

Annual Report and Accounts 2011–12

Department of Energy and Climate Change

Annual Report and Accounts 2011–12

For the year ended 31 March 2012

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Annual Report presented to the House of Commons by Command of Her Majesty

Annual Report and Accounts presented to the House of Lords by
Command of Her Majesty

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Foreword from the Secretary of State

Even by DECC's standards, this has been an exciting year. Our mission remains the same: to secure a low-carbon energy system that is fit for the future, and to play our part in the fight against climate change. But over the past twelve months, many of the policies and programmes to achieve this mission have come to life.

The centrepiece of our energy policy has gone from the design stage to the statute books. The Energy Act (2011), establishing the Green Deal and a new Energy Company Obligation, marks a turning point in Britain's relationship with energy: creating a new market in energy efficiency.

This is one of the Department's most visible, and most lasting pieces of work; and the effort expended on getting the Green Deal right will yield real benefits. In a matter of months, the first houses will be retrofitted, signalling the beginning of a program that will change the very fabric of our buildings.

Alongside the Green Deal, we have also brought before Parliament draft legislation to reform the electricity market. This too is an incredibly far-reaching programme; its successful prosecution will put us on the path to true low-carbon competition in our electricity market, and establish energy security – in terms of price, carbon and capacity – at the very centre of our policy.

This work is long overdue: the current market cannot deliver the investment we need. In the twelve months since the last Annual Report, we have taken significant steps towards reform; the project has moved from white paper to pre-legislative scrutiny. In the months to come, we must build on this momentum and deliver an Act that secures Britain's clean energy supplies at the lowest cost to consumers.

In a time when many households face rising living costs, we must keep the consumer uppermost in our minds. As we prepare to deploy and communicate big ticket policies like EMR and the Green Deal, our work to help consumers – such as the Consumer Energy Summit, Big Energy Week and our policies on collective purchasing and switching – will increasingly be an important part of DECC's story.

Ours is a relatively small department with a big remit and an even bigger set of responsibilities. We face a problem that is at once far-off and immediate. It involves huge

sums of money, and will affect everyone – from the biggest multinationals to the smallest corner shops, from government departments to individual households. We are asking people to invest – through their bills and their taxes – in protection from a threat they can't yet see.

That is why DECC's Values – and the steps we take to embody them – matter. We should take heart from the results of the Prime Minister's Whitehall carbon emissions challenge, which saw government offices and HQs cut carbon by 13.8% in a single year. DECC's contribution was a 21.3% cut; proof positive that the people who work in this Department are unafraid to turn their principles into action.

We have also kept our sights on the horizons: putting in place the institutions and policies to allow us to build a cleaner energy future for Britain. Designating the National Policy Statements for Energy, publishing the Heat Strategy and setting up the Energy Efficiency Deployment Office; these achievements all speak to our determination to take the right decisions for the long term.

This impulse also lies behind our decisions on review of the Feed-in Tariffs scheme, our consultation on the Renewables Obligation Banding Review, and the establishment of the Offshore Wind Cost Reduction Taskforce. Where public funds are concerned, we must make sure our subsidies are carefully designed, closely targeted, and financially sustainable – to deliver best value for our customers, and the best chance of real carbon savings.

On international climate change, the UK marked a milestone of global significance: we have allocated £1 billion of Fast Start climate finance, more than two thirds of our total commitment. This progress would prove invaluable ahead of the UNFCCC conference in Durban, where DECC helped secure global agreement on a roadmap to a legally binding deal – and set up the Green Climate Fund, which will be an integral part of such a deal. British scientific expertise makes an invaluable contribution to global understanding of climate change, and the recent announcement of £60 million of investment in the Met Office's Hadley Centre will secure our world-leading reputation for climate research and modelling.

Away from the bright lights of the UNFCCC, we also made real progress on some of the small but important policy areas that fall within our remit; cutting red tape for small energy suppliers, launching the All Islands approach to open up renewables opportunities, publishing the first annual report of the Managing Radioactive Waste Safely Programme, and running a pylon design competition that really fired the public's imagination. These programmes may not have the resources afforded to our big ticket items, but they are important parts of the low-carbon transition – the huge, complex, challenging task that defines us – and they were delivered with the commitment and consideration for which the civil service is renowned.

As we look ahead to the next year, those qualities will be in even greater demand. Our response to the Fuel Poverty Review; next steps on Carbon Capture and Storage; seeing out the second session of this Parliament and turning the Energy Bill into an Energy Act. These are but a few of the asks we are making of DECC over the months to come, as we seek to secure Britain's clean energy future. On the strength of this year's performance, they will be met to the highest possible standard.

Lead Non-Executive's Report

In my first report as a Non-Executive of DECC I would like to take this opportunity to say how impressed I am with the Department and the commitment of all its staff over the course of a year when DECC has achieved so much that deserves positive recognition. To highlight just a few, the key milestones have been at a strategic level the setting of the fourth carbon budget in legislation and publication of the Carbon Plan. At a programme level much work has gone into preparations for the launch of the Green Deal, Electricity Market Reform and for a national rollout of Smart Meters. Additionally the Department contributed significantly to a roadmap to reduce emissions globally. It should not be forgotten that DECC is the second smallest Government Department and thus should be proud of what it has achieved particularly given the challenges economically and internationally in delivering its agenda.

With regard to my specific role in sitting on the Departmental Board the focus in the first year of operation has been on the Board clarifying its remit and in bringing together the three different elements of its membership: Ministers, Executives and Non-Executives.

In its first year the Board has rightly focussed on developing and understanding the processes for monitoring Departmental progress. The Board makes good use of the Department's performance scorecard to follow policies and programme progress, regularly reviews the Department's finance report and has put significant effort into improving risk management. These activities leave us well placed to move forward where the emphasis will be on scrutinising and challenging specific programme and policy areas, that will inform Ministerial decisions and drive forward Departmental efficiency. The Board has already started to do this for the Green Deal, Electricity Market Reform, Carbon Capture and Storage and Nuclear Decommissioning all of which are key programmes for the Department and in meeting its high level objectives. In addition the Board has taken a view on longer term strategy through its consideration of the Carbon Plan and on the shorter term by reviewing the Department's Business Plan.

I would like to acknowledge and thank the other Non-Executives who sit with me on the Board, who give up valuable time to offer their expertise to DECC. Rob Whiteman, CEO UKBA, is a real asset to the Department, he also chairs the Audit and Risk sub-Committee and on both finance and risk is equally adept at challenge and support. This year we said goodbye to Richard Reed after over two years of service to the Department.

DECC benefitted from his creativity about engagement with the public and how the Department presents itself and its vision. Claire Thomas from GlaxoSmithKline, joined the Department in January, she has already played a key role in oversight of the outcome of the Department's Capability Review. Claire will also chair the Board's Nominations and Governance sub-Committee, with a key responsibility for succession planning.

The Board has also seen a change in personnel in the Executive team in the role of Chief Operating Officer, where we bid farewell and thank you to Edmund Hosker and welcomed Wendy Barnes.

Going forward the Board will take note of the outcome of its self evaluation and the recommendations from the Capability Review on governance, this coincides with the arrival of the new Secretary of State who has already set out his aspiration for the Board to play a stronger role in challenge and support. I support him in this ambition. From my perspective there is no doubt that the greatest challenge for the Department is ensuring that the steps taken now result in the Department meeting its long term objectives.

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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

- 1.3** The Secretary of State for Energy and Climate Change is the Rt Hon Edward Davey, 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.

DECC Departmental Board and Sub-Committees

- 1.5** The **Departmental Board** provides a supervisory role with a particular focus on strategy clarity, risk, resource and change, capability, and management information for the Department. In addition the Board supports the Accounting Officer in the discharge of her responsibilities. The Board does not play a role in deciding Government policy, which is the responsibility of Ministers with advice from officials.

- 1.6** The Departmental Board is chaired by the Secretary of State with the Lead Non-Executive Director as deputy chair. Meetings of the Departmental Board are held quarterly with two strategic sessions each year. The members of the Departmental Board are:

Edward Davey	Secretary of State ¹
Charles Hendry	Minister of State
Gregory Barker	Minister of State
Lord Marland	Parliamentary Under Secretary
Paul Walsh	Lead Non-executive Director
Richard Reed	Non-executive Director ²
Rob Whiteman	Non-executive Director
Claire Thomas	Non-executive Director ³
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 ⁴
Wendy Barnes	Chief Operating Officer, Operations Group ⁵
Ravi Gurumurthy	Director, Strategy (standing attendee)
David McKay	Chief Scientist (offsite strategy sessions)

- 1.7** Paul Walsh is the Department's Lead Non-executive Director. The Department's other Non-executive Directors are Rob Whiteman and Claire Thomas, who was appointed on 1 January 2012. Richard Reed had held the post of Non-executive Director for two years before he stood down in December 2011. Non-executive members provide a valuable external perspective to help improve the Department's internal processes, service delivery and change management. They act independently and provide an important advisory and challenge role. They all sit on the DECC Departmental Board. The Lead Non-executive Director also 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. Rob Whiteman is Non-Executive Director member of the Departmental Board and Chair of its Audit and Risk Committee. Claire Thomas is Non-Executive Director member of the Departmental Board and chair to the Nominations and Governance Sub-Committee.

¹ Rt Hon Chris Huhne, MP, was Secretary of State until February 2012

² Richard Reed was an Non-Executive Director up until December 2011

³ Claire Thomas was appointed Non-Executive Director on 1 January 2012

⁴ Edmund Hosker until 12 September 2011

⁵ Wendy Barnes from 13 September 2011

1.8 The **Audit and Risk Committee** supports the Departmental Board to ensure DECC is a financially sound and efficient organisation. It reviews the effectiveness of the Department's risk management framework. It advises the Departmental Board and the Accounting Officer on the effective operation of the overall control, risk and governance arrangements that support the Accounting Officer's Annual Governance Statement and the Department's accounting policies, accounts and Annual Report.

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

Rob Whiteman	Chairman and Non-executive Director on the Departmental Board
Wendy Barnes	Non-executive member ⁶
Barry Rourke	Non-executive member
Barry MacDonald	Non-executive member
Caroline Mawhood	Non-executive member
To be appointed	Non-executive member ⁷

1.10 The Chief Operating Officer (Wendy Barnes⁸), the Finance Director (Vanessa Howlison), the Head of Corporate Governance and Performance, the Head of Internal Audit (Jon Whitfield), and the relevant director of the National Audit Office attend meetings of the Audit and Risk Committee. The Permanent Secretary (Moira Wallace) attends as required.

1.11 The Audit and Risk Committee meets at least four times a year. The Chair of the Audit and Risk Committee may convene additional meetings, as they deem necessary.

1.12 The **Nominations and Governance Sub-Committee** has recently been established as a sub-committee to the Departmental Board. It will meet for the first time in June 2012 and is chaired by Claire Thomas. Its purpose is to advise the Board on the effectiveness of the department's systems for identifying and developing leadership and high potential, scrutinising the incentive structure and succession planning for the Board and senior leadership of the Department and ensuring that DECC has appropriate corporate governance arrangements in place. The members of the Nominations and Governance Sub-Committee are:

⁶ Wendy Barnes until 13 September 2011

⁷ Vacancy from 13 September 2011 to replace Wendy Barnes

⁸ Wendy Barnes from 13 September 2011

Claire Thomas	Chair and Non-executive Director on the Departmental Board
Moirra Wallace	Permanent Secretary
Wendy Barnes	Chief Operating Officer
Alison Rumsey	HR Director
To be appointed	Non-executive member

- 1.13** The **SCS Pay and Performance Committee** is an advisory sub-committee to the Nominations and Governance Committee. Its role is to oversee the Department's approach to remuneration and performance of SCS staff. The proposed membership of the Committee is:

Moirra Wallace	Permanent Secretary (Chair)
Simon Virley	DG Energy Markets and Infrastructure
Phil Wynn Owen	DG International Climate Change and Energy Efficiency
Wendy Barnes	Chief Operating Officer
David Mackay	Chief Scientist
Alison Rumsey	HR Director

- 1.14** The **Approvals Committee** supports the Departmental Board. The Committee is there to ensure that DECC's major projects and programmes are deliverable and affordable with adequate planning, resourcing and governance structures. The Committee was chaired by the Permanent Secretary (Moirra Wallace) up until October 2011. From October 2011 the chairmanship was delegated to the Chief Operating Officer. The members of the Approvals Committee are as follows:

Wendy Barnes	Chief Operating Officer (Chair from October 2011)
Moirra Wallace	Permanent Secretary (Chair up to October 2011)
David Mackay	Chief Scientific Adviser
Hugo Robson	Commercial Director
Ravi Gurumurthy	Strategy Director
Steven Fries	Chief Economist
Scott Milligan	Chief Legal Adviser
Vanessa Howlison	Finance Director
Archie Young	Head of Delivery Unit
Wendy Barnes	Non-executive member (to 12 September 2011)
Jonathan Vickers	Non-executive member
To be appointed	Non-executive member

- 1.15** 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

- 1.16** During the 2011-12 financial year, DECC underwent some structural refinements which saw the Strategy and Evidence Group (SEG) formed on the 1 September 2011 and consisting of the Science and Innovation Group, Strategy and Communications Directorate and Economics, Statistics and Better Regulation Directorate.
- 1.17** During the year, the National Climate Change and Consumer Support Group was restructured into the new International Climate Change and Energy Efficiency Group (ICCEE). The main changes were the creation of two new Directorates: Heat and Industry and the Energy Efficiency Deployment Office, as well as incorporating International Climate Change. In the process of setting up ICCEE, the Low Carbon Economy and Public Sector Energy Efficiency programmes were both closed and restructuring was carried out to ensure a good match of skills and capacity to the requirements of the new Group.
- 1.18** Within the Energy Markets and Infrastructure Group (EMI), Energy Strategy and Futures was renamed Energy Markets & Networks to incorporate the work DECC is now leading on Energy Market Reform. EMI Strategy and Programme Office was set up to support the EMI Senior Management Team to achieve the Group's objectives and International, EU & Energy Security Directorate moved from ICCEE to EMI.
- 1.19** The Corporate and Professional Services (CPS) Group became the Operations Group, on 12 September 2011. Wendy Barnes was appointed as its Chief Operating Officer and Edmund Hosker who was the acting Chief Operating Officer until this date, moved to a new role of Director of International, EU and Energy Security.
- 1.20** A new Corporate Governance Code for Central Government Departments was published in July 2011. In the light of this DECC conducted a review of its Governance structure and made the following changes:
- 1.21** On 6 October 2011 the Audit Committee which was a sub-committee of the Management Board was renamed the **Audit and Risk Committee**, a sub-committee of the Departmental Board.
- 1.22** The **Nominations and Governance Sub-Committee**, a sub-committee of the Departmental Board has been established and is chaired by Claire Thomas, a Non-Executive Director.

Departmental Performance

Coalition Priorities

2.1 The Department's four priorities were first set out in draft, in the Annual Energy Statement published on 27 June 2010⁹. 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, The latest, 2012-15 version of the Business Plan was published on May 31, 2012¹⁰.

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 progress reports in this chapter are made against the indicators and actions published in the department's previous, 2011-15, Business Plan¹¹.

Structural Reform Plan

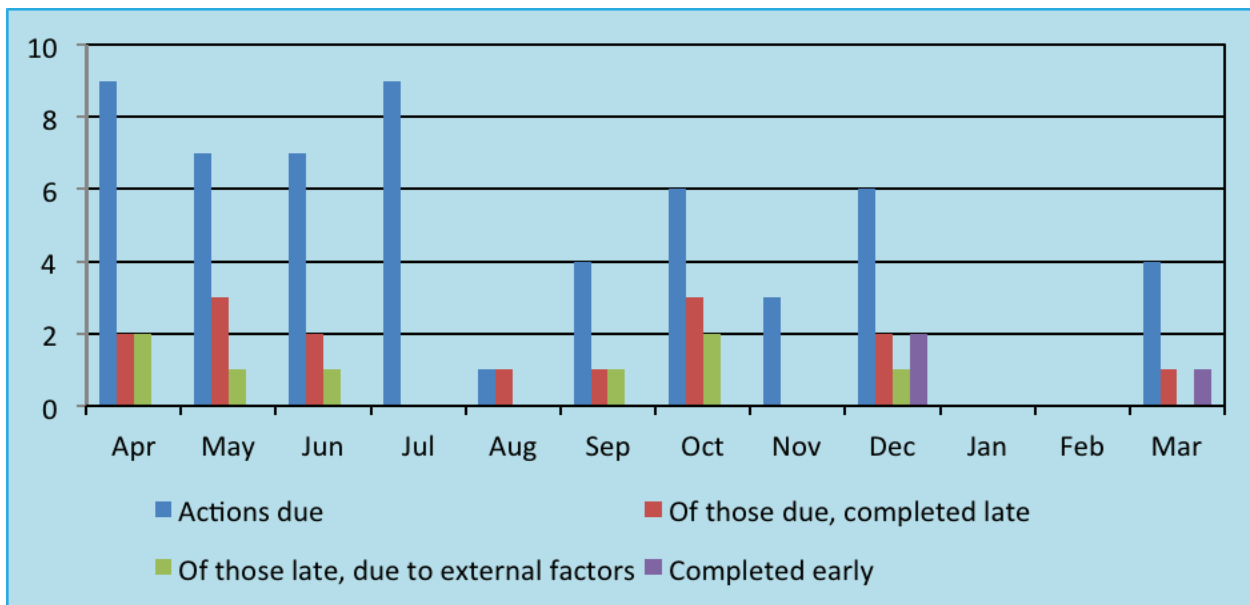
2.5 The department's Business Plan contains the Structural Reform Plan. This sets out high-level actions and milestones DECC should undertake to implement the

⁹ http://www.decc.gov.uk/en/content/cms/what_we_do/uk_supply/aes/aes.aspx

¹⁰ http://www.decc.gov.uk/en/content/cms/about/our_goals/our_goals.aspx

¹¹ http://www.decc.gov.uk/en/content/cms/about/our_goals/past_business/past_business.aspx

coalition's programme for government. To monitor the department's progress against these actions, DECC publishes monthly Structural Reform Plan implementation updates on both the No. 10 and DECC websites¹². The graph below summarises DECC's performance on completing actions due in the 2011/12 financial year.



- 2.6** The department missed 15 actions in 2011/12. Eight of these were delayed due to reasons outside the department's control. The reasons why actions were missed are set out in the tables in Annex A.

Business Plan Quarterly Data Summary

- 2.7** Each quarter the department publishes financial, people and results data as performance updates to its Business Plan¹³. This enables the public to judge how cost-effectively the department is run, how well it is implementing its policies and the effects of its policies. It also provides information on the way the department works. An annualised version of this information is available in the tables in Annex B.

Input and Impact Indicators

- 2.8** This section includes a progress report for the input and impact 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 2011-12.

¹² 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/>

¹³ Past quarterly updates are available here:
http://www.decc.gov.uk/en/content/cms/about/our_goals/past_business/past_business.aspx

Priority 1: Save energy through Green Deal and support vulnerable customers

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	2012-13
Number of cavity wall installations at start of period	9,420,000	10,140,000	10,730,000	11,380,000
Additional cavity wall installations during period	720,000	590,000	660,000	

Loft insulation

	2009-10	2010-11	2011-12	2012-13
Number of lofts insulated at start of period	10,630,000	12,150,000	13,220,000	14,460,000
Additional lofts insulated during period	1,520,000	1,080,000	1,230,000	

Source: DECC Home insulation statistics

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 the start of April 2012 show:

- Of the 23.4 million properties in Great Britain with lofts, 14.5 million had loft insulation of at least 125mm thickness.
- Of the 19.0 million homes with cavity walls, 11.4 million homes had cavity wall insulation.

Between 1 April 2011 and 31 March 2012, 523,000 homes received retro-fit cavity wall insulation and 1.1 million under-insulated lofts received loft insulation. Nearly all of these insulation installations were carried out 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.

Priority 1
Impact indicator 1

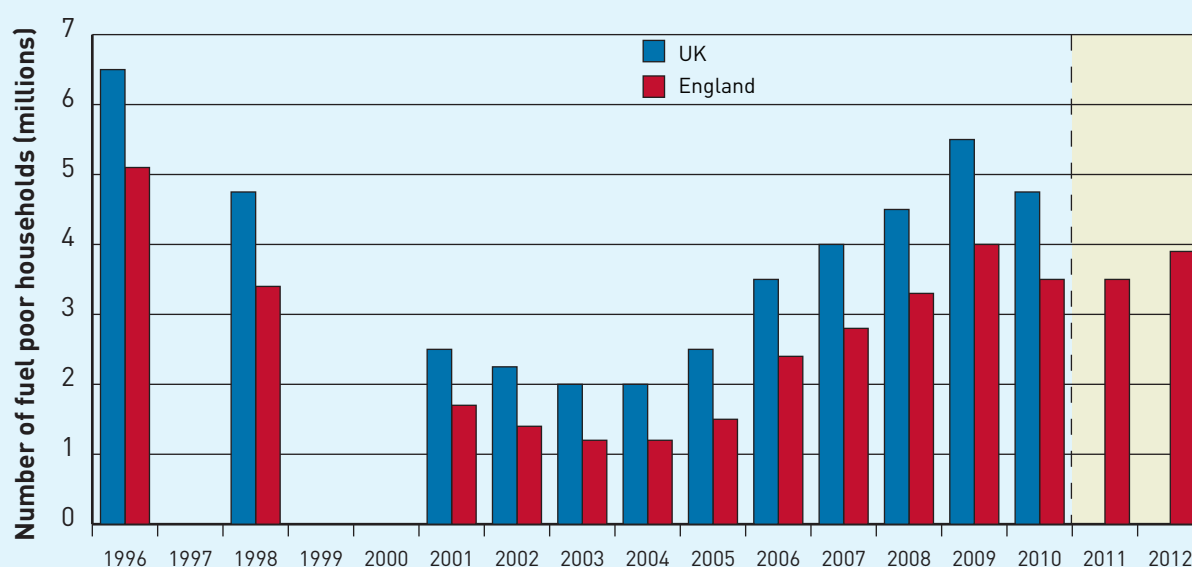
**The total number of energy efficiency installations
(cavity wall and loft insulation) in UK households**

Continued

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 £23 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
Impact indicator 2

The number of households in 'fuel poverty'



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).

Fuel poverty is driven by three key elements: energy efficiency, incomes and energy prices. Helping a household to improve the thermal comfort and efficiency of the dwelling through 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.

- In 2011/12 expenditure for Warm Front and associated activities was over £108m. This included assistance to over 33,000 households through the installation of heating and insulation measures.

Priority 1
Impact indicator 2

The number of households in 'fuel poverty'

Continued

Because upgrading the housing stock is a gradual process the Government has put in place the Warm Home Discount scheme to provide direct reductions in energy bills to large numbers of eligible households. The scheme came into force in April 2011. Under the statutory scheme, participating energy suppliers have been required to provide £250m of support to low income and vulnerable consumers. This amounts to 40% more than the suppliers spent, under a voluntary agreement, in 2010/11. Up to 2 million households received support through the scheme in 2011/12, including over 700,000 of the poorest pensioners (whose bills were discounted by £120).

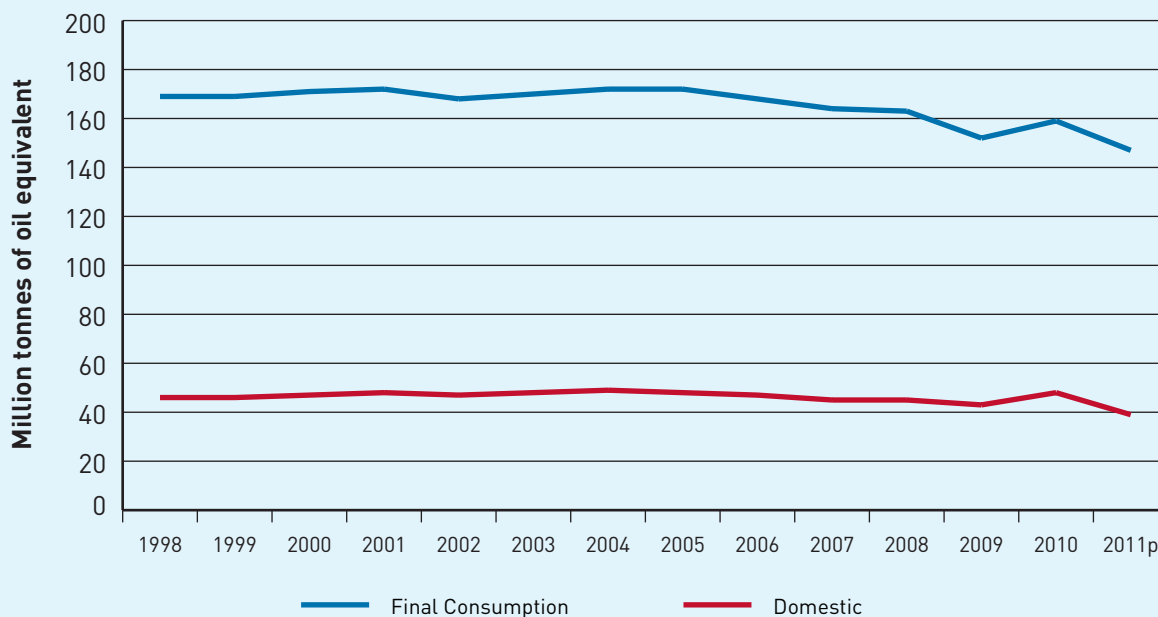
Focusing resources in the best possible way is vital – but far from straightforward. To help ensure the right focus for resources, in March 2011 the Secretary of State commissioned Professor Hills of the London School of Economics to carry out an independent review of the fuel poverty definition and target. As part of his work, Professor Hills published an Interim Report in October 2011. This was clear that fuel poverty is a serious problem and is distinct from income poverty. In his final report, published in March 2012, recommended moving away from the existing definition of fuel poverty and adopting a new approach. Specifically, Professor Hills recommended adopting twin indicators of fuel poverty:

- *A headcount indicator* measuring the number of people living in households failing both an income threshold and a costs threshold
- *A fuel poverty gap indicator* measuring the average and aggregate depth of fuel poverty, expressed as the reduction in bills required by the fuel poor to no longer be in fuel poverty.

The Secretary of State has since committed the Government to adopting a revised approach to measuring fuel poverty by the end of the year and to consult on that approach beforehand.

Official statistics show that in 2010, 3.5m households were in fuel poverty in England. The number of households in fuel poverty in England is projected to have remained stable in 2011 and to have increased to 3.9m in 2012.

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



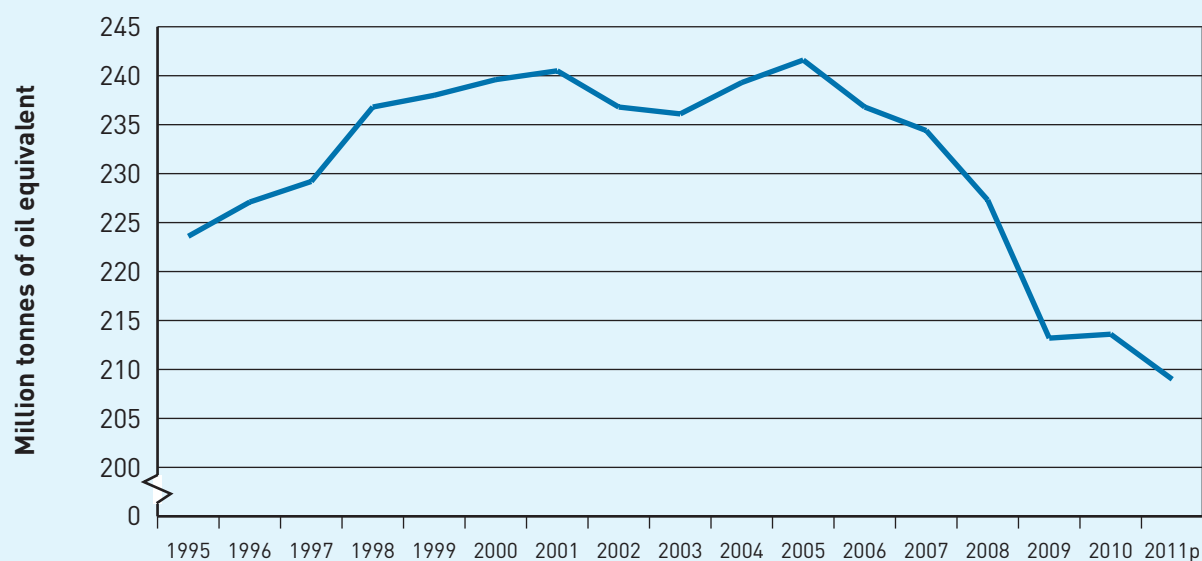
Source: DECC Energy Trends

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.

Provisionally, in 2011, the period for which the latest data are available, 146,778 thousand tonnes of oil equivalent was consumed, of which 38,714 thousand tonnes of oil equivalent was consumed by the domestic sector. Final data for 2011 will be available in the DECC publication Energy Trends, to be published on 26 July 2012.

Priority 1 Temperature-adjusted primary energy use

Additional indicator 2



Source: DECC Energy Trends

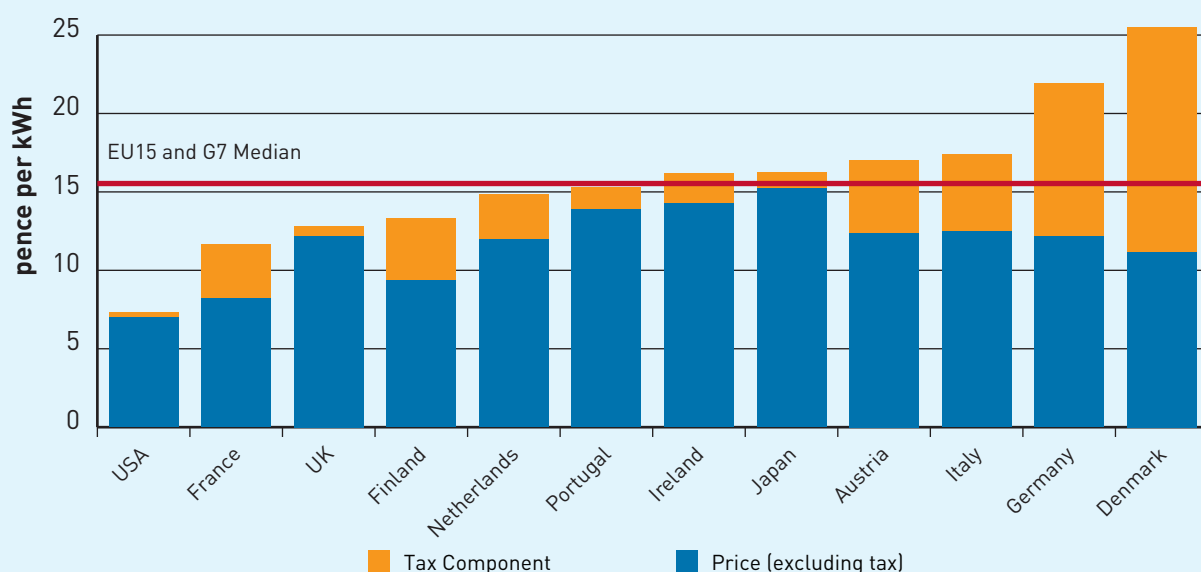
The measurement of temperature-adjusted primary energy use indicates what annual consumption might have been if the average temperature during the year had been the same as the average for the years 1971 to 2000. This complements additional indicator 1 by showing the impact of seasonal and temperature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

Provisionally, in 2011, the period for which the latest data are available, the UK consumed 209,002 thousand tonnes of oil equivalent. Final data for 2011 will be available in the DECC publication Energy Trends, to be published on 26 July 2012.

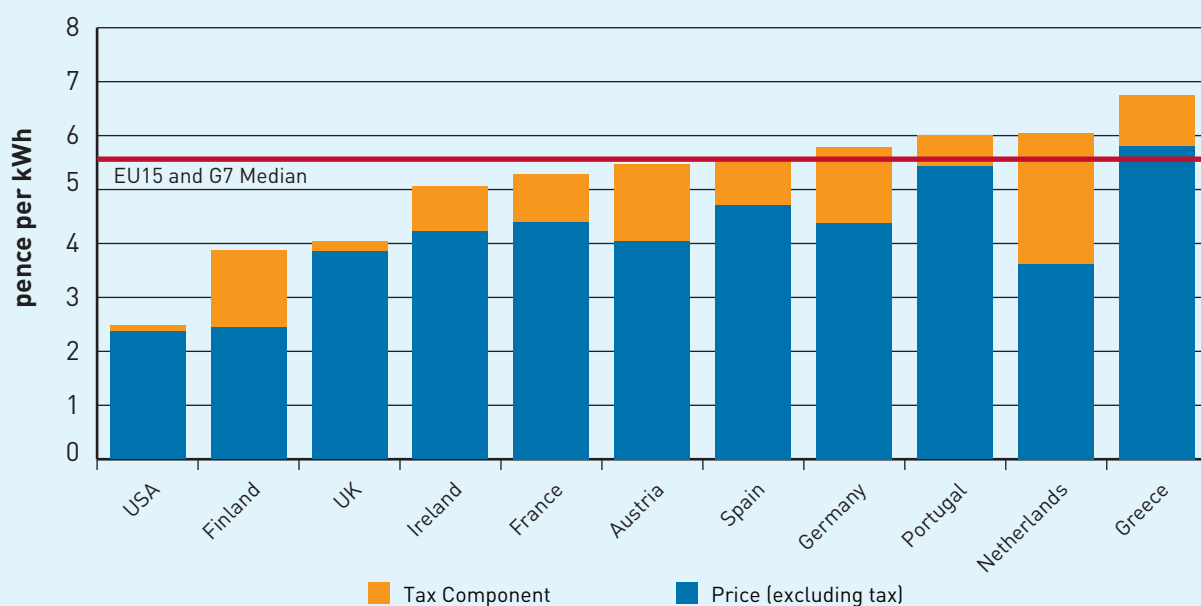
A temperature-corrected domestic series is also published within Energy Trends, table ET1.3c.

Priority 1 **Average domestic electricity prices (including taxes) within the EU15 and G7 in 2011**
Additional indicator 3

Average domestic electricity prices (including taxes) within the EU15 and G7 in 2011



Average domestic gas prices (including taxes) within the EU15 and G7 in 2011



Source: DECC Quarterly Energy Prices

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.

The data show that the average UK electricity and gas prices remained below the EU15 and G7 median during 2011.

Other achievements relating to Priority 1

Energy Efficiency

In February 2012, the Energy Efficiency Deployment Office (EEDO) was launched with the remit of testing the coherence and impact of DECC's suite of energy efficiency programmes. Alongside the launch, EEDO published an Energy Efficiency Call for Evidence, which closed on 4 April 2012. EEDO is currently developing an Energy Efficiency Strategy which will identify any gaps in the policy landscape and propose ways of addressing them. This Strategy will be published by November 2012.

Heat

"The Future of Heating: A Strategic Framework for Low Carbon heat in the UK" was published at the end of this year. This set out an analysis on how we supply and use heat today and how the heat system will need to evolve over time identifying the substantial changes required across our economy that will be necessary in order to deliver the 2050 carbon targets. The strategy identifies the significant changes required in the supply to, and use of, heat in the UK's buildings, changes to our energy infrastructure and in the way heat is used in industry. It sets out our analysis of the pathway to decarbonisation over time, based on approaches established in the Carbon Plan.

In 2011/12 we delivered a renewable heat premium payment scheme which provided money towards the up-front costs of renewable technologies like biomass boilers, air and ground source heat pumps and solar thermal panels, as well as support for renewable heat technology provision in social housing. A second phase of the RHPP was announced in March of this year and will be worth £25m – an increase of 10m over the previous scheme. This second phase will include community schemes and a doubling of funding for the social housing competition within the scheme.

Smart Meters

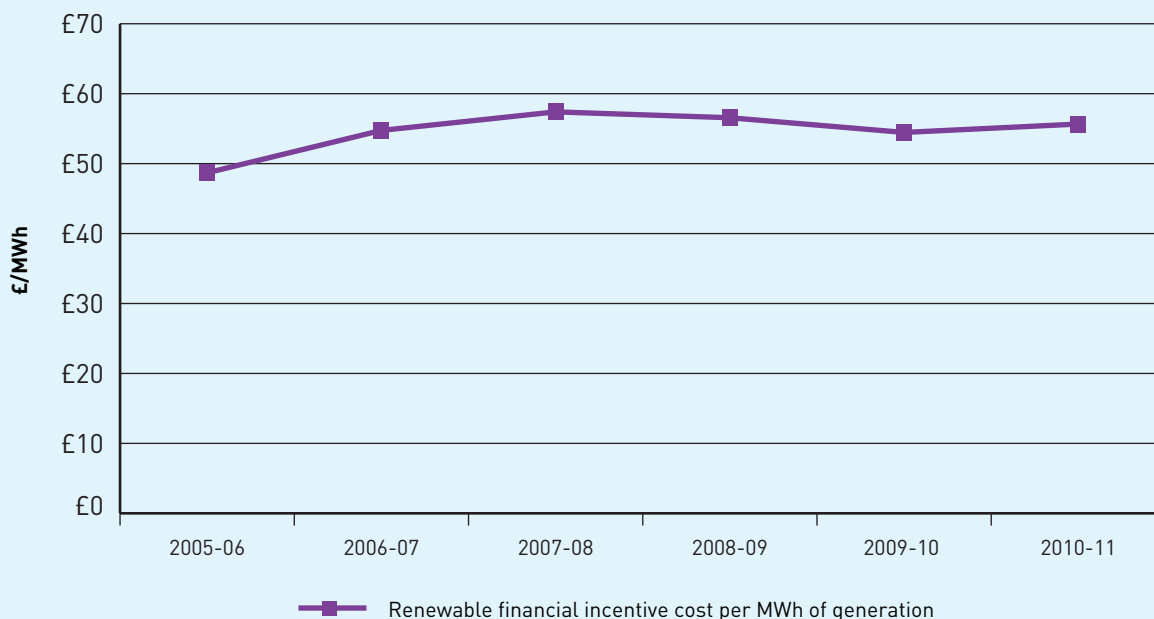
Smart meters will sit in the home at the interface between energy supply and demand. The Smart Meters Programme will enable a smarter Greater Britain including facilitating smarter grids, smarter appliances, electric vehicles and new markets in energy services. It will also support and enhance energy market competition, provide better, more accurate information on energy use and cost to help consumers save energy, money and carbon. As well as this it will help drive cost savings and efficiencies across the energy system.

During 2011/12 the Smart Meters Programme has continued to lay solid foundations for the roll-out of smart meters across Great Britain and to enable these benefits to be realised. The programme underwent a re-planning exercise following working with delivery partners and informed by recent consultations and engagement with industry to refine the approach and timescales. A revised delivery plan was published in December 2011. During the course of the year, comprehensive assurance through NAO, PAC and OGC reviews of the programme was also successfully completed. Work has continued to define common technical standards to ensure smart meter interoperability with the Smart Meter Equipment Technical Specifications. In parallel, two service provider procurements to establish a national data and communications infrastructure were launched in 2011 and are ongoing. The programme has also consulted on regulatory and technical aspects of the roll-out with responses due at the start of the second quarter of 2012. Alongside these the Programme plans to launch a further four consultation documents covering technical, regulatory and consumer proposals.

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

Priority 2 Input indicator 1

Renewable financial incentive cost per unit of renewable energy generated (excluding transport levies)



Source: Ofgem

This indicator shows the costs of support for renewables as part of progress towards the UK's requirement to meet the EU target for 15% of energy consumed to come from renewable sources.

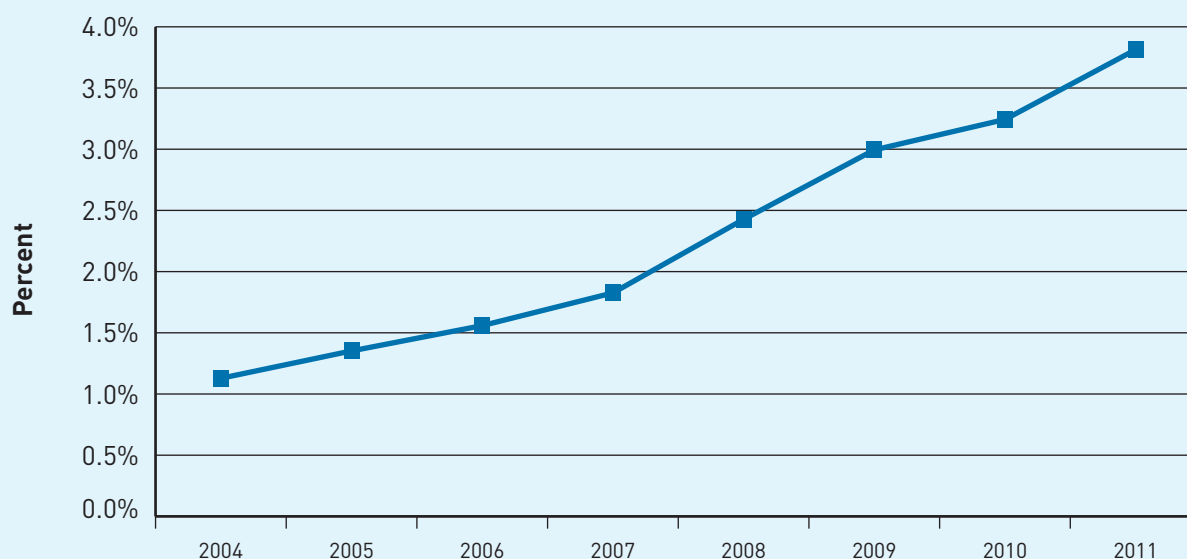
These data incorporate the Renewables Obligation (RO), the Feed-in Tariffs (FITs) and, when implemented, the Renewable Heat Incentive (RHI). For the RO, the indicator is the RO subsidy cost/MWh of RO generation. For FITs, the indicator is Gross FITs cost/MWh FITs generation.

The Feed-In Tariff Scheme was launched in April 2010 and includes incentives for small-scale (less than 5 MW) low carbon electricity generation. It also brings forward the RO Banding Review by one year.

In 2010-11, the period for which the latest data are available, the cost per unit of renewable energy generated was £55.66 per MWh. Costs will vary over time, depending on different renewable energy technologies. Data for 2011-12 will be available in March 2013, when the Renewables Obligation Annual Report is published.

