. Seek Parliamentary approval of regulatory justification decision on whether the economic, social and other benefits of new radioactive practices (such as nuclear power stations) outweigh potential detriment to health	December 2010	Complete

Action	Due	Status
2.5i. Work with the industry to develop a framework for smart grid standards	December 2010	Complete
3.3ii. Agree policy on benchmarking/free allocation of carbon emission allowances and feed into interim EU decisions.	December 2010	Complete
3.5ii. Work through the EU at the UN Framework Convention on Climate Change (COP16) to agree a balanced package of decisions that incorporates existing developed and developing country commitments, agree approaches to reporting emissions and activities to reduce them, and which builds momentum towards a global deal.	December 2010	Complete
4.3i. Complete policing strategy for Critical National Infrastructure and civil nuclear sites.	December 2010	Action removed The scope of the workstream has been broadened to include the policing of other, non civil nuclear sites. The Policing Strategy for critical national infrastructure and nuclear sites is a National Security Council Nuclear sub-Committee workstream, led by the Home Office with contributions from DECC and the MoD. Therefore this action has been removed from DECC's Business Plan.
1.3i. Consult on the structure of a Social Price Support Scheme to require energy companies to help vulnerable households with their bill costs.	January 2011	Complete
2.7iii. Agree new energy charter to improve oil price stability at the international Energy Forum	February 2011	Complete
1.3iii. Consult on improvements to Warm Front eligibility criteria to target support at the most vulnerable in the period before the introduction of Green Deal	March 2011	Complete
2.1ii. Consult on electricity market reforms	March 2011	Complete
2.7v. Launch new energy dialogues with China and Brazil	March 2011	Complete
4.2ii. Take forward the future management of the UK's civil plutonium	March 2011	Complete

Outstanding Public Accounts Committee recommendations

Seventh Report – funding the development of renewable energy technologies	
<p>PAC Conclusion (1): The Department needs a greater sense of urgency and purpose to drive the dramatic increase in renewable energy supplies needed to meet the 2020 target and secure the new technology innovation to help meet the 2050 target. The Committee is concerned that the legally binding target to deliver 15% of energy from renewable sources by 2020 may be unrealistic. The Department has estimated that, to meet the target, the proportion of electricity supplied from renewable sources will need to increase to 31% by 2020. However, the supply of renewable electricity increased by only 4 percentage points from 2.7% to just 6.7% between 2000 and 2009. The Department is not expecting to meet the 10% target until 2012, leaving just eight years to increase it to 31%. Our recommendations set out actions we believe the Department must take to achieve its targets, create more coherence and meet its commitment to demonstrate value for money from direct funding.</p>	<p>The Department has partially accepted the PAC recommendation and the need to drive the deployment of renewables necessary to meet the 2020 targets.</p>
<p>PAC Conclusion (2): The Department and its predecessors planned to provide support for renewable energy technologies totalling £367 million between 2000 and 2009, but only £186 million was actually spent. The Department should, in future, act more quickly to identify and address the reasons for underspends, so that resources available for supporting the development of renewable energy technologies are fully utilised.</p>	<p>DECC accepts the recommendation and has taken account of the need to monitor spend against profile and take steps to ensure spend can be delivered.</p>
<p>PAC Conclusion (3): We are concerned that the Department agreed to the legally binding 2020 target without clear plans, targets for each renewable energy technology, estimates of funding required or understanding of dependencies such as planning issues. The Department published its renewable energy strategy in July 2009, but did not start preparing a detailed delivery plan until January 2010 and does not intend to publish it until April 2011. The Department took far too long to begin to translate its high-level renewable energy strategy into a detailed delivery plan. It should in future demonstrate much greater urgency in preparing the detailed delivery plans that are needed to drive the implementation of its strategies.</p>	<p>DECC accepts the recommendation and will publish the Renewables Roadmap in July setting out the actions we are taking to deliver the 2020 target.</p>

Seventh Report – funding the development of renewable energy technologies

PAC Conclusion (4): The Department does not know whether value for money has been achieved from previous spending on renewable energy technologies because it lacked a coherent plan. The Department should include in its renewable energy delivery plan clear measures of the resources involved; quantified measures to demonstrate efficiency, such as management costs; intended milestones based on clear and consistent metrics to allow progress to be easily monitored; and cost-effectiveness so that they can be used to monitor value for money. It should also explain how the Department will review and report on progress and value for money.

DECC partially accepts the PAC’s recommendation and has implemented an evaluation strategy, including a dedicated policy evaluation team and processes and structures to ensure evaluation is embedded in policy making, to provide evidence of actual costs and benefits of policies.

PAC Conclusion (5): Many proposals for renewable energy schemes do not proceed, with 40% failing to secure planning approval in England and others not obtaining finance. Unless planning rules are changed, the Department will need to build contingency for this project attrition rate into its 2020 delivery plan, to create a realistic picture of the number and size of renewable energy projects that need to be in the pipeline, and when construction must start if it is to meet its 2020 renewable energy target.

DECC partially accepts the Committee’s recommendation and the need to build contingency into analysis underpinning the Renewables Roadmap.

PAC Conclusion (6): In our view, the Department is taking too long to complete its review of the rates of subsidy provided through the Renewables Obligation for different technologies, although it is seeking to accelerate staged reviews of banding. We are particularly concerned that the Department told us that the review would not be completed until Summer 2011, but then subsequently informed us after the hearing that any changes from its current review would not be implemented until 2013. We welcome the Department’s efforts to accelerate staged reviews of banding and wish to be updated on the revised timetable once it is agreed. The Department will need to act more quickly in response to changing circumstances, which may require it to move away from rigid review timetables that could result in delayed investment or increased costs for the bill payers who fund the subsidies.