Priority 2
Impact indicator 1

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



Source: DECC Energy Trends June edition

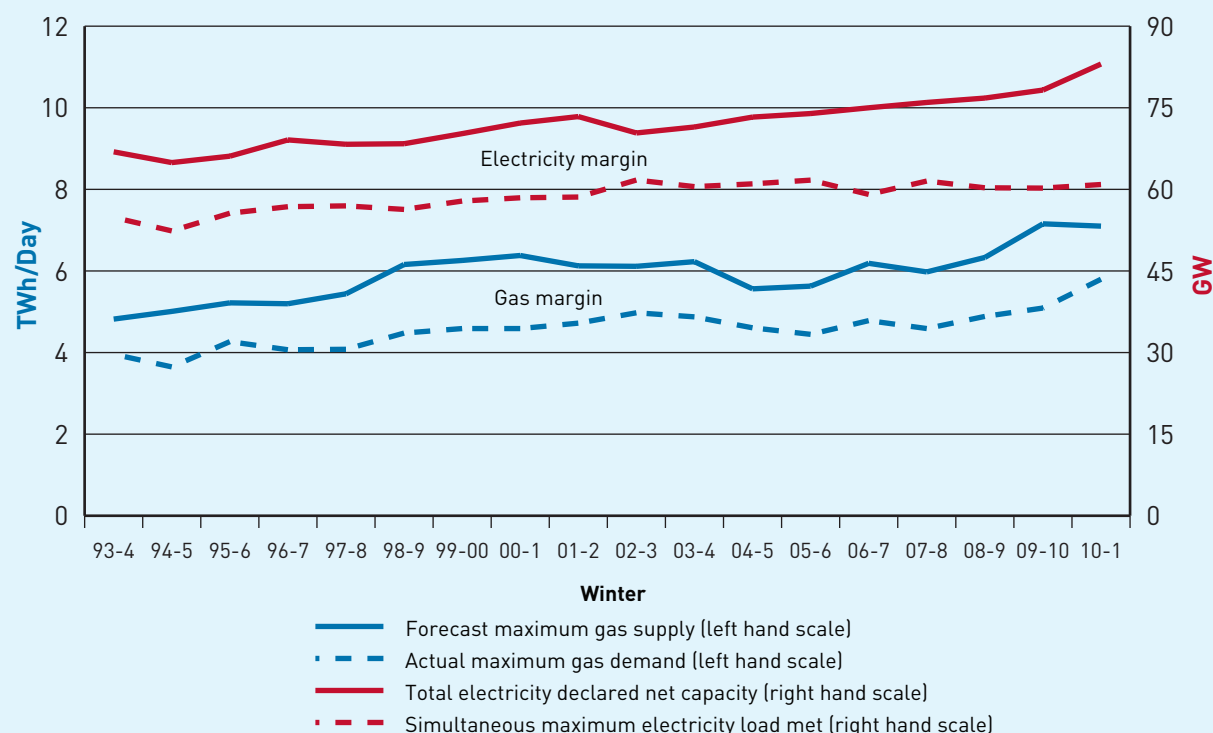
This indicator uses the data that report the UK's progress against the Renewable Energy Directive and records the energy consumed from renewable technologies, such as wind (onshore and offshore), hydro, solar, bio-energy and transport bio-fuels. The directive set out an indicative trajectory towards the UK's target of 15% of energy consumption in 2020 being from renewable sources. In 2011 renewable energy provisionally accounted for 3.8% of energy consumption. This is an increase from the revised 2010 position of 3.2%.

In July 2011, we published the 'UK Renewable Energy Roadmap' (http://www.decc.gov.uk/en/content/cms/meeting_energy/renewable_ener/re_roadmap/re_roadmap.aspx) which sets out our plan of action to drive renewables deployment and reduce costs. It focuses on 8 key technologies which have either the greatest potential (more than 90%) to help meet the 2020 target in a cost effective and sustainable way, or offer the greatest potential for the UK in the decades that follow. The Roadmap sets out a comprehensive suite of targeted, practical actions to remove barriers for each of the 8 technologies, including onshore wind, offshore wind, marine energy, biomass electricity, biomass heat, ground and air source heat pumps and renewable transport.

In December 2011 we also submitted our 'First Progress Report on the Promotion and Use of Energy from Renewable Sources for the United Kingdom' (<http://www.decc.gov.uk/assets/decc/11/meeting-energy-demand/renewable-energy/3992-first-progress-report-on-the-promotion-and-use-of-.pdf>) to the European Commission as required under the Renewable Energy Directive 2009. The report focuses on our renewables performance over the past two years (2009 and 2010) and provides a summary of the key policies and measures we have undertaken and are taking to increase their use.

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 Brief

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 show the difference between the declared net capacity of UK power stations owned by major power producers and the simultaneous maximum load met in the UK. For gas, the data show the difference between the peak forecast of supply and the actual maximum daily demand. These data are measured in winter, when demand for both electricity and gas is greatest.

Data for 2010-11 show that:

- Maximum gas supply was 7.1 TWh/d (Terawatt hours per day) and peak winter demand was 5.8 TWh/d
- Maximum electricity supply was 83.0 GW (Gigawatts) and peak winter demand was 60.9 GW

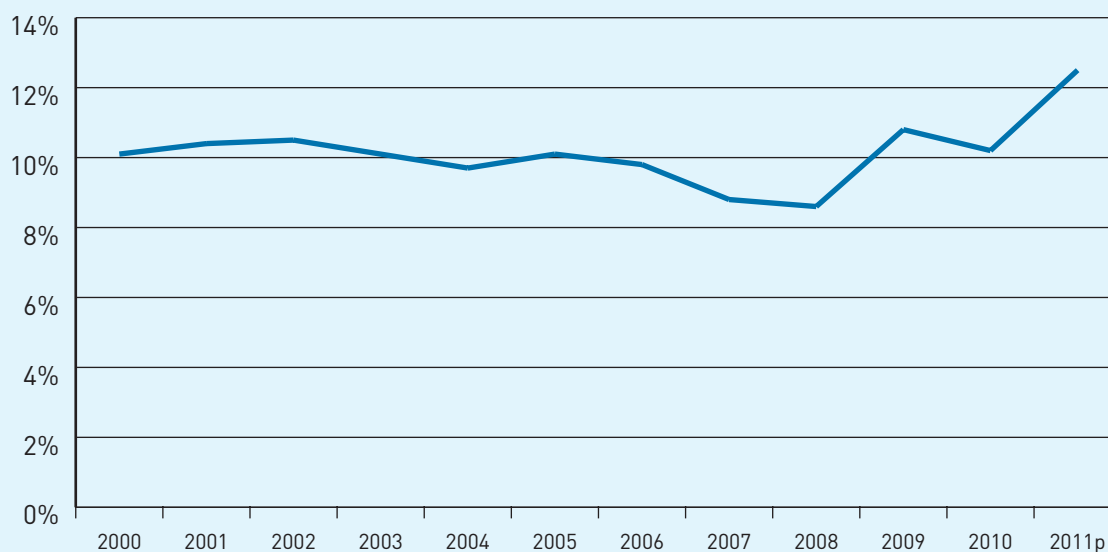
Data for 2011-12 will be available July 2012¹⁴.

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.

¹⁴ Note that the maximum supply is a measure of declared net capacity. Hydro and wind have been de-rated to account for the likelihood that the capacity will not be available at peak demand.

Priority 2
Impact indicator 3

The proportion of all UK energy supply from low carbon sources



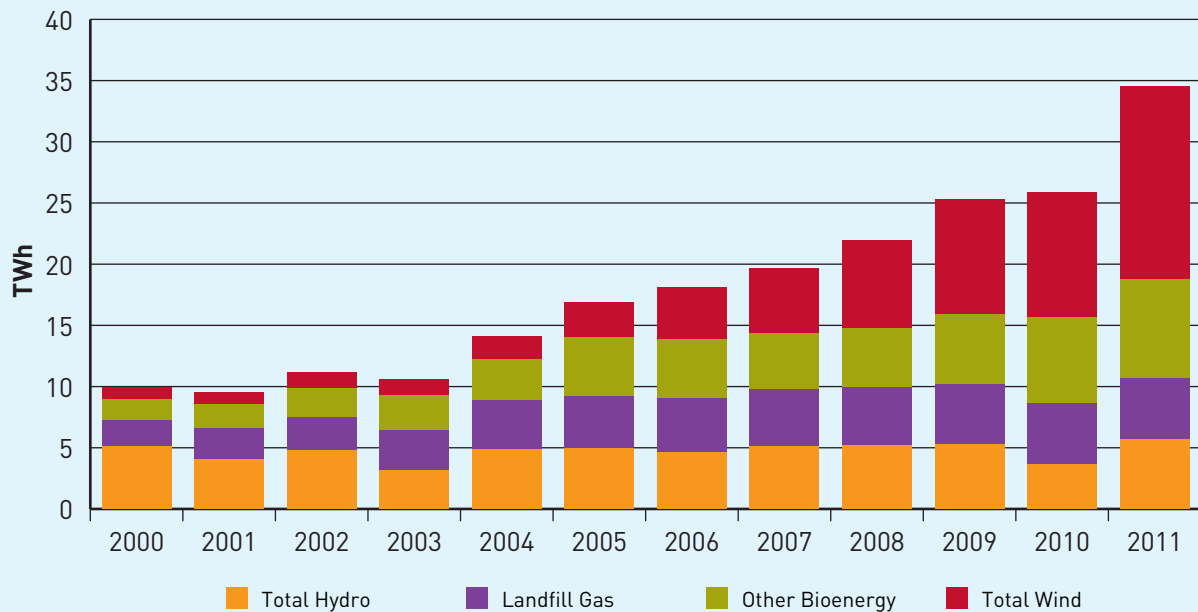
Source: DECC Energy Trends June edition

This indicator measures the investment in low-carbon technologies, which is included in the 'Plan for Growth'¹⁵. The data show the sum of primary demand for non-fossil fuels (nuclear, wind, hydro, bioenergy 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.

Provisionally, in 2011, the period for which the latest data are available, 12.5 per cent of all UK energy supply came from low carbon sources. Final data for 2011 will be available in the DECC publication Energy Trends, to be published on 26 July 2012.

¹⁵ http://cdn.hm-treasury.gov.uk/2011budget_growth.pdf

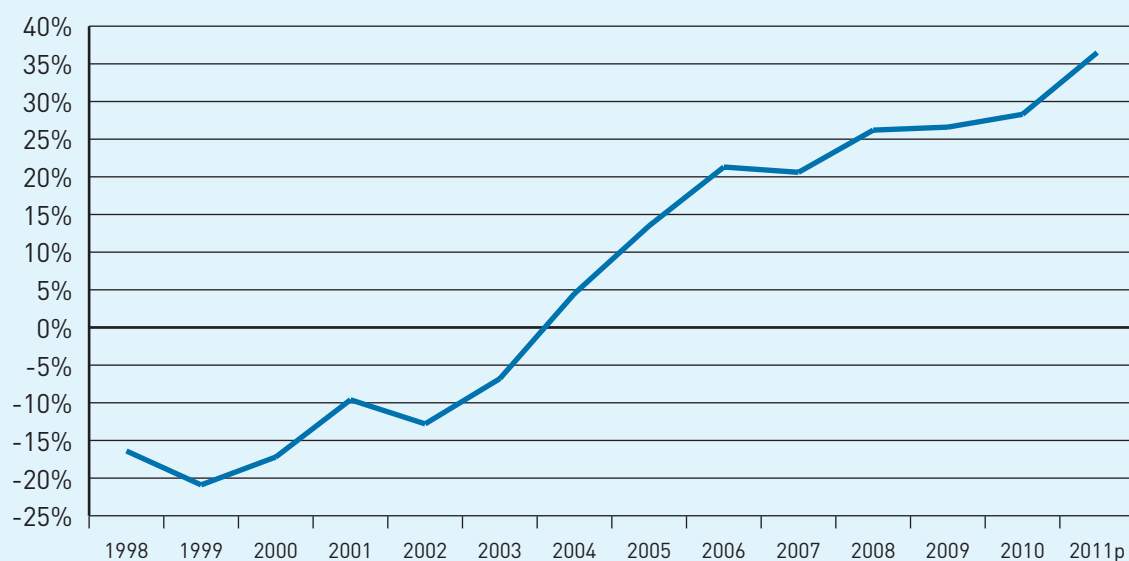
Priority 2 Electricity generation from renewable sources
Additional indicator 1



Source: DECC Energy Trends, June Edition

This indicator records the electricity generated from renewables, split by: hydro, landfill gas, other bioenergy and wind (onshore and offshore, and also including solar photovoltaics).

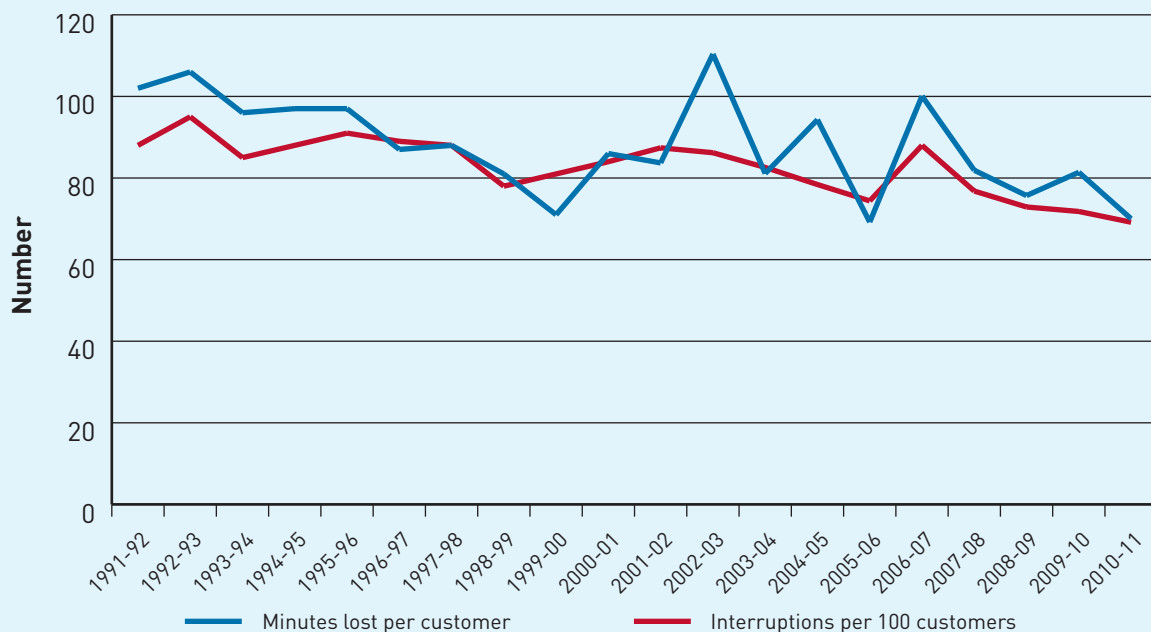
The amount of electricity generated from renewables sources in 2011 was 34.4 TWh, a 33 % increase on 2010. Wind generation saw the largest increase – offshore wind up 68%, and onshore wind up 45%. Hydro generation also saw a large increase, up 56%.

Priority 2
Net import dependency
Additional indicator 2

Source: DECC Energy Trends

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.

Provisionally, in 2011, the latest period for which data are available, the UK imported 36.5% of its fuel, compared to 28.3% in 2010, its highest level since 1976. Final data for 2011 will be available in the DECC publication Energy Trends, to be published on 26 July 2012.

Priority 2**Additional indicator 3****Security and availability of electricity supply for the average customer**

Source: Ofgem's Annual Report <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=702&refer=Networks/ElecDist/PriceCtrls/DPCR5>

Ofgem reports on the average number of minutes of electricity supply lost per customer. This indicator is a measure of the reliability of the distribution network in the UK and demonstrates individuals' ability to access secure and reliable energy supplies. In 2010-11, the latest period for which data are available, on average 70.02 minutes were lost per customer across the whole of the year through 69.17 interruptions per 100 connected customer. This does not necessarily mean that 69.17% of customers experienced an interruption, as some customers will have experienced multiple interruptions during the year. Data for 2011-12 will be available in October 2013.

Extreme weather conditions such as storms can impact upon performance, the link above provides further information on quality of supply performance in 2010-11.

Other achievements relating to Priority 2

Electricity Market Reform

The EMR White Paper (Planning our electric future: a White Paper for secure, affordable and low-carbon electricity) was published in July 2011. It sets out how we will reform the current system of incentives that have accumulated over the past ten years and how these instruments will deliver the new low-carbon generation that will be required to meet our long-term vision for the electricity sector.

The White Paper marked the first stage of the reform process. A Technical Update was published in December 2011 to complete the strategic framework outlined in the White Paper and provides further details on the institutional framework, the Capacity Mechanism and the next steps in the EMR process.

The White Paper recognised that reducing demand for electricity is likely to be more cost-effective than building extra generation capacity, and that DECC would conduct an assessment of whether further measures should be taken to incentivise the efficient use of electricity by Summer 2012.

Electricity System Programme 2011-12

DECC is undertaking a programme of work focussing on the challenges around balancing and system flexibility as the UK decarbonises energy use.

The first major milestone will be the publication of a document in Summer 2012, as committed to in the EMR white paper. Since publication of the White Paper a formal work programme has been set up, scoped and resourced to deliver this work. The Electricity System Programme has been set up to manage the process to publication and to create a framework for any further work considered necessary.

Oil and Gas

DECC continues to look to maximise indigenous hydrocarbon resources. To encourage further oil and gas exploration activity, DECC launched a new offshore licensing round (the 27th Round), on 1 February 2012, offering 2,800 blocks. The Round closed for applications on 1 May 2012

PILOT, the Government/oil and gas industry task force continues to work on a number of areas relating to offshore infrastructure, improving recovery from existing fields, and access to capital.

Alongside conventional onshore oil and gas activity, there has been some initial exploration drilling for shale gas in Lancashire. However hydraulic fracturing operations for shale gas are currently suspended pending consideration (by DECC along with the British Geological Survey and independent experts) of the implications of the two small earthquakes in the Blackpool area in 2011.

On 17 March 2012 the Chancellor and the Secretary of State announced that DECC will publish a gas generation strategy in the Autumn. This will focus on ensuring security of supply by setting out any necessary government interventions needed to address barriers to investment in gas generation.

Other achievements relating to Priority 2 continued

Carbon Capture and Storage

A new competition for CCS projects was launched on 3 April 2012. The CCS Commercialisation Programme will, subject to State Aid clearance, support commercial scale CCS with the £1bn in capital funding that DECC has made available. At the same time DECC published the first UK CCS Roadmap, which sets out a number of other interventions being taken forward by the Government to enable the deployment by industry of cost-competitive CCS in the 2020s.

New Nuclear

Throughout 2011-12 DECC the Office for Nuclear Development delivered a programme of facilitative actions, including designation of the Nuclear National Policy Statement and a list of potentially suitable sites, to ensure that the conditions are right for investment in new nuclear in the UK and can be part of the UK's future energy mix without public subsidy.

Following the accident at the Fukushima nuclear power plant in Japan, the Secretary of State for Energy and Climate Change asked the 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. Dr Mike Weightman's interim and final report confirmed that the UK's current safety regime is working and reassures us that nuclear can be part of the future energy mix in the future as it is today.

The West Cumbria Managing Radioactive Waste Safety (MRWS) Partnership's consultation ran until 23 March 2012. This will inform the local authorities' decision on whether to continue in the site selection process. The site identification and assessment framework document was published on 12 March 2012.

Energy 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. DECC published the annual Statutory Security of Supply Report in November 2011, which was produced jointly with Ofgem and with input from National Grid. The report was accompanied by a risk assessment for the EU Security of Gas Supply Regulation.

Libyan Collective Action – In June 2011, DECC coordinated a release of some of the UK's industry-held emergency stocks as its contribution to the International Energy Agency's Libyan Collective Action to mitigate the oil supply disruption to the market.

Other achievements relating to Priority 2 continued

London 2012 Olympic & Paralympic Games – DECC has agreed the scope and funding of proportionate energy risk mitigation measures with the Government Olympic Executive and the London Organising Committee of the Olympic Games in preparation for the Olympic and Paralympics Games. DECC is providing £9.32m over two financial years to support electricity and gas supplies to Games venues. In addition, as part of Government wide preparations for the London 2012 Games, DECC has put in place specific arrangements for leading a Government response to an energy emergency during the Games. These arrangements build on DECC's standing arrangements for emergency response, and have been developed and exercised in conjunction with industry, LOCOG and the Cabinet Office.

Potential strike action by fuel tanker drivers – DECC responded rapidly to the threat of a strike by fuel tanker drivers after a vote in favour of action on 26 March 2012. DECC immediately established an emergency response team and worked with the MoD to enable the training of military drivers to increase the resilience of fuel supplies in the event of a strike.

Energy Planning

The National Policy Statements (NPSs) in respect of fossil fuel electricity generation, renewables, gas supply infrastructure, electricity networks and nuclear power as well the overarching NPS for Energy were designated by Parliament in July 2011. The NPSs establish the new framework for determining major energy infrastructure proposals in England and Wales.

During 2011-12 Ministers consented *ten* applications for power stations in England and Wales that were received before the changes brought about by the Planning Act 2008. These represent 3853 MW of capacity, comprising 2400 MW of gas, 245 MW of wind, 1100 MW biomass, 108 MW multifuel (biomass and energy from waste) and a dry fuel store at Sizewell B. Other applications determined during the period include a small tidal generator, gas infrastructure and overhead power lines.

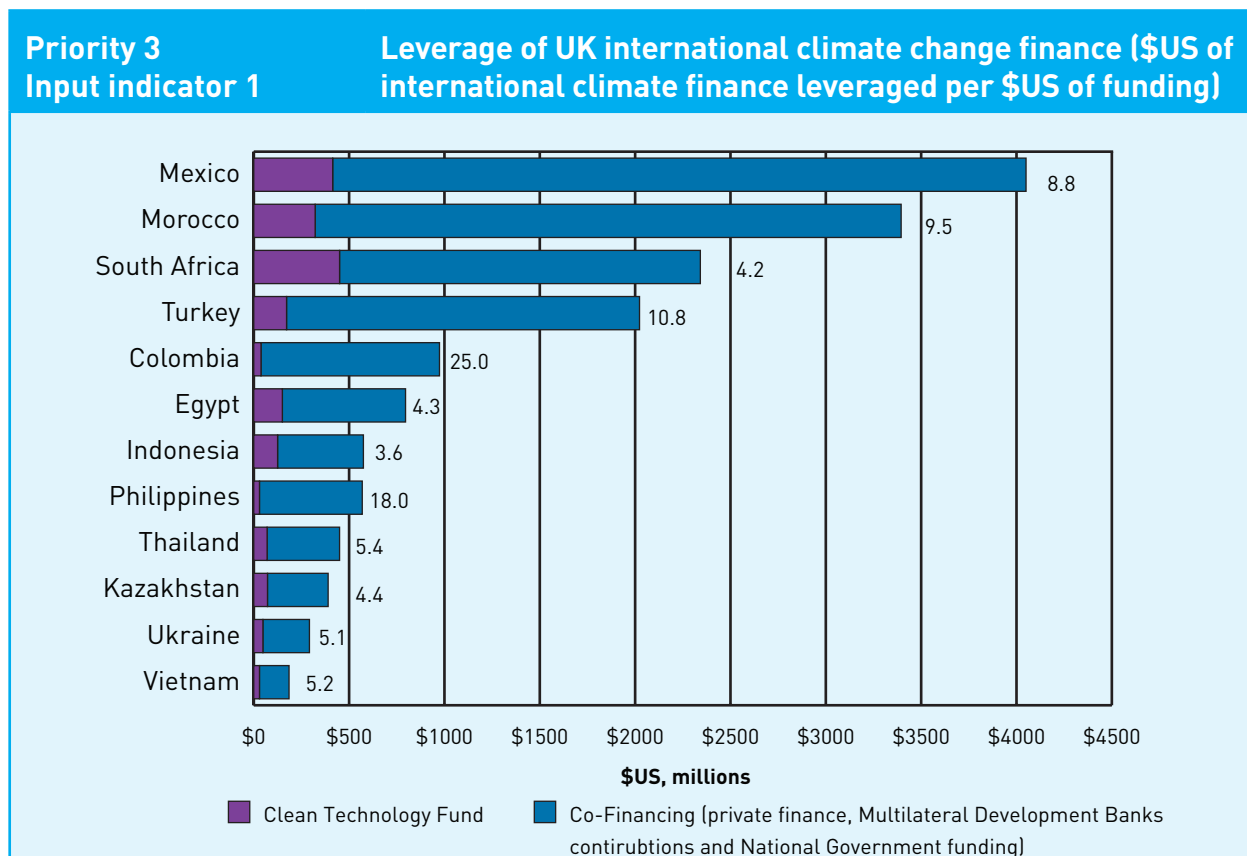
Ofgem

The Ofgem Review Final Report was published in July 2011, fulfilling a Coalition Programme for Government committed to a review of the role of the energy regulator. The review proposed to strengthen the current system by bringing greater clarity and coherence to the roles of Government and the regulator. This means:

- Ofgem will continue to regulate independently of Government;
- Government will communicate more clearly the respective roles of Government and Ofgem, including clear strategic goals set out in a new statutory Strategy and Policy Statement;
- Greater transparency and accountability to the public.

The Strategy and Policy Statement will be established under new primary legislation, which will be introduced as soon as Parliamentary time allows.

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



Source: DECC based on data from Climate Investment Funds

This indicator monitors the impact of UK climate finance on funding from other sources, including the private sector, multilateral development banks (MDBs), recipient governments and non-governmental organisations. Leverage is an important indicator as it measures the potential of public funds mobilise much larger financial flows that will be needed to tackle climate change. Seeking leverage can have co-benefits such as skill transfer and innovation from e.g. the private sector or the MDBs, ensuring buy-in from the recipient country and enabling co-ordination of climate finance across donors.

Significant progress has been made in developing the International Climate Fund (ICF) Monitoring and Evaluation results framework. However, given the early stages of fund, there are relatively few ICF projects where we are able to assess expected leverage ratios. As an interim methodology we monitor the leverage ratio of the Climate Investment Funds Clean Technology Fund (CTF) as a proxy. Of the UK's Fast Start climate finance and current International Climate Fund spend, 24% (£305m out of £1284m in 2010-12) has been disbursed through the CTF.

We have just started measuring this indicator. CTF projects are just getting underway and there is a relatively low sample size, therefore we would expect the indicator to move around in these initial years. The indicative expected leverage ratio of 7.4 means that for every dollar of CTF finance from donors, including the UK, other sources have contributed \$7.4.

Priority 3
Input indicator 1 **Leverage of UK international climate change finance (\$US of international climate finance leveraged per \$US of funding)**

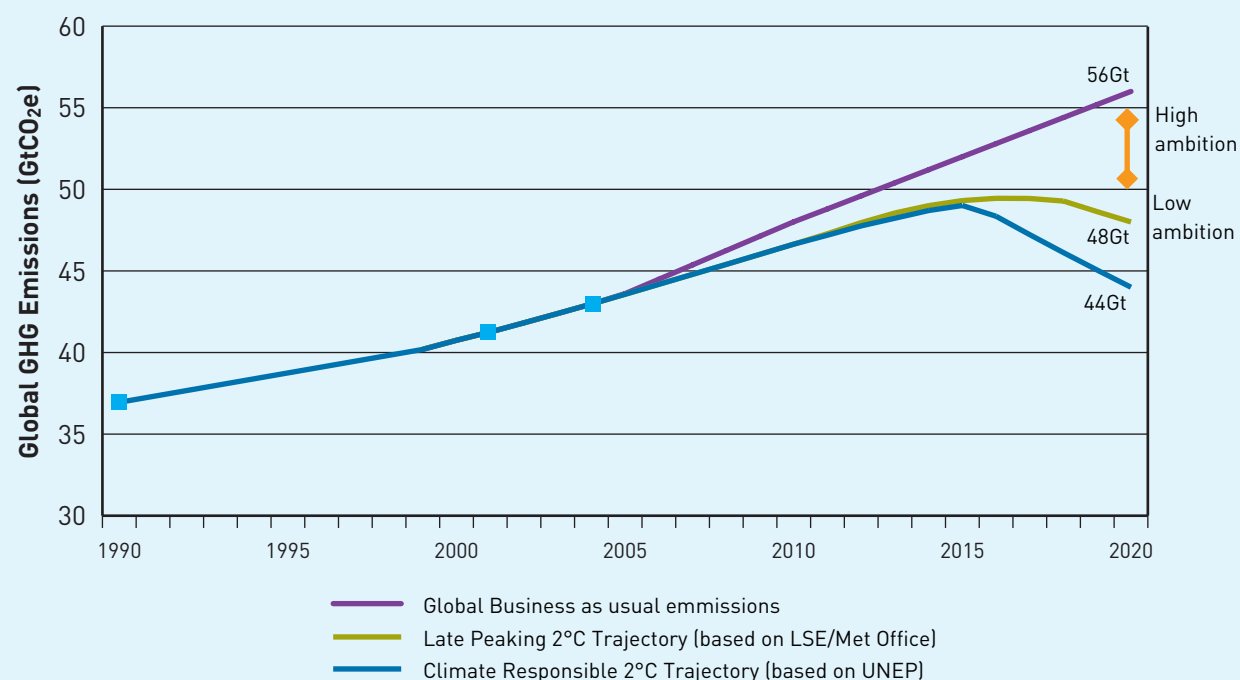
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This value for the leverage ratio is more robust than was possible at the time of the DECC 2010-11 Annual Report. At that time, the ratio was based on a provisional list of projects still under development, as this was the only evidence available. The new ratio of 7.4 is based on better information from 33 projects approved by the CIF Trust Fund Committee as of March 2012.

The indicator reflects expected future levels of finance – this will change as more projects are approved and developed, and it will be some years before actual flows are realised and can be monitored, reported and verified. Expected and actual results from ICF projects will be integrated in the coming years – data on bilateral spend will be captured through the ICF M&E Results Framework, and data on multilateral spend collated by MDBs.

There is no explicit leverage ratio that we are trying to achieve and leverage ratios across projects and countries are not comparable – a ‘good’ leverage ratio is dependent on the context, in particular the expected project risk and reward. The new projects that have been assessed are considered by DECC and DFID to represent value-for-money, given their aims and locations.

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 Report

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.

Priority 3
Impact indicator 1

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

Continued

The latest data are from the Bridging the Emission Gap Report, a detailed report by the United Nations Environment Programme (UNEP) that updates last year's assessment of how international researchers' estimates of current national emission pledges compare with possible 2°C trajectories.

UNEP estimated that to be consistent with the 2 degree goal, global emissions should be around 44Gt CO₂e in 2020 and that countries should have already committed to reducing their emissions by 1-6Gt CO₂e below business as usual projections (56Gt CO₂e), to 55-50Gt CO₂e. This suggests that there is a 6-11Gt CO₂e gap between current commitments and the level of reductions needed to be reaching the 2°C goal. The change on last year's estimate is largely a result of further clarification of country pledges and changing assumptions about business as usual emissions which has led to an increase in the emissions projected.

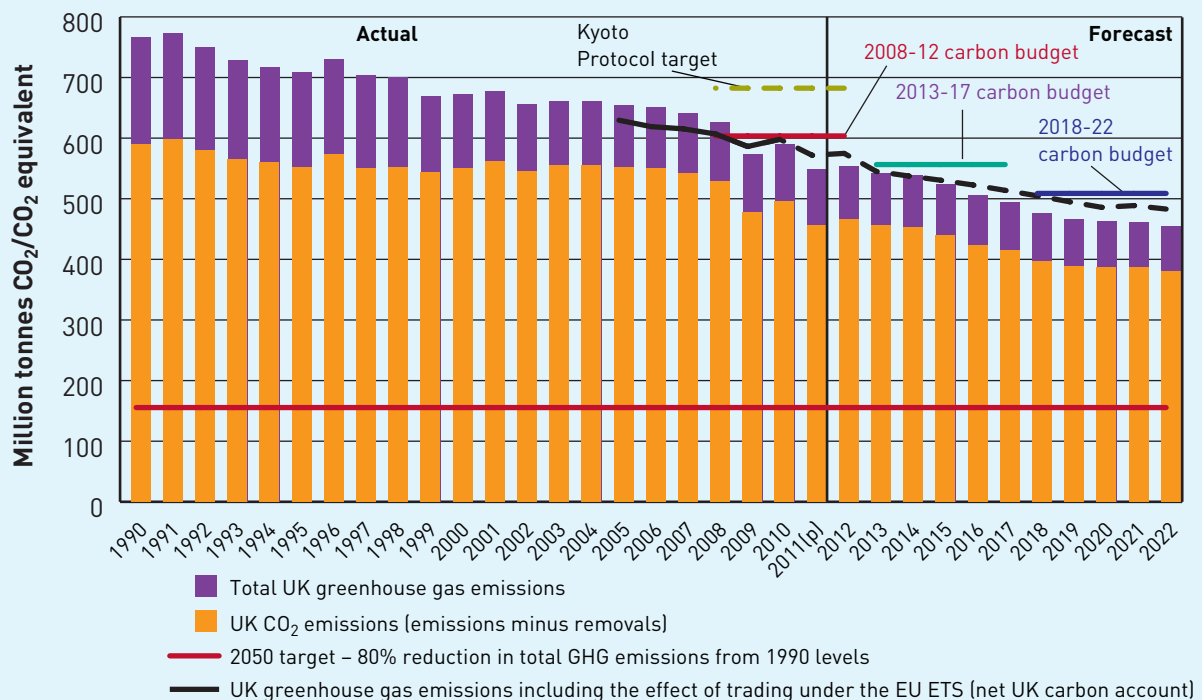
The gap is presented as a range because some countries' emission reduction pledges are expressed as ranges with conditional and unconditional components (high and low ambition) and there is some uncertainty over the international rules for how countries can meet their pledges, in particular in relation to use of carbon market credits and rules for forests and land use.

UNEP is planning to update its estimate again in November 2012 ahead of the next Conference of the Parties, to reflect the latest changes in national policies and commitments and underlying factors that affect emission projections like economic growth.

Despite the changes in emissions projections there are signs that progress is being made internationally. At the 17th Conference of the Parties to the UN Framework Convention on Climate Change (UNFCCC) countries established the Durban platform for enhanced action. This agreement commits the world to establish a new global agreement on climate change by 2015. The platform also created a new work programme to address mitigation effort before 2020 with a view to Parties achieving the highest ambition possible. We will continue to work through the UNFCCC in 2012 to seek to bring forward ambitious action from all parties.

Priority 3
Impact indicator 2

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



Source: DECC

Kyoto Protocol

Provisional estimates show that UK emissions covered by the Kyoto Protocol fell by 7.0% to 549.3 MtCO₂e in 2011 from 590.4 MtCO₂e in 2010, primarily from a decrease in residential gas use, combined with a reduction in demand for electricity accompanied by lower use of gas and greater use of nuclear power for electricity generation. The UK remains on track to over-achieve on its Kyoto Protocol target.

Carbon Budgets

Provisional emissions estimates for 2011 show that the net UK carbon account (which includes the impact of emissions trading) decreased by 4% to 570.4 MtCO₂e in 2011 from 593.9 MtCO₂e in 2010. The decrease in emissions between 2010 and 2011 resulted primarily from a decrease in residential gas use, combined with a reduction in demand for electricity accompanied by lower use of gas and greater use of nuclear power for electricity generation.

The net UK carbon account in 2011 was 26% below 1990 levels. The first carbon budget requires that total UK GHG emissions do not exceed 3,018 MtCO₂e over the five-year period 2008–12, which is approximately 22% below the 1990 level, on average, over the period.

Priority 3 **Total emissions of greenhouse gases from the UK, showing**
Impact indicator 2 **progress against legal limits on emissions (carbon budgets)**

Continued

The table below summarises the UK's progress towards meeting the first carbon budget by comparing the average emissions per annum required to meet the budget with the average emissions to date in the first budgetary period. Emissions have averaged 587.1 MtCO₂e over the course of 2008–11, which means that we will meet the first budget unless emissions in the final year were to exceed 669.5 MtCO₂e. The latest emissions projections (October 2011) suggest that the UK will be comfortably below this level in 2012.

Carbon Budget 1		Actual emissions including EU ETS MtCO ₂ e						Level of emissions that would need to be exceeded in 2012 if we are to miss the budget
Level of first carbon budget (total emissions, 2008–12)	Equivalent average emissions p.a.	2008	2009	2010	2011(P)	Cumulative emissions to date (2008–11)	Average emissions p.a. (2008–11)	
3,018	603.6	602.7	581.5	593.9	570.4	2,348.5	587.1	669.5

In December 2011, the Government published the Carbon Plan which describes how it plans to meet the ambitions set out in its carbon budgets including the fourth budget which represents a 50% reduction on 1990 levels. The plan describes how the UK will achieve decarbonisation within the framework of its energy policy: to make the transition to a low carbon economy while maintaining energy security, and minimising costs to consumers, particularly those in poorer households.

Other information relating to Priority 3

Industrial Energy Efficiency

The Industrial Energy Efficiency programme is a major contributor towards our national and EU emissions targets. It aims to improve energy efficiency and reduce emissions from large energy users while maintaining UK industrial competitiveness. A number of key milestones were met this year:

Carbon Reduction Commitment Energy Efficiency Scheme (CRC)

This year we launched a consultation on the CRC, as flagged in the Autumn Statement. This aims to reduce the administrative costs to participants by almost two thirds by reducing the complexity of the scheme, and reducing the overlap with other climate legislation without affecting the energy efficiency benefits that the scheme delivers.

Climate Change Agreements

We also consulted this year on a simplification of the Climate Change Agreements scheme and the Government's response was published in January 2012. At the close of the year, we were preparing to engage with participating industry sectors on negotiation of the revised Agreements.

Energy Intensive Industries

A major package of measures was developed to ensure energy intensive industries can achieve emissions reductions while maintaining competitiveness. This package aims to reduce electricity costs for those industries whose competitiveness is most affected by our climate and energy policies. A joint BIS/DECC call for evidence was published on 12 March; the information gathered will be used to inform a consultation later this year.

EU Emissions Trading System (EU/ETS)

The EU ETS is predicted to deliver 170 MtCO₂ reductions between 2008 and 2012 (compared to 2005 emissions) as a result of successful delivery of Phase II of the EU ETS. DECC is on track to deliver the measures needed for Phase III (from January 2013). At the end of 2011, we submitted preliminary allocations of emission allowances for UK installations in Phase III to the European Commission. Aviation has been included in the EU ETS from 1 January 2012.

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	2010-11
Proportion of budget spent on decommissioning and cleaning up nuclear plants	20%	24%	24%	24%	25%	29%

Source: Nuclear Decommissioning Authority annual report and accounts

The Nuclear Decommissioning Authority's (NDA) core mission is to ensure that the historic civil public sector nuclear legacy sites are decommissioned safely, securely, cost effectively and in ways that protect the environment. The NDA is also required to: operate existing commercial activities to meet current contracts, using revenues to offset spend on decommissioning; scrutinise the site decommissioning plans of British Energy; and implement Government policy on the long-term management of nuclear waste.

Decommissioning expenditure includes capital expenditure for new plant to undertake clean up operations, for example building a machine to extract waste safely. It excludes waste and nuclear materials, support and operational costs. Subject to continuing to maintain its infrastructure to ensure it remains safe and secure, an objective for the NDA is to reduce overhead and support costs across its estate and to use savings 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 are collected by the NDA and reported in its Annual Report and Accounts, which are audited by the National Audit Office.

**Priority 4
Input 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	2010-11
Opening estimate (£bn)	-24.1	-30.6	-37.0	-44.1	-44.5	-45.0
Provision worked off (£bn)	1.3	1.5	1.8	1.4	1.8	2.2
Financial adjustments and changes in scope (£bn)	-7.8	-7.9	-8.9	-1.8	-2.3	-6.4
Closing estimate (£bn)	-30.6	-37.0	-44.1	-44.5	-45.0	-49.2

Source: Nuclear Decommissioning Authority annual report and accounts

The NDA accounts for the future cost of the decommissioning and clean-up of its estate by way of the Nuclear Provision (previously called the Nuclear Liability Estimate). The Nuclear Provision represents the total estimated cost of the rolled up plans for carrying out the NDA's core mission of decommissioning and cleaning up its 19 sites. It includes 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 Nuclear Provision 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 Nuclear Provision has risen significantly in recent years as the NDA has increased its understanding of the task and related costs. Over time, efficiency and innovation should see the Nuclear Provision fall as the work-off rate increases and starts to exceed increases in scope or financing costs. The data are collected by the NDA and reported in its Annual Report and Accounts, which are audited by the National Audit Office.

Other achievements relating to Priority 4
Reduction in the Nuclear Liabilities Estimate through decommissioning and clean up (in line with published Nuclear Decommissioning Authority business plans)
Oil and gas environmental controls

Following the Deepwater Horizon incident in the Gulf of Mexico, the Government asked Professor Geoffrey Maitland to undertake an independent review of the UK's regulatory regime. The principal role of the independent panel was to examine the recommendations which emerged from the official reports which had been published on the incident and to consider their relevance to the oil and gas industry in the UK and review the extent to which they might inform modification or improvement of the regulatory regime in this country. The Maitland Report was published in December 2011.

The Energy Minister has asked regulators and industry to consider the Maitland Report recommendations in detail and provide him with an action plan in July 2012. To facilitate this, DECC established a steering group with members from HSE, MCA and Oil and Gas UK to consider the recommendations and monitor progress. The steering group has met on a monthly basis and will provide an update report to the Energy Minister by the agreed deadline.

Other achievements relating to Priority 4

Reduction in the Nuclear Liabilities Estimate through decommissioning and clean up (in line with published Nuclear Decommissioning Authority business plans)

Continued

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.

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.

Corporate Performance and Better Policy

- 3.1** Selected data on the common areas of spend and workforce across DECC's Departmental Family (the core department plus our executive non-departmental public bodies) can be found in the Business Plan Data Summary at Annex B.

Risk Management and Governance

- 3.2** DECC's risk management procedures are covered in the Governance Statement, which can be found in chapter 4 of this report.

Better Regulation

- 3.3** As a department, DECC has striven to adhere to better regulation principles, to achieve smarter regulation where regulation is required to achieve our policy aims, and to use alternatives where possible. Removing unnecessary regulatory burdens on business can help achieve DECC's objectives at the least cost to the economy, and thereby promote investment and growth.

Red Tape Challenge

- 3.4** The Red Tape Challenge (RTC) is a cross-Whitehall initiative that aims to reduce the overall burden of regulation across government by identifying and removing outdated or ineffective regulations and recognising more effective ways of achieving our goals. The RTC asked the public and businesses to scrutinise government regulations, grouped by themes, and to say which regulations are working and which are not; what should be scrapped; what should be saved; and what should be simplified. DECC is involved in two themes under the RTC.

Environment Theme

- 3.5** The Department owns 19 regulations within the Defra-led Environment theme. The Environment theme was in the 'spotlight' on the RTC website between September and October 2011. Comments from stakeholders relevant to these regulations were reviewed and DECC has decided to

- Improve eleven (58%) (the operations of the EU ETS and the Greenhouse Gas Inventory)

- Keep unchanged eight (42%) (the Climate Change Act and associated regulations, and some fee-setting regulations.)

3.6 These proposals were announced in March 2012, and we launched the consultation on these improvements on 8 May 2012.

Energy Theme

3.7 DECC leads the Energy Theme. It consists of 349 regulations of which 326 are owned by the Department. The regulations fall into six sub-categories:

- Energy Efficiency
- Gas and Electricity Supply
- Offshore Infrastructure
- Onshore Infrastructure- Sites, Pipes and Wires
- Energy Security and Nuclear Energy
- Coal Industry and Miner Welfare

3.8 DECC also invited comments on those areas of energy regulation that were out of scope of the formal Red Tape Challenge.

3.9 The Energy theme was in the ‘spotlight’ on the website from 25 November – 6 January and was launched at a stakeholder event, hosted by Charles Hendry MP and chaired by James Smith, the Energy Sector Business Champion. We received nearly 270 ideas and suggestions by the end of the consultation period. DECC also conducted a rigorous internal challenge programme to review all these regulations and announcements are expected in the summer.

3.10 The administrative burden within the Carbon Reduction Commitment Energy Efficiency Scheme (CRC) was raised by many respondents to the Red Tape Challenge. In March 2012 DECC launched a consultation on proposals to radically reduce red tape within the CRC which are expected to produce £330 million savings by 2030 including administrative cost savings of around £250m for business.

Alternatives to regulation

3.11 DECC is committed to exploring non-regulatory approaches to meeting its objectives. In July 2011 DECC published a report, ‘Behavioural Change and Energy Use’, jointly with the Cabinet Office Behavioural Insight Team, outlining approaches to enabling people, at home and at work, to reduce their energy consumption and their bills. This put into place five behavioural trials which are underway, including:

- A trial to test the effectiveness of offering upfront incentives to encourage the uptake of energy efficiency products
- A trial to test the impact of offering green products at a discount for collective purchasing and the effect of removing the hassle factor of loft clearance

- A trial to test the impact of cost savings, through making energy efficiency improvements such as loft insulation, over one, three and five years

3.12 The Department is working closely with the industry and other stakeholders to find ways of tackling barriers through voluntary industry action, thus avoiding unnecessary regulatory burdens on business. Examples include shaping policy on demand and incentives within the Green Deal, and using behavioural theory to inform customer engagement strategy for Smart Meters.

One-in, One-out

3.13 The One-in, One-out rule ensures that no new regulation is brought in without other regulations being cut by an equal or greater value. A new regulation within the scope of this 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.

3.14 The Department is required to produce a Statement of New Regulation (SNR) covering all new regulations in scope of One-in, One-out coming into force in each six-month period.

3.15 For the period April 2011 to March 2012 DECC introduced one "IN" within the scope of the second Statement of New Regulation (SNR). The first three SNRs put us in credit by £2.51m. The following table shows DECC's cumulative position for One-in, One-out up until the third SNR:

One-in, One-out Position Cumulative position as at March 2012	
Volume (£m)	
INs	1
Zero net cost	3
Outs	5
Total	10 ¹⁶
Cost (EANCB, £m)	
INs	0.02
OUTs	-2.53
Total Net Cost	-2.51

¹⁶ The total number 10 includes one measure within the scope of SNR1 which is still awaiting classification from the Office for National Statistics.

Regulatory Policy Committee

- 3.16** Between April 2011 and March 2012 the Department has received opinions on 28 Impact Assessments (IAs) from the RPC. The following table shows the breakdown of opinions into “fit for purpose” or “not fit for purpose” ratings:

RPC opinions for April 2011 – March 2012	Number of opinions	Percentage of total opinions received
Fit for purpose	23	82%
Consultation stage	9	32%
Final stage	14	50%
Not fit for purpose	5	18%
Consultation stage	1	4%
Final stage	4	14%

- 3.17** In its six monthly report published in March 2012, the RPC stated that DECC received few ‘not fit for purpose’ ratings and an above average proportion of green ratings¹⁷. DECC was placed 4th out of 16 on “fit for purpose ratings”. We will look to take on board the RPC’s recommendations in order to minimize ‘not fit for purpose’ IAs over the next year

Sunsetting Regulations

- 3.18** Any proposed regulation within the scope of One-in, One-out, and classed as a regulatory “IN”, is also required to include a ‘sunset clause’, which means that the regulation will expire automatically on a certain date unless positive action is taken to renew it. Sunset clauses should ordinarily take effect 7 years after commencement.
- 3.19** On 1 April 2011, the government introduced a new requirement. For all “INs” coming into force from April 2011 onwards departments were required to make clear their plans for the inclusion of sunset clauses when seeking Cabinet Clearance. For measures not classed as regulatory “INs”, a ‘Duty to Review’ clause would be required instead.
- 3.20** No sunset clauses were drafted for DECC for the period 1 April 2011 – 31 March 2012; Cabinet clearance of our “IN” predated this new requirement. Four regulations were within the scope of the ‘Duty to Review’ clause and, accordingly, each now contains such a clause.

¹⁷ The RPC uses a Red-Amber-Green system to rate Impact Assessments, where Amber and Green ratings indicate ‘fit for purpose’. Amber ratings mean the RPC is content but provides suggestions on what *should* be done to improve the IA. Green ratings mean the RPC is content but may provide suggestions on what *could* be done to improve the IA. Green ratings are generally given to Impact Assessments of higher quality.

EU regulations

- 3.21** The Department is committed to the use of evidence in shaping EU policy. The following example from the last year illustrates this:

Council Directive for establishing a Community framework for the responsible and safe management of spent fuel and radioactive waste (2011/70/EURATOM)

- DECC made a concerted effort to shape the new Directive by taking early action to influence the proposal as part of the sub group of the European Nuclear Safety Regulators Group and later through negotiations during the Atomic Questions Group. The Department managed to achieve all of UK's objectives.

DECC Capability

The Capability Review

- 3.22** During the last year DECC has continued to build upon the recommendations taken in response to the 2009 Capability Review including:

- Completion of work to assess our skills needs and as a result key appointments have been made including a new Chief Operating Officer and strengthening of its corporate centre
- All our programmes now have delivery plans and/or Business Cases which identify the people and skills needed.
- DECC has introduced dedicated programme management offices to develop Group performance and delivery frameworks and sharing of best practice.
- The Department now offers specialist training for individuals and teams including project and programme management and commercial skills.

- 3.23** The Department carried out the Cabinet Office's requirement for all Departments to undertake a Capability Review in 2011/12 by engaging an independent, external team to carry out our review.

- 3.24** The report concluded that good progress had been made since the last review in 2009 and since DECC was created only 3 and a half years ago the environment we operate in had changed significantly, as had the context and size of our programmes. Its key message was that with our large and high risk project portfolio, we will need a much larger and more mature delivery cadre than we currently have and tougher governance and delivery management processes, including a robust mechanism for prioritisation across our department-wide portfolio. The report suggests that we now need to focus its efforts on development in 3 areas, leadership and governance, people and skills and delivery culture.

- 3.25** In response to the report the Department is setting up a DECC Development Programme which we will use to drive our next phase of improvement. The Programme will focus on accelerating the growth of DECC's skills, systems

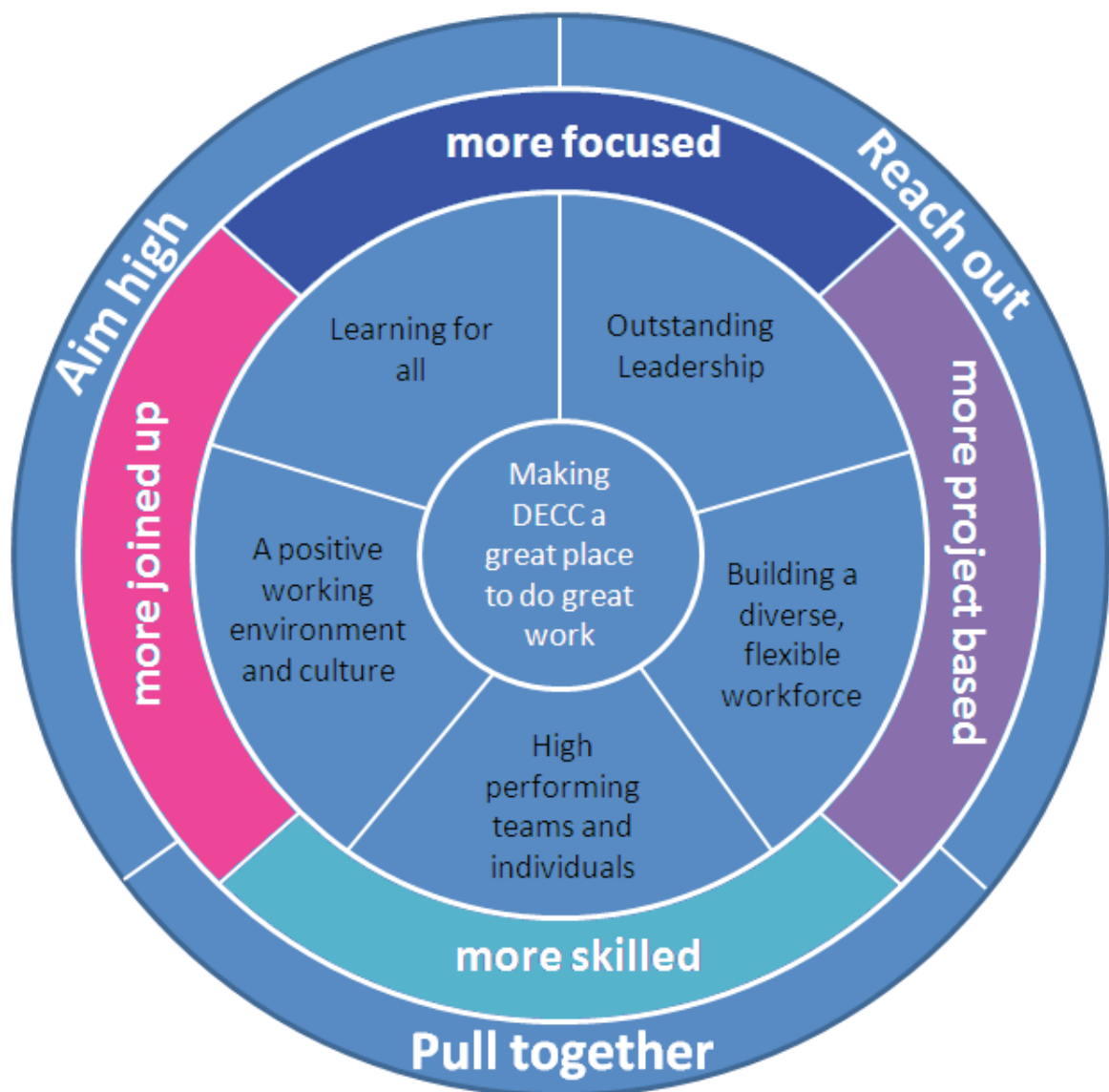
and culture to match the challenge of our necessarily large portfolio of long-term change programmes.

People and Culture

People Strategy

- 3.26** The department launched a new People Strategy in 2012. It has been designed to help build upon progress already made and to take us forward to meet the challenges of the future with the aim of making DECC a great place to do great work.
- 3.27** The department wants to be an organisation which is open to change, innovative, flexible and professional. We are committed to being an organisation that openly encourages participation and personal development and values its staff.

DECC People Strategy



3.28 The People Strategy provides the framework to help DECC turn our values and ways of working into reality. After taking into account the views of our stakeholders, the Strategy was developed around five themes

- **Outstanding Leadership**
- **Building a diverse, flexible workforce**
- **High performing teams and individuals**
- **A positive working environment and culture**
- **Learning for all**

3.29 The People Strategy has to strike a balance between securing the benefits of a common and consistent approach to people issues but also recognise that different parts of the Department have different issues and needs. Each Group has produced a Group People plan to support the delivery of the People Strategy.

Staff engagement

3.30 DECC attaches great importance to staff engagement. The effectiveness of staff engagement is measured by DECC's participation in the annual Civil Service-wide People survey. DECC consistently achieves a high participation rate with over 80% of staff participating this year. DECC is only 1% below the high performance benchmark (i.e. top quartile scores) in how engaged its employees are with the Department and with their work. DECC scored 60% 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%.

3.31 The DECC future programme, introduced in last year's Report, sought to ensure engagement levels remained high during a period of change. Key areas that were addressed included: understanding of DECC's organisational objectives and purpose; resources and workload; access to learning and development and having the right skills for the job; change managed well. As a result improvements were seen in 10 out of 12 questions which DECC future aimed to improve.

Values

3.32 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 People Survey (October 2011) showed that 95% of staff were aware of the values and 73% of respondents believed their team operated in accordance with them.

Learning and development

3.33 DECC's Learning & Development Strategy (L&D) was published in January 2011. The strategy embodies the following key principles:

- DECC has staff with the skills and knowledge to deliver DECC's priorities;

- Staff are supported to develop their talent and achieve career progression; and
- Learning and development are valued and reflected in DECC's culture.

3.34 DECC Learning was launched in May 2011. It comprises 5 strands:

- DECC School – understanding DECC and where and how we work.
- DECC Talent – harnessing the talent, skills and knowledge of staff.
- DECC Delivery Skills – the skills critical to a department focused on delivery.
- DECC Core Skills – the underpinning capabilities that enable us to do our jobs.
- DECC Specialists – nurturing internal expertise.

3.35 DECC Learning has given cohesion to the L&D offer, clarified the skills that are most important to the department (i.e., Commercial Awareness, Stakeholder Engagement, Customer Insight, Contract Management and Procurement) set out 3 levels of competence (Introductory, Proficient and Expert) and provided opportunities for all staff through a wide range of programmes, formats and qualifications. These programmes and other key interventions will continue to form the major components of DECC Learning throughout 2012–13 and will be evaluated during 2012.

3.36 DECC remains one of the 3 highest users in Government of the Civil Service Graduate programme (Fast Stream), bringing in generalists, science & engineering, European and analytical specialists. An in-service Fast Stream programme has expanded the offering to AO-HEO staff already in post. Leadership programmes such as Crossing Thresholds have given opportunities for development to women, and we have opened up a programme for talented Grade 6/7s. DECC has taken on 15 work experience placements and internships in 2011 and around 10% of staff participate in the mentoring scheme.

3.37 The 2011 Employee Engagement Survey indicated a 20% rise in staff feeling able to access Learning and Development (68% from 48% in 2010). This moved DECC from 52nd to 9th of the 97 Civil Service organisations who completed the survey and second across Ministerial Departments

Performance Appraisal and Pay and Reward

3.38 The Department ensures that staff are clear of what is expected of them and how their work supports the Department's aims and priorities through the performance management system. The system requires that managers set work and development objectives at the start of the performance year, have regular performance reviews with staff throughout the year, and assess performance at the end of the year. This process helps the Department to identify good performers and development needs.

3.39 DECC staff have been covered by the two-year pay freeze. However, staff have been recognised throughout the year for outstanding achievements through

non-pay awards culminating in an annual awards event that took place in February 2012.

Trade unions

3.40 DECC continues to work with the three recognised trade unions – PCS (Public and Commercial Services Union), Prospect and FDA (First Division Association).

Equality and diversity

3.41 The Department has had some notable achievements during 2011. These achievements have included:

- Progress towards Senior Civil Servants (SCS) diversity targets (see Table 1).
- Health, safety and disability assessments of over 200 individual staff.
- Diversity champions established for each of the Department's four diversity networks.
- Completed disability access audits of all three DECC buildings and installed a new wheelchair access lift at rear of the Department's 3 Whitehall Place building.
- Diversity e-learning training course launched to all staff with a completion rate of over 91% to date.
- Teams have undertaken disability awareness training to allow them to better understand disability issues and what they could do to help create an inclusive work environment.
- An improved process for identifying & implementing adjustments for staff with disabilities.
- Most Improved Employer Award in the Stonewall Workplace Equality Index.
- DECC is currently listed in the Top One Hundred Employers, at 87 out of 363, an improvement of 150 places on last year's position of 237 out of 378.
- The Chief Operating Officer is the Departmental Board champion of Equality, Diversity and Well-being.

3.42 During 2011, the Department commissioned an independent review of the Department's Equality and Diversity Strategy. The Review presented strategic recommendations to improve the outcomes and experience of an increasingly diverse workforce in DECC and enabled development of specific delivery plans and actions for the following three years.

Table 1

DECC SCS diversity data at the start of the reporting period 2011 to date				
	31 March 2011		31 March 2012	
	Numbers	Proportion	Numbers	Proportion
SCS women	26 of 90	29%	30 of 97	31%
SCS women PB2 and above	6 of 24	25%	6 of 28	21%
SCS BME	3 of 90	3%	4 of 97	4%
SCS Disabled	5 of 90	6%	5 of 97	5%

Equality Impact Assessment

- 3.43** DECC ensures consideration of the impact of its policy decisions on both staff and the public by completing Equality Impact Assessments as part of our decision-making process. We publish our consultations as part of the Government's commitment to transparency and accountability.
- 3.44** The link below provides further information and the section on equality impact assessments sets out those that have been completed since June 2010.
http://www.decc.gov.uk/en/content/cms/about/our_goals/equality/equality.aspx
- 3.45** In December the Management and Change Committee (a sub-committee of the Departmental Board) completed an annual review of all Equality Impact Assessments in DECC. The review showed that over the last 18 months, DECC has produced 10 full Equality Impact Assessments and 21 initial screenings. 29 Regulatory Impact Assessments stated that they had considered the equality duty and there were no issues.

Wellbeing

- 3.46** DECC continues to provide confidential counselling and advice service to assist staff with personal issues and an Occupational Health provider to help staff back into work through assisting with workplace adjustments and rehabilitation reports through a shared service.
- 3.47** DECC has established a cycle to work scheme benefitting staff health and reducing reliance on other transport measures. Alongside this DECC operates its own gym for staff and several clubs and societies focus on sport and other pastimes.

Sickness and absence data

- 3.48** 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 due to sickness absence on a quarterly

basis and publishes this in the Business Plan Quarterly Data Summaries (see Annex B). From 1 April 2011 to 31 March 2012 the annual average was 3.6 days per employee. The Civil Service average is 8.3 days per annum per employee.

3.49 Spending on consultancy and temporary staff

3.50 Departmental expenditure on consultancies and contingent labour (temporary staff) for 2011-12 was £8.2m and £5.4m respectively (including Non-Departmental Public Bodies).

DECC Spend on Consultancy 2011-12	
	£'000
Total Core DECC	6,690
Total NDPBs	1,559
Total DECC spend	8,249
DECC spend on contingent labour 2011-12	
	£'000
Total Core DECC	3,420
Total NDPBs	2,014
Total DECC spend	5,434

Professional Support

Legal and analytical capacity

3.51 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.

Science and innovation

Evidence

3.52 The Evidence Team is responsible for ensuring that DECC has the evidence it needs, and that the way evidence is used to inform policy is robust. In the last year, DECC's Scientific Advisory Group has continued to provide independent expert advice to the Chief Scientific Adviser (CSA) about a range of topics important to DECC.

3.53 In the next year the Evidence Team will deliver a knowledge management system that enables DECC to 'know what it knows', and improvements to the way evidence is embedded in policy.

Innovation support

- 3.54** The Spending Review of November 2010 announced funding of over £200m for low carbon technologies. This includes up to £60m for the development of offshore wind manufacturing at port sites. The remaining capital funding will support innovation in low carbon technologies and systems. Using the Technology Innovation Needs Assessments (TINAs) led by the Low Carbon Innovation Coordination Group, we have prioritised key technology families, to inform innovation plans and properly target spending. The LCICG brings together, under DECC-BIS Ministerial oversight, the key public sector bodies supporting low carbon innovation (DECC, BIS, Defra, DCLG, DfT, HMT, OFGEM and the Devolved Administrations) with the Carbon Trust, Technology Strategy Board, the Energy Technologies Institute (ETI) and the Research Councils.
- 3.55** DECC has already announced provisional programmes for marine energy (£20m), offshore wind (£30m) and buildings (£35m). DECC's innovation portfolio will be targeting a range of other key technology families, where there is clear evidence that Government funding can help to address market failures and where a technology programme can make a significant contribution to DECC's policy goals. Examples include marine energy, biomass conversion, CCS and electricity storage.

Milestones

- 3.56** In addition to the TINA project, the LCICG are working on a number of innovation projects, including the launch of a low carbon funding navigator for innovators; a prospectus outlining the objectives and technologies supported by the organisation; common outcome focused metrics to appraise and evaluate technology schemes; and will be working on a coordinated approach to the next spending review for low carbon technologies to ensure future spending plans support the successful implementation of government's innovation strategy.

Climate and energy science programme

- in-house scientific and technical input to the scientific parts of climate and energy policy (including the IPCC, UNFCCC Science and Technical Subsidiary Body on Science and Technology, and those working on climate change impacts and adaptation, energy demand etc);
- underpinning climate science which remains essential to making the policy case for action on global warming;
- the UK greenhouse gas inventory to ensure that we meet our reporting obligations to the UNFCCC and the EU and Annual Report to Parliament under the Climate Change Act 2008;
- technical advice and input to support delivery of key DECC delivery programmes (Green Deal, Renewable Heat Incentive, Energy Company Obligation etc); and
- a systematic analytical framework that incorporates a range of policy deliverables (e.g. Green Deal) and which ensures that balancing supply and demand, sustainability, emissions reductions and other factors are taken into account.

3.57 The science programme also provides the bridge between the various scientific and technical communities and the policy communities in DECC and Government. The science team interacts closely with policy colleagues and provides essential products under international commitments and processes. The science programme is an essential element of effective policy development in DECC.

3.58 Highlights from last year include

- Heat pumps – standards for the design and installation of heat pumps;
- Bio-energy – a range of studies to improve understanding;
- Publication of Housing Energy Fact File;
- Work on review and new procedures for IPCC;
- AVOID work – a major contribution to reports on the achievability of the 2 degree target; and
- The G20 plus 4 countries work launched by Chris Huhne at Durban, helps to show national impacts of climate change.

3.59 Re-tendering of the GHG inventory work has generated savings of up to 15%.

Shared services

3.60 DECC receives a number of shared services from the departments out of which it was formed (Defra and BIS). These services include various financial, HR IT and estates management. The provision of these services is managed through Service Level Agreements between DECC and the providing departments. We made savings during the year following a change of provider of payroll and personnel management services, but incurred higher estates cost, partly due to the fit out and occupancy costs of 55 Whitehall.

Knowledge and Information management

3.61 The Department agreed a new Knowledge and Information Management Strategy and implementation plan. A programme to move the current wiki, intranet and corporate directory onto one searchable platform began in July 2011 and is on schedule to go live in summer 2012. The National Archives undertook an Information Management Assessment of DECC, and their CEO will meet with Moira Wallace in July 2012 to discuss the findings. From March 2012 DECC published FOI/EIR responses of wider public interest on its website along with a description of all other requests received.

3.62 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.

3.63 DECC reported no incidents of loss of protected personal data to the Information Commissioner's Office during 2011-12.

Communications

Publicity and advertising

- 3.64** During 2011-12 the Department spent no money on marketing activity or advertising campaigns. Instead teams have achieved successes through partners, in-house communication activities and made best use of free electronic media to promote key messages to the public.

Stakeholder research

- 3.65** The next DECC quantitative stakeholder survey will take place later in 2012, to enable the Department to review the effectiveness of its revised engagement – itself addressing feedback from the 2011 strategy which showed that DECC had a favourability rating of 61% among its key stakeholders.

Correspondence and enquiry handling

- 3.66** 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 the 2011-12 financial year, the Correspondence Team has met its targets for Ministerial Correspondence and for Public Enquiries.

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

	April 2010 – March 11	April 2011 – February 12
Ministerial Correspondence	72%	83%
Public Enquiries	67%	80%

Websites and digital services

- 3.67** The external DECC website was refreshed in June improving the overall experience for site visitors. The website survey for 2011/12 revealed user satisfaction with the site was up by 28% to 70.8% on the previous year. DECC also continued to use Twitter to engage with its audiences and promote key content – the follower numbers rising to above 21,000 this year. Filming and editing of Ministerial messages for events where they could not attend was done in-house, saving money on both travel and external supplier costs.

Press Office

- 3.68** The Department's Press office has continued to promote DECC's activity and announcements.

Estates Management and Health and Safety

Estates

- 3.69** In 2011-12, the Department operated from three buildings: 3 Whitehall Place and 55 Whitehall in London and Atholl House in Aberdeen. 55 Whitehall was occupied from July 2011. Facilities management services for the London buildings are procured from Defra and provided by Interserve. For Atholl House, the Department procures facilities management services from BIS under a contract with EC Harris. Data on the costs of DECC's estate (including our non-departmental public bodies) can be found in Annex B.

Security and Resilience

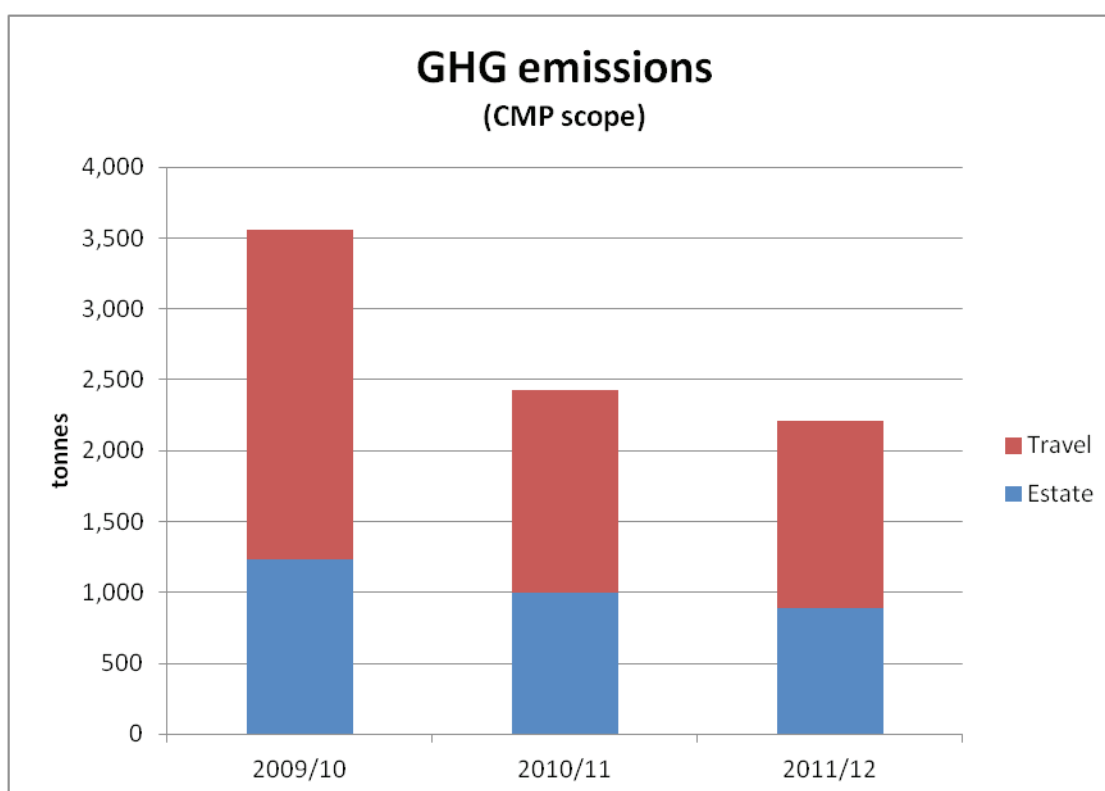
- 3.70** The Department has in place Incident Management and Business Continuity plans to help cope with unforeseeable incidents which are regularly reviewed and tested. An Olympics preparedness project is in place to ensure the Department is able to function effectively during the Olympics period.
- 3.71** 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

- 3.72** During 2011-12 the Display Screen Equipment training and workstation risk assessment roll out was completed.
- 3.73** Further Health and Safety training has been made available via induction and e-learning packages: this includes Safety for Managers which informs managers of their safety obligations and responsibilities and a managing stress course. This has been followed up by a Wellbeing Survey and the results are being analysed against the Stress Indicator Tool in line with the HSE's Management Standards. Additionally specific packages for individual teams have included Manual Handling and Safety for Contractors.
- 3.74** Various events have been arranged to inform staff of key messages such as back and disability awareness.
- 3.75** In 2011-12, 80 employees received advice or specialist equipment to help them with a health problem or disability.
- 3.76** Seven accidents have been reported over the period and a further 11 RIDDOR reports to the HSE.
- 3.77** Access audits and building risk assessments have been completed for all three buildings and follow up action are ongoing on a priority basis. The Department's Health and Safety Committee meets quarterly and is made up of employee representatives.

Environmental Sustainability

3.78 Core DECC has continued to reduce carbon emissions over the 2011-12 financial year, building on the progress made in the previous two years. Emissions from buildings have been reduced by 27% and energy use by 29% since 2009-10. Emissions from travel have been reduced by 44%. Our overall greenhouse gas footprint has fallen by 38% since 2009/10. A key priority in the year was to achieve the Prime Minister's target of reducing carbon emissions across central Government by 10% from 14 May 2010 to 13 May 2011 compared to the same period the previous year. DECC reduced its emissions by 21.3% over this period, comfortably exceeding the target.



Graph to show core DECC's greenhouse gas emissions over the last 3 years, within the scope of the Carbon Management Plan

3.79 The Department also improved its Display Energy Certificate (DEC) rating for 3 Whitehall Place from a D (100) in April 2011 to a D (85) in October 2011. When DECC first took over the building in autumn 2008 it was rated G (165), which is the least energy efficient rating. The Department also took on a new building, 55 Whitehall, at the start of the financial year, and have improved the DEC rating of this building from a D (79) in April 2011 to a B (49) in January 2012.

3.80 The Department's Carbon Management Plan was published in July 2011¹⁸.

3.81 More detailed data on DECC's sustainability performance, including water consumption and waste reduction, and encompassing the wider DECC family, can be found in the Sustainability Report (Annex E).

¹⁸ <http://www.decc.gov.uk/assets/decc/11/tackling-climate-change/saving-energy-co2/2130-decc-carbon-management-plan-2011.pdf>

Adapting to Climate Change

- 3.82** The Climate Change Act Requires the UK to develop the CCRA (Climate Change Risk Assessment) and the NAP (National Adaptation Plan). The CCRA was published in January 2012, and the NAP will be published in 2013. Both are managed by Defra, working closely with OGDs including DECC.
- 3.83** The CCRA shows us that without any current or planned action there are significant risks to parts of our infrastructure, e.g. from flooding. However, government and other key organisations are *already* taking action in many areas to minimise risks. For example, the energy generators are working to protect key assets such as power stations.
- 3.84** Other identified risks include:
- Summer overheating is likely to pose an increased risk to building occupants, and energy demands for cooling are likely to increase. Thus there are implications for building design and retrofit programmes, including the Green Deal. Research is under way to monitor and understand building performance to enable these risks to be minimised.
 - Water resources are projected to become scarcer, which may place constraints on water-cooled electricity generating plant. DECC staff have been working with the Environment Agency and Defra to understand the implications of scenarios as far ahead as 2050.

Mainstreaming Sustainable Development

- 3.85** The Secretary of State for Energy and Climate Change, along with the Secretary of State for Environment, committed to mainstreaming sustainable development across Government in July 2010. DECC has contributed to the development of the Mainstreaming Sustainable Development package (published in February 2011).
- 3.86** Given its remit of tackling dangerous climate change and ensuring secure supplies of energy, DECC's policies are well geared to promoting sustainable development. The Carbon Plan, published in December 2011, sets out how the UK will achieve decarbonisation within the framework of our energy policy: to make the transition to a low carbon economy while maintaining energy security, and minimising costs to consumers, particularly those in poorer households. The wider sustainability impacts of de-carbonisation policies have been identified in Annex E of the Plan.
- 3.87** All programmes and projects require a business case to be made and we have recently introduced sustainability considerations into the DECC business case template. This aims to ensure that the programme or project under consideration achieves a good balance between economic, social and environmental impacts objectives by maximising positive impacts in the three areas and minimising the negative ones.

- 3.88** The main policy assessment tool in DECC is the Impact Assessment (IA). This is required for all interventions of a regulatory nature that affect the private sector, the third sector and/or public services. IAs include a consideration of sustainability impacts and guidance on how to identify these is provided in the IA toolkit available on the BIS internet.
- 3.89** We plan to do more to embed sustainable development into our policy and decision making in 2012/13. These measures will be set out in a 'Mainstreaming Sustainability' Plan to be developed by the Autumn of 2012.

Rural Proofing

- 3.90** The Government expects that all policies should be Rural Proofed to ensure that the needs and interests of rural people, communities and businesses are properly considered in their development and implementation. This is an integral part of the Impact Assessment (IA) process and IAs are the main policy making tool in DECC. Some examples of how we have rural proofed policies are shown below.

Fuel Poverty

- 3.91** Several policies for tackling fuel poverty have been designed to take into account those off the gas grid. The Warm Front scheme provides grants of up to £6,000 for off gas grid customers. The Warm Home Discount scheme provides discounts on bills to some low income and vulnerable households and to ensure that those off the gas grid have the same opportunity to access support, the Government has required that the discounts are paid on electricity accounts.

Community renewable energy

- 3.92** The Coalition is committed to encouraging community-based ownership of renewable energy and wants to ensure that all those local communities who want to develop renewable energy schemes are able to do so.
- 3.93** In our Microgeneration Strategy, published in June 2011, we undertook to ensure that we would work with partners to communicate the opportunities and benefits of community energy. Following the publication of the Strategy, we undertook a series of roundtables and roadshows with key stakeholders, including local authorities, to identify the key barriers to community energy. DECC's Community Energy Online (CEO) website continues to provide information to community groups on project funding, best practice, feasibility studies, planning, land ownership and case studies. Two CEO Bulletins have been circulated to over 4000 subscribers – see: <http://ceo.decc.gov>. Greg Barker, Minister of State, has established a Community Energy Contact Group to advise him on community energy issues. The Group includes representatives from 'beacon' rural communities, such as Llangattock in Wales, winner of British Gas "Green Streets" award and from Ashton Hayes in Cheshire. Further details about the Group's work can be found at: http://ceo.decc.gov.uk/en/ceol/cms/about_ceih/cecgc/cecgc.aspx

- 3.94** We have also offered financial support to communities on renewable energy. The Renewable Heat Premium Payments (RHPP) Scheme provided vouchers to households without gas heating, who are likely to be living off the gas grid. The RHPP is also supporting 38 social housing projects providing renewable heating to local communities. In December, we launched the £10m Local Energy Assessment Fund (LEAF) to help communities assess the potential for local energy efficiency and renewable energy schemes. Over 200 communities were successful in securing these feasibility grants. There was a wide geographical spread of LEAF winners, with many situated in rural areas. For an interactive map of all LEAF winners see: <http://ceo.decc.gov.uk> .

Financial Overview

Introduction

- 4.1** This overview deals with the financial control regime that applies to central government bodies. Following the introduction by HM Treasury this year of new reporting requirements under the Clear Line of Sight (CLoS) project the Accounting and Estimates boundary of the Department has been brought into line with the Budget boundary.
- 4.2** The aims of CLoS are to:
- align budgets, Estimates and accounts in a way that allows Treasury to control what is needed to deliver the fiscal rules, incentivises value for money and reduces burdens on government departments; and
 - combine and/or align the timing of publication of government financial reporting documents in order to avoid duplication and make them more coherent.
- 4.3** As a result of the CLoS measures the Department's Estimate and Accounts are, for the first time, shown on a fully consolidated group basis which involves the full consolidation of the Core Department (which already includes the Advisory Non-Departmental Public Bodies) and the Executive NDPBs. The Department does not have any Executive Agencies.
- 4.4** The Accounts therefore comprise a full consolidation of the core Department and the four Executive NDPBs as follows:
- the Nuclear Decommissioning Authority (NDA), excluding its subsidiary undertakings;
 - the Coal Authority (CA);
 - the Civil Nuclear Police Authority (CNPA); and
 - the Committee on Climate Change (CCC).

- 4.5** The annual report and accounts for each of the above are also published separately.
- 4.6** The expenditure tables in Chapter 8 of this Report show the estimated outturn against the Budget, as published by HM Treasury in the Public Expenditure Statistical Analyses (PESA) 2012.
- 4.7** In common with other central Government bodies, the Comptroller & Auditor General is the statutory auditor.

The resources available to the Department

- 4.8** A Comprehensive Spending Review (CSR) or Spending Review (SR) is the process by which the Government sets spending plans, typically for a three or four year period. This determines the Total Managed Expenditure (TME). TME is made up of the Departmental Expenditure Limit (DEL) Budget and the Annually Managed Expenditure (AME) Budget. The DEL Budget is set before the CSR/SR period starts for each year of the CSR/SR. The AME Budget is set in consultation with HM Treasury at the start of each financial year and updated through the Supplementary Estimate. DEL Budgets for the period up to 2014-15 were set by the Spending Review in 2010 (SR10).
- 4.9** DEL and AME Budgets are split between Resource and Capital. Within the DEL Resource Budget, the Administration Budget is separately identified.
- 4.10** Whilst the Department's Budgets are agreed in the Spending Review process, additional Parliamentary approval must be sought annually for the planned expenditure of the Departmental Group. Supply Estimates seek Parliamentary authority each year via a voted net expenditure.
- 4.11** Notes to the Estimate show the reconciliation between the Net Operating Costs and the Budget. All subsequent changes to the Estimate can only be approved by Parliament as part of the Supplementary Estimate process.
- 4.12** The Department seeks approval from Parliament for its Main Estimates for the year in April. The Supplementary Estimate is submitted in the following February. Estimates follow a standard format, which sets a limit on the resources required for each main activity, requests capital funding and identifies a Net Cash Requirement (NCR), which represents the actual cash made available by the Exchequer to fund the Department's activities. Each Estimate is accompanied by a formal description (or ambit) of the services to be financed under it. Funds voted by Parliament can only be used to finance services that fall within the ambit of the Estimate.

Financial review of the accounts

Statement of Parliamentary Supply

- 4.13** This is the main accountability statement for Parliamentary reporting purposes, showing the Outturn compared to the Estimate. The Outturns for 2011-12 compared to the Estimate are summarised in the table below between DEL and AME and between Resource and Capital. The saving/(excess) for Voted Outturn compared with Estimate are control totals.

Voted	Estimate	Outturn	Saving/ (excess)
	£m	£m	£m
DEL – Resource	2,419	2,130	289
DEL – Capital	1,740	1,706	34
AME – Resource	4,891	3,716	1,175
AME – Capital	(63)	(57)	(6)
Total – Voted	8,987	7,495	1,492

Non-voted	Estimate	Outturn
	£m	£m
DEL – Resource	(1,025)	(972)
DEL – Capital	(255)	(252)
AME – Resource	–	–
AME – Capital	–	(1)
Total – Non-Voted	(1,280)	(1,225)

- 4.14** As can be seen in the table above, Voted Outturn is a saving compared with Estimate for three of the four control totals; AME – Capital is showing an excess of £6m which is a breach of this control total. This has arisen due to insufficient cover provided in the Supplementary Estimate to reflect the capital movements in the Coal Pensions Investments. The Supplementary Estimate correctly included a forecast cash receipt of £77.8m but incorrectly omitted an accounting entry to reflect the associated unwinding of one year's discount of the future cash receipts resulting from the assets.
- 4.15** The detailed comparison of Outturn against Estimate by individual subheading is shown in Note 2 to the Accounts. The most significant variances, those over £10m, are explained below:

Net resource outturn – DEL

- Nuclear Decommissioning Authority (NDPB) (Estimate Subhead A) was £231m lower than Estimate and the NDA income (Estimate Subhead J) was £53m lower than Estimate; as a result of which net resource expenditure was £178m (24%) lower than Estimate. This favourable net resource expenditure is a result of variances in Energy Trading from higher generation and better sales price, higher Thorp income and Sellafield Mixed Oxide Plant savings.
- Deliver secure energy on the way to a low carbon energy future (Estimate Subhead F) was £18m (79%) lower than Estimate due primarily to reduced spending on Carbon Capture and Storage.
- Manage our Energy legacy responsibly and cost-effectively (Estimate Subhead H) was £16m (5%) lower than Estimate due to the Outturn reflecting £12m income related to the unwinding of the discount on the Coal Pensions Investments, this was not reflected in the Estimate as it is a change in accounting treatment as described in Note 1.37; utilisation of the British Energy provision (Note 22.1) was also £2m lower than expected due to a lower than forecast Retail Prices Index.
- Deliver the capability DECC needs to achieve its goals (Estimate Subhead I) was £15m (11%) lower than Estimate due to reductions in administration expenditure, mainly relating to pay and consultancy savings, offset by a small increase in programme professional support.

Net resource outturn – AME

- Nuclear Decommissioning Authority (NDPB) (Estimate Subhead K) was £1,088m (22%) lower than Estimate due to the effects of inflation at 3.6% on the Nuclear provision compared to the expected rate of 5.6%.
- Renewable Heat Incentive (Estimate Subhead N) was £39m (95%) lower than Estimate due to delays in the commencement of the Renewables Heat Incentive and hence fewer applications during the year.
- Manage our energy legacy responsibly and cost effectively (Estimate Subhead P) showed receipts of £36m (89%) above Estimate, these are the movements in the core Department provisions, in particular the movements on the Concessionary fuel provision as shown in Note 21.2. The income shown relates to the Urenco dividend, in line with the Estimate.

Net capital outturn – DEL

- Nuclear Decommissioning Authority (NDPB) (Estimate Subhead A) was £29m (2%) lower than Estimate due to lower capitalised decommissioning costs than had been anticipated in the Supplementary as a result of certain risks not materialising and delays in Sellafield capital spend.

- Save energy in the Green Deal and support vulnerable customers (Estimate Subhead E) was £39m (27%) lower than Estimate due to higher capital grant and loan repayments and under spends on Warm Front.
- Drive ambitious action on climate change at home and abroad (Estimate Subhead G) was £25m (23%) above Estimate due to bringing forward £25m of expenditure on Official Development Assistance (ODA) from 2012-13 to 2011-12. As ODA is measured on a calendar year basis this has no impact on ODA targets.

Net capital outturn – AME

- Manage our energy legacy responsibly and cost-effectively (Estimate Subhead P) was £12m (15%) above Estimate due to the non inclusion in the Estimate of the capital effect of Coal Pensions discount unwinding which is reflected in capital outturn as it increases the value of the underlying asset.

Statement of Comprehensive Net Expenditure

- 4.16** The Statement of Comprehensive Net Expenditure in not-for-profit bodies is similar to an Income and Expenditure Account and includes all operating income and expenditure relating to the Group on an accruals accounting basis, including that which sits outside of the Estimate. The Net Operating cost for 2011-12 was £6,520m (2010-11: £8,316m); this is lower than the previous year largely due to a reduction in programme costs of £1,964m offset by a reduction in income of £144m.
- 4.17** Programme costs are less than last year mainly due to a lesser increase in provisions than in 2010-11, in particular for the NDA's nuclear provision and the NDA's contract losses provision which are described in the Statement of Financial Position section below. The NDA's nuclear provision was affected by a lower Retail Prices Index and hence the increase was less than the previous year. There has also been a reduction in grant expenditure by the core Department of £528m which is due to a reduction in Warm Front and other schemes as shown in the table within Note 9 to the Accounts.
- 4.18** Income is less than the prior year mainly due to a reduction in electricity generation due mainly to the cessation of generation at the two reactors at Oldbury, in June 2011 and February 2012 respectively.
- 4.19** The difference between Net Operating Cost and the total Resource Outturn per the Statement of Parliamentary Supply is shown in Note 3.1 to the Accounts, the main reconciling difference being those items classified in budgets as capital but being reflected in resource in the Statement of Comprehensive Net Expenditure, e.g. capital grants and certain nuclear decommissioning costs.
- 4.20** The outturn administration costs for 2011-12 were £158m (2010-11: £147m). This compares to the administration budget of £198m, a saving of £40m due to pay and consultancy savings across the core Department and NDPBs.

Statement of Financial Position

4.21 The Department had total net liabilities at 31 March 2012 of £58,078m (31 March 2011: £53,853m). The movement in net liabilities is due to various elements: a decrease in property, plant and equipment of £113m; an increase in financial assets of £94m; a decrease in assets classified as held for sale of £178m; a decrease in cash and cash equivalents of £95m; an increase in nuclear provisions of £3,620m; an increase in coal provisions of £26m; and an increase in other provisions of £100m. These movements are explained in the following paragraphs.