DECC partially agrees with the PAC’s recommendation and intends to consult on the revised Renewables Obligation bands in July 2011.

PAC Conclusion (7): The Department does not have a clear strategy to meet the 2050 target to reduce carbon emissions, although it has identified various pathways toward meeting the 2050 target and recognises the need for further renewable energy technology innovation. It must develop its innovation plans, setting out clearly the resources required and how they are to be allocated, interim milestones showing what needs to be achieved by when and by whom, and criteria that show how cost-effectiveness will be measured. Its overall strategy should include the interim milestones for innovation and indicative targets for renewable energy between 2020 and 2050, to provide a focus for action and clear benchmarks against which progress can be judged.

DECC partially agrees with the Committee’s recommendation and published updated pathway analysis in March 2011.

Seventh Report – funding the development of renewable energy technologies

PAC Conclusion (8): The Department is responsible for meeting renewable energy targets but does not control Government funding for renewable energy provided by various other organisations. Building on its involvement in the Low Carbon Innovation Group, which brings together various funders, the Department should lead the co-ordination of support for renewable energy innovation. It should also routinely collect information from other funders so that it knows what support is being provided to renewable energy; and take action to address its admission to us that the funding landscape could be simplified

DECC accepts the recommendation and expanded the membership of the Low Carbon Innovation Group (LCIG) in 2010 and is now working with LCIG partners in prioritising innovation support for the current Spending Review period. DECC has also launched a review looking at options for enhancing the delivery of direct public support for low carbon innovation technologies, including simplification.

PAC Conclusion (9): The Department told us that funding previously provided by Regional Development Agencies for innovation would be transferred to the Technology Strategy Board. In view of the scale of the previous Regional Development Agency funding the Department should ensure that it has a clear view of whether there is continuity in this spending and whether the Board is committed to providing innovation funding in support of the Department's renewable energy plans.

DECC partially accepts the recommendation and continues to work with BIS in delivery of programmes in this area which contribute materially to the Department's objectives.

Complaints to the Parliamentary Ombudsman

In the financial year 2010-11, no complaints were made about DECC to the Parliamentary Ombudsman.

Anyone who has a complaint about the way in which DECC operates or about something the Department has or has not done should contact the member of staff they have already been dealing with. They can do this via telephone, by email, in writing or they might be able to see that member of staff in person. If the complainant feels that this is not the right way to resolve their complaint because they have already tried and dissatisfied with the outcome, they should make a formal complaint to the head of the team they have been dealing with, who will provide a full written response within 15 working days.

If a complainant remains dissatisfied with the Head of Team's response they can write to our independent complaints adjudicator who will investigate the complaint and reply to the complainant within 15 working days. If the complainant is dissatisfied with the Complaints Adjudicator's response, they can write to their MP who will refer the complaint to the Parliamentary and Health Service Ombudsman.

DECC will be reviewing its complaints procedures during 2011.

Delivery Partners

This Annex lists our formal partners during the 2010-11 financial year. At the beginning of the financial year our 'Departmental family' contained ten non-departmental public bodies (NDPBs). Three of these have since been abolished. DECC is also responsible for overseeing one non-ministerial department and one public corporation, and over the financial year has been associated with a number of other bodies. The Advisory Committee on Carbon Abatement Technologies, the Renewables Advisory Board and the UK Chemical Weapons Convention National Authority Advisory Committee were the three NDPBs abolished as part of the Coalition Government's review of public bodies.

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 our NDPBs and agencies are made by Ministers in accordance with the Code of Practice of the Office of the Commissioner for Public Appointments.¹

Executive non-departmental public bodies 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. DECC's accounts show how much money the Department has provided to Executive NDPBs as grant in aid.

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. Sponsor teams also challenge NDPBs to ensure rules of regularity and propriety are adhered to, and to provide budgetary control.

In July 2010 the Department reviewed the delivery undertaken for DECC by a number of organisations including the Energy Saving Trust, the Carbon Trust, Ofgem and DECC's Energy Development Unit. The delivery review found current arrangements were working well. Suggestions for improvements included keeping delivery in-house where financially viable to ensure accountability, improving governance of existing programmes

¹ See www.publicappointmentscommissioner.org/Code_of_Practice

to ensure improved ministerial oversight and maximum value for money, competitively tendering Green Deal objectives and establishing a new Office for National Energy Efficiency.²

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.decc.gov.uk/en/content/cms/what_we_do/uk_supply/energy_mix/nuclear/new/waste_costs/nlfab/nlfab.aspx

Non-ministerial department	
Gas and Electricity Markets Authority [Ofgem]	www.ofgem.gov.uk

Public corporation	
Nuclear Liabilities Fund	www.nlf.uk.net
National Nuclear Laboratory	www.nnl.co.uk

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

Ad-hoc groups	
Pilot Task Force for Oil and Gas	www.pilottaskforce.co.uk
UK Coal Forum	www.decc.gov.uk/en/content/cms/what_we_do/uk_supply/energy_mix/coal/uk_forum/uk_forum.aspx
Carbon Capture and Storage Development Forum	www.decc.gov.uk/en/content/cms/what_we_do/uk_supply/energy_mix/ccs/stakeholder

² See www.decc.gov.uk/en/content/cms/about/partners/review



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