Property, plant and equipment

4.22 The net disposals, impairments and reclassifications (into recoverable contract costs and provisions) broadly offset the additions during the year, most of these movements being within assets under construction within the NDA. The most significant net movement across property, plant and equipment is the depreciation charge of £107m.

4.23 Included within the additions of £59m is the building at 55 Whitehall, London, which was transferred from Defra at its market value of nearly £6m for which no cash was paid, this is reflected in the movement in general fund for the core Department.

Financial assets

4.24 The financial assets of the group consist mainly of energy efficiency loans, which have had more repayments than additions, and recoverable contract costs whose increase of £398m is also reflected in the increase in the nuclear provision.

4.25 The loans show an impairment of £5m due to a number of cases where the loans are unrecoverable. The proportion of unrecoverable loans is approximately 5% by volume and value of the total loans advanced, this is in line with expectations at the start of the scheme and was taken in to account when the policy was formulated and the schemes set up.

4.26 Investments in subsidiaries have increased by £20m due to a capital injection into Rutherford Indemnity Limited, a subsidiary of the NDA.

Nuclear provision

4.27 The NDA's nuclear provision has shown an increase in provision of £3,741m due to a number of movements as shown in Note 22.1. The major elements causing an increase in the value of the provision relate to regulatory or HM Government led policy changes, including the incorporation of the likely costs of the preferred policy for management of plutonium based on the credible alternatives of near- and long-term storage and disposal.

4.28 The core Department is obliged to assist British Energy to meet its historic nuclear fuel liabilities. The reduction in the provision during the year is because the actual cash payments made exceed the unwinding of one year's discount as shown in Note 22.1.

Coal provisions

- 4.29** Coal provisions predominantly comprise the health liabilities of British Coal transferred to the Department, the National Concessionary Fuel Scheme to provide either solid fuel or a cash alternative to former employees of the British Coal Corporation and their widows, Mine Water treatment, costs of subsidence pumping stations and subsidence. These are all described in Note 22.2.
- 4.30** The overriding reason for the increase during the year is due to elements of the health related provision which have seen a large increase in claims, noise induced hearing loss in particular, and a provision of £16m now being required for phurnacite, previously disclosed as a contingent liability.

Other provisions

- 4.31** The main movement in other provisions relates to the increase in contractual losses provision as shown in Note 22.3, this is due to an overall increase in costs at Sellafield.

Cash Flow Statement

- 4.32** The amount of cash required to fund the Department's activities during 2011-12 was £3,502m (2010-11: £4,072m) compared to an Estimate of £3,834m, a saving of £332m. The reconciliation of net cash requirement to the decrease in cash of £95m can be seen in Note 4.

Other information

Risks and uncertainties

- 4.33** The Departmental Board regularly reviewed the principal risks that might impact on the Department's position. The overall risk policy is summarised in the Governance Statement. 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 Departmental Board but also by other levels of management down through individual programmes and projects. The Approvals Committee continued to provide assurance over risk management at the programme and project levels by scrutinising the relevant programme documentation including programme and project risk registers. Risk management will be further strengthened by the promulgation of a new risk management framework and creation of a new Executive Committee with a focus on risk management during June 2012.
- 4.34** During 2011-12 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 uncertain expenditure under demand-led schemes such as Feed-in Tariffs for renewable electricity, to which scheme the Department has proposed changes to control this risk, and the potential impact of the Nuclear Decommissioning Authority's volatile

incomes from its generating business, on which the Department works closely with the Authority using the expertise provided by the Shareholder Executive. 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

4.35 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 26.4 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

4.36 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 28 to the Accounts.

Research and development

4.37 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, social scientists and engineers 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

4.38 The procedures carried out by the Department relating to data handling and security arrangements are noted in the Governance Statement in Chapter 5. There have been no reported incidents of lost personal data.

Events after the reporting period

4.39 Details of events after the reporting period are given in Note 32 to the Accounts.

Going concern

- 4.40** 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 2012-13 is due to be voted on account when the Supply and Appropriation (Main Estimates) Bill is put before Parliament, the bill was introduced to the House of Commons on 4 July; there is no reason to believe that future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Pension liabilities

- 4.41** 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.
- 4.42** 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 7 to the Accounts and in the Remuneration Report in Chapter 6.

Charitable donations

- 4.43** There were no charitable donations made by the Department.
- 4.44** There were no political donations in excess of £2,000 in aggregate made by the Department. There were no contributions made to a non-EU political party.

Payment of suppliers

- 4.45** DECC aims to pay suppliers promptly and all valid goods and services invoices received are paid as soon as they have been authorised by the DECC officials responsible for the contract, which is more favourable to suppliers than our contractual terms and conditions.
- 4.46** For the year 2011-12, 90.4% (2010-11: 92.9%) of undisputed invoices were paid within five working days.

Auditors

- 4.47** 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 75 to 77 and pages 206 to 208. The notional cost to the Department of the external audit of the financial statements by the National Audit Office for the C&AG was £200,000 (2010-11: £165,000). There were no fees in respect of non-audit work.

- 4.48** The NAO also reported on the Department's activities in a number of areas as described below.

Smart meters

- 4.49** Following the publication by the Comptroller and Auditor General's report on Preparations for the roll-out of smart meters (HC1091, Session 2010-12, 30 June 2011) the Public Accounts Committee of the House of Commons took evidence from the Department on 14 December 2011 and subsequently published its own report on 17 January 2012 (Sixty-third Report of Session 2010-12, HC1617).
- 4.50** The Committee welcomed the introduction of smart meters but had concerns about the way the programme had been planned. It noted that this is a large complex programme requiring replacing around 53 million gas and electricity meters at a cost of some £11.7 billion and that there were significant uncertainties over the estimated costs and benefits involved.
- 4.51** The Committee made recommendations that included that the Department: needs to build consumer trust by ensuring suppliers report transparently the costs and savings of smart metering; should clearly set out what energy suppliers' responsibilities will be for engaging with consumers to deliver the benefits; should set out how it intends to ensure vulnerable and low income consumers do not miss out on the benefits from smart metering; should identify the remaining uncertainties and address these by conducting proper trials to gather robust evidence; take on board lessons learned from other large Government IT programmes; and report to the Committee on progress and a number of issues in 2013.
- 4.52** The government published its formal response to the Public Account Committee's recommendations in March 2012 (Treasury Minutes, Government responses on the Sixty Second to Sixty Seventh Reports from the Committee of Public Accounts Session 2010-12, Cm 8335, pages 8 to 12). The government either accepted in part or accepted in full all of the Committee's recommendations.

Carbon capture and storage

- 4.53** The NAO reported on Carbon capture and storage: lessons from the competition for the first UK demonstration (HC1829, Session 2010-12, 16 March 2012). This reported on the competition, cancelled in October 2011, to design, construct and operate the UK's first commercial-scale carbon capture and storage project. The report highlighted a number of lessons for the Department to address to secure value for money from its new programme: it should clearly articulate how its new programme and the individual projects will contribute to meeting the Government's objectives and set milestones and metrics for monitoring performance; work closely with industry and other government departments to identify all the key risks and systematically address them in order to address the barriers to commercial deployment of the technology; set procurement specifications and associated evaluative criteria that meet its policy objectives but allow sufficient flexibility for innovation; address how it will monitor the return

industry is likely to make and how government risks can be minimised; be clear on the capital investment available in total and across the length of the programme and establish any affordability constraint; and identify value-for-money criteria to be used from the outset.

Offshore electricity transmission

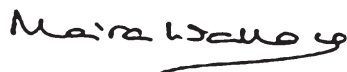
4.54 The NAO reported on Offshore electricity transmission: a new model for delivering infrastructure (HC22, Session 2012-13, 22 June 2012). This reported that the new deals bring the benefit of competition but lock consumers into 20-year deals to pay prices increasing each year with inflation and that the terms of future deals will have to be refined to make sure consumers get best value in return for these long-term commitments. The report's recommendations were that the gas and Electricity Markets Authority (the Authority) should: seek future licences conditions which ensure that consumers are only exposed to appropriate risks; use the lessons of the initial competitions to improve the efficiency of future competition tenders; continue its work in developing independent information on the efficient costs of providing offshore transmission assets; complete a fully quantified estimate of costs and savings from the first tender round; make use of the costs evident from offshore transmission competitions to inform future process reviews for onshore activities.

Long-term plans to deliver secure, low carbon and affordable energy

4.55 The NAO reported on the government's long-term plans to deliver secure, low carbon and affordable energy (HC189, Session 2012-13, 27 June 2012). This reported that investment of £110 billion in electricity infrastructure is needed by 2020 to meet increase in demand, to provide back-up capacity, and because of scheduled closure of one fifth of existing capacity.

Disclosure of audit information

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



Moira Wallace

Principal Accounting Officer and Permanent Secretary

5 July 2012

Accounts

Statement of Principal Accounting Officer's responsibilities

- 5.1** Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed the Department of Energy and Climate Change to prepare, for each financial year, consolidated resource accounts detailing the resources acquired, held or disposed of, and the use of resources, during the year by the Department and its sponsored non-departmental public bodies designated by order made under the GRAA by Statutory Instrument 2011 no 723 (together known as the 'departmental group', consisting of the Department and sponsored bodies listed at note 1.3 to the accounts). The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department and the Departmental group and of the net resource outturn, resources applied to objectives, recognized gains and losses and cash flows of the departmental group for the financial year.
- 5.2** In preparing the accounts, the Principal Accounting Officer of the Department is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:
- observe the Accounts Direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
 - ensure that the Department has in place appropriate and reliable systems and procedures to carry out the consolidation process;
 - make judgements and estimates on a reasonable basis, including those judgements involved in consolidating the accounting information provided by non departmental public bodies;
 - state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
 - prepare the accounts on a going concern basis.

- 5.3** HM Treasury has appointed the Permanent Secretary of the Department as Principal Accounting Officer of the Department of Energy and Climate Change.
- 5.4** The Principal Accounting Officer of the department has also appointed the Chief Executives of its sponsored non-departmental public bodies as Principal Accounting Officers of those bodies. The Principal Accounting Officer of the Department is responsible for ensuring that appropriate systems and controls are in place to ensure that any grants that the Department makes to its sponsored bodies are applied for the purposes intended and that such expenditure and the other income and expenditure of the sponsored bodies are properly accounted for, for the purposes of consolidation within the resource accounts. Under their terms of appointment, the Accounting Officers of the sponsored bodies are accountable for the use, including the regularity and propriety, of the grants received and the other income and expenditure of the sponsored bodies.
- 5.5** The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the Department or non-departmental public body for which the Accounting Officer is responsible, are set out in *Managing Public Money* published by HM Treasury.

DECC Governance Statement

1. INTRODUCTION AND KEY CHALLENGES

This is the first Annual Governance Statement for the Department of Energy and Climate Change (DECC) in the new format prescribed by HM Treasury. The information in the Annual Governance Statement was previously contained in the Statement on Internal Control. It sets out the governance, risk management and internal control arrangements that have operated in the Department during the financial year from 1 April 2011 to 31 March 2012 and up to the date of approval of the Annual Report and Accounts including the Department's Trust Statement, and accords with HM Treasury Guidance. It also integrates information about the Department's Non-Departmental Public Bodies (NDPBs) included in the Group consolidated Accounts.

The Department is now almost four years old and its structure, staffing and systems have developed in this time, as has its governance. DECC has adapted from its initial setup phase to become an established policy department and is skilling up to manage major delivery programmes. DECC's delivery portfolio is now amongst the largest in Whitehall and the Department has invested significantly in new skills to meet these challenges, including a major strengthening of commercial, programme management and engineering capacity.

2. THE GOVERNANCE STRUCTURE

During 2011/12 the main development in departmental governance was the advent of a new Departmental Board chaired by the Secretary of State. Previous governance arrangements, including the previous Management Board, were adapted to make space for the Departmental Board. I was supported in my role of Accounting Officer by the Audit and Risk Committee and three executive committees.

2.1 How the Governance Structure Operated in 2011–12

The Departmental Board formed the collective strategic and operational leadership of the Department with responsibilities covering six main areas; Strategy, Risk, Resources and Change, Performance, Capability and Management Information. The responsibilities of the Committees supporting the Board were as follows;

- **Audit and Risk Committee** – provided assurance on the quality of the Department's Resource Accounts, the effectiveness of governance, risk management & internal control arrangements, the activity and results of both Internal and External audit and counter-fraud, whistle blowing processes, and arrangements for special investigations;
- **Management and Change Committee** – oversaw the implementation of change within the organisation, staff engagement, and significant capability, finance and management matters that need cross-DECC agreement;

- **Approvals Committee** – ensured that DECC’s major programmes and projects were deliverable and affordable with adequate planning, resourcing and governance structures. The Committee considered business cases, financial impacts, costs and value for money in ensuring major projects were fit for purpose and, where appropriate, scrutinised their delivery plans.
- **Strategy Development Committee** – ensured that cross-cutting and long-term strategic issues we identified and presented to Ministers and the Departmental Board in good time and on the basis of robust evidence.

Each of the four business groups in the Department also has its own governance structure, and these structures are becoming increasingly well developed around the major projects DECC is running.

2.2 Sponsorship of NDPBS

The Department has clear arrangements for monitoring its NDPBs. Responsibility for the sponsorship of these bodies is held by Directors General. The Department ensures that its NDPBs have robust governance structures in place to complement DECC structures and ensure that there is clear accountability for finance, risk and performance. This involves regular reporting of performance against delivery plans. There is regular dialogue with NDPBs and consultations on emerging policy, strategy and business planning priorities. This is done through both formal meetings and informal discussions.

2.3 Issues & Risks Considered by the Departmental Board

The Departmental Board met four times in 2011–12, in the course of which it had a series of discussions on strategy, decided its terms of reference, and agreed a performance scorecard. It reviewed in detail all 10 of the Department’s top risks and individually discussed the following programme areas: the Green Deal, Electricity Market Reform, Carbon Capture and Storage and Nuclear Decommissioning, all of which are key programmes for the Department in meeting its high level objectives. It also established agreements to receive formal reporting from its Committees.

2.4 Review of Board Performance & Compliance with the Corporate Governance Code

The Department has complied with the Corporate Governance code, subject to the points below:

- Under the Corporate Governance Code, the Department is required to have a Nominations and Governance Committee chaired by a Non-Executive Director of the Board. This has been created, but did not hold its first meeting until June 2012
- The Board’s review of its performance in its first year of operation identified the need for more robust reporting from its sub-committees, consistent with the Code’s recommendation that the Board should receive accurate and timely feedback from its sub-committees. Sub-committee reports were introduced in February 2012 and are now a regular agenda item.

- The Code says that the Board should include a Finance Director who is professionally qualified. The Chief Operating Officer is a full member of the Board and the professionally qualified Finance Director attended all instances of Board meetings where financial business was discussed and will attend all Board Meetings from May 2012.

The Departmental Board undertook an evaluation of its performance over its first year of operation, which included an assessment of its own effectiveness. This noted a number of strengths but also the need to be clear about the Board's supervisory role, undertake Board development, and communicate its role clearly. In parallel, the review of DECC's capability identified a need for the Departmental Board to put in place the processes to enable it to perform and a need to recreate an executive committee. These issues are now being addressed through the implementation of the Capability Action Plan

Below are the dates when the Departmental Board met during 2011–12 along with a record of Board Member attendance

Board member	31/3	4/7	13/10	17/1	Total
SoS	√	√	√	√	4/4
Charles Hendry	√	√	√	√	4/4
Greg Barker	X	√	√	√	3/4
Lord Marland	√	√	√	X	3/4
Moira Wallace	√	√	√	√	4/4
Simon Virley	√	√	√	√	4/4
Phil Wynn Owen	√	√	√	√	4/4
Edmund Hosker*	√	√	–	–	2/2
Wendy Barnes**	–	–	√	√	2/2
Paul Walsh	√	√	√	√	4/4
Rob Whiteman	√	√	√	X	3/4
Richard Reed***	√	√	√	–	3/3
Claire Thomas****	–	–	–	√	1/1

* Director General Operations Group until 11 September 2011

** Interim Chief Operating Office from 12 September 2011

*** Contract ended 31 December 2011

**** Appointed 1 January 2012

2.5 Changes to the Governance Structure in 2012–13

A key recommendation of the Governance Review was that DECC should recreate its Executive Committee. The new Executive Committee has now been established with effect from the 12 June 2012 to replace the Management and Change Committee and Strategy Development Committee. The purpose of the DECC Executive Committee is to

ensure the smooth and efficient running of a joined up department with clear objectives and measurable outcomes.

It will meet every 2 weeks, and will enable the Executive team to take decisions on key items that have a strategic or overarching impact, including the response to the Capability Review; and ensuring DECC achieves our strategic objectives, through a monthly review of finance, performance and risk, and oversight and management of DECC's portfolios.

3 RISK MANAGEMENT

3.1 Approach to Risk

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 Departmental Board considered a top-level Risk Register on a quarterly basis throughout 2011–12. 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. During 2011–12, the Departmental Board oversaw a programme of “deep dives” into the department's top risks with input from senior management, Non-Executive Directors and where available Ministers. Reports of these risk reviews are sent to the Departmental Board to provide them with assurance that risks are being managed appropriately.

The Audit and Risk Committee is responsible for assessing the Department's risk policy and its effectiveness. It discusses the latest agreed version of the top-level Risk Register at every meeting.

Although these are good foundations on which to build, the Department remains exposed to many risks, both from the innovative nature of its programmes, and the mismatch between its large delivery programme and small size. This was a major theme of the Capability Review. The Department has already initiated a risk management improvement project and developed a new risk management policy and associated risk management framework which were promulgated on 12 June 2012 and will be embedded in the organisation during 2012–13. This work includes a review of the assurances the Department receives over its key risks.

3.2 Information Security Risk

To ensure a common and consistent approach to all risks within the Department, information security risks are subject to the same risk management arrangements. The Department has a Senior Information Risk Owner (SIRO), Chief Information Officer (CIO) and Departmental Security Officer (DSO). The Department has continued to seek to strengthen its security environment and the Board has agreed DECC's risk appetite for information risk. The Department holds quarterly meetings with all SIROs in the DECC family. These meetings provide updates of any new information regarding information security, bring in experts from across Government to undertake presentations on various aspects of information assurance, discuss any issues which may have arisen and exchanges best practice. There have been no reported incidents of lost personal data. A review of the smart meters risk treatment process was undertaken by the SIRO to

ensure that the risk treatment plan was comprehensive and followed HMG best practice. The review confirmed that this was the case.

In April 2012, DECC undertook its annual Security Risk Management Overview with Internal Audit performing the independent challenge role. There were no significant issues coming out of the review and DECC has continued to strengthen and enhance the controls measures in place to address the mandatory requirements. One particular area of improvement from 2011–12 has been the substantial increase in the numbers of staff undertaking security training, which reached 85%.

4. Control and Risk Issues

4.1 Key Events

Carbon Capture and Storage

During the year, after a period of negotiation with a consortium considering Carbon Capture and Storage demonstration at Longannet, Ministers took the decision to stop the project. This was because a value for money, affordable solution was not available. A review by the National Audit Office identified lessons learned from the process which are being addressed in taking forward future work in this area. Their report can be accessed via the NAO website at

http://www.nao.org.uk/publications/1012/carbon_capture_and_storage.aspx

Feed-In-Tariffs

The feed-in tariffs (FITs) scheme is a financial incentive to drive deployment of small-scale low carbon electricity generation. Generators of renewable electricity are paid a fixed tariff over a number of years to incentivise the up-front costs of installation. The Great Britain FITs scheme was launched in April 2010 and supports low carbon installations up to 5MW.

In 2011, there was an unforeseen rapid take up of FITs payments for solar PV installations, following significant falls in global prices of PV modules. This led to an overspend on the FITs element of the Levy Control Framework which has put pressure on the Framework as a whole.

This incident was the subject of a joint report by the Environmental Audit Committee and the Energy and Climate Change Select Committees and the Department is also exploring and applying the lessons learnt, with the support of the Audit and Risk Committee. A new cost control mechanism has been introduced for the scheme to avoid future such events.

Tanker Driver Strikes

At the end of the year DECC had to put into action and gear up its established emergency response plans when the very real threat of a fuel tanker drivers strike arose.

DECC mobilised the Emergency Operations Centre, working with Cabinet Office within the COBR structure. DECC also worked closely with MoD, DfT, CLG, the Devolved Administrations and Local Resilience Fora. The potential strike did not take place but had it gone ahead the Government had in place robust resilience and contingency plans to respond to significant disruptions to fuel supplies in the UK. For example round 1,400

military drivers had trained and we had expected to be able to maintain the majority of fuel deliveries to forecourts. Lessons have been learned for the future and are being applied to boost resilience in the downstream oil sector, as well as improving how DECC responds to emergency situations.

4.2 Key Initiatives

Capability Review

An independent Capability Review of the Department was undertaken during 2011–12 to assess the Department's capability to meet current and future challenges in leadership, strategy and delivery and identify areas for improvement.

The last Capability Review in 2009 set DECC the challenge of transforming from a policy-focused organisation to one with the ability to manage a large and complex delivery programme. The 2011–12 Review acknowledged that we had made good progress on this transformation. We have committed staff, an increasingly broad range of skills, and some of our delivery models are mature and performing well. However, the Review also recognised that we still have work to do as our portfolio is so challenging. There was a mis-match between the Department's capability and its aspiration resulting in the need to rebalance either by prioritising DECC's portfolio or increasing delivery capability. The Department also needed to accelerate its efforts in developing its leadership and governance, people and skills, and delivery culture if it was to deliver its significant portfolio and build on the good work it had already done in developing its large programme. The Department will be setting out a programme to implement the recommendations contained in the Capability Action Plan.

Review of DECC's Finance Structures

Recognising that DECC's emphasis has shifted towards being a department focussed on delivery as well as policy, the Finance Director commissioned Deloitte to undertake an external review of DECC's finance structures to consider whether it provides the best basis for supporting the business at this stage in DECC's development. The review concluded that the finance function is maturing and that the overall direction of travel is positive but that there are changes that can be made to respond to DECC's increasing focus on delivery. The recommendations will be taken forward by the Finance team during 2012–13 through a number of activities, including the establishment of a finance user network and an improved training and awareness offering to the business.

Managing Risk of Financial Loss

As part of a Government-wide review of the management of risk of financial loss, a 'Dear Accounting Officer' (DAO) letter was issued which advised using a toolkit developed by HM Treasury to help diagnose risk of financial loss and then design proportionate responses. The Department has employed the toolkit to assess the risk of financial loss across all of its key processes. The review has confirmed that in most areas controls are in place and operating comprehensively and has also identified a number of actions to further strengthen control. This exercise was completed by the end of March 2012 and Internal Audit validated the assessments that the Department had made. The

Department has begun to implement actions plans and will seek to complete the action it has identified during 2012–13.

4.3 Ministerial Directions

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

5. REVIEW OF THE SYSTEM OF GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of governance, risk management and internal control. My review of the effectiveness 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 risk management and internal control framework; and comments made by the external auditors in their management letter and other reports. The Audit & Risk Committee also provides me with further assurance.

My review has provided me with assurance that the system of governance, risk management and internal control in operation in the Department has improved throughout the year in many respects but still had some weaknesses which needed to be addressed. In such cases improvements have been made and plans developed to further strengthen governance, risk management and controls in 2012–13. This will be a major part of the Department's response to the Capability Review, which focuses heavily on:

- portfolio management
- matching capability and ambition
- people development
- governance and embedding a best practice operating model
- a strong emphasis on communicating a new system of governance and the new operating model

The effectiveness of the system of governance, risk management and 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 & Risk 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. The outcome of this exercise identified improving governance at group level but a need to strengthen it further in the light of risk and control issues which have emerged during the year. In particular:

- the existing skill mix needed to continue to change to deal with the scale and complexity of key programmes; there should also be renewed effort to prioritise the projects DECC was required to deliver and apply resources to the top priority; and
- more rigour and better quality discussions on risk at Group level were required.

The Department's Executive Non-Departmental Public Bodies (NDPBs) each conduct a review of the effectiveness of governance, risk management and internal control in the Governance Statements they 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. I have reviewed the Governance Statements prepared by the NDPBs and am satisfied that effective governance, risk management and internal control arrangements are in place.

The respective Governance Statements of the NDPBs below highlighted the following issues:

Nuclear Decommissioning Authority (budget £3,517,015k)

- The Board effectiveness review indicated that it would be beneficial to review the form, function and operation of the Audit and Remuneration Committees to reflect the progress made by the NDA since start-up in 2004 and the different challenges it now faces.

Coal Authority (budget £32,487k)

- A major reorganisation throughout 2011 has seen the Authority contract from an organisation with 164 staff to one with 135. Although this headcount reduction has stretched and challenged organisational capability, downscaling was well managed and no major breaches of internal control resulted from it. Where minor incidents occurred, established response plans were invoked and found to be effective.

Civil Nuclear Police Authority (budget £562k)

- Whilst the Authority has a well-established framework for financial controls, the Managing Risk of Financial Loss assessment results identify opportunities for further strengthening both financial systems and organisational capability.

Committee on Climate Change (budget £2,662k)

- The Committee would benefit from further work in identifying and recording information assets and work will take place to rectify this in the year ahead.

DECC's internal audit programme is designed specifically to identify control weaknesses and make recommendations for improvement. 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 2011–12 and of the findings of audit reviews. The auditors issue one of three opinion ratings: satisfactory, improvement required, and unsatisfactory. In 2011–12 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.

Where weaknesses in the control environment have been identified this year, action to strengthen control has been taken or is planned. DECC monitors progress on implementing audit recommendations throughout the year and provides regular updates to the Audit & Risk Committee.

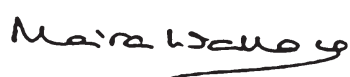
During the year, Internal Audit undertook a number of reviews covering various aspects of DECC's internal control environment. Overall, IA found that there continued to be an improvement in the control environment operating across the Department but progress in some areas was slower than expected. The Department needed to continue to develop its governance structure while IA reviews of both Procurement and Recruitment highlighted the need to develop an effective corporate approach in both those areas. However, IA considered there to be a strong desire within the organisation to learn lessons and the recent findings from the Capability Review allied to the new risk management framework should help the Department mature and embed good disciplines in understanding and prioritising the management of its key risks as part of its corporate behaviour.

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 it is supplemented in greater detail by assurance activity coordinated by the Major Projects Authority (MPA) on individual major programmes and projects. This assurance activity usually involves staged assurance gateway reviews, run by external non-advocate experts and coinciding with major decision points, thus providing good evidence as to whether projects are ready to enter the next phase of work or to commit expenditure.

Whilst the qualification of the regularity opinion on the financial statements is disappointing, and of concern to me as Accounting Officer, I have reviewed the circumstances which has resulted in the breach of one of the Department's Parliamentary Control totals. The circumstances did not result in a financial or cash loss to the taxpayer and therefore I do not consider there to be a breach of internal control to report here.

6. Conclusion

I have considered the evidence provided in the production of the Annual Governance Statement and the independent advice provided by the Head of Internal Audit and the Audit and Risk Committee, I conclude that the Department has made considerable progress during the year to strengthen the framework of internal control and risk management resulting in an improving position in relation to risk management, internal control and governance. We have effective plans in place to ensure continuous improvement.



Moira Wallace

5 July 2012

Principal Accounting Officer and Permanent Secretary

THE CERTIFICATE OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

I certify that I have audited the financial statements of the Department of Energy and Climate Change and of its Departmental Group for the year ended 31 March 2012 under the Government Resources and Accounts Act 2000. The Departmental Group consists of the core Department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2011. The financial statements comprise the Department's and Departmental Group's Statements of: Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Principal Accounting Officer and auditor

As explained more fully in the Statement of Principal Accounting Officer's Responsibilities, the Principal Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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

transactions recorded in the financial statements conform to the authorities which govern them.

Basis for Qualified Opinion on regularity

Parliament authorised an annually managed capital expenditure limit for the Department which required it to generate net income of at least £62.8 million. The Department achieved net income of £56.635 million against this limit meaning that this authorised limit was breached by £6.165 million as shown in the Statement of Parliamentary Supply. I have qualified my regularity opinion on the Department's financial statements in this regard.

Qualified Opinion on regularity

In my opinion, except for the excess described in the basis for qualified opinion paragraph, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2012 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

More details of the reasons for my qualified audit opinion are set out in my report on pages 78 to 79.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's and the Departmental Group's affairs as at 31 March 2012 and of the Department's net operating cost and Departmental Group's net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Emphasis of Matter

Without qualifying my opinion, I draw attention to the disclosures made within notes 1.36 and 22 to the financial statements concerning the uncertainties inherent in the provisions relating to the costs of dealing with nuclear decommissioning and coal liabilities, managed by the Nuclear Decommissioning Authority and the Coal Authority respectively. As set out in these notes, given the complexity and given the very long timescales involved, a considerable degree of uncertainty remains over the value of the liabilities. Significant changes to the liabilities could occur as a result of subsequent information and events which are different from the current assumptions adopted.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in Chapters one to four, in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Amyas C E Morse

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

5 July 2012

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

Introduction

1. The Department of Energy and Climate Change (the Department) was set up in 2008. The Department's aims are to save energy through its "Green Deal" initiative, deliver secure energy supplies and incentivise investment in renewable and low carbon energy, drive action on climate change nationally and internationally and, manage energy liabilities responsibly and cost effectively.
2. In 2011-12, the Department was responsible for £6.271 billion (net) of UK public expenditure. Its administration costs totalled £157.522 million.
3. The Department is required to prepare its financial statements in accordance with the Government Financial Reporting Manual (FReM). Under the FReM, the Department is required to apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector.

Purpose of Report

4. The net expenditure of government departments is authorised by Acts of Parliament¹⁹. These Acts set a series of annual limits on the net expenditure which the department may not exceed and on the total overall cash they can use. Where these limits are breached, I qualify my regularity opinion on the financial statements. HM Treasury then prepares a statement of all such excesses in the year and requests that the House of Commons authorise the expenditure by passing an additional Act of Parliament, which is part of the Supply and Appropriations (Anticipation and Adjustments) Act.
5. For the 2011-12 financial year, these authorised limits were aligned to those used by HM Treasury to control public expenditure. Further detail on the authorised limits can be found within the Main Supply Estimates for 2011-12²⁰.
6. Parliament authorised an annually managed capital expenditure limit for the Department which required it to generate net income of £62.8 million. Outturn against this limit was net income of £56.635 million meaning that the authorised limit was breached by £6.165 million and so I have qualified my regularity opinion on the Department's financial statements in this regard. HM Treasury propose to ask Parliament to authorise a further £6.165 million of annually managed capital expenditure.

¹⁹The Supply and Appropriations (Main Estimates) Act 2011 and the Supply and Appropriations (Anticipation and Adjustments) Act 2012

²⁰The Supply and Appropriations (Main Estimates) Act 2011

Explanation of Qualified Audit Opinion

7. The Department carries on its Statement of Financial Position a long term debtor which represents the government's share of the surplus arising on the funds covering former British Coal pension schemes which are guaranteed by the Department. The receivable is based on the future cash flows that the scheme actuary recommends are paid to the Department.
8. The Department had correctly obtained Estimate cover for the income to be received during 2011-12 of £77.8 million but had failed to include within their Estimate the expenditure associated with unwinding of the discount on the long term debtor, which is accounted for as a charge to annually managed capital expenditure. Consequently, the net outturn of expenditure is more than the control total.
9. The Department views the breach of limit as a serious matter. The Accounting Officer has reviewed whether these circumstances indicate any deficiencies in financial management or internal control and has concluded that they do not. However, further analysis is being carried out by the Department on Parliamentary reporting implications to make sure lessons are learned; to ensure vigilance is maintained and that monitoring is improved to prevent any recurrence of such an excess.

Amyas C E Morse

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5 July 2012

Statement of Parliamentary Supply

Summary of Resource and Capital Outturn 2011-12

£'000								2011-12	2010-11
		Estimate			Outturn				Outturn
								Voted Outturn compared with Estimate: saving/(excess)	
	Note	Voted	Non-Voted	Total	Voted	Non-Voted	Total		Total
Departmental Expenditure Limit									
Resource		2,418,790	(1,025,000)	1,393,790	2,130,009	(971,504)	1,158,505	288,781	1,148,695
Capital		1,740,396	(255,000)	1,485,396	1,706,027	(251,712)	1,454,315	34,369	2,014,329
Annually Managed Expenditure									
Resource		4,891,331	–	4,891,331	3,716,197	–	3,716,197	1,175,134	5,203,434
Capital		(62,800)	–	(62,800)	(56,635)	(1,000)	(57,635)	(6,165)*	(77,800)
Total Budget		8,987,717	(1,280,000)	7,707,717	7,495,598	(1,224,216)	6,271,382	1,492,119	8,288,658
Non-Budget									
Resource		–	–	–	–	–	–	–	–
Total		8,987,717	(1,280,000)	7,707,717	7,495,598	(1,224,216)	6,271,382	1,492,119	8,288,658
Total Resource	2.1	7,310,121	(1,025,000)	6,285,121	5,846,206	(971,504)	4,874,702	1,463,915	6,352,129
Total Capital	2.2	1,677,596	(255,000)	1,422,596	1,649,392	(252,712)	1,396,680	28,204	1,936,529
Total		8,987,717	(1,280,000)	7,707,717	7,495,598	(1,224,216)	6,271,382	1,492,119	8,288,658

Net cash requirement 2011-12

£'000		Note	2011-12 Estimate	2011-12 Outturn	2010-11 Outturn
				Outturn compared with Estimate: saving/(excess)	
				Outturn	Outturn
Net cash requirement		4	3,833,523	3,501,624	4,072,276

Administration Costs 2011-12

	2011-12 Estimate	2011-12 outturn	2010-11 outturn
Administration Costs 2011-12	198,000	157,522	146,670

Figures in the areas outlined in bold are voted totals or other totals subject to Parliamentary control.

*The Department has incurred an Excess of £6.2m against its voted Capital AME. This has arisen due to insufficient cover provided in the Supplementary Estimate to reflect the capital movements in the Coal Pensions Investments, as it included the forecast cash receipt but omitted an accounting entry to reflect the associated unwinding of one year's discount of the future cash receipts resulting from the assets.

The Department will seek Parliamentary approval by way of an Excess Vote in the next Appropriation Act.

Explanations of variances between Estimate and outturn are given in Note 2 and in the Management Commentary.

The Notes on pages 87 to 186 form part of these Accounts.

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2012

£'000		2011-12		2010-11	
	Note	Core Department	Departmental Group	Core Department Restated	Departmental Group
Administration costs					
Staff costs	7	70,915	150,366	67,080	148,844
Other costs	8	44,277	85,907	31,836	63,213
Income	11	(2,997)	(78,889)	(3,013)	(65,460)
Programme costs					
Staff costs	7	5,750	16,938	3,615	17,081
Other costs	9	734,079	7,394,995	1,260,149	9,308,167
Income	11	(1,287,161)	(1,048,850)	(1,211,631)	(1,147,071)
Grant in Aid to NDPBs	9	2,730,559	–	2,748,330	–
Net operating cost for continuing operations for the year ended 31 March 2012					
		2,295,422	6,520,467	2,896,366	8,324,774
Discontinued operations					
Other programme costs	9	–	–	–	50,696
Income	11	–	–	–	(59,590)
Total		–	–	–	(8,894)
Net operating cost for the year ended 31 March 2012					
		2,295,422	6,520,467	2,896,366	8,315,880
Total expenditure		3,585,580	7,648,206	4,111,010	9,588,001
Total income		(1,290,158)	(1,127,739)	(1,214,644)	(1,272,121)
Net operating cost for the year ended 31 March 2012		2,295,422	6,520,467	2,896,366	8,315,880

The Notes on pages 87 to 186 form part of these Accounts.

Other Comprehensive Net Expenditure

for the year ended 31 March 2012

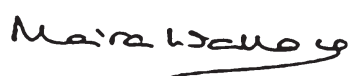
£'000	2011-12		2010-11	
	Core Department	Departmental Group	Core Department Restated	Departmental Group
Net operating costs for the year ended 31 March 2012	2,295,422	6,520,467	2,896,366	8,315,880
Net (gain)/loss on:				
Revaluation of property, plant and equipment	–	(3,288)	–	(7,418)
Revaluation of intangibles	–	(2)	–	9
Defined benefit pension schemes	–	11,960	–	(5,197)
Total Comprehensive Net Expenditure for the year ended 31 March 2012	2,295,422	6,529,137	2,896,366	8,303,274

The Notes on pages 87 to 186 form part of these Accounts.

Consolidated Statement of Financial Position

as at 31 March 2012

£'000		31 March 2012	31 March 2012	31 March 2011	31 March 2011	1 April 2010	1 April 2010
	Note	Core Department	Departmental Group	Core Department Restated	Departmental Group	Core Department Restated	Departmental Group
Non-current assets							
Property, plant and equipment	12	11,783	774,972	7,146	888,280	8,426	1,124,653
Intangible assets	13	541	7,218	431	6,648	–	3,749
Financial assets	14	60,527	1,726,052	86,929	1,597,797	74,446	1,907,127
Investment property	15	–	934	–	1,226	–	1,037
Trade and other receivables	19	212,043	225,262	277,998	294,300	341,723	358,698
Total non-current assets		284,894	2,734,438	372,504	2,788,251	424,595	3,395,264
Current assets							
Assets classified as held for sale	17	–	100,145	–	277,647	–	295,939
Inventories	18	–	80,051	–	111,857	–	104,490
Trade and other receivables	19	127,194	673,628	154,516	665,403	185,349	760,851
Financial assets	14	40,869	57,371	43,319	91,567	19,416	93,636
Cash and cash equivalents	20	89,614	187,000	59,752	282,324	271,286	445,400
Total current assets		257,677	1,098,195	257,587	1,428,798	476,051	1,700,316
Total assets		542,571	3,832,633	630,091	4,217,049	900,646	5,095,580
Current liabilities							
Trade and other payables	21	(412,712)	(1,650,460)	(396,563)	(1,627,790)	(616,945)	(1,731,502)
Provisions	22	(318,890)	(2,733,755)	(324,293)	(2,443,817)	(337,186)	(2,567,477)
Total current liabilities		(731,602)	(4,384,215)	(720,856)	(4,071,607)	(954,131)	(4,298,979)
Non-current assets plus/less net current assets/liabilities		(189,031)	(551,582)	(90,765)	145,442	(53,485)	796,601
Non-current liabilities							
Trade and other payables	21	(1,036)	(1,962,029)	(1,351)	(1,891,000)	(264)	(1,488,013)
Provisions	22	(2,168,652)	(55,563,992)	(2,254,211)	(52,107,485)	(2,382,507)	(47,844,137)
Total non-current liabilities		(2,169,688)	(57,526,021)	(2,255,562)	(53,998,485)	(2,382,771)	(49,332,150)
Total assets less liabilities		(2,358,719)	(58,077,603)	(2,346,327)	(53,853,043)	(2,436,256)	(48,535,549)
Taxpayers' equity and other reserves							
General fund		(2,358,719)	(58,411,818)	(2,346,327)	(54,155,980)	(2,436,256)	(48,863,475)
Revaluation reserve		–	334,215	–	302,937	–	327,926
Total equity		(2,358,719)	(58,077,603)	(2,346,327)	(53,853,043)	(2,436,256)	(48,535,549)



Moira Wallace
Principal Accounting Officer and Permanent Secretary
5 July 2012

The Notes on pages 87 to 186 form part of these Accounts.

Consolidated Statement of Cash Flows

for the year ended 31 March 2012

		2011-12	2010-11
	Note	£'000	£'000
Cash flows from operating activities			
Net operating cost	3.1	(6,520,467)	(8,315,880)
Adjustments for non-cash transactions	10	6,311,960	7,304,464
(Increase)/decrease in trade and other receivables	19	60,813	159,846
(Increase)/decrease in inventories	18	31,806	(7,367)
(Increase)/decrease in derivative financial instruments assets	14.4	2,124	10,596
Movement on recoverable contract costs	14.5	(140,751)	347,353
Movement on Defined Benefit Scheme	14.7	–	(6,752)
Movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure		26,782	(300,562)
Increase/(decrease) in trade and other payables	21	93,699	299,275
Movements in payables relating to items not passing through the Statement of Comprehensive Expenditure		49,586	38,969
Use of provisions	22	(2,537,585)	(2,378,044)
Net cash outflow from operating activities		(2,622,033)	(2,848,102)
Cash flows from investing activities			
Purchase of property, plant and equipment		(53,083)	(57,661)
Purchase of intangibles		(1,293)	(2,654)
Purchase of investments	14.2	(20,000)	–
Proceeds on disposal of property, plant and equipment		242,482	1,287
Proceeds on disposal of investments		29,622	15,376
Energy Efficiency Loans advanced to other bodies		(22,536)	(60,274)
Repayments from other bodies	14.1	45,357	18,623
Net cash outflow from investing activities		220,549	(85,303)
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		3,590,000	3,077,000
From the Consolidated Fund (Supply) – prior year		13,173	65,131
Amounts remitted to the Consolidated Fund (Offset against Parliamentary Supply)		(73,214)	718,384
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts		(21)	(28)
Net financing		3,529,938	3,860,487
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		1,128,454	927,082
Payments of amounts due to the Consolidated Fund		(1,223,778)	(1,090,158)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		(95,324)	(163,076)
Cash and cash equivalents at the beginning of the period	20	282,324	445,400
Cash and cash equivalents at the end of the period	20	187,000	282,324

The Notes on pages 87 to 186 form part of these Accounts.

Consolidated Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2012

	Note	Core Department General fund restated £'000	Departmental Group General fund £'000	Departmental Group Revaluation reserve £'000	Departmental Group Taxpayers' equity £'000
Balance at 1 April 2010		(2,436,256)	(48,863,475)	327,926	(48,535,549)
Net parliamentary funding – drawn down	4	3,077,000	3,077,000	–	3,077,000
Amounts remitted/paid over to the Consolidated Fund	4	718,384	718,384	–	718,384
Supply payable – current year	4	13,173	13,173	–	13,173
CFERs ¹ payable to the Consolidated Fund	5.1	(1,090,413)	(1,090,413)	–	(1,090,413)
Supply CLoS adjustment		267,986	267,986	–	267,986
Net operating cost for the year	3.1	(2,896,366)	(8,315,880)	–	(8,315,880)
Revaluation of property, plant and equipment		–	–	7,418	7,418
Revaluation of intangibles		–	–	(9)	(9)
Surplus on pension fund		–	5,197	–	5,197
Transfer between reserves		–	32,398	(32,398)	–
Non cash charges – Auditors remuneration	10	165	165	–	165
Other		–	(515)	–	(515)
Balance at 31 March 2011		(2,346,327)	(54,155,980)	302,937	(53,853,043)
Net parliamentary funding – drawn down	4	3,590,000	3,590,000	–	3,590,000
Amounts remitted/paid over to the Consolidated Fund	4	(73,214)	(73,214)	–	(73,214)
Supply payable – current year	21	(87,553)	(87,553)	–	(87,553)
CFERs ¹ payable to the Consolidated Fund	5.1	(1,225,439)	(1,225,439)	–	(1,225,439)
Supply CLoS adjustment		73,214	73,214	–	73,214
Net operating cost for the year	3.1	(2,295,422)	(6,520,467)	–	(6,520,467)
Revaluation of property, plant and equipment		–	–	3,288	3,288
Revaluation of intangibles		–	–	2	2
Transfer between reserves		–	201	(201)	–
Non cash charges – Auditors remuneration	10	200	200	–	200
Leased building transfer in		5,822	5,822	–	5,822
Other		–	(18,602)	28,189	9,587
Balance as at 31 March 2012		(2,358,719)	(58,411,818)	334,215	(58,077,603)

¹ Consolidated fund extra receipts

The Notes on pages 87 to 186 form part of these Accounts.

The General fund represents the total assets less liabilities of the Group and of the core Department. The General fund shows a deficit as a result of the large value of provisions for both the Group and the core Department; these future liabilities will be met out of future funding from Parliament.

The Revaluation reserve reflects the increases in the fair value of property plant and equipment carried at valuation and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in taxpayers' equity.

The Notes on pages 87 to 186 form part of these Accounts.

Notes

1.1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2011-12 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector.

Where the FReM permits a choice, the accounting policy which is judged to be most appropriate to the particular circumstances of the Department of Energy and Climate Change and its consolidated entities (the Group) for the purposes of giving a true and fair view has been selected. These have been applied consistently in dealing with items that are considered material to the accounts.

In addition to the primary statements prepared under IFRS, the FReM also requires the Group to prepare an additional primary statement; the Statement of Parliamentary Supply (and supporting notes) which shows Outturn against Estimate in terms of the DEL and AME Resource and Capital spend and the net cash requirement outturn against Estimate.

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

1.2 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of investments, property, plant and equipment (except waste management assets), intangible assets, certain financial assets and liabilities and financial instruments as referred to below.

1.3 Basis of consolidation

These accounts comprise a consolidation of the core Department and those entities which fall within the departmental boundary as defined in the FReM. The entities within the departmental boundary are:

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

The latter four are Executive Non-Departmental Public Bodies (NDPBs) and also produce and publish their own Annual Report and Accounts. The Department and all

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

1.4 Going concern

The consolidated Statement of Financial Position at 31 March 2012 shows net liabilities of £58,078 million (31 March 2011: £53,853 million). This reflects the inclusion of liabilities, in particular nuclear and coal provisions, which fall due in future years. All liabilities will be met by future funding from Parliament and there is no reason to believe that future Parliamentary approval will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.5 Property, plant and equipment

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

1.6 Property

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

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

1.7 Non-property

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

Assets under construction are valued at cost.

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

1.8 Revaluation

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

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

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

1.9 Intangible assets

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

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

1.10 Impairment

At each reporting date, the Group 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; an impairment loss is recognised when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. Recoverable amount is the higher of fair value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset or cash generating unit 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.

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

1.11 Depreciation

Property, plant and equipment assets are depreciated at rates calculated to write them down to their estimated residual value on a straight line basis over their estimated useful lives.

Assets are depreciated over the following periods:

Freehold and long leasehold land	not depreciated
Freehold and leasehold buildings	10 to 60 years
Plant, machinery and equipment	2 to 30 years
Furniture, fixtures and fittings	2 to 11 years
Information technology	2 to 5 years
Minewater schemes	10 to 50 years

Assets under construction are not depreciated until they are brought into use.

Leasehold buildings are depreciated over the shorter of their useful life and lease term.

1.12 Investment properties

The Group holds a number of properties which have been classified as investment properties and are not depreciated in accordance with IAS40, but may be impaired or revalued to provide a carrying value at their estimated fair value. Full valuations are undertaken every five years with desk top review carried out in the intervening periods. Gains and losses arising from changes in fair value of investment property are recognised in the Statement of Comprehensive Net Expenditure.

1.13 Investments in subsidiaries

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

1.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and all costs to be incurred in marketing, selling and distribution. This is a departure from the FReM requirement to value inventories at current cost but this does not represent a material difference in valuation. Where necessary, inventory values are adjusted for obsolete, slow moving and defective items.

Reprocessed uranium inventory are held at nil value pending development of long term options and cost estimates for disposal of this material.

1.15 Assets classified as held for sale

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

1.16 Research and development

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

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

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

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

1.17 Operating income and revenue recognition

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

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

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, output VAT and other sales related taxes, electricity purchases relating to short-term balancing of output volume and hedging activities, and intra-group sales.

Revenue received in advance of work performed is held on the statement of financial position (under trade and other payables as payments received on account) and released to the statement of comprehensive net expenditure when the work is completed and the liability extinguished.

1.18 Contracts

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

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

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

For contracts in progress at the reporting date, where costs incurred plus recognised profits less recognised losses exceed progress billings the balance is shown under current assets as recoverable contract costs. Where progress billings exceed costs incurred plus recognised profits less recognised losses the balance is shown under trade and other payables as payments received on account.

1.19 Foreign currencies

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

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

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in the Statement of Comprehensive Net Expenditure in the period in which they arise.

1.20 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1.21 Finance leases

Group as a lessor

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

1.22 Operating leases

Group as a lessor

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

Group as a lessee

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

1.23 Service concession arrangements

Where an arrangement is within the scope of IFRIC12 the Group, as grantor, includes the infrastructure assets on the Statement of Financial Position as non-current assets and recognises the corresponding lease creditor. Costs relating to the service element or interest charges are expensed as they are incurred.

1.24 Administration and programme expenditure and income

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

Administration costs reflect the costs of running the Group, 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, movements in provisions and other disbursements by the Group in support of policy initiatives.

1.25 Grants payable

Grants payable are recognised in the period in which the grant recipient carries out the activity that creates an entitlement to the grant. Recognition of entitlement varies

according to the details of individual schemes and the terms of the offers made. Unpaid and unclaimed grants are charged to the Statement of Comprehensive Net Expenditure on the basis of estimates of claims not received and are included in accruals in the Statement of Financial Position.

In certain cases, grant contributions to international organisations are made in the form of promissory notes. The full amount of the promissory note is recognised as an expense in the period in which the note is deposited. Amounts not drawn down in cash from promissory notes at the Statement of Financial Position date are included in payables. Grants payable to other government departments under the Energy Efficiency Loan Scheme and Recyclable Energy Efficiency Loan Scheme are recognised and expensed through the Statement of Comprehensive Net Expenditure when the grant is irrevocably committed.

1.26 Staff Costs

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

1.27 Pensions

Past and present employees of the core Department, the NDA, the Coal Authority and Committee for Climate Change are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) as described at Note 7. The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. The Group recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution elements of the schemes, the Group recognises the contributions payable for the year.

Past and present employees of CNPA are covered by the provisions of the Combined Pension Scheme (CPS) of the UK Atomic Energy Authority (UKAEA), which is an unfunded defined benefit pension scheme which prepares its own scheme statements. The Group recognises the cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' service by payments to the CPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on CPS.

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income in the period in which they arise. Past service costs are recognised immediately in operating costs to the extent that the benefits are already vested, and otherwise are amortised on a straight-line basis over the average period until the benefits become vested. The interest cost and the expected return on assets are shown as a net amount of finance costs.

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

1.28 Taxation

Income and Corporation Tax

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

Value Added Tax (VAT)

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

The Group's NDPB, the CNPA, is not registered for VAT. All expenditure and asset purchases are shown inclusive of VAT and VAT is not charged on its sales invoices.

1.29 Statement of Parliamentary Supply

The Statement of Parliamentary Supply and accompanying notes is the main accountability statement for Parliament reporting Outturn in terms of Resource and Capital compared to the Supply Estimate approved by Parliament. This statement also reports the Net Cash Requirement Outturn compared to that in the Estimate.

1.30 Financial assets

Financial assets are classified into the following four specified categories:

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

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

The Group holds financial assets in the following categories:

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

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

A financial asset other than a financial asset held for trading may be designated as FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise or it forms part of a contract containing one or more embedded derivatives, and IAS 39 'Financial Instruments: Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated as FVTPL.

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

Loans and receivables

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

Energy Efficiency Loans and Recyclable Energy Efficiency Loans

Loans made under the interest free Energy Efficiency Loans Scheme and the 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.

Trade and other receivables

Trade and other receivables, and cash and cash equivalents, that have fixed or determinable payments that are not quoted in an active market, are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

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

Coal Pensions Investments, after initial recognition, are measured at fair value. Gains and losses in fair value and impairment losses are recognised in the Statement of Comprehensive Net Expenditure. On derecognition the gain or loss is recognised in the Statement of Comprehensive Net Expenditure.

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.

Cash and cash equivalents

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

Available for sale assets

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

Shares

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

Impairment and derecognition

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

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

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

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

1.31 Financial liabilities

The Group classifies financial liabilities into the following two categories:

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

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

The Group holds financial liabilities in the following categories:

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

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

A financial liability other than a financial liability held for trading may be designated as FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise or it forms part of a contract containing one or more embedded derivatives, and IAS 39 'Financial Instruments: Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated as FVTPL.

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

Other financial liabilities

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

Payables include security fund creditors. Licensees of mining operations are required to provide security to cover the potential future costs of settling subsidence damage liabilities within their areas of responsibility. One mechanism for providing security is by means of cash deposit. If the licensees fulfil their obligations, the deposits are returned, together with interest accrued under the terms of the lease/licence.

Deposits received are credited to a security fund creditor in order to recognise the liability to the licensees. Interest payable on deposits is charged to the Statement of Comprehensive Net Expenditure as it accrues. The security fund creditor is reduced by security costs incurred each year or when repayments are made to the licensee.

Other forms of security include guarantee bonds and escrow accounts.

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.

Impairment and derecognition

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

1.32 Derivatives

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

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

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

1.33 Provisions

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

Where the time value of money is material, the Group discounts the provision to its present value using 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.

Nuclear Provisions

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

Coal Provisions

Where cash expenditure is capitalised, a matching provision is maintained so as to offset the carrying value of the asset. As the provision is utilised the effect on the Statement of Comprehensive Net Expenditure is matched by depreciating the related asset.

1.34 Contingent Assets and Liabilities

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

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 Group 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.

Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

1.35 Third Party Assets

The Group 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 Group, nor Government more generally, has a direct beneficial interest in them.

1.36 Critical accounting judgements, estimates and assumptions

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

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

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

Income recognition

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

Impairment of assets (Note 16)

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

Reprocessed plutonium inventory

Government has indicated that the preferred policy for management of plutonium is for reuse. Any final decision is conditional on business case approval for reuse of the material. Following review of the likely costs of the preferred policy, and the credible alternatives of either storage and disposal in the near term or storage and disposal in the long term, a prudent estimate of £1.7bn (discounted) has been included within the provision.

Provisions (Note 22)

The nuclear provision liability in connection with the Group's NDPB, the NDA, represents the best estimate of the costs of delivering the NDA objective of decommissioning the plant and equipment on each of the designated nuclear licenced sites and returning the sites to pre-agreed end states in accordance with the published strategy. This programme of work will take until 2137. The estimates are necessarily based on assumptions of the processes and methods likely to be used to discharge the obligations, reflecting a combination of the latest technical knowledge available, the requirements of the existing regulatory regime, Government policy and commercial agreements. Given the very long timescale involved, and the complexity of the plants and material being handled, considerable uncertainty remains in the cost estimate particularly in the later years, although this is in part mitigated by the impact of discounting for the purposes of provision calculation.

In preparing the best estimate of the provision required to settle the NDA obligations, it is recognised that there remains a significant degree of inherent uncertainty in the future cost estimates. These include:

- potential changes in the NDA funding profile, requiring the tailoring of expenditure across the estate to ensure the right balance between addressing high risk, hazard and affordability; this could emanate from either economic conditions at the next Government Spending Review;
- the length of time over which the necessary programme of work will be delivered – stretching out to 2137;

- interdependencies between programmes of work both within the Site Licence Companies (SLCs) and across SLC boundaries. For example, a shortage of flasks for transport of spent fuel from the Magnox power stations to Sellafield could delay defueling and increase costs at Magnox, and also impact the production schedule and direct operations costs at Sellafield;
- a lack of detailed information on the design of the legacy ponds and silos at Sellafield and the exact quantities and chemical composition of the historical wastes held in them, resulting in potential significant uncertainty in both the process and costs of dealing with these materials;
- uncertainty over future Government policy positions and potential regulatory changes; and
- possible technological advances which may occur and could impact the work to be undertaken to decommission and clean up the sites.

1.37 Changes in accounting policy and restatement of prior comparatives

Donated asset reserve

The option to recognise donated assets in reserves has been removed from the FReM in 2011-12. Where assets are donated, the funding element is recognised as income and taken through the Statement of Comprehensive Net Expenditure, unless a specific condition is imposed by the funder in which case the income is deferred until the condition is met.

The affected component of reserves within the core Department has been adjusted for the earliest period presented which in this case was 2010-11. The donated asset reserve has been removed and credits to this reserve have been included in the Statement of Comprehensive Net Expenditure for 2010-11.

Coal Pensions Investments

Coal Pensions Investments are held within the core Department and were previously classified as Available for Sale Financial Assets.

During the year, these were re-categorised as Loans and receivables and consequently the assets shown in Note 19, Trade and other receivables, where they had previously been shown in Note 14, Financial assets. As a result of this re-categorisation the changes in fair value in the current year and historically have been reflected in the Statement of Comprehensive Net Expenditure and not, as previously, in a Revaluation reserve. As a result the core Department's Statement of Comprehensive Net Expenditure for 2010-11, the Statement of Financial Position as at 31 March 2011 and 1 April 2010 and the Statement of Changes in Taxpayers' Equity have been restated.

The Coal Pensions Investments estimates of fair value have also been reassessed to recognise only Government Actuary's Department (GAD) recommended cash flows and not potential subsequent cash flows beyond GAD recommendation.

The impact of these changes are as follows:

Statement of Comprehensive Net Expenditure

	Note	2010-11 £'000
Net operating costs year		2,910,441
Unwinding of discount	11	(14,075)
Restated Net operating costs for the year		2,896,366

Statement of Financial Position

	Note	31 March 2011 £'000	1 April 2010 £'000
Total equity		(2,065,206)	(2,204,083)
Removal of Available for sale assets		(634,804)	(649,581)
Additions of Loans and receivables	19.1	353,683	417,408
Restated total equity		(2,346,327)	(2,436,256)

Statement of Changes in Taxpayers' Equity

	31 March 2011 £'000	31 March 2011 £'000	1 April 2010 £'000	1 April 2010 £'000
	General fund	Revaluation reserve	General fund	Revaluation reserve
Balance	(2,700,010)	634,804	(2,853,664)	649,581
Removal of available for sale assets	–	(634,084)	–	(649,581)
Addition of Loans and receivables	353,683	–	417,408	–
Restated balance	(2,346,327)	–	(2,436,256)	–

1.38 New Standards

At the time of preparing these financial statements there are new IFRSs in issue but which are not yet effective. Further details on their application to the Group's accounts are given in Note 34 to these accounts.

2 Analysis of net resource outturn by section

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

							2011-2012		2010-11	
							Outturn	Estimate		Outturn
Administration			Programme				Net total compared to Estimate	Total		
£'000	£'000	£'000	£'000	£'000	£'000					
Gross	Income	Net	Gross	Income	Net	Total	Net total	Estimate	Total	
Spending in Departmental Expenditure Limits (DEL)										
Voted:										
A Nuclear Decommissioning Authority (NDPB)	37,732	–	37,732	1,493,532	–	1,493,532	1,531,264	1,762,080	230,816	1,515,117
B Coal Authority (NDPB) (net)	5,295	–	5,295	20,001	–	20,001	25,296	32,721	7,425	25,356
C Civil Nuclear Police Authority (NDPB) (net)	(60)	–	(60)	–	–	–	(60)	–	60	(123)
D Committee on Climate Change (NDPB) (net)	3,842	–	3,842	–	–	–	3,842	4,091	249	4,237
E Save energy with the Green Deal and support vulnerable consumers	9,707	–	9,707	91,055	(360)	90,695	100,402	99,591	(811)	114,209
F Deliver secure energy on the way to a low carbon energy future	–	–	–	11,982	(7,350)	4,632	4,632	22,197	17,565	80,800
G Drive ambitious action on climate change at home and abroad	–	–	–	17,462	(2,744)	14,718	14,718	17,445	2,727	13,748
H Manage our energy legacy responsibly and cost-effectively	402	–	402	334,862	(12,054)	322,808	323,210	338,771	15,561	353,992
I Deliver the capability DECC needs to achieve its goals	105,016	(2,978)	102,038	29,187	(4,520)	24,667	126,705	141,894	15,189	116,850
	161,934	(2,978)	158,956	1,998,081	(27,028)	1,971,053	2,130,009	2,418,790	288,781	2,224,186
Non-Voted:										
J Nuclear Decommissioning Authority Income (CFER)	–	(1,434)	(1,434)	–	(970,070)	(970,070)	(971,504)	(1,025,000)	(53,496)	(1,075,491)
Total DEL	161,934	(4,412)	157,522	1,998,081	(997,098)	1,000,983	1,158,505	1,393,790	235,285	1,148,695

							2011-2012		2010-11	
							Estimate		Outturn	
Administration			Programme				Net total compared to Estimate		Total	
£'000	£'000	£'000	£'000	£'000	£'000					
Gross	Income	Net	Gross	Income	Net	Total	Net total			
Annually Managed Expenditure (AME)										
Voted:										
K Nuclear Decommissioning Authority (NDPB)	-	-	-	3,796,310	-	3,796,310	3,796,310	4,884,408	1,088,098	5,273,369
L Coal Authority (NDPB) (net)	-	-	-	(4,000)	-	(4,000)	(4,000)	(730)	3,270	42,446
M Civil Nuclear Police Authority (NDPB) (net)	-	-	-	(106)	-	(106)	(106)	62	168	(24)
N Renewable Heat Incentive	-	-	-	1,919	-	1,919	1,919	41,000	39,081	-
O Committee on Climate Change (NDPB) (Net)	-	-	-	4	-	4	4	110	106	106
P Manage our energy legacy responsibly and cost-effectively	-	-	-	(51,280)	(26,141)	(77,421)	(77,421)	(40,981)	36,440	(111,861)
Q Save energy with the Green Deal and support vulnerable consumers	-	-	-	5,196	(5,705)	(509)	(509)	7,462	7,971	90
	-	-	-	3,748,043	(31,846)	3,716,197	3,716,197	4,891,331	1,175,134	5,204,126
Non-Voted:	-	-	-	-	-	-	-	-	-	(692)
Total AME	-	-	-	3,748,043	(31,846)	3,716,197	3,716,197	4,891,331	1,175,134	5,203,434
Total DEL and AME	161,934	(4,412)	157,522	5,746,124	(1,028,944)	4,717,180	4,874,702	6,285,121	1,410,419	6,352,129

2b. Analysis of net capital outturn by section

				2011-2012		2010-11
	Outturn			Estimate		Outturn
	Gross	Income	Net	Net	Net total compared with Estimate	Net
	£'000	£'000	£'000	£'000	£'000	£'000
Spending in Departmental Expenditure Limit						
Voted:						
A Nuclear Decommissioning Authority (NDPB)	1,429,712	–	1,429,712	1,459,000	29,288	1,312,000
B Coal Authority (NDPB) (Net)	9,800	–	9,800	7,150	(2,650)	9,737
C Civil Nuclear Police Authority (NDPB) (Net)	2,272	–	2,272	2,100	(172)	2,350
D Committee on Climate Change (NDPB) (Net)	24	–	24	–	(24)	165
E Save energy in the Green Deal and support vulnerable consumers	154,736	(48,161)	106,575	145,404	38,829	362,310
F Deliver secure energy on the way to a low carbon energy future	–	–	–	–	–	69,807
G Drive ambitious action on climate change at home and abroad	132,895	–	132,895	107,895	(25,000)	275,000
H Manage our energy legacy responsibly and cost-effectively	7,239	–	7,239	7,240	1	–
I Deliver the capability DECC needs to achieve its goals	17,555	(45)	17,510	11,607	(5,903)	1,113
	1,754,233	(48,206)	1,706,027	1,740,396	34,369	2,032,482
Non Voted:						
J Nuclear Decommissioning Authority (CFER)	–	(251,712)	(251,712)	(255,000)	(3,288)	(18,153)
Total DEL	1,754,233	(299,918)	1,454,315	1,485,396	31,081	2,014,329

				2011-2012		2010-11
	Outturn			Estimate		Outturn
	Gross	Income	Net	Net	Net total compared with Estimate	Net
	£'000	£'000	£'000	£'000	£'000	£'000
Annually Managed Expenditure						
Voted:						
K Nuclear Decommissioning Authority (NDPB)	-	-	-	-	-	-
L Coal Authority (NDPB) (net)	-	-	-	-	-	-
M Civil Nuclear Police Authority (NDPB) (net)	-	-	-	-	-	-
N Renewable Heat Incentive	9,320	-	9,320	15,000	5,680	-
O Committee on Climate Change (NDPB) (Net)	-	-	-	-	-	-
P Manage our energy legacy responsibly and cost-effectively	11,845	(77,800)	(65,955)	(77,800)	(11,845)	(77,800)
Q Save energy with the Green Deal and support vulnerable consumers	-	-	-	-	-	-
	21,165	(77,800)	(56,635)	(62,800)	(6,165)	(77,800)
Non Voted:	-	(1,000)	(1,000)	-	1,000	-
Total AME	21,165	(78,800)	(57,635)	(62,800)	(5,165)	(77,800)
Total DEL and AME	1,775,398	(378,718)	1,396,680	1,422,596	25,916	1,936,529

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

3.1 Reconciliation of net resource outturn to net operating cost

		2011-12 £'000	2010-11 £'000
	Note	Outturn	Outturn
Total resource outturn in Statement of Parliamentary Supply	Budget	4,874,702	6,352,129
	Non-Budget	–	–
	2	4,874,702	6,352,129
Add:			
	Capital grants	299,434	744,296
	NDA costs which are capital in Budgets but taken through the SoCNE	1,363,363	1,293,847
		1,662,797	2,038,143
Less:			
	Gains/(losses) on defined benefit scheme	(11,960)	–
	Income payable to the Consolidated Fund	11 (2,223)	(737)
	Capital grant income	(2,849)	(73,655)
		(17,032)	(74,392)
Net Operating Cost in Consolidated Statement of Comprehensive Net Expenditure		6,520,467	8,315,880

3.2 Outturn against final Administration Budget and Administration net operating cost

		2011-12 £'000	2010-11 £'000
	Note	Outturn	Outturn
Estimate – Administration costs limit		198,000	229,970
Outturn – Gross Administration Costs		236,411	212,130
Outturn – Gross income relating to administration costs	11	(78,889)	(65,460)
Outturn – Net administration costs	2	157,522	146,670
Reconciliation to operating costs:			
Less: Provisions utilised (transfer from programme)	6	(138)	(73)
Administration Net Operating Costs		157,384	146,597

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

	2011-12 £'000	2010-11 £'000
Net cash requirement	(3,501,624)	(4,072,276)
From the Consolidated Fund (Supply) – current year	3,590,000	3,077,000
From the Consolidated Fund (Supply) – prior year	13,173	65,131
Amounts remitted to Consolidated Fund	(73,214)	718,384
Amounts due to the consolidated fund received and not paid over	2,061	534
Amounts due to the consolidated fund received in a prior year and paid over	(534)	(307)
Increase/(decrease) in cash held by Core Department	29,862	(211,534)
Increase/(decrease) in cash held by arm's length bodies	(125,186)	48,458
Increase/(decrease) in cash held by Departmental Group	(95,324)	(163,076)

5 Income payable to the Consolidated Fund

5.1 Analysis of income payable to the Consolidated Fund

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

	Note	Income	Outturn 2011-12 £'000 <i>Receipts</i>	Income	Outturn 2010-11 £'000 <i>Receipts</i>
Operating income of the NDA within the ambit	11	1,223,216	<i>1,223,216</i>	1,089,676	<i>1,089,676</i>
Operating income outside the Ambit of the Estimate	11	2,223	<i>2,089</i>	737	<i>709</i>
Excess cash surrenderable to the Consolidated fund		–	–	–	–
Total income payable to the Consolidated Fund		1,225,439	<i>1,225,305</i>	1,090,413	<i>1,090,385</i>

5.2 Consolidated fund Income

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

6 Statement of Operating Costs by Operating Segment

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

Year ended 31 March 2012

	Operations	Energy Markets and Infrastructure	International Climate Change and Energy Efficiency	Science and Evidence Group	Nuclear Decommissioning Authority (NDA)	Total
2011-12	£'000	£'000	£'000	£'000	£'000	£'000
Administration income						
Revenue from external customers	(74,451)	(502)	(640)	(1,347)	(1,434)	(78,374)
Administration expenditure						
Staff costs	74,098	29,232	14,962	13,661	18,413	150,366
Grants	–	–	9,707	–	–	9,707
Professional Services	2,862	2,941	2,745	224	–	8,772
Research and Development Expenditure	–	–	–	18	–	18
Interest expense						
Other administration costs	34,376	5,941	2,599	2,171	19,319	64,406
Depreciation and amortisation	2,289	–	–	–	–	2,289
Notional Audit fee	200	–	–	–	–	200
Utilisation of provisions	108	–	–	30	–	138
Programme income						
Revenue from external customers	(126)	(31,654)	(3,097)	(4,500)	(970,070)	(1,009,447)
Dividend revenue						
Interest revenue						

2011-12	Operations £'000	Energy Markets and Infrastructure £'000	International Climate Change and Energy Efficiency £'000	Science and Evidence Group £'000	Nuclear Decommissioning Authority (NDA) £'000	Total £'000
Programme Expenditure						
Staff costs	387	7,644	2,170	–	6,736	16,937
NDPBs resource consumption						
Grants	7,329	1,089	66,266	–	–	74,684
Research and Development expenditure	(79)	(7,042)	1,837	24,620	4,702	24,038
International Subscriptions	23,299	3,670	2,038	2	–	29,009
Interest expense	–	–	–	–	221	221
Other Programme costs	14,307	22,820	30,879	1,502	1,481,873	1,551,381
Movements in provisions						
Depreciation and amortisation	35	3,434	55	–	–	3,524
Impairment	–	–	–	–	–	–
Other non cash costs	2,520	508	2,490	–	–	5,518
Utilisation of provisions	72,430	–	232,688	–	–	305,118
Total Resource DEL	159,584	38,081	364,699	36,381	559,760	1,158,505
Resource AME	(121,802)	39,766	1,919	4	3,796,310	3,716,197
Total Resource DEL and AME	37,782	77,847	366,618	36,385	4,356,070	4,874,702
Total Capital DEL	32,886	9,801	214,422	19,205	1,178,000	1,454,314
Total Capital AME	–	(66,955)	9,320	–	–	(57,635)

Description of segments

Operations: Operations segment provides central support functions and specialist advice to allow the Department to operate effectively and deliver on its objectives, it also includes CNPA as these form part of the Nuclear Securities Group which report via Operations.

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

International Climate Change and Energy Efficiency: This segment is responsible for driving down emissions both at home and abroad, through support to both businesses and citizens, while supporting those in fuel poverty.

Science and Evidence Group SEG brings together those working on Science and Innovation, Strategy (including Carbon Budgets), Communications and the Economist and Statistician teams.

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

Reconciliation between Operating Segments and SoCNE

	Operations	Energy Markets and Infrastructure	International Climate Change and Energy Efficiency	Science and Evidence Group	Nuclear Decommissioning Authority (NDA)	Total
2011-12	£'000	£'000	£'000	£'000	£'000	£'000
Total net expenditure by operating segment	37,782	77,847	366,618	36,385	4,356,070	4,874,702
Reconciling items :						
Capital grants	30,916	1	249,337	19,181	–	299,435
NDA decommissioning	–	–	–	–	1,363,363	1,363,363
Actual gains/losses on defined benefit scheme	–	–	–	–	(11,960)	(11,960)
Coal privatisation CFER	–	(1,000)	–	–	–	(1,000)
Coal Authority CFER	–	(1,223)	–	–	–	(1,223)
Capital grant	(302)	–	(2,548)	–	–	(2,850)
Total net expenditure per Statement of Comprehensive Net Expenditure	68,396	75,625	613,407	55,566	5,707,473	6,520,467

Year ended 31 March 2011

The composition of the Group's segments changed in 2011-12; consequently the comparative data in the note below has been restated to report outturn by segments identified for 2011-12 reporting.

Statement of Operating Costs by Operating Segment

	Operations	Energy Markets and Infrastructure	International Climate Change and Energy Efficiency	Science and Evidence Group	Nuclear Decommissioning Authority (NDA)	Total
2010-11	£'000	£'000	£'000	£'000	£'000	£'000
Administration income						
Revenue from external customers	(61,975)	(545)	(415)	(1,588)	(304)	(64,827)
Interest Revenue	(7)	(7)	–	–	(620)	(634)
Administration expenditure						
Staff costs	63,545	27,498	14,397	15,868	27,535	148,843
Other administration costs	28,007	10,340	4,793	3,118	13,516	59,774
Depreciation and amortisation	2,659	552	1	134	–	3,346
Notional Audit fee	165	–	–	–	–	165
Other non cash costs	–	1	–	–	–	1
Programme income						
Revenue from external customers	(2,805)	(15,995)	(3,325)	–	(1,068,330)	(1,090,455)
Interest revenue	–	–	–	–	(6,237)	(6,237)

	Operations	Energy Markets and Infrastructure	International Climate Change and Energy Efficiency	Science and Evidence Group	Nuclear Decommissioning Authority (NDA)	Total
2010-11	£'000	£'000	£'000	£'000	£'000	£'000
Programme Expenditure						
Staff costs	418	9,355	49	–	–	9,822
Grants	36,836	2,608	122,861	10	–	162,315
Research and Development expenditure	–	46,594	1,828	20,342	4,929	73,693
Interest expense	–	–	–	–	(233)	(233)
International Subscriptions	25,788	3,223	2,371	14	–	31,396
Other Programme costs	13,154	24,186	14,478	3,270	1,143,784	1,198,872
Depreciation and amortisation	20	2,530	–	–	–	2,550
Impairment	–	–	90	–	56,072	56,162
Other non cash costs	–	(1,109)	1,001	–	269,514	269,406
Utilisation of provisions	–	294,735	–	–	–	294,735
Total Resource DEL	105,805	403,966	158,129	41,168	439,626	1,148,694
Resource AME	(24)	(69,325)	–	106	5,272,677	5,203,434
Total Resource DEL and AME	105,781	334,641	158,129	41,274	5,712,303	6,352,128
Capital DEL	(1,227)	53,185	667,018	1,505	1,293,847	2,014,328
Capital AME	–	(77,800)	–	–	–	(77,800)

Reconciliation between Operating Segments and SoCNE

2010-11	Operations £'000	Energy Markets and Infrastructure £'000	International Climate Change and Energy Efficiency £'000	Science and Evidence Group £'000	Nuclear Decommissioning Authority (NDA) £'000	Total £'000
Total net expenditure by operating segment	105,781	334,641	158,129	41,274	5,712,303	6,352,128
Reconciling items:						
Add capital grants	(4,636)	46,458	701,132	1,341	–	744,295
Add NDA decommissioning, capital in Budgets but in SOCNE	–	–	–	–	1,293,848	1,293,848
Less loans income in SOCNE	–	–	(37,827)	–	–	(37,827)
Less Coal Authority CFER	–	(737)	–	–	–	(737)
Less capital grant income in SOCNE	(54)	(3,010)	(32,762)	(1)	–	(35,827)
Total net expenditure per Statement of Comprehensive Net Expenditure	101,091	377,352	788,672	42,614	7,006,151	8,315,880

7 Staff numbers and related costs

7.1 Staff costs

					2011-12 £'000	2010-11 £'000
	Permanently employed staff	Others	Ministers	Special advisers	Total	Total
Wages and salaries ¹	125,145	8,416	150	139	133,850	135,093
Social security costs	12,094	212	12	15	12,333	10,801
Other pension costs	21,405	263	–	23	21,691	20,346
Total	158,644	8,891	162	177	167,874	166,240
Less recoveries in respect of outward secondments	(570)	–	–	–	(570)	(315)
Total net costs²	158,074	8,891	162	177	167,304	165,925
Of which:						
Core Department	71,065	5,261	162	177	76,665	70,695
NDPBs	87,009	3,630	–	–	90,639	95,230
	158,074	8,891	162	177	167,304	165,925

1 Includes exit payments paid via payroll. For further details see Note 7.3.

2 Staff costs of £161,000 (2010-11: £133,000) were charged to capital projects.

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

The PCSPS is an unfunded multi-employer defined benefit scheme, but the Group is unable to identify its share of the underlying assets and liabilities. 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/pensions).

For 2011-12, employer's contributions of £15,605,087 (2010-11: £14,426,766) were payable to the PCSPS at one of four rates in the range 16.7% to 24.3% (2010-11: 16.7% to 24.3%) of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full Scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2011-12 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £72,043 (2010-11: £76,978) 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% (2010-11: 3% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £5,733, 0.8% (2010-11: £6,198, 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 £5,944 (2010–11: £5,938). Contributions prepaid at the date were £Nil (2010–11: £Nil).

In 2011–12, no staff (2010–11: 1 person) retired early on ill-health grounds. The total additional accrued pension liabilities in the year amounted to £Nil (2010–11: £Nil).

All employees of CNPA are eligible to be members of the Combined Pension Scheme (CPS) of the UKAEA for the year ended 31 March 2012. The CPS is a contributory unfunded statutory defined benefit public service pension scheme; contributions paid in 2011–12 amounted to £6,011,000 (£2010–11: £5,267,000).

7.2 Average number of persons employed

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

Activity	Permanent staff	Others	Ministers	Special advisers	2011–12 Number	2010–11 Number
					Total	Total
Operations ¹	1,299.5	107.0	1.0	0.5	1,408.0	1,204.0
Energy Markets and infrastructure	577.6	74.3	1.0	0.5	653.4	657.3
International Climate Change and Energy Efficiency	227.3	100.5	1.0	0.5	329.3	252.9
Science and Evidence Group	197.5	39.7	1.0	0.5	238.7	276.2
Nuclear Decommissioning Authority	266.0	17.0	–	–	283.0	331.0
Staff engaged in capital projects	1.0	1.0	–	–	2.0	3.0
Total	2,568.9	339.5	4.0	2.0	2,914.4	2,724.4
Of which:						
Core Department	1,049.8	252.4	4.0	2.0	1,308.2	1,199.5
NDPBs	1,519.1	87.1	–	–	1,606.2	1,524.9
Total	2,568.9	339.5	4.0	2.0	2,914.4	2,724.4

1 Includes CNPA, total 1,146 (2010–11: 985) as these form part of the Nuclear Securities Group which report via Operations.

7.3 Exit Packages – Civil Service and other compensation schemes

Comparative data is shown in brackets.

Core Department				Departmental Group		
Exit package cost band	Number of compulsory redundancies	Number of other departures agreed*	Total number of exit packages by cost band* 2011–12	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band 2011–12
< £10,000	– (–)	2 (2)	2 (2)	1 (1)	3 (15)	4 (16)
£10,000 – £25,000	– (–)	8 (3)	8 (3)	1 (–)	9 (26)	10 (26)
£25,000 – £50,000	– (–)	2 (2)	2 (2)	– (2)	2 (31)	2 (33)
£50,000 – £100,000	– (–)	5 (1)	5 (1)	– (3)	6 (23)	6 (26)
£100,000 – £150,000	– (–)	1 (–)	1 (–)	– (–)	1 (3)	1 (3)
£150,000 – £200,000	– (–)	– (–)	– (–)	– (–)	– (8)	– (8)
£200,000 – £250,000	– (–)	– (–)	– (–)	– (1)	– (5)	– (6)
Total number of exit packages by type	– (–)	18 (8)	18 (8)	2 (7)	21 (111)	23 (118)
Total cost	£Nil (£Nil)	£694,932 (£197,486)	£694,932 (£197,486)	£19,583 (£518,604)	£783,015 (£6,376,734)	£802,598 (£6,895,338)

* comparative data has been restated

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

Exit packages disclosed under 2010-11 include a settlement made on the conclusion of an industrial tribunal case.

8 Other administration costs

	Core Department 2011-12 £'000	Departmental Group 2011-12 £'000	Core Department Restated 2010-11 £'000	Departmental Group 2010-11 £'000
Rentals under operating leases:				
Building leases	–	1,289	–	1,270
Plant and machinery leases	60	97	6	20
Other leases	16	16	2	35
Interest charges	–	18	–	23
PFI service charges	3,279	3,381	4,065	4,206
Research and development expenditure	5	818	25	1,028
Administration grants	9,707	9,707	–	–
Accommodation	8,691	12,670	7,722	10,637
IT expenditure	4,481	12,449	2,078	9,153
Travel and subsistence	1,839	7,368	1,792	5,113
Training and other non pay staff costs	3,364	5,149	1,232	3,267
Legal, professional and consultancy	8,772	20,074	10,832	16,058
Other	1,574	8,346	1,975	8,575
	41,788	81,382	29,729	59,385
Non-cash items:				
Depreciation	2,167	4,066	1,877	3,099
Amortisation	122	323	65	216
(Profit)/loss on disposal of property, plant and equipment	–	57	–	12
Revaluation of non-current assets	–	(7)	–	391
Auditor's remuneration	200	200	165	165
Capital grants	–	(114)	–	(55)
Total non-cash	2,489	4,525	2,107	3,828
Total other administration costs	44,277	85,907	31,836	63,213

Auditor's remuneration represents the cost of the audit of the 2011-12 Group Accounts and Trust Statement. There were no fees in respect of non-audit work.

9 Programme costs

Note	Core Department 2011-12 £'000	Departmental Group 2011-12 £'000	Core Department Restated 2010-11 £'000	Departmental Group 2010-11 £'000
Grant in Aid to NDPBs				
Nuclear Decommissioning Authority	2,698,216	–	2,709,676	–
Coal Authority	26,250	–	33,000	–
Civil Nuclear Police Authority	1,764	–	1,413	–
Committee on Climate Change	4,329	–	4,241	–
Grant in Aid to NDPBs	2,730,559	–	2,748,330	–
Other grants	376,036	376,036	904,104	904,104
Rentals under operating leases:				
Land leases	–	257	–	103
Building leases	–	50	–	50
Plant and Machinery leases	–	105	40	172
Other leases	–	–	33	33
PFI service charge	445	445	477	477
Other borrowings – interest paid to the private sector	–	221	–	(233)
Net (gain)/loss on foreign exchange	684	3,395	(496)	(928)
Research and development expenditure	19,335	24,037	68,764	73,693
Contractor costs	–	397,063	–	705,711
Management and operations contractor fees	–	111,870	–	116,906
Trading costs	–	49,696	–	59,477
Insurance	–	12,786	–	22,284
Skills and socio economic development programme	–	14,954	–	10,588
IT expenditure	12,403	14,576	13,932	15,763
Professional services	34,032	35,600	22,300	23,296
International subscriptions	29,009	29,009	31,397	31,397
Other	15,786	17,460	13,631	44,638
	487,730	1,087,560	1,054,182	2,007,531
Non-cash items:				
Movement in provisions	179,325	4,418,111	145,023	5,500,681
Unwinding of discount on provisions	56,727	1,173,508	59,833	964,524
Release of recoverable contract costs ¹	–	343,130	–	437,698
Top up of payments on account	–	172,380	–	204,974
Depreciation	83	102,679	20	119,768
Amortisation	8	490	–	323
Impairment – property, plant and equipment	–	41,637	–	56,072

	Note	Core Department 2011-12 £'000	Departmental Group 2011-12 £'000	Core Department Restated 2010-11 £'000	Departmental Group 2010-11 £'000
Impairment – loans		5,196	5,196	90	90
(Profit)/loss on disposal of property, plant and equipment		–	(25,269)	–	(596)
Revaluation of non current assets		–	88	–	(104)
Unrealised (gains)/losses on derivative financial instruments		–	(779)	–	15,196
Discount on interest free loans		5,010	5,010	1,001	1,001
Bad debt write off		–	(31)	–	–
Other		–	71,285	–	1,009
Total non-cash		246,349	6,307,435	205,967	7,300,636
Total other programme costs		734,079	7,394,995	1,260,149	9,308,167
Discontinued operations	17	–	–	–	50,696
Total Programme Costs		3,464,638	7,394,995	4,008,479	9,358,864

1 Costs relating to Post Operational Clean Out and decommissioning of plant relating to long term reprocessing and waste management contracts

Grant in Aid includes for the Nuclear Decommissioning Authority is presented gross of the NDA CFER income shown in Note 11; the net cost of funding the NDA was £1,475m (2010-11: £1,620m).

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

	Core Department 2011-12 £'000	Core Department Restated 2010-11 £'000
Official Development Assistance	139,980	275,000
Fuel Poverty	97,094	318,594
Growing Places Fund	25,000	–
Regional Development Agencies	22,500	38,768
Carbon Budgets	21,677	76,791
Global Threat Reduction Programme	19,399	45,110
Energy Saving Trust	14,416	34,237
Smart Meters	14,370	8,630
Innovation Programme Delivery	11,684	–
Renewable Heat Premium Programme	10,243	–
Local Energy Assessment Fund	10,000	–
National Environmental Transformation Fund	7,774	50,803
Renewable Heat Incentive	6,532	–
Nuclear Liabilities Management	4,676	5,189
Green Deal	4,253	–
Offshore Environmental Permits	3,525	3,551
Carbon Capture and Storage	2,722	4,762
Low Carbon Buildings Programme	151	38,457
Boiler Scrappage	–	28,694
Other Programme spend	22,261	25,381
	438,257	953,967

10 Administration and Programme non-cash costs summary

The total for non-cash items in Note 8 (Other administration costs) and Note 9 (Programme costs) is as follows:

	Note	Core Department 2011-12 £'000	Departmental Group 2011-12 £'000	Core Department 2010-11 £'000	Departmental Group 2010-11 £'000
Movement in provisions	9	179,325	4,418,111	145,023	5,500,681
Unwinding of discount on provisions	9	56,727	1,173,508	59,833	964,524
Release of recoverable contract costs	9	–	343,130	–	437,698
Top up of payments on account	9	–	172,380	–	204,974
Depreciation	8, 9	2,250	106,745	1,897	122,867
Amortisation	8, 9	130	813	65	539
Impairment – property, plant and equipment	9	–	41,637	–	56,072
Impairment – loans	9	5,196	5,196	90	90
(Profit)/loss on disposal of property, plant and equipment	8, 9	–	(25,212)	–	(584)
Revaluation of non-current assets	8, 9	–	81	–	287
Unrealised (gains)/losses on derivative financial instruments	9	–	(779)	–	15,196
Discount on interest free loans	9	5,010	5,010	1,001	1,001
Auditor's remuneration	8	200	200	165	165
Capital grants	8	–	(114)	–	(55)
Bad debt write off	9	–	(31)	–	–
Other	9	–	71,285	–	1,009
Total		248,838	6,311,960	208,074	7,304,464

11 Income

	Note	Core Department 2011-12 £'000	Departmental Group 2011-12 £'000	Core Department Restated 2010-11 £'000	Departmental Group 2010-11 £'000
Administration income:					
Fees and charges received from external customers		1,344	75,265	642	62,395
Fees and charges from other departments		1,587	1,587	2,359	2,359
Other allowable within the Administration cost limit		66	2,037	12	706
Total Administration income		2,997	78,889	3,013	65,460
Programme income:					
Interest receivable from other entities		–	1,740	–	6,237
Unwinding of discounts on assets		17,550	17,550	17,360	17,360
Recyclable energy efficiency loans scheme transfer		–	–	37,827	37,827
Urenco dividend		26,141	26,141	21,618	21,618
Reprocessing		–	532,957	–	520,307
Electricity generation		–	288,448	–	371,712
Other		18,031	179,791	44,413	171,273
CFER: NDA Resource income		971,504	–	1,071,523	–
CFER: NDA Capital income		251,712	–	18,153	–
CFER: Other income		2,223	2,223	737	737
Total programme income		1,287,161	1,048,850	1,211,631	1,147,071
Discontinued operations	17	–	–	–	59,590
Total operating income		1,290,158	1,127,739	1,214,644	1,272,121

12 Property, plant and equipment

Consolidated 2011-12

	Land £'000	Buildings £'000	Information Technology £'000	Plant and Machinery £'000	Furniture and Fittings £'000	Mine water Schemes £'000	Assets Under Construction £'000	Total £'000
Cost or valuation								
At 1 April 2011	15,247	2,391,812	37,816	4,797,919	27,986	67,133	180,206	7,518,119
Additions	166	6,001	1,676	2,238	317	4,966	43,822	59,186
Disposals	–	(12,257)	(441)	(69,122)	(188)	(106)	(295)	(82,409)
Impairments	–	–	–	–	–	–	(41,933)	(41,933)
Revaluation	–	3,265	566	(6,001)	(330)	3,595	–	1,095
Reclassification	–	(7,158)	1,611	35,830	(578)	6,413	(18,815)	17,303
At 31 March 2012	15,413	2,381,663	41,228	4,760,864	27,207	82,001	162,985	7,471,361
Depreciation								
At 1 April 2011	–	2,257,508	29,745	4,305,757	25,498	11,331	–	6,629,839
Charged in year	–	33,405	3,552	66,250	765	2,773	–	106,745
Disposals	–	5,568	(395)	(67,766)	(188)	(8)	–	(62,789)
Impairments	–	(6,448)	–	6,126	26	–	–	(296)
Revaluation	–	3,425	–	(6,002)	(289)	647	–	(2,219)
Reclassification	–	(7,158)	(147)	33,182	(768)	–	–	25,109
At 31 March 2012	–	2,286,300	32,755	4,337,547	25,044	14,743	–	6,696,389
Carrying amount at 31 March 2011	15,247	134,304	8,071	492,162	2,488	55,802	180,206	888,280
Carrying amount at 31 March 2012	15,413	95,363	8,473	423,317	2,163	67,258	162,985	774,972

	Land £'000	Buildings £'000	Information Technology £'000	Plant and Machinery £'000	Furniture and Fittings £'000	Mine water Schemes £'000	Assets Under Construction £'000	Total £'000
Asset financing								
Owned	15,413	89,677	5,500	423,317	2,163	67,258	162,985	766,313
Finance leased	–	5,686	–	–	–	–	–	5,686
On balance sheet PFI contract	–	–	2,973	–	–	–	–	2,973
Carrying amount at 31 March 2012	15,413	95,363	8,473	423,317	2,163	67,258	162,985	774,972
Of the total:								
Department	–	5,686	4,936	69	1,092	–	–	11,783
NDPBs	15,413	89,677	3,537	423,248	1,071	67,258	162,985	763,189
Carrying amount at 31 March 2012	15,413	95,363	8,473	423,317	2,163	67,258	162,985	774,972

Assets held under service concessions

Included within Information technology are assets with a cost of £4,861,000 (2010-11: £4,087,000) and a net book value of £2,973,000 (2010-11: £3,040,000) that are capitalised as part of service contracts for the provision of IT services to the Group by the operators.

Contracts have been assessed as service concession arrangements within the scope of IFRIC12: Service Concession Arrangements. The infrastructure assets have been capitalised at the start of the contract and are depreciated over the term of the contracts.

Asset transfers

Included in additions are assets received for nil consideration, these are: the building at 55 Whitehall, London, which was transferred to the core Department from Defra, recognised at £6m; and Mine Water Schemes transferred from the Environment Agency recognised at £2 million. These have been taken to the General fund.

Revaluations

Land and buildings of the NDA that are located outside the nuclear licensed site boundaries, were revalued at 31 March 2011 on the basis of existing use value or market value, as appropriate, by external qualified valuers. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors Valuation Standards (6th Edition) by Dixon Webb Chartered Surveyors. The majority of the monetary revaluation adjustment relates to land identified as having potential for alternative use and where there have been subsequent disposals of land assets. As part of the review of the nuclear provision the cost of decommissioning the operational assets of Sellafield has been reviewed resulting in a revaluation decrease of £106 million – this decrease is not reflected in the revaluation reserve, £102 million is reflected in the nuclear provision and £3 million reflected in recoverable contract costs.

A valuation was undertaken of the Group's NDPB, the Coal Authority's Head Office land and buildings by external Chartered Surveyors (Lambert Smith Hampton, a multi disciplinary chartered surveying practice), based on existing use value on 31 March 2011 in accordance with RICS guidelines. The valuation did not differ materially from the carrying value of the asset and therefore no adjustment was made. The next valuation of the Head Office land and buildings will be undertaken as at 31 March 2013.

Coal Authority's non-property assets are revalued using indexation.

Impairments

The impairment charge to expenditure of £42 million (2011: £56 million) primarily arose in connection with commercial assets at Sellafield, Magnox and Low Level Waste Repository.

NDA assets

In preparation for HM Treasury's 'Clear Line of Sight' project in 2011-12, the Group's NDPB, the NDA, wrote-off non-commercial waste management assets with a gross book value, and accumulated depreciation, of £5,627 million as these assets had no ongoing value in use to the Group. This included £1,723 million of decommissioning assets which, whilst shown separately, formed part of the historical cost and accumulated depreciation of the original assets.

The remaining balance of decommissioning assets of £207 million (£232 million in 2010-11) represented the net book value of decommissioning assets which still had a value in use to the Group, and was combined with the physical asset to which they relate in 2010-11.

The Capenhurst site was held at nil net book value at the start of the year. This was reclassified to Assets held for sale during the year where it was subsequently revalued as shown in Note 17.

The Group continues to account for non-waste management assets on nuclear licensed sites, which have an ongoing value in use or realisable value, in accordance with IAS 16 and the requirements of FReM. Assets outside the nuclear licenced site boundaries are revalued in accordance with FReM.

The Group continues to require Site Licence Companies to maintain inventories of all property, plant and equipment held on nuclear licensed sites and which are subject to validation and audit as part of the contractual terms in place between the NDA and license holders.

Consolidated 2010-11

	Land £'000	Buildings £'000	Information Technology £'000	Plant and Machinery £'000	Furniture and Fittings £'000	Mine water Schemes £'000	Assets Under Construction £'000	Capitalised Decommissioning costs £'000	Total £'000
Cost or valuation									
At 1 April 2010	20,289	3,445,717	47,418	4,313,080	113,388	62,136	159,937	5,140,229	13,302,194
Additions	18	71	1,314	1,304	134	2,374	53,880	–	59,095
Disposals	(5,060)	(1,072,965)	(10,493)	(2,631,746)	(85,899)	(18)	(87)	(1,937,276)	(5,743,544)
Impairments	–	–	–	–	–	–	(15,372)	–	(15,372)
Revaluation	–	6,490	(458)	(24)	6	857	–	(103,000)	(96,129)
Reclassification	–	12,499	35	3,115,305	357	1,784	(18,152)	(3,099,953)	11,875
At 31 March 2011	15,247	2,391,812	37,816	4,797,919	27,986	67,133	180,206	–	7,518,119
Depreciation									
At 1 April 2010		3,236,202	37,903	4,004,259	110,276	8,980	–	4,779,921	12,177,541
Charged in year	–	36,072	2,244	58,293	998	2,230	–	23,030	122,867
Disposals	–	(1,060,629)	(10,462)	(2,631,615)	(85,898)	(15)	–	(1,937,276)	(5,725,895)
Impairments	–	39,253	32	1,324	91	–	–	–	40,700
Revaluation	–	–	(8)	(1)	4	136	–	2,600	2,731
Reclassification		6,610	36	2,873,497	27	–	–	(2,868,275)	11,895
At 31 March 2011	–	2,257,508	29,745	4,305,757	25,498	11,331	–	–	6,629,839
Carrying amount at 31 March 2010	20,289	209,515	9,515	308,821	3,112	53,156	159,937	360,308	1,124,653
Carrying amount at 31 March 2011	15,247	134,304	8,071	492,162	2,488	55,802	180,206	–	888,280

	Land £'000	Buildings £'000	Information Technology £'000	Plant and Machinery £'000	Furniture and Fittings £'000	Mine water Schemes £'000	Assets Under Construction £'000	Capitalised Decommissioning costs £'000	Total £'000
Asset financing									
Owned	15,247	134,304	5,031	492,162	2,488	55,802	180,206	–	885,240
Finance leased	–	–	–	–	–	–	–	–	–
On balance sheet PFI contracts	–	–	3,040	–	–	–	–	–	3,040
Carrying amount at 31 March 2011	15,247	134,304	8,071	492,162	2,488	55,802	180,206	–	888,280
Of the total:									
Department	–	–	5,771	90	1,285	–	–	–	7,146
NDPBs	15,247	134,304	2,300	492,072	1,203	55,802	180,206	–	881,134
Carrying amount at 31 March 2011	15,247	134,304	8,071	492,162	2,488	55,802	180,206	–	888,280

13 Intangible assets

Consolidated 2011–12

	Information Technology £'000	Software licences £'000	Total £'000
Cost or valuation			
At 1 April 2011	18,509	1,846	20,355
Additions	999	567	1,566
Disposals	(367)	(51)	(418)
Revaluations	1	2	3
Reclassifications	78	–	78
At 31 March 2012	19,220	2,364	21,584
Amortisation			
At 1 April 2011	13,338	369	13,707
Charged in year	413	400	813
Disposals	(145)	(8)	(153)
Revaluation	–	(1)	(1)
Reclassifications	–	–	–
At 31 March 2012	13,606	760	14,366
Carrying amount at 31 March 2011	5,171	1,477	6,648
Carrying amount at 31 March 2012	5,614	1,604	7,218
All intangible assets are owned by the Group.			
Of the total:			
Department	–	541	541
NDPBs	5,614	1,063	6,677
Carrying amount at 31 March 2012	5,614	1,604	7,218

Consolidated 2010–11

	Information Technology £'000	Software licences £'000	Total £'000
Cost or valuation			
At 1 April 2010	15,365	37,029	52,394
Additions	3,208	718	3,926
Revaluation	(64)	(79)	(143)
Write off	–	(35,822)	(35,822)
At 31 March 2011	18,509	1,846	20,355
Amortisation			
At 1 April 2010	13,184	35,461	48,645
Charged in year	156	383	539
Revaluation	(2)	(1)	(3)
Write off	–	(35,474)	(35,474)
At 31 March 2011	13,338	369	13,707
Carrying amount at 31 March 2010	2,181	1,568	3,749
Carrying amount at 31 March 2011	5,171	1,477	6,648

All intangible assets are owned by the Group.

Of the total:

Department	–	431	431
NDPBs	5,171	1,046	6,217
Carrying amount at 31 March 2011	5,171	1,477	6,648

14 Financial assets

		Core Department 31 March 2012	Departmental Group 31 March 2012	Core Department Restated 31 March 2011	Departmental Group 31 March 2011	Core Department restated 1 April 2010	Departmental Group 1 April 2010
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Energy Efficiency Loans and Recyclable Energy Efficiency Loans	14.1	101,396	101,396	130,248	130,248	93,862	93,862
Investments in subsidiaries	14.2	–	225,737	–	205,737	–	205,737
Other Investments	14.3	–	16,502	–	46,124	–	61,500
Derivative Financial Instruments	14.4	–	–	–	2,124	–	12,720
Recoverable contract costs	14.5	–	1,420,342	–	1,279,591	–	1,626,944
Finance leases receivable	14.6	–	19,446	–	18,788	–	–
Defined benefit pension scheme	14.7	–	–	–	6,752	–	–
Total		101,396	1,783,423	130,248	1,689,364	93,862	2,000,763

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

		Core Department 31 March 2012	Departmental Group 31 March 2012	Core Department Restated 31 March 2011	Departmental Group 31 March 2011	Core Department Restated 1 April 2010	Departmental Group 1 April 2010
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Non-current assets							
Energy Efficiency Loans and Recyclable Energy Efficiency Loans	14.1	60,527	60,527	86,929	86,929	74,446	74,446
Investments in subsidiaries	14.2	–	225,737	–	205,737	–	205,737
Recoverable contract costs	14.5	–	1,420,342	–	1,279,591	–	1,626,944
Finance leases receivable	14.6	–	19,446	–	18,788	–	–
Defined benefit pension scheme	14.7	–	–	–	6,752	–	–
Total non-current assets		60,527	1,726,052	86,929	1,597,797	74,446	1,907,127

		Core Department 31 March 2012	Departmental Group 31 March 2012	Core Department Restated 31 March 2011	Departmental Group 31 March 2011	Core Department Restated 1 April 2010	Departmental Group 1 April 2010
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Current assets							
Energy Efficiency Loans and Recyclable Energy Efficiency loans	14.1	40,869	40,869	43,319	43,319	19,416	19,416
Other investments	14.3	–	16,502	–	46,124	–	61,500
Derivative Financial Instruments	14.4	–	–	–	2,124	–	12,720
Total Current assets		40,869	57,371	43,319	91,567	19,416	93,636
Total Financial Assets		101,396	1,783,423	130,248	1,689,364	93,862	2,000,763

14.1 Energy Efficiency and Recyclable Energy Efficiency Loans

	Energy Efficiency Loans to Small and Medium sized Enterprises £'000	Energy Efficiency Loans to Public Sector Bodies £'000	Recyclable Energy Efficiency loans to Small and Medium Sized Enterprises £'000	Recyclable Energy Efficiency loans to Public Sector Bodies £'000	Total £'000
Value at 1 April 2010	50,662	43,200	–	–	93,862
Additions	14,765	223	37,827	–	52,815
Discount charge	(979)	(22)	–	–	(1,001)
Unwinding of discount	1,773	1,512	–	–	3,285
Impairment	(90)	–	–	–	(90)
Repayments	(12,871)	(5,752)	–	–	(18,623)
Value at 31 March 2011	53,260	39,161	37,827	–	130,248
Additions	1,031	266	8,122	25,600	35,019
Loans derecognised	(3,240)	(457)	(10,316)	–	(14,013)
Discount charge	(2,031)	(489)	–	(2,490)	(5,010)
Unwinding of discount	2,892	1,399	1,414	–	5,705
Impairment	(1,590)	–	(3,606)	–	(5,196)
Repayments	(18,846)	(12,450)	(14,061)	–	(45,357)
Value at 31 March 2012	31,476	27,430	19,380	23,110	101,396

Analysis of Energy Efficiency and Recyclable Energy Efficiency Loans	31 March 2012 £'000	31 March 2011 £'000	1 April 2010 £'000
Department	101,396	130,248	93,862
NDPBs	–	–	–
Total	101,396	130,248	93,862

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

2011-12	Loans to Small and Medium sized Enterprises £'000	Loans to Public Sector Bodies £'000	Recyclable Energy Efficiency loans to Small and Medium Sized Enterprises £'000	Recyclable Energy Efficiency loans to Public Sector Bodies £'000	Total £'000
Within 1 year	16,424	10,584	10,769	3,092	40,869
Within 1-5 years	15,052	16,846	8,611	20,018	60,527
Total	31,476	27,430	19,380	23,110	101,396

2010-11	Loans to Small and Medium sized Enterprises £'000	Loans to Public Sector Bodies £'000	Recyclable Energy Efficiency loans to Small and Medium Sized Enterprises £'000	Recyclable Energy Efficiency loans to Public Sector Bodies £'000	Total £'000
Within 1 year	21,576	4,897	16,846	–	43,319
Within 1-5 years	31,684	34,264	20,981	–	86,929
Total	53,260	39,161	37,827	–	130,248

Energy Efficiency Loans (EELs) and Recyclable Energy Efficiency Loans (REELs) 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 Small and Medium Sized Enterprise are administered by the Carbon Trust and for public sector organisations by its wholly owned subsidiary company Salix.

Energy Efficiency Loans to Small and Medium Sized Enterprises (SMEs)

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 (now closed) 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 four years and meet 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 £ 2.0million 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 (2003-11: £3,000 and £100,000). Loans are repayable over a period of up to 4 years.

Energy Efficiency Loans to Public Sector Bodies (PSBs)

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 four years.

Recyclable Energy Efficiency Loans to Small and Medium Sized Enterprises (SMEs)

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.

Recyclable Energy Efficiency Loans to Public Sector Bodies (PSBs)

The Salix Recyclable Energy Efficiency Loans Scheme was opened in 2011 and offered interest free loans with a de-minimis application value of £5,000. The loans were offered to PSB's to fund energy efficiency projects which would pay back within four years with repayments set to match expected energy bill savings. Repaid loans will then be recycled by Salix (minus administration costs) in order to offer new loans to PSBs for the same purposes.

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.

Impairment

Loans to Small and Medium Sized Enterprises (SMEs)

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 £1,590,000 (2010-11: £90,000) (EELs) and £3,606,000 (2010-11: £Nil) (REELs) has been recognised in the statement of comprehensive net expenditure for 2011-12. This charge was in respect of 75 companies (EELs) and 183 companies (REELs) that were subsequently placed under administration. As at 31 March 2012 the impairment charge represents the entire outstanding balance owed by these companies (2010-11: £228,000 (EELs); £Nil (REELs)).

The Group has received confirmation from Carbon Trust that a further four companies (EELs) and two companies (REELs) in its private sector client base have defaulted on their loan repayments. The total amount of the default is £1,000 (2010-11: £19,000) (EELs) and £3,000 (2010-11: £Nil) (REELs) with the debt being on average 1 month (2010-11: 3.5 months) (EELs) and 1.5 months (2010-11: Nil) (REELs) overdue. The Group has not impaired the carried down loan value for these defaults as management have not assessed these amounts to be irrecoverable. Apart from the above there are no past-due loan balances to report.

Loans to Public Sector Bodies (PSBs)

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

For REELs, there were no past due balances at the year end and For EELs, three (2010-11: 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 £668,000 (2010-11: £107,000).

Risk Management

Loans to Small and Medium Sized Enterprises (SMEs)

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

Loans to Public Sector Bodies (PSBs)

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

Credit risk

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

Loans to Small and Medium Sized Enterprises (SMEs)

The credit risk is borne by the Department which bears the cost of defaults. The credit risk is controlled by procedures managed by the Carbon Trust which include determining whether a business is commercially viable through formal credit checking procedures which incorporate an industry standard credit test as part of the application process. 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 2012, the maximum undiscounted credit exposure was £33,255,000 (31 March 2011: £97,934,000) (EELs) and £20,450,000 (31 March 2011: £29,994,000) (REELs) based on loans drawn down at that date. At 31 March 2012 the undiscounted value of offers made to applicants under the interest free loans scheme which had not been drawn down by recipients was £Nil (31 March 2011: £133,000) (EELs) and £Nil (31 March 2011: £10,316,000) (REELs).

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 2012, the maximum undiscounted credit exposure was based on loans drawn down at that date. At 31 March 2012 the undiscounted value of offers made to applicants under the interest free loans scheme which had not been drawn down by recipients was.

Loans to Public Sector Bodies (PSBs)

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

Interest rate risk

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

14.2 Investments in subsidiaries

	Cost £'000	Impairment £'000	Carrying value £'000
At 1 April 2010	208,737	(3,000)	205,737
Additions	–	–	–
At 31 March 2011	208,737	(3,000)	205,737
Additions	20,000	–	20,000
At 31 March 2012	228,737	(3,000)	225,737

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

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

Name	Country of incorporation	Nature of business	Holding entity	Proportion of ordinary shares held
Nuclear Liabilities Fund	UK	Fund nuclear decommissioning	Core DECC	100%
Enrichment Holdings Limited	UK	Uranium Enrichment (via Urenco)	Core DECC	100%
National Nuclear Laboratories Limited	UK	Technology Services	Core DECC	100%
International Nuclear Services Limited	UK	Contract management and the transportation of spent fuel, reprocessing products and waste	NDA	100%
International Nuclear Services France SAS*	France	Transportation of spent fuel	NDA	100%
International Nuclear Services Japan KK*	Japan	Transportation of spent fuel	NDA	100%
Pacific Nuclear Transport Limited*	UK	The transportation of spent fuel, reprocessing products and waste	NDA	62.5%
Direct Rail Services Limited	UK	Rail transport services within the UK	NDA	100%
INS Rokkasho KK	Japan	Technical support to the nuclear industry	NDA	66%
NDA Properties Limited	UK	Property management	NDA	100%
Rutherford Indemnity Limited	Guernsey	Nuclear insurance	NDA	100%

* Ownership through International Nuclear Services Limited

The core 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. It also 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 below.

The core 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	
	2011-12	2010-11	2011-12	2010-11	2011-12	Restated 2010-11
Assets	8,664.5	8,599.1	465.5	403.1	67.9	57.8
Liabilities	8,664.5	(8,599.1)	–	–	(36.1)	(33.4)
Net assets	–	–	465.5	403.1	31.8	24.4
Turnover	65.9	56.8	–	–	84.0	78.3
Surplus/profit for the year	62.5	88.6	103.8	110.6	7.3	6.6

- Nuclear Liabilities Fund (NLF):** The information is extracted from the draft accounts for the year to 31 March 2012; the accounts were prepared in accordance with IFRS. 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 27.1 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 2012 of Enrichment Holdings Limited, prepared under the historical cost convention and in accordance with IFRS. 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 11.
- National Nuclear Laboratories Holdings Limited:** The share of net assets and results disclosed is extracted from the draft group accounts for the year ended 31 March 2012 of National Nuclear Laboratories Holdings Limited, prepared under the historical cost convention and in accordance with IFRS. The 2010-11 comparatives have been restated based on the final audited accounts of National Nuclear Laboratories Holdings Limited for 2010-11. Included in the net assets shown above for 2011-12 and 2010-11 is £20m cash held by National Nuclear Laboratories Holdings Limited, this is shown as third party assets in Note 31 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.

14.3 Other investments

	31 March 2012 £'000	31 March 2011 £'000	1 April 2010 £'000
Bank deposits	16,502	46,124	61,500
	16,502	46,124	61,500

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

The above investments are carried at fair value and held for purposes other than to meet short-term cash commitments. Bank deposits consist of funds which are held by the NDA within charge over deposit accounts (CODAs). These represent funds provided by customers which are held in accounts controlled and owned by the NDA, over which the customer has a legal charge until the associated work has been completed. These funds will become payable to the NDA once the work is completed and the charge released. Interest on the accounts accrues to the benefit of the NDA.

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 2012 was £Nil (31 March 2011: £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.

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><i>British Energy Group plc £1 Special Share,</i></p> <p><i>British Energy Holdings plc £1 Special Share,</i></p> <p><i>British Energy Generation Ltd £1 Special Share, and</i></p> <p><i>British Energy Ltd £1 Special Share</i></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
<i>Nuclear Liabilities Fund Ltd</i> <i>£1 Special Rights Redeemable Preference Share</i>	<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.

14.4 Derivative Financial Instruments

	Note	31 March 2012 £'000	31 March 2011 £'000	1 April 2010 £'000
Commodity supply contracts – assets				
Core Department		–	–	–
NDPBs		–	2,124	12,720
Total	14	–	2,124	12,720
Commodity supply contracts – liabilities				
Core Department		–	–	–
NDPBs		(2,497)	(5,400)	(800)
Total	21.1	(2,497)	(5,400)	(800)

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

14.5 Recoverable contract costs

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

	31 March 2012	31 March 2011	1 April 2010
Recoverable contract costs relating to Nuclear provisions	£'000	£'000	£'000
Gross recoverable contract costs	4,774,816	4,654,627	4,568,000
Less applicable payments received on account	(2,988,566)	(2,780,036)	(2,910,056)
Less associated contract loss provisions	(365,908)	(595,000)	(31,000)
	1,420,342	1,279,591	1,626,944

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

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

	Note	2011-12 £'000	2010-11 £'000
Gross recoverable contract costs at 1 April		4,654,627	4,568,000
Increase/(decrease) in year	22.1	397,614	456,800
Unwinding of discount	22.1	36,214	64,925
Reclassification	22.1	29,491	–
Revaluation impacting property, plant and equipment	12	–	2,600
Release in year – continuing operations	9	(343,130)	(437,698)
Gross recoverable contract costs at 31 March		4,774,816	4,654,627

14.6 Finance lease receivable

	Departmental Group 31 March 2012 £'000	Departmental Group 31 March 2011 £'000	Departmental Group 1 April 2010 £'000
Amounts receivable under finance leases			
Not later than one year	657	635	–
Later than one year and not later than five years	2,869	2,772	–
Later than five years	102,974	103,093	–
	106,500	106,500	–
Less unearned finance income	(87,054)	(87,712)	–
Present value of minimum lease payments	19,446	18,788	–

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

The finance lease receivable relates to land and buildings of the Springfields Fuels operation which was sold to Westinghouse Electric UK Holdings Limited on 1 April 2010. The interest rate inherent in the lease is fixed at the contract date for all of the lease term. The average effective interest rate contracted approximates to 3.50% per annum.

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

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

14.7 Defined benefit pension scheme

NDPBs

Defined Benefit Schemes

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

Nirex Pension Scheme

The Nirex Pension Scheme is a defined benefit (final salary) funded pension scheme. The scheme was closed to new entrants on 1 April 2007 and during 2010 the last remaining active member retired.

Closed Section of the Combined Nuclear Pension Scheme (CNPP)

The NDA took over direct responsibility of the pension liability within the Springfields Fuels section of the CNPP on 1 April 2010. The Closed Section (formerly the Springfields Fuels Section) of the CNPP is a defined benefit (final salary) funded pension scheme. The scheme was closed to new entrants and further accrual on 31 March 2010. The pension scheme surplus taken on over the year was £2,953,000.

Actuarial valuations for the defined benefit schemes referred to above have been updated at 31 March 2012 by an independent actuary using assumptions that are consistent with the requirements of IAS 19 and the resultant asset/liability of the two schemes is shown in the table below. Investments have been valued for this purpose at fair value.

	Note	31 March 2012		31 March 2011		1 April 2010	
		Nirex £'000	CNPP £'000	Nirex £'000	CNPP £'000	Nirex £'000	CNPP £'000
Asset recognised in the statement of financial position	14	–	–	–	6,752	–	–
Liability recognised in the statement of financial position	21.1	(2,582)	(1,503)	(433)	–	(13)	–
Total		(2,582)	(1,503)	(433)	6,752	(13)	–

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

15 Investment property

	Land £'000	Buildings £'000	Total £'000
Fair Value			
As at 1 April 2010	903	134	1,037
Revaluations	124	–	124
Reclassification	65	–	65
As at 31 March 2011	1,092	134	1,226
Revaluations	(135)	(35)	(170)
Reclassifications	(122)	–	(122)
As at 31 March 2012	835	99	934

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

The Group owns all of its investment properties.

A review as at March 2012 has been undertaken by Phil Brandreth FRICS, Coal Authority Property Manager. Valuations have been amended using appropriate property indices to reflect the movement in the property market over the previous year.

16 Impairments

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

	Note	2011-12 £'000	2010-11 £'000
Financial Assets – Energy Efficiency Loans to Small and Medium Sized Enterprises	14.1	5,196	90
Property, plant and equipment	12	41,637	56,072
Total		46,833	56,162
Analysis of impairments			
Department		5,196	90
NDPBs		41,637	56,072
Total		46,833	56,162

17 Assets classified as held for sale and discontinued operations

Assets held for sale

	2011-12 £'000	2010-11 £'000
As at 1 April	277,647	295,939
Disposals	(227,007)	(18,230)
Revaluation	49,383	3
Reclassification	122	(65)
As at 31 March	100,145	277,647

Following the completion of bulk decommissioning activities at Capenhurst, the future strategy for the site is under review, and heads of terms have been signed with Urenco looking to maximise potential synergies between the UUK and NDA sites. Capenhurst has therefore been reclassified from property, plant and equipment to an asset classified as held for sale and subsequently revalued to fair value.

The sales of land at Wylfa and at Oldbury were completed in 2011. On 29 October 2009, the NDA announced the disposal of land at Sellafield for £52 million.

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

Discontinued operations – Springfields Fuels (NDA)

An agreement was signed on 24 March 2010 for the disposal of the Springfields Fuels operations to Westinghouse Electric UK Holdings Limited. The agreement became effective on 1 April 2010 and therefore the results of the Springfields Fuels operations were treated as a discontinued operation in the 2011 financial statements.

	Departmental Group 2011-12 £'000	Departmental Group 2010-11 £'000
Programme expenditure	–	48,485
Movement in other provisions	–	2,211
Total programme costs	–	50,696
Income	–	(59,590)
Net (income)/expenditure from discontinued operations	–	(8,894)

18 Inventories

	Departmental Group 31 March 2012 £'000	Departmental Group 31 March 2011 £'000	Departmental Group 1 April 2010 £'000
Nuclear Fuels	4,205	14,164	15,600
Raw materials and consumables	36,682	35,788	45,730
Work in progress	38,030	60,728	32,126
Finished Goods	–	–	9,519
Other	1,134	1,177	1,515
	80,051	111,857	104,490

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

19 Trade and other receivables

19.1 Analysis by type

	Core Department 31 March 2012 £'000	Departmental Group 31 March 2012 £'000	Core Department 31 March 2011 £'000	Departmental Group 31 March 2011 £'000	Core Department 1 April 2010 £'000	Departmental Group 1 April 2010 £'000
Amounts falling due within one year						
Trade receivables	3,163	377,742	20,891	405,359	7,803	453,842
Coal Pensions Investments	75,685	75,685	75,685	75,685	75,685	75,685
Other receivables	1,706	11,903	1,035	13,000	8,513	20,068
HM Revenue Customs and VAT	5,074	72,712	8,261	60,030	8,024	43,521
Amounts due from the Consolidated Fund in respect of supply	–	–	13,173	13,173	65,131	65,131
Prepayments and accrued income	41,566	135,586	35,471	98,156	20,193	102,604
Total current trade and other receivables	127,194	673,628	154,516	665,403	185,349	760,851

	Core Departmental 31 March 2012 £'000	Departmental Group 31 March 2012 £'000	Core Departmental Restated 31 March 2011 £'000	Departmental Group 31 March 2011 £'000	Core Departmental Restated 1 April 2010 £'000	Departmental Group 1 April 2010 £'000
Note						
Amounts falling due after more than one year						
Coal Pensions Investments	212,043	212,043	277,998	277,998	341,723	341,723
Other receivables	–	13,219	–	16,302	–	16,975
Total non-current trade and other receivables	212,043	225,262	277,998	294,300	341,723	358,698
Total trade and other receivables	339,237	898,890	432,514	959,703	527,072	1,119,549

Included within other receivables within one year are CFER receivables of £162,000 (31 March 2011 £28,000; 31 March 2010: £Nil).

Coal Pensions Investments represent the amounts due to the Government relating to the surplus on the British Coal Staff Superannuation Scheme (BCSSS) and the Mineworkers' Pension Scheme (MPS). These amounts arise from the 1994 Coal Industry Act in which the Government gave a guarantee in relation to the benefits payable to members and beneficiaries of the BCSSS and MPS; as part of the agreement a portion of the surpluses are due to the Government. The future cash flows are determined by recommendations of the Government Actuary's Department (GAD) as a result of their triennial actuarial valuations. The most recent valuations were at 31 March 2009 for BCSSS and 30 September 2008 for MPS.

The Coal Pensions Investments have been classified as Loans and receivables in accordance with IAS39: Financial Instruments: Recognition and Measurement. They are valued at fair value which equates to the cash flows being discounted at a rate of 3.5%, the Treasury's real discount rate for assessing investments. The unwinding of the discount and revaluations due to the triennial GAD valuations are reflected in the Statement of Comprehensive Net Expenditure.

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.

Other receivables falling due after more than one year relate to lump sum payments made under early retirement arrangements to individuals who have retired early, or who have accepted early retirement, before 31 March 2012. These payments are refundable to the Group from the appropriate pension scheme at or after the date on which the individual concerned would have reached normal retirement age.

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

Ageing of current trade receivables in relation to this category of trade receivables is shown in the table below:

	Departmental Group 31 March 2012 £'000	Departmental Group 31 March 2011 £'000	Departmental Group 1 April 2010 £'000
Neither impaired nor past due	358,694	371,764	435,153
Impaired (net of allowance for doubtful debts)	–	–	–
Not impaired but past due in the following periods:			
within 30 days	6,056	3,380	728
31 to 60 days	321	522	1,739
61 to 90 days	64	719	55
91 to 120 days	179	110	89
over 120 days	299	95	350
Total	365,613	376,590	438,114

19.2 Intra-Government balances

Amounts falling due within one year						
	Core Department 31 March 2012 £'000	Departmental Group 31 March 2012 £'000	Core Department Restated 31 March 2011 £'000	Departmental Group 31 March 2011 £'000	Core Department Restated 1 April 2010 £'000	Departmental Group 1 April 2010 £'000
Balances with:						
Other Central Government bodies	8,768	119,902	30,012	81,640	74,476	110,435
Local Authorities	–	480	19	419	61	649
NHS Trusts	–	–	–	–	–	–
Public Corporations and Trading Funds	–	713	–	311	2	2
Subtotal: Intra-Government balances	8,768	121,095	30,031	82,370	74,539	111,086
Bodies external to Government	118,426	552,533	124,485	583,033	110,810	649,765
Total trade and other receivables	127,194	673,628	154,516	665,403	185,349	760,851

Amounts falling due after more than one year

	Core Department 31 March 2012 £'000	Departmental Group 31 March 2012 £'000	Core Department Restated 31 March 2011 £'000	Departmental Group 31 March 2011 £'000	Core Department Restated 1 April 2010 £'000	Departmental Group 1 April 2010 £'000
Balances with:						
Other Central Government bodies	-	151	-	151	-	151
Local Authorities	-	-	-	-	-	-
NHS Trusts	-	-	-	-	-	-
Public Corporations and Trading Funds	-	-	-	-	-	-
Subtotal: Intra-Government balances	-	151	-	151	-	151
Bodies external to Government	212,043	225,111	277,998	294,149	341,723	358,547
Total trade and other receivables	212,043	225,262	277,998	294,300	341,723	358,698

20. Cash and cash equivalents

	Core Department 2011-12 £'000	Departmental Group 2011-12 £'000	Core Department 2010-11 £'000	Departmental Group 2010-11 £'000
Balance as at 1 April	59,752	282,324	271,286	445,400
Net change in cash and cash equivalent balances	29,862	(95,324)	(211,534)	(163,076)
Balance at 31 March	89,614	187,000	59,752	282,324

	Core Department 31 March 2012 £'000	Departmental Group 31 March 2012 £'000	Core Department Restated 31 March 2011 £'000	Departmental Group 31 March 2011 £'000	Core Department Restated 31 March 2010 £'000	Departmental Group 31 March 2010 £'000
The following balances at 31 March were held at:						
Government Banking service	89,614	187,000	59,412	273,891	268,034	433,141
Cash in hand and commercial banks	-	-	340	8,433	3,252	12,259
	89,614	187,000	59,752	282,324	271,286	445,400

21 Trade and other payables

21.1 Analysis by type

	Core Department 31 March 2012 £'000	Departmental Group 31 March 2012 £'000	Core Department Restated 31 March 2011 £'000	Departmental Group 31 March 2011 £'000	Core Department Restated 1 April 2010 £'000	Departmental Group 1 April 2010 £'000
Amounts falling due within one year:						
VAT	–	6,943	–	6,744	–	5,648
Other taxation and social security	2,920	5,151	2,378	3,704	6	1,230
Trade payables	479	445,661	8,414	437,028	3,214	405,635
Payments received on account	–	551,003	–	577,773	–	528,893
Other payables	4,613	7,091	4,745	6,852	10,343	12,087
On balance sheet PFI	–	8	–	21	–	28
Accruals and deferred income	314,924	542,330	307,248	516,492	261,876	435,675
Derivative Financial instruments	–	2,497	–	5,400	–	800
Amounts issued from the Consolidated Fund for Supply but not spent at year end	87,553	87,553	73,214	73,214	341,199	341,199
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund:						
Received	2,061	2,061	534	534	307	307
Receivable	162	162	28	28	–	–
Total current trade and other payables	412,712	1,650,460	396,563	1,627,790	616,945	1,731,502

	Core Department 31 March 2012 £'000	Departmental Group 31 March 2012 £'000	Core Department Restated 31 March 2011 £'000	Departmental Group 31 March 2011 £'000	Core Department Restated 1 April 2010 £'000	Departmental Group 1 April 2010 £'000
Amounts falling due after more than one year						
Payments received on account	–	1,952,251	–	1,884,522	–	1,479,372
Accruals and deferred income	1,036	5,654	1,351	5,936	264	8,487
On balance sheet PFI	–	39	–	109	–	141
Defined Benefit Pension Scheme Deficit	–	4,085	–	433	–	13
Total non-current trade and other payables	1,036	1,962,029	1,351	1,891,000	264	1,488,013
Total trade and other payables	413,748	3,612,489	397,914	3,518,790	617,209	3,219,515

Payments received on account

	Note	2011-12 £'000	2010-11 £'000
As at 1 April – current		577,773	528,893
As at 1 April – non-current		1,884,522	1,479,372
		2,462,295	2,008,265
Revalorisation	10	172,380	204,974
Movement in amount deducted from recoverable contract costs	14.5	(208,530)	130,020
Reclassification		–	(45,000)
Reclassification from other provisions	22.3	–	65,306
Cash received		687,416	710,279
Released to income		(610,307)	(611,549)
As at 31 March		2,503,254	2,462,295
Of which:			
As at 31 March – current		551,003	577,773
As at 31 March – non-current		1,952,251	1,884,522

Payments received on account are all within the NDA and relate to amounts which customers have paid for the provision of services under long-term contracts. These payments will be recognised as income when the services are provided. Payments received on account are shown net after deduction of any applicable recoverable contract costs (see Note 14.5).

21.2 Intra-Government balances

Amounts falling due within one year						
	Core Department 31 March 2012 £'000	Departmental Group 31 March 2012 £'000	Core Department Restated 31 March 2011 £'000	Departmental Group 31 March 2011 £'000	Core Department Restated 1 April 2010 £'000	Departmental Group 1 April 2010 £'000
Balances with:						
Other Central Government bodies	104,216	115,027	102,245	104,870	365,784	369,708
Local Authorities	556	700	2,591	2,767	1	177
NHS Trusts	–	–	–	–	1	1
Public Corporations and Trading Funds	1,596	1,608	1,258	1,288	3,413	3,626
Subtotal: Intra-Government balances	106,368	117,335	106,094	108,925	369,199	373,512
Bodies external to Government	306,344	1,533,125	290,469	1,518,865	247,746	1,357,990
Total trade and other payables	412,712	1,650,460	396,563	1,627,790	616,945	1,731,502

Amounts falling due after more than one year						
	Core Department 31 March 2012 £'000	Departmental Group 31 March 2012 £'000	Core Department Restated 31 March 2011 £'000	Departmental Group 31 March 2011 £'000	Core Department Restated 1 April 2010 £'000	Departmental Group 1 April 2010 £'000
Balances with:						
	£'000	£'000	£'000	£'000	£'000	£'000
Other Central Government bodies	–	39	–	109	–	141
Local Authorities	–	–	–	–	–	–
NHS Trusts	–	–	–	–	–	–
Public Corporations and Trading Funds	–	–	–	–	–	–
Subtotal: Intra-Government balances	–	39	–	109	–	141
Bodies external to Government	1,036	1,961,990	1,351	1,890,891	264	1,487,872
Total trade and other payables	1,036	1,962,029	1,351	1,891,000	264	1,488,013

22 Provisions for liabilities and charges:

		Core Department 31 March 2012 £'000	Departmental Group 31 March 2012 £'000	Core Department Restated 31 March 2011 £'000	Departmental Group 31 March 2011 £'000	Core Department Restated 1 April 2010 £'000	Departmental Group 1 April 2010 £'000
	Note						
Nuclear	22.1	1,887,462	54,714,340	2,008,649	51,094,456	2,079,691	47,101,834
Coal	22.2	600,080	1,511,080	569,855	1,484,855	640,002	1,510,556
Other	22.3	–	2,072,327	–	1,971,991	–	1,799,223
Total		2,487,542	58,297,747	2,578,504	54,551,302	2,719,693	50,411,613

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

		Core Department 31 March 2012 £'000	Departmental Group 31 March 2012 £'000	Core Department Restated 31 March 2011 £'000	Departmental Group 31 March 2011 £'000	Core Department Restated 1 April 2010 £'000	Departmental Group 1 April 2010 £'000
	Note						
Current liabilities							
Nuclear	22.1	233,523	2,400,062	225,474	2,183,030	214,031	2,112,017
Coal	22.2	85,367	111,092	98,819	126,040	123,155	154,048
Other	22.3	–	222,601	–	134,747	–	301,412
Total current		318,890	2,733,755	324,293	2,443,817	337,186	2,567,477
Non-current liabilities							
Nuclear	22.1	1,653,939	52,314,278	1,783,175	48,911,426	1,865,660	44,989,817
Coal	22.2	514,713	1,399,988	471,036	1,358,815	516,847	1,356,508
Other	22.3	–	1,849,726	–	1,837,244	–	1,497,812
Total non current		2,168,652	55,563,992	2,254,211	52,107,485	2,382,507	47,844,137
Total		2,487,542	58,297,747	2,578,504	54,551,302	2,719,693	50,411,614

22.1 Nuclear

	Note	Core Department £'000	NDA Provisions £'000	Departmental Group £'000
At 1 April 2010		2,079,691	45,022,143	47,101,834
Unwinding of discount		45,753	857,148	902,901
Unwinding of discount – recoverable contract costs	14.5	–	64,925	64,925
Increase in provision		105,302	4,543,391	4,648,693
Increase in recoverable contract costs provision	14.5	–	456,800	456,800
Provisions changes impacting property, plant and equipment	12	–	(105,600)	(105,600)
Utilised in year		(222,097)	(1,753,000)	(1,975,097)
At 31 March 2011		2,008,649	49,085,807	51,094,456
Unwinding of discount		44,190	1,043,067	1,087,257
Unwinding of discount – recoverable contract costs	14.5	–	36,214	36,214
Increase in provision		67,311	4,170,898	4,238,209
Increase in recoverable contract costs provision	14.5	–	397,614	397,614
Reclassification		–	21,763	21,763
Provisions changes impacting property, plant and equipment	12	–	7,728	7,728
Utilised in year		(232,688)	(1,936,213)	(2,168,901)
At 31 March 2012		1,887,462	52,826,878	54,714,340

Cash Flow Timings

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

	Core Department 31 March 2012 £'000	Departmental Group 31 March 2012 £'000	Core Department Restated 31 March 2011 £'000	Departmental Group 31 March 2011 £'000	Core Department Restated 1 April 2010 £'000	Departmental Group 1 April 2010 £'000
Not later than one year	233,523	2,400,062	225,474	2,183,030	214,031	2,112,017
Later than one year and not later than five years	791,805	9,879,877	809,781	6,789,781	961,560	6,446,494
Later than five years	862,134	42,434,401	973,394	42,121,645	904,100	38,543,324
Balance at 31 March	1,887,462	54,714,340	2,008,649	51,094,456	2,079,691	47,101,834

Core Department

British Energy

As a result of the restructuring of British Energy (BE) in January 2005, the Government assists BE in meeting its contractual historic fuel liabilities. The provision is based on the forecast payment schedule up to 2029 which is set out in the waste processing contracts agreed between BE, BNFL and the Department. The costs are estimated to be £236.1m (undiscounted at current prices) for each of the next two 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 (RPI) and the level of provision adjusted

accordingly, this is in accordance with the Historic Liabilities Funding Agreement with BE.

Group

NDA nuclear provisions

The NDA has commercial agreements in place under which a portion of the expenditure required to settle certain elements of the nuclear provision are recoverable from third parties. Changes in the future cost estimates of discharging the nuclear provision are therefore matched by a change in recoverable contract costs. In accordance with IAS 37, these recoverable amounts are not offset against the nuclear provision but are treated as a separate asset. The amount recoverable at 31 March 2012 is £4,775 million (31 March 2011: £4,655 million), see Note 14.5.

The discount implicit in recognising nuclear provisions is unwound over the life of the provisions, with the impact of the amortisation of one year's discount shown in adjustments to provisions in the Statement of Comprehensive Net Expenditure. An increase of 0.5% in the discount rate would reduce the provision to £47.7bn, whilst a decrease in the discount rate of 0.5% would increase the provision to £52.9bn.

Changes in the cost estimates of discharging the nuclear provision (representing increase or decrease in future decommissioning costs, less under or overspend of decommissioning delivered in year) are charged to the adjustments to provisions in the Statement of Comprehensive Net Expenditure. This charge includes the impact of restating liabilities from March 2011 values to current price levels, which was previously shown separately within finance costs. The overall increase in the provision was £3,741 million (2010-11: £4,069 million) of which the Authority estimates that £1,903 million related to changes in price levels (2010-11: £2,100 million).

Actual costs of £1,936 million (2010-11: £1,753 million) incurred in discharging provisions in the year have been charged against the nuclear provision. Any variance between the costs incurred discharging the provision and the amount provided for discharging the provision is incorporated within the change in amount provided.

Changes in the estimated future cost of decommissioning, related to commercial property, plant and equipment, are offset by matching changes in the value of the IAS 37 property, plant and equipment asset. A reduction of £5 million (2011-10: £103 million) was recognised in the year.

The NDA's decommissioning programme of work will take until 2137, with further details given below.

- Waste activities cover the Low Level Waste Repository and the Geological Disposal facility. Construction of the latter facility is currently planned to allow receipt of waste from around 2040. Key sensitivity is around the geology of the rock in which the facility would be constructed, potentially increasing costs by £1,600 million; a delay in constructing the facility by five years would reduce discounted costs by around £300 million.

- Activities on the sites primarily used for research (Dounreay, Harwell, Winfrith and Windscale) are concerned with final decommissioning of assets and site clearance. Sites will be cleared by 2064. Options are being explored to accelerate site clearance, which in the case of Dounreay would reduce the provision by £350 million in the event of the Parent Body achieving the 2022 Interim State date. No account is taken of benefits that may arise from the competition for the Dounreay Parent Body Organization.
- Legacy ponds and silos ('LPS') represent the major hazard and decommissioning challenge at Sellafield, with activity scheduled for completion in 2036 shown without inclusion of site overheads. Principal sensitivities are around the technical challenges in emptying the facilities (which may result in increased costs of £1,100 million), with faster emptying of the facility potentially reducing the provision by around £450 million.
- Sellafield (other than LPS) represents activities associated with operation of the site, reprocessing and eventual decommissioning includes all site overhead. Principal sensitivities are around the failure of the contractor to deliver planned efficiencies embedded within the performance plan, particularly in the later years.
- Fuel manufacturing and generation (which for this purpose includes Magnox, Capenhurst and Springfields) programme of work includes defueling the generating stations and preparing for interim care and maintenance (complete by 2030) followed by a final site clearance phase around 2070 to 2102. There is a wide range in potential provision values, driven by timing of final site clearance (e.g. delaying Magnox final site clearance by 10 years may reduce provision by around £350 million), or by deferring work in the short term and therefore incurring 'hotel costs' to keep sites in a safe and secure manner. Although this would achieve same site clearance date as the provision of 2102, it would incur significant short term costs and could increase the provision by around £1,500 million.

22.2 Coal provisions

	Legacy ailments £'000	Health administration £'000	Concessionary fuel £'000	Site restoration £'000	Non health admin £'000	Core Department £'000	Mine water £'000	Subsidence pumping stations £'000	Public safety and subsidence £'000	Tip management £'000	Other £'000	Departmental Group Total £'000
At 1 April 2010	29,438	53,605	486,081	58,026	12,852	640,002	609,730	26,254	201,095	15,071	18,404	1,510,556
Unwinding of discount	649	1,178	10,694	1,276	283	14,080	12,268	442	4,424	332	287	31,833
Increase in provision	19,343	21,786	–	–	–	41,129	1,220	64,511	30,535	5,101	–	142,496
Amounts written back	(174)	–	(849)	(379)	(6)	(1,408)	(55,608)	(547)	–	–	(2,213)	(59,776)
Utilised in year	(18,159)	(16,868)	(56,332)	(31,000)	(1,589)	(123,948)	(7,610)	(660)	(7,054)	(504)	(478)	(140,254)
At 31 March 2011	31,097	59,701	439,594	27,923	11,540	569,855	560,000	90,000	229,000	20,000	16,000	1,484,855
Unwinding of discount	684	1,314	9,671	614	254	12,537	11,112	1,851	5,024	444	270	31,238
Increase in provision	115,923	6,405	–	–	558	122,886	1,187	234	6,456	219	42	131,024
Amounts written back	(446)	–	(10,420)	(6)	–	(10,872)	(11,340)	(1,602)	–	(90)	(15)	(23,919)
Utilised in year	(9,943)	(6,700)	(53,170)	(23,041)	(1,472)	(94,326)	(7,959)	(483)	(7,480)	(573)	(1,297)	(112,118)
At 31 March 2012	137,315	60,720	385,675	5,490	10,880	600,080	553,000	90,000	233,000	20,000	15,000	1,511,080

Cash Flow Timings

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

	Core Department 31 March 2012 £'000	Departmental Group 31 March 2012 £'000	Core Department Restated 31 March 2011 £'000	Departmental Group 31 March 2011 £'000	Core Department Restated 1 April 2010 £'000	Departmental Group 1 April 2010 £'000
Not later than one year	85,367	111,092	98,819	126,040	123,155	154,048
Later than one year and not later than five years	266,371	367,259	211,500	347,481	275,828	410,353
Later than five years	248,342	1,032,729	259,536	1,011,334	241,019	946,155
Balance at 31 March 2012	600,080	1,511,080	569,855	1,484,855	640,002	1,510,556

Core Department

Legacy ailments

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.

The liabilities relate to injury-related compensation claims including noise induced hearing loss, mesothelioma, pneumoconiosis, pleural thickening, asbestos related conditions, vibration white finger, chronic obstructive pulmonary disease, cancer, pleural plaques and other minor benefits schemes.

The trial relating to Phurnacite litigation concluded in December 2011 and judgement is expected in July 2012 but could be subject to appeal. In management's view the probability of a liability arising justifies the setting up of a provision. The current best estimate of the discounted liability is £16m which has been included in the above balances.

The provisions are based on forecasts of the settlement of future claims. Such forecasts are based on: analysis of past claims data for each disease type; modelling the impact of different scenarios and their financial impact; actuarial studies of the liabilities; and analysis of the impact of legislative changes and the operational experience from handling claims. In particular the forecasts have taken account of the implications of the Jackson Review of Civil Litigation Costs (December 2009). The assumptions used in the constructions of these estimates depend on a number of external factors which are outside the Department's control namely: claim volumes are demand led; can be influenced by court proceedings with other defendants and media activity; and the commercial behaviour of claimants' solicitors in relation to driving claim volumes.

Administrative advisers

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 above and in Note 27. The projection of administrative costs going forward is based on the resources required to deal with established liabilities and the extent to which further litigation might be pursued against the Department.

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.

Concessionary fuel

The Department has inherited a responsibility to provide either solid fuel or a cash alternative to over 72,400 beneficiaries who are ex-miners and their dependants formerly employed by British Coal. Around 60,400 of these have opted for the cash alternative at an average of around £550 per annum; for the remainder, the average annual solid fuel cost to the Department is around £1,400 per beneficiary (this includes the cost of distribution and VAT). 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 8.4% for National Concessionary Fuel Association beneficiaries and 7.0% for British Association of Colliery Miners beneficiaries.

Group*Mine Water*

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

In order to comply with the EU Water Framework Directive (EUWFD), a strategy has been developed to design and build a further 52 schemes by 2027 to remediate existing pollution identified by the Environment Agency and SEPA. A further nine preventative schemes are programmed to be built to avoid new pollution based on scientific projections of water quality and levels. The provision against Mine Water treatment includes costs of £114.4 million, before discounting, against the commissioning of these schemes.

The provision for Mine Water treatment is calculated over 100 years as scientists have concluded that the conditions for causing pollution will continue and there is no foreseeable option to dispense with treatment schemes. Beyond 100 years the inherent uncertainties to the future costs and timing of cash flows prevent provisions being made.

Significant uncertainties beyond 100 years include: new technologies; environmental regulations; price inflation of construction and other costs; positioning of schemes and related land costs; and the number of future preventative schemes required.

Subsidence pumping stations

The liability relates to the obligation of the Coal Authority relating to its ownership of abandoned coal mines. Subsidence pumping station provisions relate to the costs of 72 pumping stations which control water on land affected by subsidence. This includes obligations under the Doncaster Drainage Act 1929.

Estimates include the costs of a refurbishment programme which will be completed by 2030 (£26.9 million before discounting), but also reflects the on-going requirement to continue this programme post 2030 and into the foreseeable future. This programme extension has been incorporated at £1.4 million per annum, before discounting. In addition estimates include the cost of maintaining and operating these stations for the next 100 years (£0.6 million per annum before discounting).

The provision for Subsidence Pumping Stations is calculated over 100 years as scientific evidence indicates that due to the effects of subsidence certain pumping stations will be required for a considerable period of time. Beyond 100 years the inherent uncertainties to the future costs and timing of cash flows prevent provisions being made.

Significant uncertainties beyond 100 years include: the life of the stations and plant and machinery; and the level of renewals required.

Public safety and subsidence

Subsidence provisions relate to the estimated cost of settlement of subsidence claims. The Authority has obligations under the 1994 Act and Subsidence Act 1991 to investigate and settle claims in respect of coal mining subsidence damage arising outside designated Areas of Responsibility associated with licences granted to coal mining operators.

Surface Hazards provisions relate to the costs of treating ground collapses, shaft collapses and other hazards relating to former coal mining activities. The Authority has obligations under the 1994 Act and Subsidence Act 1991 to investigate and treat hazards arising from coal and to have regard for public safety.

The provision for Public Safety and Subsidence is calculated over 50 years as the Authority expects to settle subsidence claims and surface hazards for a considerable period of time as the conditions for subsidence and surface hazards will always be in existence. Inherent uncertainties for Public Safety & Subsidence are significantly higher than for Mine Water and Subsidence Pumping Stations, therefore beyond 50 years the future costs and timing of cash flows prevent provisions being made.

Significant uncertainties beyond 50 years include: new technologies or methods of treatment which may be introduced; price inflation of contractor and material costs; new planning regulations to stabilise land prior to development; and regeneration projects or land stabilisation programmes. In addition to new damage, as time passes, shallow workings and shafts which have been treated in the past may need further remediation and monitoring. It is difficult to predict where surface hazards will next occur and the profile and approach towards managing public safety impacts the quantum of issues.

22.3 Other provision

2010-11	Note	Contract loss £'000	Early departure costs and restructuring £'000	Insurance claims £'000	Other £'000	Departmental Group £'000
At 1 April 2010		1,680,695	102,337	13,167	2,179	1,799,224
Unwinding of discount		27,639	2,151	–	–	29,790
Increase in provision		1,025,733	8,295	90	910	1,035,028
Amounts written back		–	–	(52)	–	(52)
Movements in amounts deducted from recoverable contract costs	14.5	(564,000)	–	–	–	(564,000)
Reclassification	21	(65,306)	–	–	–	(65,306)
Utilised in year		(245,889)	(13,603)	(10)	(3,191)	(262,693)
At 31 March 2011		1,858,872	99,180	13,195	744	1,971,991
Unwinding of discount		53,415	1,598	–	–	55,013
Increase in provision		70,340	2,187	40	363	72,930
Amounts written back		–	–	(57)	(76)	(133)
Movements in amounts deducted from recoverable contract costs	14.5	229,092	–	–	–	229,092
Utilised in year		(246,117)	(9,531)	(666)	(252)	(256,566)
At 31 March 2012		1,965,602	93,434	12,512	779	2,072,327

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

	Group 31 March 2012 £'000	Group 31 March 2011 £'000	Group 1 April 2010 £'000
Not later than one year	222,601	134,747	301,412
Later than one year and not later than five years	601,249	596,040	383,147
Later than five years	1,248,477	1,241,204	1,114,665
Balance as at 31 March 2012	2,072,327	1,971,991	1,799,224

Contract loss

Contract loss provisions have been recognised to cover the anticipated shortfall between total income and total expenditure on long term reprocessing contracts. The above balances are shown net after deduction from any applicable recoverable contract costs (see note 14.5). The amount provided in the year for the contract loss provision relates to changes in estimates of the costs of existing contracts.

Early departure costs and restructuring

The restructuring provision relates to the NDA and has been recognised to cover continuing annual payments to be made under early retirement arrangements to individuals working for Site Licence Companies who retired early, or had accepted early retirement, before 31 March 2012. These payments continue at least until the date at

which the individual would have reached normal retirement age. Lump sums paid to individuals on retirement are held as receivables, since they are refundable to the NDA from the appropriate pension scheme at or after the date on which the individual concerned would have reached normal retirement age.

23. Capital commitments

Contracted capital commitments as at 31 March 2012, not otherwise included in these financial statements, are shown below.

	Core Department 2012 £'000	Departmental Group 2012 £'000	Core Department 2011 £'000	Departmental Group 2011 £'000
Property, plant and equipment	–	162,486	–	242,004
Intangibles	–	871	–	1,404
Total	–	163,357	–	243,408

24. Commitments under leases

24.1 Operating leases – Department as a lessee

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

	Core Department 31 March 2012 £'000	Departmental Group 31 March 2012 £'000	Core Department 31 March 2011 £'000	Departmental Group 31 March 2011 £'000
Obligations under operating leases for the following periods comprise				
Land				
Not later than one year	–	378	–	496
Later than one year and not later than five years	–	1,457	–	1,690
Later than five years	–	11,230	–	7,597
Total	–	13,065		9,783
Buildings				
Not later than one year	–	1,105	–	1,204
Later than one year and not later than five years	–	3,926	–	3,207
Later than five years	–	2,165	–	2,316
Total	–	7,196	–	6,727
Other				
Not later than one year	7	81	10	150
Later than one year and not later than five years	16	10	1	65
Later than five years	–	–	–	–
Total	23	91	11	215

24.2 Operating leases – Department as a lessor

Property rental income earned during the year amounted to £7million (2010-11:£7million).

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

	Core Department 31 March 2012 £'000	Departmental Group 31 March 2012 £'000	Core Department 31 March 2011 £'000	Departmental Group 31 March 2011 £'000
Obligations under operating leases for the following periods comprise				
Buildings				
Not later than 1 year	–	1,599	–	1,347
Later than one year and not later than 5 years	–	1,538	–	483
Later than 5 years	–	8,244	–	1,174
	–	11,381	–	3,004

24.3 Finance leases – Department as a lessee

The Department leases the building at 55 Whitehall, London, from Defra for a peppercorn rent, consequently there are no finance lease obligations. The asset is included within property, plant and equipment at fair value as shown in Note 12.

24.4 Service concessions

On balance sheet contract

The Group has entered into two service concession contracts for the provision of IT assets and services, cancellable with twelve months' notice. The first, held by the core Department, is with Fujitsu Services Limited and expires in March 2014, the second held by an NDPB, is with IBM via Defra and is a rolling contract. Both have been assessed as service concession arrangements under IFRIC12: Service Concession Arrangements, with assets held on balance sheet and featured in Note 12. In substance these are finance leases containing two elements, imputed lease charges and service charges.

The contract payments relating to the core Department's infrastructure assets were all made in the first year of the contract and consequently there is no lease commitment or liability at 31 March 2012.

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

	Core Department 31 March 2012 £'000	Departmental Group 31 March 2012 £'000	Core Department 31 March 2011 £'000	Departmental Group 31 March 2011 £'000
Not later than 1 year	–	9	–	22
Later than 1 year but not later than 5 years	–	41	–	98
Later than 5 years	–	12	–	50
	–	62	–	170
Less: interest element	–	(15)	–	(40)
	–	47	–	130

	Core Department 31 March 2012 £'000	Departmental Group 31 March 2012 £'000	Core Department 31 March 2011 £'000	Departmental Group 31 March 2011 £'000
Present value of the above obligations comprise:				
Not later than 1 year	–	8	–	21
Later than 1 year but not later than 5 years	–	32	–	77
Later than 5 years	–	7	–	32
Total present value of obligations	–	47	–	130

Charge to the Statement of comprehensive Net Expenditure and future commitments

The total amount charged to the Statement of Comprehensive Net Expenditure in respect of the service element of the on-balance sheet service concession arrangements was £3,396,000 (2010-11: £3,608,000), interest payments in respect of the service concession arrangement were £6,558 (2010-11: £12,612); and the payments to which the Group is committed is as follows:

	Core Department 31 March 2012 £'000	Departmental Group 31 March 2012 £'000	Core Department 31 March 2011 £'000	Departmental Group 31 March 2011 £'000
Not later than 1 year	2,472	2,607	2,660	2,777
Later than 1 year but not later than 5 years	–	508	–	410
Later than 5 years	–	100	–	182
	2,472	3,215	2,660	3,369

Other contracts – off balance sheet

The Core department receives charges in respect of contracts which have been assessed as within the scope of IFRIC 12 but where the Core 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 Group's activities.

As part of the BIS ELGAR contract, the Core department's office in Aberdeen has been provided with specialist IT equipment. This arrangement expires in March 2014 and the total cost expended during 2011-12 was £429,000 (2010-11:£1,045,000) as PFI service charges.

The total commitments relating to the above contracts comprise:

	Core Department 31 March 2012 £'000	Departmental Group 31 March 2012 £'000	Core Department 31 March 2011 £'000	Departmental Group 31 March 2011 £'000
Not later than 1 year	589	589	1,069	1,069
Later than 1 year but not later than 5 years	–	–	–	–
Later than 5 years	–	–	–	–
	589	589	1,069	1,069

25. Other financial commitments

The Core 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 Departmental Group has entered into non-cancellable contracts (which are not leases or PFI contracts) for which details are given below. The total payments to which the Group is committed at 31 March 2012, analysed by the period during which the payments are made, are given in the table below.

		Core Department 31 March 2012 £'000	Departmental Group 31 March 2012 £'000	Core Department 31 March 2011 £'000	Departmental Group 31 March 2011 £'000
International Subscriptions	Note				
Annual indefinite commitments	25.1	29,161	29,161	27,867	27,867
Annual commitments expiring within 2 years	25.1	554	554	640	640
Total		29,715	29,715	28,507	28,507
Other					
Due within 1 year	25.2, 25.3	5,825	6,514	7,910	8,566
Due within 2 to 5 years	25.2, 25.3	2,024	4,217	3,352	5,441
Due thereafter	25.3, 25.3	–	2,396	–	3,089
Total		7,849	13,127	11,262	17,096

25.1 Annual subscriptions

All amounts are paid by the core department.

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	–	–	1,346	1,346
International Atomic Energy Agency	b	–	–	21,521	21,521
Organisation for the Prohibition of Chemical Weapons	c	–	–	3,680	3,680
International Energy Agency	d	–	–	1,197	1,197
Nuclear Energy Agency	e	–	554	–	554
European Energy Charter	f	–	–	427	427
International Energy Forum Secretariat	g	–	–	51	51
International Renewable Energy Agency	h	–	–	939	939
Total		–	554	29,161	29,715

Commitments for International subscriptions as at 31 March 2011

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 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 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 154 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 24 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 128 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 the preeminent energy consumer organisation and an internationally recognised centre of excellence. It provides world leading energy and climate policy analysis, oversees the global emergency oil response mechanism and supports the development of low-carbon and energy efficient technologies. Our subscription is mandatory for us to be members of the IEA. 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 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. In 2011 it was agreed that the bulk of the cost of the 2012 subscription would be paid by the nuclear regulators and industry with DECC's contribution limited to £200,000. The contributions from the nuclear regulators and industry will continue until the calendar year 2014 after which future funding arrangements will be confirmed.
- 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. The main aim of the Treaty is to liberalise energy trade, transit and investment within and between its (mainly Eurasian) signatory countries. 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 (IEF). The IEF's role is to enhance and support the global dialogue between energy producers and consumers. All members are required to pay an annual subscription. The subscription is paid in US\$ and is therefore subject to exchange rate fluctuations.
- h) DECC is responsible for paying the UK's contribution to the International Renewable Energy Agency (IRENA). IRENA is the first truly global organisation devoted solely to renewable energy technologies and has a mission to promote the widespread and sustainable use of all forms of renewable energy. IRENA will provide a framework for the UK in which to share its technical and policy expertise with those most in need of securing innovative energy solutions. Greater global deployment will also reduce costs for these technologies, making fulfillment of our domestic renewable ambitions more cost effective. Our contribution, which will be mandatory when we become a full member later this financial year, is paid in US\$ and is therefore subject to fluctuations in the exchange rate.

25.2 Other financial commitments – core Department

Commitments at 31 March 2012

Organisation	Note	Due within 1 Year £'000	Due within 2 to 5 Years £'000	Due over 5 years £'000	Total £'000
Warmfront ASV	a	5,395	2,024	–	7,419
Combined Heat and Power Quality Assurance Programme	b	430	–	–	430
Total		5,825	2,024	–	7,849

Commitments at 31 March 2011

Organisation	Note	Due within 1 Year £'000	Due within 2 to 5 Years £'000	Due over 5 years £'000	Total £'000
Warmfront ASV	a	6,685	2,922	–	9,607
Combined Heat and Power Quality Assurance Programme	b	1,225	430	–	1,655
Total		7,910	3,352	–	11,262

- 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 2011-12 there will be one year of aftercare remaining for systems installed in 2010-11. As part of the contract extension negotiations covering 2011-2013, it was agreed that for all heating jobs accepted during this period there will be one year of aftercare and one annual service visit offered. 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.
- b) The Combined Heat and Power Quality Assurance programme (CHPQA) is the means by which DECC assesses and certifies the efficiency of CHP plants in the UK. CHP is the generation of heat and electricity (or mechanical power) as part of the same process. CHP is a key technology in meeting DECC's carbon budgets, which Government supports under a range of incentives including exemption from the Climate Change Levy and Carbon Price Floor, eligibility for Enhanced Capital Allowances and preferential treatment under the business rates.

In order to support CHP DECC must be compliant with the Cogeneration Directive (2004/8/EC). This requires that Member States only support plants that are highly efficient i.e. provide primary energy savings calculated of at least 10% compared with the separate production of heat and electricity via a boiler and power station using the same fuel. The Directive also contains a methodology on how this should be assessed, and requirements on reporting and statistics. DECC delivers this via CHPQA.

25.3 Other financial commitments – NDPBs

	As at 31 March 2012				As at 31 March 2011			
	Due within 1 Year	Due within 2 to 5 Years	Due over 5 years	Total	Due within 1 Year	Due within 2 to 5 Years	Due over 5 years	Total
Organisation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Airwave Solutions Limited	689	2,193	2,396	5,278	656	2,089	3,089	5,834
Total	689	2,193	2,396	5,278	656	2,089	3,089	5,834

The above contract is for access to the Airwave communication network.

26. Financial instruments

26.1 Classification and categorisation of financial instruments

	Note	Core Department 31 March 2012 £'000	Departmental Group 31 March 2012 £'000	Core Department Restated 31 March 2011 £'000	Departmental Group 31 March 2011 £'000	Core Department Restated 1 April 2010 £'000	Departmental Group 1 April 2010 £'000
Financial assets							
Loans and receivables:							
Energy Efficiency Loans and Recyclable Energy Efficiency Loans	14.1	101,396	101,396	130,248	130,248	93,862	93,862
Non Current Finance lease receivable	14.6	–	19,446	–	18,788	–	–
Trade and other receivables	19.1	339,237	898,890	432,514	959,703	527,072	1,119,549
Cash at bank and in hand	20	89,614	187,000	59,752	282,324	271,286	445,500
Total loans and receivables		530,247	1,206,732	622,514	1,391,063	892,220	1,658,911
Available-for-sale assets:							
Investment in subsidiaries	14.2	–	225,737	–	205,737	–	205,737
Total Available-for-sale assets		–	225,737	–	205,737	–	205,737
Fair value through profit and loss							
Other Investments	14.3	–	16,502	–	46,124	–	61,500
Derivative financial assets	14.4	–	–	–	2,124	–	12,720
Total Fair value through profit and loss		–	16,502	–	48,248	–	74,220
Financial liabilities							
Fair value through profit and loss (FVTPL)							
Derivative financial liabilities	14.4	–	(2,497)	–	(5,400)	–	(800)
Total fair value through profit and loss (FVTPL)		–	(2,497)	–	(5,400)	–	(800)
Other financial liabilities:							
Trade and other payables	21.1	(413,748)	(3,612,489)	(397,914)	(3,518,790)	(617,209)	(3,219,515)
Total other financial liabilities		(413,748)	(3,612,489)	(397,914)	(3,518,790)	(617,209)	(3,219,515)

26.2 Measurement of financial instruments

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

The carrying values of other financial assets and financial liabilities do not differ from fair values in these accounts at either 31 March 2012, 31 March 2011 or 31 March 2010.

26.3 Significance of financial instruments to financial performance and position

IFRS7: Financial Instruments: Disclosures requires the Group to disclose information which will allow users of these financial statements to evaluate the significance of financial instruments on the Group's financial performance and position and the nature and extent of the Group's exposure to risks arising from financial instruments.

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

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

26.4 Risk exposure from financial instruments

The Group is financed by a combination of Government funding and commercial activities, and as such is not exposed to the degree of financial risk faced by other business entities. Consequently, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. It does however experience some degree of risk due to the variability of commercial income.

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

Commodity Price risk

Commodity price risk is the risk or uncertainty arising from possible price movements and their impact on the commercial income and therefore ultimately on the funding requirements of the Group. The primary risk is that electricity prices will move adversely affecting commercial income between the time that the Group's funding requirements are set and the time when revenues are recognised. Details are shown in Note 14.4.

Credit risk

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

Credit risk for electricity sales is described in Note 19.1. The Group's exposure for other trade receivables is concentrated among a small number of customers. No collateral or other credit enhancements is held as security over the recoverability of these balances. The Group expects its receivable balances to be recovered in full due to its customers' past payment histories and high credit ratings.

Foreign currency risk

The Group is exposed to foreign currency risk through its operations as certain transactions are denominated in foreign currencies, primarily Euros or US dollars. The Group manages the exposure by implementing a policy of selling or purchasing forward foreign currency. Forward foreign exchange contracts are held in relation to sales of MOX fuel and purchases of various components.

Interest rate risk

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

Other price risk

The Group 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.

Liquidity risk

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

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

27.1 Core Department

Basis of recognition	Description
<i>Coal Industry Act 1994</i>	<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>Knee injury litigation: The Preliminary Issues Trial was concluded and judgment was made on 10 January 2011 in favour of the Department but is subject to appeal. The Court of Appeal case concluded on 2 May 2012 and judgement is expected in either July 2012 or Autumn 2012.</p>
<i>Nuclear Liabilities Fund (British Energy)</i>	<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, £8.9 billion (2011: £8.8 billion), and BE's unaudited estimate for decommissioning and uncontracted liabilities, £5.5 billion (2011: £5.1 billion), there is a contingent asset of £3.4 billion (2011: £3.7 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 (BCSSS) under Paragraph 2(9) of Schedule 5 to the Coal Industry Act 1994</p> <p>Deed Relating to the Mineworkers' Pension Scheme (MPS) 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.</p> <p>The Government Actuary's Department (GAD) is currently performing a valuation of the pension schemes as at 30 September 2011 for MPS and 31 March 2012 for BCSSS. A transfer may be required from the Investment Reserve to the Guaranteed Fund in the case of BCSSS. If this transfer exceeds £159m then the BCSSS Guarantor's Fund and Bonus Augmentation Funds will need to be equalised in accordance with the scheme's trust deeds, this equalisation will require the Government to pay back £753m into BCSSS. The draft GAD valuation for MPS indicates that no transfer is required from the Investment Reserve to the Guaranteed Fund.</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 22.2) 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, employees and third parties which depend on actual or potential proceedings. The timing and amounts of any liabilities are uncertain.</p>

27.2 Departmental NDPBs

Category	Description
Inventories	At 31 March 2012 the NDA held inventories of reprocessed uranic material. These materials are currently held at nil value, due to uncertainty over their future use.
Pension Schemes – Deficits	Whilst not the lead employer, the NDA is the lead organisation and has ultimate responsibility for certain nuclear industry pension schemes, including the Combined Nuclear Pension Plan, the Magnox section of the ESPS, and the GPS pension scheme. Provisions for known deficits are included within Nuclear Provisions (Note 22), however, movements in financial markets may adversely impact the actuarial valuations of the schemes, resulting in an increase in scheme deficits.
Subsidence Damage liabilities	<p>Licensees of mining operations are required to provide security to the Coal Authority to cover the future costs of settling subsidence damage liabilities within their Areas of Responsibility. Outside the Areas of Responsibility of the holders of licences under Part II of the Coal Industry 1994 Act, the Authority is responsible for making good subsidence damage. Where an Area of Responsibility is extinguished the Authority would become responsible for the discharge of outstanding subsidence liabilities. The Authority also has an ongoing liability to secure and keep secured most abandoned coal mines. (In all cases the liability for operating collieries is the responsibility of the licensees/lessees and security is held to address those liabilities.)</p> <p>Both of the above liabilities have been provided for within the Public Safety and Subsidence provision (Note 22.2) based on analysis of trends and claims experience. However it is possible that significant, unexpected events outside of this provision may materialise. It is expected that any deficit will be covered by future allocations of grant in aid.</p>
Restructuring Scheme	Where liabilities transferred under the various Coal Authority Restructuring Schemes (CARS) have crystallised due to planning conditions, agreements, claims etc, provision has been made in these financial statements. It has not, however, been possible to quantify contingent liabilities that may arise out of indemnities or warranties that may materialise in the future. It is expected that any costs will be covered by future allocations of grant in aid.
Legal claims	<p>The Coal Authority is subject to various claims and legal actions in the ordinary course of its activities, for which provision is made in the accounts, where appropriate, on the basis of information available. The Authority does not expect that the outcome of the above issues will materially affect its financial position.</p> <p>The CNPA has a number of potential liabilities in respect of claims from employees, which depend on actual or potential proceedings. The timing and amounts of any payment are uncertain. These liabilities have not been provided for as CNPA believes that the claims are unlikely to be successful and unlikely to lead to a transfer of economic benefit.</p>

27.3 Contingent Assets

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

28 Contingent liabilities not required to be disclosed under IAS37, but included for Parliamentary reporting and accountability purposes

28.1 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 2011 £'000	Increase (decrease) in year £'000	New liability £'000	Liabilities crystallised in year £'000	Obligations expired in year £'000	31 March 2012 £'000	Amount reported Parliament by Departmental Minute
Statutory Guarantees							
– Guarantee for Carbon Trust Directors – prevent Director liabilities	5,818	–	–	–	(5,818)	–	–
– Guarantee for Energy Saving Trust Directors – prevent Director liabilities	500	–	–	–	(500)	–	–
Total	6,318	–	–	–	(6,318)	–	–

28.2 Unquantifiable

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

Core Department

Statutory Indemnities

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

Indemnities to Directors

- Nuclear Liabilities Fund – Secretary of State Trustee Indemnities. Indemnities have been given to the three Trustees of the NLF appointed by the Secretary of State. These indemnities are against personal liability following any legal action against the Fund.

- Nuclear Liabilities Fund – British Energy Trustee Back Up Indemnities. Given to the two BE appointed Trustees of the Nuclear Liabilities Fund. These indemnities are against personal liability following any legal action against the Fund. These indemnities can only be used following failed recourse to an indemnity given by British Energy.
- Indemnities have been given to the Directors appointed by the Department to 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 .
- High Activity Sealed Sources (HASS) Directive : Council Directive 2003/122/EURATOM on the control of high-activity sealed radioactive sources and orphan sources. Liability for costs of retrieving and disposing of sealed radioactive sources in the event that a company keeping such sources becomes insolvent.
- Radioactive contaminated land remediation: under section 9 of The Radioactive Contaminated Land (Modification of Enactments) (England) (Amendment) Regulations 2007 SI 2007/3245 the Secretary of State is deemed to be the appropriate person to bear responsibility for remediation of land contaminated by a nuclear occurrence under the part 2A contaminated land regime.
- Energy Research Partnership: an indemnity for loss or damage caused to other Parties to the consortium agreement.
- EU Emissions Trading Scheme: Member States are required to appoint a Single Auction Monitor to oversee the auctioning of allowances in Phase III. The Joint Procurement Agreement for the Single Auction Monitor (JPA) provides for Member States to indemnify the Commission should the Commission be required to compensate a third party or another Member State for damages which arise in connection with the JPA eg as a result of failure to comply or if a challenge were brought in response to a decision taken by one of the Committees formed under the Agreement.

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

Departmental NDPBs*Indemnities*

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

29 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.

29.1 Losses statement

Total losses during the year were £8,977,019 (2010-11: £1,537,184).

Type of loss	Core Department 2011-12 Total £	Core Department 2011-12 Number of cases	Departmental Group 2011-12 Total £	Departmental Group 2011-12 Number of cases	Core Department 2010-11 Total £	Core Department 2010-11 Number of cases	Departmental Group 2010-11 Total £	Departmental Group 2010-11 Number of cases
Cash losses	-	-	-	-	-	-	-	-
Stores losses	-	-	590	100+	-	-	853,862	100+
Constructive losses	-	-	36,085	3	-	-	-	-
Losses of pay, allowances and superannuation	-	-	13,732	1	-	-	45,000	5
Fruitless payments	-	-	2,106,755	61	4,152	23	76,642	67
Constructive losses	-	-	-	-	-	-	115,916	1
Claims waived or abandoned	346,724	557	433,465	560	128,469	452	128,469	452
Book-keeping losses	86,610	1	89,331	48	11,915	1	101,537	6
Failure to make adequate charges	-	-	-	-	-	-	-	-
Exchange rate fluctuation losses	683,960	145	1,095,263	200+	-	-	215,758	41
Bad Debt	5,196,006	259	5,201,798	260	-	-	-	-
Total	6,313,300	962	8,977,019	1,233+	144,536	476	1,537,184	672+

29.2 Special payments

There were 4 cases of ex-gratia payments totalling £13,300 made during the financial year (2010-11: eight cases of £1,543,030).

Type of special payments	Core Department 2011-12 Total £	Core Department 2011-12 Number of cases	Departmental Group 2011-12 Total £	Departmental Group 2011-12 Number of cases	Core Department 2010-11 Total £	Core Department 2010-11 Number of cases	Departmental Group 2010-11 Total £	Departmental Group 2010-11 Number of cases
Compensation payments	–	–	–	–	–	–	1,530,000	2
Extra-contractual	13,300	4	–	–	3,030	4	13,030	6
Total	13,300	4	–	–	3,030	4	1,543,030	8

30 Related-party transactions

The Department is the sponsor of the four executive NDPBs as listed in Note 33. These are regarded as related parties and the Department has had various material transactions with them. The related parties of the NDPBs are disclosed in their respective accounts.

The Group has had various material transactions with other Government Departments, Government bodies and devolved administrations comprising the Northern Ireland executive, Scottish Government and the Welsh Government. The most significant of these transactions have been with HM Treasury, the Department for Business, Innovation and Skills (BIS), the Department for Environment, Food and Rural Affairs (Defra), and the Department for Communities and Local Government.

No DECC Ministers or DECC senior management have undertaken any material transaction with the Group during the year. Details of DECC Ministers and senior management and their remuneration are shown in the Remuneration Report in Chapter 6.

31 Third-party assets

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

	Core Department	Departmental Group
	£'000	£'000
Bank Balances		
At 1 April 2011	20,047	20,047
Gross inflows	26,141	26,141
Gross outflows	(26,157)	(26,157)
At 31 March 2012	20,031	20,031

The core 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 HM Treasury approval.

The core Department also holds £31,717 in respect of Enrichment Holdings Limited. These monies are held in a GBS (Government Banking Service) account and are retained from the dividends from Enrichment Investments Limited, held within Enrichment Holdings Limited (with HM Treasury's permission) in order to pay for accountancy and audit fees.

32 Events after the reporting period

There were no significant events after the reporting period that require disclosure.

Date accounts authorised for issue

The Accounting Officer of the Department has authorised these accounts to be issued on 5 July 2012.

33 Entities within the Departmental boundary

The entities within the boundary during 2011–12 were as follows:

Executive NDPBs

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

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

34 New IFRSs in issue but not yet effective and FReM changes 2012–13

New IFRSs that have an effective date after 31 March 2012 and which have an impact on the Group's future Accounts together with major FReM changes for 2012–13 are set out below giving details of the potential impact (if known) and date at which the Group plans to apply the changes. No new IFRSs were early adopted by the FReM.

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

IFRS 9: Financial Instruments

This standard requires financial assets to be classified on the basis of the entity's business model and their contractual cash flow characteristics. The standard requires the assets to be measured initially at fair value, and subsequently at either fair value or amortised cost.

Applying this standard will lead to reclassifying:

- the Energy Efficiency Loans 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.

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.

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.

IFRS 10 Consolidated Financial Statements

IFRS 10 includes a new definition of control which applies to all potential parent-subsidiary relationships, including those arising from structured or special purpose entities.

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.

IFRS 12: Disclosure of Interests in Other Entities

The main objective of the new standard is to require information that helps users of their financial statements evaluate the nature of and risks associated with interests in other entities, as well as the effects of those interests on financial statements

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.

IFRS13: Fair Value Measurement

This standard defines fair value, provides a framework for measuring fair value and sets out the disclosure requirements for fair value measurements. The effective date is for periods commencing on or after 1 January 2013.

The Group does not expect that the adoption of these Standards and Interpretations in future Periods will have a material impact in its financial statements.

34.2 FReM changes 2012-2013

There are no major changes in FReM 2012-13 which impact on the future Group accounts.

Remuneration Report

Remuneration policy

- 6.1** The remuneration policy for senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.
- 6.2** 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.
- 6.3** 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.
- 6.4** The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.
- 6.5** Further information about the work of the Review Body can be found at www.ome.uk.com.

Performance and reward

- 6.6** The Senior Civil Service (SCS) pay system includes relative performance assessments. Individuals are assessed as being in the Top, Achieving or Low Group of their pay band.
- 6.7** All individuals in the Top Group receive a non-consolidated performance related award to reflect their in-year performance against objectives. These awards vary in amount within an overall cost envelope set by the Senior Salaries Review Body and approved by the Government.
- 6.8** Further information about the performance and reward arrangement for Senior Civil Servants can be found at <http://www.civilservice.gov.uk/recruitment/working/pay-and-reward/scs-pay>

SCS Pay Committee

- 6.9** The remuneration of the senior civil servants who are not members of the Departmental Board is determined by the SCS Pay Committee, an advisory sub-committee to the Pay and Performance Sub-Committee (of the Board). The Members of the SCS Pay Committee are:

Moira Wallace	Permanent Secretary
Simon Virley	Director General, Energy Markets and Infrastructure
Phil Wynn Owen	Director General, International Climate Change and Energy Efficiency
Wendy Barnes	Chief Operating Officer
David MacKay	Chief Scientist
Alison Rumsey	Human Resources Director

- 6.10** The Terms of Reference of the SCS Pay Committee are to:
- determine and publish the Department's Senior Civil Service (SCS) pay strategy;
 - assess the relative contribution of its SCS members;
 - authorise decisions on individual pay decisions;
 - ensure the average cost increases are within centrally determined budgets;
 - monitor pay outcomes and identify SCS members needing extra help and support;
 - improve performance;
 - ensure that line managers receive feedback on final pay decisions; and
 - comment on the quality of managers' evidence and recommendations.

Service contracts

- 6.11** The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be on merit on the basis of fair and open competition. The recruitment principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise. Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.org.
- 6.12** Early termination other than misconduct would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.
- 6.13** The officials covered by this report hold appointments which are open-ended until they reach the normal retiring age, except for the following:
- David MacKay, whose services are provided by a third party via a secondment contract which runs to 30 September 2012; and
 - Wendy Barnes, whose services are provided by a third party via an agency contract with three months' notice for termination.

Salary and pension entitlements for Ministers of the Department

- 6.14** The remainder of this Remuneration Report contains audited information. The remuneration of Ministers is determined in accordance with the provisions of the Ministerial and Other Salaries Act 1975 (as amended by the Ministerial and Other Salaries Order 1996) and the Ministerial and Other Pensions and Salaries Act 1991. The salary and pension entitlements of the Ministers of the Department of Energy and Climate Change for the year ending 31 March 2012 were as follows:

	Ministerial salary received 2011-12	Ministerial salary received 2010-11	Accrued pension at 65 at 31/03/12	Real increase in pension at age 65	CETV at 31/03/12 ¹	CETV at 31/03/11 ¹	Real increase in CETV
	£	£	£'000	£'000	£'000	£'000	£'000
Secretary of State							
Rt Hon Ed Davey (from 4 February 2012)	9,107 (full year equivalent 68,827)	–	0-5	0-2.5	17	14	2
Rt Hon Chris Huhne (from 12 May 2010 to 3 February 2012)	57,949 (full year equivalent 68,827)	61,056 (full year equivalent 68,827)	0-5	0-2.5	41	20	14
Ministers of State							
Charles Hendry MP (from 13 May 2010)	33,002	29,187 (full year equivalent 33,002)	0-5	0-2.5	25	12	7
Gregory Barker MP (from 13 May 2010)	33,002	29,187 (full year equivalent 33,002)	0-5	0-2.5	21	10	5
Parliamentary Under Secretary of State							
Lord Marland ² (from 14 May 2010)	–	–	–	–	–	–	–

1 The CETV at 31/03/12 for members leaving the Department is at the date they left the Department; the CETV at 31/03/11 for members joining the Department is at the date they joined the Department.

2 Unpaid Minister of the Department.

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

Salary and pension entitlements for the members of the Departmental Board

6.16 This Board was formed on 31 March 2011 and constituted Ministers reported in the table above, executive officers and non-executive directors, all of whom are reported in the tables below.

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

	Salary 2011-12	Bonus Payments 2011-12	Salary 2010-11 ¹	Bonus Payments 2010-11 restated	Accrued pension at age 60 at 31/03/12 and related lump sum	Real increase in pension and related lump sum at age 60 ³	CETV at 31/03/12 ²	CETV at 31/03/11 ^{2,4}	Real increase in CETV ³
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Moira Wallace ⁵	165-170	-	165-170	-	55-60 plus lump sum of 165-170	-2.5 - 0 plus lump sum of -2.5 - 0	963	901	-16
Simon Virley	140-145	-	140-145	-	35-40 plus lump sum of 50-55	0 - 2.5 plus lump sum of -2.5 - 0	490	431	19
Phil Wynn Owen	140-145	10-15	140-145	10-15	50-55 plus lump sum of 160-165	-2.5 - 0 plus lump sum of -5 - 2.5	968	911	-20
Wendy Barnes ⁶ (from 13 September 2011)	-	-	-	-	-	-	-	-	-
Edmund Hosker (to 11 September 2011)	55-60 (full year equivalent (120-125)	-	120-125	-	45-50 plus lump sum of 145-150	-2.5 - 0 plus lump sum of -2.5 - 0	939	899	-9

1 Amounts shown for 2010-11 are during period of membership of the Management Board (the Departmental Board was not formed until 31 March 2011).

2 The CETV at 31/03/12 for members leaving the Department is at the date they left the Department; the CETV at 31/03/11 for members joining the Department is at the date they joined the Department.

3 Taking account of inflation the CETV funded by the employer may have decreased in real terms and the pension may have decreased in real terms.

4 The actuarial factors used to calculate CETVs were changed in 2011-12. The CETVs at 31/03/11 and 31/03/12 have both been calculated using the new factors for consistency. The CETV at 31/03/11 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

5 An amount of £7,122 was paid to HM Revenue and Customs during 2011-12 on Moira Wallace's behalf to settle a previous year's personal tax liability relating to the use of a vehicle from 3 October 2008 to 27 May 2009, this being borne by the Department under her previous employment terms.

6 The services of Wendy Barnes, Chief Operating Officer, were provided via an agency contract. During the period from 13 September 2011 to 31 March 2012 the Department was charged £99,980 (2010-11: Nil), inclusive of VAT, by the third party for her services under contract. Wendy Barnes was also paid £5,500 up to 12 September 2011 for being a member of the Audit Committee and of the Approvals Committee.

Non Executive Directors

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

	End date of service contract	Fees 2011-12 £'000	Fees 2010-11 £'000
Paul Walsh (from 16 February 2011)	15 February 2013	20	3 (20 full year equivalent)
Rob Whiteman ¹	4 October 2012	16	16
Claire Thomas ² (from 1 January 2012)	31 December 2014	5 (20 full year equivalent)	–
Richard Reed ³ (to 31 December 2011)	31 December 2011	–	–

1 Rob Whiteman is also Chair of the Audit Committee.

2 Claire Thomas is also Chair of the Nominations and Governance Committee.

3 Richard Reed waived his fee for the year 2010-11 and 2011-12, according to his contract this would have been £12,000 per annum.

Salary and pension entitlements for other senior management

6.19 The Departmental Board was instituted on 31 March 2011 together with the Management and Change Committee, the Strategic Development Committee and the Nominations and the Governance Sub-Committee; the Management Board being wound up on that date.

6.20 The salary and pension entitlements of the members of the Management and Change Committee, the Strategic Development Committee and the Nominations and Governance Sub-Committee during 2011-12 (who are not also members of the Departmental Board) were as follows:

	Salary 2011-12	Bonus Payments 2011-12	Salary 2010-11	Bonus Payments 2010-11 restated	Accrued pension at age 60 at 31/03/12 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31/03/12 ¹	CETV at 31/03/11 ^{1,2}	Real increase in CETV ²
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Ravi Gurumurthy	80-85	10-15	80-85	–	10-15 plus lump sum of 35-40	0-2.5 plus lump sum of 0-2.5	144	129	3
Vanessa Howlison	120-125	0-5	120-125	–	45-50	0-2.5	613	557	6
Alison Rumsey	95-100	–	95-100	–	10-15	0-2.5	147	117	17
David MacKay ³	–	–	–	–	–	–	–	–	–
Steven Fries (from 1 September 2011)	75-80 (full year equivalent 130-135)	–	–	–	0-5	2.5-5	46	–	34
Simeon Thornton ⁴ (from 1 April to 31 July 2011)	25-30 (full year equivalent 80-85)	–	–	–	10-15	0-2.5	162	156	2

1 The CETV at 31/03/12 for members leaving the Department is at the date they left the Department; the CETV at 31/03/11 for members joining the Department is at the date they joined the Department.

2 The actuarial factors used to calculate CETVs were changed in 2011-12. The CETVs at 31/03/11 and 31/03/12 have both been calculated using the new factors for consistency. The CETV at 31/03/11 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

3 The services of David MacKay, Chief Scientist, were provided by a third party via a secondment contract. During the period from 1 April 2011 to 31 March 2012 the Department was charged £143,055 (2010-11: £143,055), exempt of VAT, by the third party for his services under a contract which runs until 30 September 2012.

4 Simeon Thornton was not a member of the Management Board in 2010-11, he joined the Strategic Development Committee on 1 April and served until 31 July 2011.

Notes

- The information relates only to the most senior managers of the core department. Similar information relating to the Chief Executives and most senior managers of the bodies within the DECC family is given in the separate accounts of those bodies.
- 'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.
- Bonuses are based on performance levels attained and are made as part of the appraisal process. The bonuses reported in 2011-12 relate to performance in 2011-12 and the comparative bonuses relate to performance in 2010-11. This is a change since the 2010-11 Remuneration Report which disclosed bonuses in 2010-11 relating to performance in 2009-10, hence the comparative bonuses in the tables above have been restated.

- Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce. The highest paid Director for the department was Moira Wallace for 2011-12 and 2010-11, the mid point of her banded remuneration is £167,500 (2010-11: £167,500); this was 3.6 times the median remuneration of the workforce, which was £46,975.
- No Ministers, Board members or other senior management were in receipt of benefits in kind for the financial years 2011-12 or 2010-11.

Ministerial pensions

- 6.21** 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).
- 6.22** 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 that chose to backdate the change) but Ministers, in common with all other members of the PCPF, can opt for a 1/50th accrual rate and a lower rate of member contribution. An additional 1/60th accrual rate option (backdated to 1 April 2008) was introduced from 1 January 2010.
- 6.23** Benefits for Ministers are payable at the same time as MP's benefits become payable under the PCPF or, for those who are not MPs, on retirement from ministerial office from age 65. Pensions are re-valued annually in line with changes in line with Pensions Increase Legislation. From 1 April 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. Increases to member and Exchequer contributions will apply from 1 April 2012.
- 6.24** The accrued pension quoted is the pension the Minister is entitled to receive when they reach 65, or immediately on ceasing to be an active member of the scheme if they are already 65.

Civil Service pensions

- 6.25** 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).

- 6.26** Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Increases to employee contributions will apply from 1 April 2012. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on the pensionable earnings during the period of scheme membership. At the end of the scheme year (31 March) the member’s earned pension account is credited with 2.3 % of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase Legislation. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.
- 6.27** 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.
- 6.28** 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.
- 6.29** Further details about the Civil Service pension arrangements can be found at the website <http://www.civilservice.gov.uk/my-civil-service/pensions>

The Cash Equivalent Transfer Value

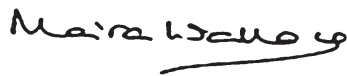
- 6.30** A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member’s accrued benefits and any contingent spouse’s pension payable from the scheme. A CETV is 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.

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

Real increase in CETV

- 6.32** 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

5 July 2012

Trust Statement

Principal Accounting Officer's foreword to the Trust Statement

Scope

- 7.1** 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), the Petroleum Licensing Regime and the CRC Scheme. The Department is also responsible for the expenses incurred in the collection of these receipts; the revenue income and expenditure; and the cash flows for the year then ended.
- 7.2** 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 2011-12. 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 2011-12. These amounts are collected by the Department for payment to the Consolidated Fund.
 - Civil penalties levied against participants in the EU ETS and CRC Schemes. These amounts are collected by the Department for payment to the Consolidated Fund.
- 7.3** 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

- 7.4** 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.
- 7.5** 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.
- 7.6** 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.
- 7.7** 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. Since 1 January 2012, emissions from aviation have been included. From 2013, a number of additional industrial sectors and gases will also be included.
- 7.8** 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.
- 7.9** 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. In Phase III there will be a single EU-wide cap. Member States are required to produce National Implementation Measures (NIM) to set out how common EU rules are being implemented. The UK submitted its final NIM to the European Commission in April 2012.
- 7.10** In Phase II of the EU ETS 25 auctions have taken place up to 31 March 2012, the majority of which were wholly competitive auctions involving primary participants. Auctions with facilities for non-competitive bidding have been discontinued.

- 7.11** 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.

Petroleum Licences

- 7.12** The Petroleum Act 1998 vests in the Crown all rights to the nation's petroleum resources. The Act gives the Secretary of State powers to grant licences that confer exclusive rights to "search and bore for and get" petroleum. Each of these licences confers such rights over a limited area and for a limited period.
- 7.13** The Department is therefore responsible for issuing and administering these licences. This process is carried out with a view to realising the full benefit to the UK of its petroleum resources, in a way which balances the interests of potential developers with the interests of the nation as the owner of the resource.
- 7.14** Licences are awarded in periodic "rounds" subject to a requirement that the holder will make annual payments (known as 'Licence Rental Fees') to the Department, which remits them to the Consolidated Fund. These payments are calculated on the basis of the area under licence, and incorporate an escalating scale of pre-determined rates per square kilometre. This is to encourage licensee companies to relinquish acreage not undergoing productive activity, thus making it available for relicensing to other potential interested applicants.
- 7.15** The amount collected in recent financial years in respect of licence rental fees has been £67m in 2011-12 and £70m in 2010-11. The vast majority of this comes from offshore licensing.

CRC

- 7.16** The CRC Energy Efficiency Scheme (CRC) is a mandatory UK-wide trading scheme that was brought into law via the CRC Energy Efficiency Scheme Order 2010 (SI 2010/768) (the 'CRC Order'). The scheme is designed to incentivise large public and private sector organisations to take up cost-effective energy efficiency opportunities through the application of a range of drivers and thereby drive down the carbon emissions throughout the UK. The CRC Scheme is designed to tackle the four main barriers to the take up of energy efficiency highlighted by the Carbon Trust report in 2005, namely insufficient financial incentives to reduce emissions, uncertain reputational benefits of demonstrating leadership, split incentives between landlord and tenants and organisational inertia.
- 7.17** The CRC is designed to improve energy efficiency and thereby reduce emissions primarily from large non-energy intensive organisations in the private and public sectors. The sectors being targeted include large retail organisations, banks, large offices, universities, large hospitals, large local authorities and central government departments.

7.18 The scheme started in April 2010 with a four year introductory phase. There are over 2000 participants in the scheme. The CRC tackles the barriers to energy efficiency in three ways. Firstly, the CRC has standardised and structured reporting requirements which requires participants to monitor and report their emissions, secondly it has a reputational driver through the performance league table and lastly its financial element which requires participants to buy allowances for the carbon they emit. This brings energy efficiency to the attention of finance directors and makes it a boardroom issue.

Future developments

EU ETS

7.19 The Department has published a schedule of Phase II auctions until September 2012 and will announce any additional Phase II auctions in due course. The UK will begin holding phase III auctions towards the end of 2012, with exact dates to be published in due course

Petroleum Licences

7.20 DECC invited applications for licences in the 27th offshore licensing round between 1 February and 1 May 2012. Subject to environmental screening licences from this round will start to be offered for award in the last quarter of 2012.

CRC

7.21 Following a broader simplification review and engagement with stakeholders, DECC have recently published a consultation document on proposals for a simplified CRC Energy Efficiency Scheme. This consultation aims to streamline and simplify the scheme to create a new leaner, simplified and refocused CRC. The simplified CRC will deliver its energy efficiency and carbon reduction objectives whilst making compliance easier and less burdensome for participants. In summary these proposals will:

- provide greater business certainty by introducing two fixed price sales of allowances a year (one forecast and one retrospective), rather than auctions of allowances in a capped system;
- allow for greater flexibility for organisations to participate in 'natural business units';
- reduce the reporting burden in particular by reducing the number of the fuels reported from 29 to 4; using only electricity measured by settled half hourly meters for qualification purposes; ending the requirement for footprint reports; and other practical measures such as reduced requirements on maintaining records;
- reduce scheme complexity by removing the residual percentage rule ('90% rule') and CCA exemption rules, but aiming to achieve broadly the same outcomes;

- reducing overlap with other schemes so that organisations covered entirely by CCAs do not need to register; no longer requiring EU ETS installations to purchase allowances for electricity supplies.

7.22 Having considered stakeholder views and published a response, Government will make and lay an Order before Parliament, the Scottish Parliament, National Assembly for Wales and the Northern Ireland Assembly via the affirmative resolution process, with the Order coming into force on 1 April 2013.

Financial Review

EU ETS

7.23 The UK held 7 auctions during 2011-12 as shown in Note 2 to the Trust Statement. All the auctions were wholly competitive auctions.

7.24 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 £120,000 (2010-11: £199,000). These exchange differences are recognised in the Statement of Revenue, Other Income and Expenditure.

7.25 Eight civil penalties were levied against participants in the EU ETS Scheme which produced further income of £2.2m.

7.26 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

7.27 Fees received in respect of Petroleum licences amounted to £67m (2010-11: £70m). Under Section 2 of the Miscellaneous Financial Provisions Act 1968, the Northern Ireland Government is entitled to a share of the proceeds received under the regime, totalling £1,600,000 (2010-11: £1,626,000). These payments are recognised in the Statement of Revenue, Other Income and Expenditure.

7.28 The costs associated with administering the licensing regime were borne by the Department as shown in Note 3 and included within the Department's Accounts.

CRC

7.29 Allowance sales for the CRC Scheme did not take place in the financial year under review, the first sales will take place in the financial year 2012-13. There were nineteen civil penalties levied against companies participating in the CRC Scheme in the financial year under review. The civil penalties amounted to £386,000 (2010-11: £Nil).

7.30 The costs incurred by DECC in administering the CRC Scheme were borne by the Department as shown in Note 3 and included within the Department's Accounts.

Auditors

7.31 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 206. 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

7.32 The HM Treasury Accounts Direction, issued under section 7(2) of the Government Resources and Accounts Act 2000, requires the Department to prepare the Trust Statement to give a true and fair view of the state of affairs relating to the collection and allocation of the carbon allowance auction receipts for the EU Emissions Trading Schemes, the receipts from the Petroleum Licences regime, together with the revenue income and expenditure and cash flows for the financial year and, the civil penalties receivable under the CRC Scheme. Regard is given to all relevant accounting and disclosure requirements given in Managing Public Money and other guidance issued by HM Treasury.

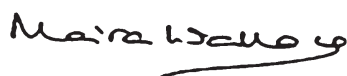
Accounting judgements

7.33 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.

7.34 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

7.35 Details of events after the reporting period are given in Note 10 to the Trust Statement.



Moira Wallace

Principal Accounting Officer and Permanent Secretary

5 July 2012

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

- 7.36** 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.
- 7.37** 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.
- 7.38** 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.
- 7.39** 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 Principal Accounting Officer is also responsible for the collection of Petroleum Licences receipts for onward transmission to the Consolidated Fund and the collection of civil penalties levied under the CRC and EU ETS scheme for onward transmission to the Consolidated Fund.
- 7.40** The responsibilities of the Principal 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.
- 7.41** 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 Scheme and Petroleum Licensing regime and penalties issued under the EU ETS and CRC Schemes including the revenue collected and expenditure incurred together with the net amounts surrendered to the Consolidated Fund.
- 7.42** 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.

Governance Statement

- 7.43** The Department's Governance Statement, covering both the Accounts and the Trust Statement, is included in chapter 5 of this report.

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

I certify that I have audited the financial statements of the Department of Energy and Climate Change Trust Statement for the year ended 31 March 2012 under the Government Resources and Accounts Act 2000. The financial statements comprise the Statement of Revenue, Other Income and Expenditure, the Statement of Financial Position, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Principal Accounting Officer and auditor

As explained more fully in the Statement of the Principal Accounting Officer's Responsibilities, the Principal Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the Department of Energy and Climate Change Trust Statement and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Department; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the 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.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the Department of Energy and Climate Change Trust Statement gives a true and fair view of the state of affairs of balances stemming from the collection of EU Emissions Trading Scheme auction receipts, Petroleum Licence receipts, and EU Emissions Trading Scheme and CRC Scheme civil penalty receipts as at 31 March 2012 and of the net revenue for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued there under.

Opinion on other matters

In my opinion:

- the information given in Principal Accounting Officer's Foreword to the Trust Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse

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

5 July 2012

Statement of Revenue, Other Income and Expenditure

for the Year ended 31 March 2012

	Note	2011-12 £'000	2010-11 £'000
Revenue			
Licence fees and taxes			
EU Emissions Trading Scheme auction income	2.1	239,087	446,080
Petroleum licences	2.2	67,081	70,057
Total		306,168	516,137
Fines and penalties			
Civil penalties – EU Emissions Trading Scheme	2.3	2,220	–
Civil penalties – CRC Scheme	2.3	386	–
Total		2,606	–
Total revenue		308,774	516,137
Expenditure			
EU Emissions Trading Scheme costs	3.1	(120)	(199)
Credit losses – debts written off	3.2	–	(4)
Total		(120)	(203)
Disbursements			
Northern Ireland Government payments	3.3	(1,600)	(1,626)
Total		(1,600)	(1,626)
Total expenditure and disbursements		(1,720)	(1,829)
Net revenue for the Consolidated Fund		307,054	514,308

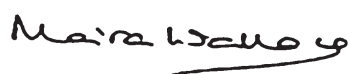
There were no gains or losses accounted for outside the above Statement of Revenue, Other Income and Expenditure.

The notes on pages 212 to 218 form part of this statement.

Statement of Financial Position

as at 31 March 2012

		31 March 2012	31 March 2011
	Note	£'000	£'000
Current assets			
Receivables and accrued fees	4	11,049	5,662
Cash and cash equivalents	5	14,162	33,088
Total current assets		25,211	38,750
Current liabilities			
Payables	6	(1,600)	(1,626)
Deferred revenue	7	(3,907)	–
Total current liabilities		(5,507)	(1,626)
Net current assets		19,704	37,124
Total net assets		19,704	37,124
Represented by:			
Balance on Consolidated Fund Account	8	19,704	37,124



Moira Wallace

Principal Accounting Officer and Permanent Secretary

5 July 2012

The notes on pages 212 to 218 form part of this statement.

Statement of Cash Flows

for the Year ended 31 March 2012

	Note	2011-12 £'000	2010-11 £'000
Net cash flows from revenue activities	A	305,548	513,785
Cash paid to the Consolidated Fund and shown in Department's Accounts		–	(5,090)
Cash paid to the Consolidated Fund		(324,474)	(475,607)
Increase/(decrease) in cash in this period	B	(18,926)	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		307,054	514,308
Adjustments for amounts reported in 2009-10 Department's Accounts		–	5,090
(Increase)/decrease in receivables and accrued income	4	(5,387)	(5,662)
Increase/(decrease) in payables and deferred income	6,7	3,881	49
Net cash flows from revenue activities		305,548	513,785

B: Analysis in changes in Net Funds

Increase/(decrease) in cash in this period		(18,926)	33,088
Net Funds as at 1 April (net cash at bank)	5	33,088	–
Net Funds as at 31 March (closing balance)	5	14,162	33,088

The notes on pages 212 to 218 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.

Revenue in respect of civil penalties is recognised when the penalty is imposed.

1.4 Financial instruments

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

1.5 Financial assets

The Department classifies financial assets into the following categories:

- Loans and receivables; and
- Cash and cash equivalents.

Loans and receivables comprise:

- for EU ETS the amounts due from Primary Participants in respect of established auction liabilities for which, at the financial year end, payments had not been received. The amounts due are measured at fair value calculated at the close of each auction and have a maturity of less than three months;
- for Petroleum licences the amounts due from companies for the licence fees invoiced which have not been received at the financial year end together with accrued amounts receivable which have not been invoiced at the year end; and
- for civil penalties levied against participants in the EU ETS and CRC Schemes amounts which have not been received at the financial year end.

The carrying amount of these assets approximates to their fair value.

Cash and cash equivalents comprise cash in hand and current balances with banks and other financial institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less. The carrying amount of these assets approximates to their fair value.

1.6 Financial Liabilities

The Department classifies financial liabilities into the following two categories:

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

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

For the purposes of this Trust Statement the Department holds financial liabilities in the following category:

- Other financial liabilities.

Other financial liabilities comprise:

- Payables in the Statement of Financial Position. Payables are amounts established as due at the balance sheet date, but where payment is made subsequently.
- Deferred income which represents petroleum licenses income invoiced in advance relating to a future financial year.

Since these balances are expected to be settled within twelve months of the reporting date there is no material difference between fair value, amortised cost and historical data.

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, Other Income and Expenditure for the period.

1.8 Restatement of prior year comparatives

The Department incurred expenditure disclosed in Note 3.3 for administering EU ETS, for 2010-11 this has been restated from the previously disclosed £888,000 to £1,706,000. This is in respect of costs omitted from the disclosure in the 2010-11 Trust Statement. The costs were correctly brought to account, though not separately disclosed, in the Department's accounts for 2010-11.

2. Revenue

2.1 EU Emissions Trading Scheme auction income

Auction date	Auction type	Allowances auctioned	2011-12 £'000	2010-11 £'000
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
7 October 2010	Competitive	4,399,875	–	59,582
4 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
9 June 2011	Competitive	3,499,575	50,792	–
7 July 2011	Competitive	3,500,000	41,262	–
8 September 2011	Competitive	3,499,000	37,930	–
6 October 2011	Competitive	3,500,000	31,379	–
10 November 2011	Competitive	3,499,500	29,022	–
9 February 2012	Competitive	3,499,950	23,730	–
8 March 2012	Competitive	3,499,450	24,972	–
Total			239,087	446,080

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
10 May 2012	4,000,000
5 July 2012	4,000,000
6 September 2012	4,000,000

2.2 Petroleum licence income

	2011-12	2010-11
	£'000	£'000
Fees receivable	67,081	70,057
Total	67,081	70,057

2.3 Civil penalties

	2011-12	2010-11
	£'000	£'000
Levied under EU ETS Scheme	2,220	–
Levied under CRC Scheme	386	–
Total	2,606	–

3. Expenditure and disbursements

3.1 Costs incurred in the collection of receipts

	2011-12	2010-11
	£'000	£'000
Foreign currency translation costs (EU ETS)	120	199
Total	120	199

3.2 Credit losses

	2011-12	2010-11
	£'000	£'000
Specific bad debts written off (petroleum licences)	–	4
Total	–	4

3.3 Disbursements

	2011-12	2010-11
	£'000	£'000
Payments to Northern Ireland Government	1,600	1,626
Total	1,600	1,626

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 Payables (Note 6).

In addition to the costs and disbursements above the Department incurred expenditure of £1,657,000 (2010-11: £1,706,000 (restated)) in administering EU ETS, £3,915,000 (2010-11: £4,089,000) in respect of the Petroleum Licensing

Regime and £679,000 (2010-11:£313,000) in respect of the CRC Scheme. This expenditure is included in the Department's Accounts because there is no express statutory provision for these costs to be deducted from the revenue collected and paid over to the Consolidated Fund.

4. Receivables and accrued fees

	31 March 2012	31 March 2011
	£'000	£'000
Petroleum licence fees receivable and civil penalties	10,261	2,331
Accrued petroleum licences receivable	788	3,331
Total	11,049	5,662

Petroleum licence fees and civil penalties receivable represent the amounts due from the licensees where invoices for payment have been issued but not paid for at the year end. Accrued petroleum licenses receivable represents the amount of revenue from licences which relate to the financial year but for which invoices had not been issued at the reporting date.

5. Cash and cash equivalents

	2011-12	2010-11
	£'000	£'000
Balance as at 1 April	33,088	–
Net change in cash and cash equivalent balances	(18,926)	33,088
Balance at 31 March	14,162	33,088

	31 March 2012	31 March 2011
	£'000	£'000
The following balances at 31 March were held at:		
Government Banking Service	14,162	33,088
Total	14,162	33,088

6. Payables

	31 March 2012	31 March 2011
	£'000	£'000
Trade payables	1,600	1,626
Total	1,600	1,626

7. Deferred revenue

	31 March 2012	31 March 2011
	£'000	£'000
Deferred revenue	3,907	–
Total	3,907	–

Deferred revenue represents licence fees paid in the current year that relate to future financial periods.

8. Balance on the Consolidated Fund Account

	2011-12 £'000	2010-11 £'000
Balance on the Consolidated Fund as at 1 April	37,124	(1,577)
Net revenue for the Consolidated Fund	307,054	514,308
Adjustment for amounts reported in prior year Accounts	–	–
Less amounts paid to the Consolidated Fund	(324,474)	(475,607)
Balance on the Consolidated Fund as at 31 March	19,704	37,124

9. Financial instruments

9.1 Classification and categorisation of financial instruments

	Note	31 March 2012 £'000	31 March 2011 £'000
Financial assets:			
Cash	5	14,162	33,088
Petroleum licence fees and civil penalties receivable	4	10,261	2,331
Accrued petroleum licence fees receivable	4	788	3,331
Total loans and receivables		25,211	38,750
Financial liabilities:			
Trade payables	6	(1,600)	(1,626)
Deferred revenue	7	(3,907)	–
Total other financial liabilities		(5,507)	(1,626)

9.2 Risk exposure to financial instruments

EU Emissions Trading Scheme

The EU Emissions Trading Scheme is exposed to foreign currency risk due to the timing difference in recognising the proceeds at the auction exchange rate and the date at which the proceeds are converted into sterling, which is 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 £120,000 (2010-11: £199,000). The scheme is not exposed to interest rate or liquidity risk and its exposure to market risk is limited due to there being a current demand for carbon allowances.

The civil penalties imposed under the EU ETS scheme are subject to credit risk, but this risk is assessed by management as minimal due to the nature of the participants in the scheme.

Petroleum Licensing Regime

The fees receivable under the Petroleum Licensing Regime are subject to credit risk, but this risk is assessed by management as minimal which has been demonstrated by the fact that 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.

CRC Scheme

The civil penalties imposed under the CRC scheme are subject to credit risk, but this risk is assessed by management as minimal due to the nature of the participants in the scheme.

Information which will allow Trust Statement users to evaluate the significance of financial instruments on the Department's financial performance and position and the nature and extent of the Department's exposure to other risks arising from financial instruments can be found in Note 26 to the Department's Accounts.

10. Events after reporting period

There were no significant events after the reporting period that require disclosure.
Date Trust Statement authorised for issue

The Principal Accounting Officer has authorised this Trust Statement to be issued on 5 July 2012.

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 2012 for the revenue and other income, as directed by the Treasury, collected by the department as an agent for others, in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual by HM Treasury (“FReM”) which is in force for 2011–12.
3. The Statement shall be prepared, as prescribed in appendix 1, so as to give a true and fair view of (a) the state of affairs relating to the collection and allocation of taxes, licence fees, fines and penalties and other income by the Department as agent and of the expenses incurred in the collection of those taxes, licence fees, fines and penalties insofar as they can properly be met from that revenue and other income; (b) the revenue and expenditure; and (c) the cash flows for the year then ended.
4. The statement shall also be prepared so as to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
5. When preparing the Statement, the Department shall comply with the guidance given in the FReM (Chapter 13). The Department shall also agree with HM Treasury the format of the 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 enable compliance with the administrative deadline for laying the audited accounts before Parliament before the Summer Recess.
8. The Trust Statement, together with this direction (but with the exception of the related appendices) and the Report produced by the Comptroller and Auditor General under section 7(2) of the Government Resources and Accounts Act 2000 shall be laid before Parliament at the same time as the Department's Resource Accounts for the year unless the Treasury have agreed that the Trust Statement may be laid at a later date.

Chris Wobschall
Deputy Director, Assurance and Financial Reporting Policy
HM Treasury

20 December 2011

Appendix 1 to Annex A

Trust Statement for the year ended 31 March 2012

1. The Trust Statement shall include:
 - a Foreword by the Principal Accounting Officer;
 - Statement of the Principal Accounting Officer's Responsibilities;
 - a Governance Statement;
 - a Statement of Revenue, Other Income and Expenditure;
 - a Statement of Financial Position;
 - a Cash Flow Statement; and
 - such notes as may be necessary to present a true and fair view.
2. The Notes shall include among other items:
 - the accounting policies, including the policy for revenue recognition and estimation techniques and forecasting techniques together with statements explaining any significant uncertainty surrounding estimates and forecasts;
 - a breakdown of material items within the accounts;
 - any assets, including intangible assets and contingent liabilities;
 - summaries of losses, write-offs and remissions;
 - post balance sheet events; and
 - any other notes agreed with HM Treasury and the National Audit Office.

Appendix 2 to Annex A (extract)

No	Sponsoring Department	Income stream	Responsible Entity
02	DECC	Petroleum licenses	DECC
02	DECC	EU Emissions Allowance	DECC
02	DECC	Fines and Penalties	DECC

Chapter 8

Financial Core Tables

Table 1: Total departmental spending

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	£'000 2015-16
	Outturn	Outturn	Outturn	Outturn	Outturn	Estimated outturn	Plans	Plans	Plans	Plans
Resource DEL										
Section A: Save energy with the Green Deal and support vulnerable consumers	26,682	36,949	62,056	127,313	112,754	100,402	63,385	52,640	44,024	–
Section B: Deliver secure energy on the way to a low carbon energy future	127,728	91,255	95,078	62,929	82,143	4,632	31,031	22,794	30,267	–
Section C: Drive ambitious action on climate change at home and abroad	38,757	49,477	45,498	12,102	13,748	14,718	11,890	12,675	12,880	–
Section D: Manage our energy legacy responsibly and cost-effectively	-905,553	-1,138,933	-1,628,637	-908,602	353,992	323,210	349,691	340,657	327,473	–
Section E: Deliver the capability DECC needs to achieve its goals	71,513	92,228	88,169	128,800	116,939	126,705	170,487	178,692	178,098	–
Section F: NDA and SLC expenditure (NDPB)	1,534,007	1,521,569	1,597,580	1,771,915	443,923	1,531,264	1,474,540	1,478,263	1,283,966	–
Section G: Coal Authority (NDPB) (net)	23,505	26,128	30,939	29,668	25,357	25,296	31,937	30,941	32,683	–
Section H: Civil Nuclear Police Authority (NDPB) (net)	661	–	23	176	24	-60	–	–	–	–
Section I: Committee on Climate Change (NDPB) (net)	–	–	1,070	3,667	4,257	3,842	2,662	2,741	2,741	–

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	£'000 2015-16
	Outturn	Outturn	Outturn	Outturn	Outturn	Estimated outturn	Plans	Plans	Plans	Plans
Section J: Nuclear Decommissioning Authority Income (CFER)	–	–	–	–	–	-971,504	-691,000	-729,000	-872,000	–
Total Resource DEL	917,300	678,673	291,776	1,227,968	1,153,137	1,158,505	1,444,623	1,390,403	1,040,132	–
<i>Of which:</i>										
– Pay	108,824	118,679	154,343	163,217	170,737	161,398	109,633	103,527	97,353	–
– Net current procurement	701,490	436,049	424	849,336	784,589	850,767	1,240,656	1,201,307	860,328	–
– Current grants and subsidies to the private sector and abroad	102,819	116,932	113,485	177,271	169,042	140,518	90,187	79,841	76,684	–
– Current grants to local government	–	–	–	–	–	–	–	–	–	–
– Depreciation	6,266	6,937	3,933	12,412	7,152	12,916	8,000	9,000	8,000	–
– Other	-2,099	76	19,591	25,732	21,617	-7,094	-3,853	-3,272	-2,233	–
Resource AME										
Section K: Manage our energy legacy responsibly and cost-effectively	94,050	-233,735	50,699	-24,480	-97,786	-77,421	-178,535	-193,037	-189,668	-185,103
Section L: Nuclear Decommissioning Authority (NDPB)	6,761,691	7,506,522	2,350,254	760,510	5,274,448	3,796,310	486,475	172,394	210,332	583,052
Section M: Coal Authority (NDPB) (net)	-2,635	1,305	2,683	-1,420	42,446	-4,000	-7,000	-7,000	-7,000	-7,000
Section N: Civil Nuclear Police Authority (NDPB) (net)	–	–	136	-176	-24	-106	62	62	62	63
Section R: Renewable Heat Incentive	–	–	–	–	–	1,919	133,000	251,000	424,000	–
Committee on Climate Change (NDPB) (net)	–	–	–	–	106	4	–	–	–	–
Save energy with the Green Deal and support vulnerable consumers	–	–	–	–	–	-509	–	–	–	–
Bringing about a low carbon UK	–	–	–	–	90	–	–	–	–	–
Deliver the capability DECC needs to achieve its goals	3	–	51	–	–	–	–	–	–	–
Total Resource AME	6,853,109	7,274,092	2,403,823	734,434	5,219,280	3,716,197	434,002	223,419	437,726	391,012
<i>Of which:</i>										
– Pay	–	–	–	–	–	–	–	–	–	–
– Net current procurement	1,960	-70,149	52,171	1,094	29,994	23,041	3,300	2,300	–	–
– Current grants and subsidies to the private sector and abroad	823,494	696,911	299,410	155,602	35,027	18,561	2,778,483	3,454,530	4,313,295	19,026

	£'000									
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	Outturn	Outturn	Outturn	Outturn	Outturn	Estimated outturn	Plans	Plans	Plans	Plans
- Current grants to local government	-	-	-	-	-	-	-	-	-	-
- Net public service pensions	-	-	-	-	-5,197	-	-	-	-	-
- Take up of provisions	6,649,212	6,977,539	2,247,591	812,951	5,354,692	3,895,955	498,907	175,210	202,690	565,007
- Release of provisions	-1,077,028	-999,566	-613,030	-449,563	-362,424	-344,939	-349,688	-354,621	-338,259	-323,021
- Depreciation	455,468	669,356	448,903	236,390	188,716	138,269	130,000	130,000	130,000	130,000
- Other	3	1	-31,222	-22,040	-21,528	-26,650	-2,627,000	-3,184,000	-3,870,000	-
Total Resource Budget	7,770,409	7,952,765	2,695,599	1,962,402	6,372,417	4,874,702	1,878,625	1,613,822	1,477,858	391,012
<i>Of which:</i>										
- Depreciation	461,734	676,293	452,836	248,802	195,868	151,185	138,000	139,000	138,000	130,000
Capital DEL										
Section A: Save energy with the Green Deal and support vulnerable consumers	325,980	355,821	410,094	632,517	362,310	106,575	94,000	140,000	-9,300	-
Section B: Deliver secure energy on the way to a low carbon energy future	79,750	51,868	41,123	33,062	69,807	-	-	200,000	700,000	-
Section C: Drive ambitious action on climate change at home and abroad	-	80	75,362	104,512	275,000	132,895	215,000	400,000	220,000	-
Section D: Manage our energy legacy responsibly and cost-effectively	4,116	1,522	204	-160,928	-	7,239	2,700	-	-	-
Section E: Deliver the capability DECC needs to achieve its goals	-	-	-	5,189	1,113	17,510	80,971	98,430	52,680	-
Section F: NDA and SLC expenditure (NDPB)	1,051,870	1,071,365	1,128,098	1,181,036	1,293,847	1,429,712	1,556,000	1,586,000	1,741,000	-
Section G: Coal Authority (NDPB) (net)	1,181	3,561	10,128	8,484	9,737	9,800	7,550	7,700	8,550	-
Section H: Civil Nuclear Police Authority (NDPB) (net)	-	955	1,281	1,792	2,350	2,272	500	-	-	-
Section I: Committee on Climate Change (NDPB) (net)	-	-	64	149	165	24	-	-	-	-
Section J: Nuclear Decommissioning Authority Income (CFER)	-	-	-	-	-	-251,712	-6,000	-55,000	-1,000	-
Total Capital DEL	1,462,897	1,485,172	1,666,354	1,805,813	2,014,329	1,454,315	1,950,721	2,377,130	2,711,930	-

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	£'000 2015-16
	Outturn	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	1,269,385	1,191,401	1,579,446	1,752,905	2,457,455	–
– Capital grants to the private sector and abroad	409,846	409,291	516,583	647,471	731,955	263,145	407,275	660,225	265,275	–
– Capital support for local government	–	–	–	–	–	–	–	–	–	–
– Capital support for public corporations	–	–	–	–	–	–	–	–	–	–
– Other	–	–	10,200	122,628	12,989	-231	-36,000	-36,000	-10,800	–
Capital AME										
Section K: Manage our energy legacy responsibly and cost-effectively	-569,000	-419,000	-279,000	-337,300	-77,800	-65,955	-77,800	-77,800	-77,800	-77,800
Section R: Renewable Heat Incentive	–	–	–	–	–	9,320	–	–	–	–
Manage our energy legacy responsibly and cost-effectively (CFER)	–	–	–	–	–	-1,000	–	–	–	–
Total Capital AME	-569,000	-419,000	-279,000	-337,300	-77,800	-57,635	-77,800	-77,800	-77,800	-77,800
<i>Of which:</i>										
– Capital grants to the private sector and abroad	–	–	–	–	–	8,320	–	–	–	–
– Net lending to the private sector and abroad	-569,000	-286,000	-146,000	-145,300	-30,800	-18,955	-30,800	-30,800	-30,800	-30,800
– Capital support for public corporations	–	–	–	–	–	–	–	–	–	–
– Other	–	-133,000	-133,000	-192,000	-47,000	-47,000	-47,000	-47,000	-47,000	-47,000
Total Capital Budget	893,897	1,066,172	1,387,354	1,468,513	1,936,529	1,396,680	1,872,921	2,299,330	2,634,130	-77,800
Total departmental spending	8,202,572	8,342,644	3,630,117	3,182,113	8,113,078	6,120,197	3,613,546	3,774,152	3,973,988	183,212
<i>of which:</i>										
– Total DEL	2,373,931	2,156,908	1,954,197	3,021,369	3,160,314	2,599,904	3,387,344	3,758,533	3,744,062	–
– Total AME	5,828,641	6,185,736	1,675,920	160,744	4,952,764	3,520,293	226,202	15,619	229,926	183,212

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.

Notes:

Changes in the classification of NDA income affect sections D, F and J in both Capital and Resource DEL. From 2006-07 to 2009-10 NDA income is netted off on section D, whilst in 2010-11 it is netted off on section F. From 2011-12 onwards NDA income is shown as CFER (Consolidated Fund Extra Receipts) on section J.

The drop in spend in 2011-12 on section B Resource DEL is due primarily to a reduction in spending on Carbon Capture and Storage.

The movements across years on section K Resource AME are due to movements in the nuclear decommissioning provision; further details are shown in the notes to the accounts.

The movements across years on section B Capital DEL are due to reductions in Capital Grants in this area, primarily under Environmental Transformation Funds, which is partly offset by increased Energy Innovation grants shown in section E. Future years spending on section B relates to Carbon Capture and Storage, the profile of which has yet to be confirmed.

Table 2 Total departmental spending

	£'000		
	2011-12 Original provision	2011-12 Final provision	2011-12 Estimated outturn
Resource DEL			
Section A: Save energy with the Green Deal and support vulnerable consumers	107,849	99,591	100,402
Section B: Deliver secure energy on the way to a low carbon energy future	25,462	22,197	4,632
Section C: Drive ambitious action on climate change at home and abroad	10,340	17,445	14,718
Section D: Manage our energy legacy responsibly and cost-effectively	334,800	338,771	323,210
Section E: Deliver the capability DECC needs to achieve its goals	178,682	141,894	126,705
Section F: NDA and SLC expenditure (NDPB)	1,527,958	1,762,080	1,531,264
Section G: Coal Authority (NDPB) (net)	32,721	32,721	25,296
Section H: Civil Nuclear Police Authority (NDPB) (net)	–	–	–60
Section I: Committee on Climate Change (NDPB) (net)	2,211	4,091	3,842
Section J: Nuclear Decommissioning Authority Income (CFER)	-710,000	-1,025,000	-971,504
Total Resource DEL	1,510,023	1,393,790	1,158,505
<i>Of which:</i>			
Pay	141,277	138,605	161,398
Net current procurement ¹	1,216,078	1,108,679	850,767
Current grants and subsidies to the private sector and abroad	129,059	142,031	140,518
Current grants to local government	1,016	816	–
Depreciation ²	6,836	7,000	12,916
Other	15,757	-3,341	-7,094
Resource AME			
Section K: Manage our energy legacy responsibly and cost-effectively	-164,903	-40,981	-77,421
Section L: Nuclear Decommissioning Authority (NDPB)	665,000	4,884,408	3,796,310
Section M: Coal Authority (NDPB) (net)	1,000	-730	-4,000
Section N: Civil Nuclear Police Authority (NDPB) (net)	-65	62	-106
Section R: Renewable Heat Incentive	56,000	41,000	1,919
Committee on Climate Change (NDPB) (net)	–	110	4
Save energy with the Green Deal and support vulnerable consumers	–	7,462	-509
Total Resource AME	557,032	4,891,331	3,716,197
<i>Of which:</i>			
Pay	–	–	–
Net current procurement ¹	25,000	23,000	23,041
Current grants and subsidies to the private sector and abroad	76,000	58,058	18,561
Current grants to local government	–	–	–
Net public service pensions ³	–	–	11,960

	£'000		
	2011-12 Original provision	2011-12 Final provision	2011-12 Estimated outturn
Take up of provisions	606,297	5,053,321	3,895,955
Release of provisions	-350,265	-351,370	-344,939
Depreciation ²	200,000	127,000	138,269
Other	-	-18,678	-26,650
Total Resource Budget	2,067,055	6,285,121	4,874,702
<i>Of which:</i>			
Depreciation ²	206,836	134,000	151,185
Capital DEL			
Section A: Save energy with the Green Deal and support vulnerable consumers	144,400	145,404	106,575
Section B: Deliver secure energy on the way to a low carbon energy future	20,675	-	-
Section C: Drive ambitious action on climate change at home and abroad	115,000	107,895	132,895
Section D: Manage our energy legacy responsibly and cost-effectively	3,680	7,240	7,239
Section E: Deliver the capability DECC needs to achieve its goals	8,675	11,607	17,510
Section F: NDA and SLC expenditure (NDPB)	1,361,000	1,459,000	1,429,712
Section G: Coal Authority (NDPB) (net)	7,150	7,150	9,800
Section H: Civil Nuclear Police Authority (NDPB) (net)	2,100	2,100	2,272
Section I: Committee on Climate Change (NDPB) (net)	-	-	24
Section J: Nuclear Decommissioning Authority Income (CFER)	-157,000	-255,000	-251,712
Total Capital DEL	1,505,680	1,485,396	1,454,315
<i>Of which:</i>			
Net capital procurement ⁴	1,221,925	1,202,816	1,191,401
Capital grants to the private sector and abroad	310,755	315,576	263,145
Capital support for local government	-	-	-
Capital support for public corporations	-	-	-
Other	-27,000	-32,996	-231
Capital AME			
Section K: Manage our energy legacy responsibly and cost-effectively	-78,000	-77,800	-65,955
Section R: Renewable Heat Incentive	-	15,000	9,320
Manage our energy legacy responsibly and cost-effectively (CFER)	-	-	-1,000
Total Capital AME	-78,000	-62,800	-57,635
<i>Of which:</i>			
Capital grants to the private sector and abroad	-	15,000	8,320
Net lending to the private sector and abroad	-31,000	-30,800	-18,955
Capital support for public corporations	-	-	-
Other	-47,000	-47,000	-47,000
Total Capital Budget	1,427,680	1,422,596	1,396,680

	£'000		
	2011-12	2011-12	2011-12
	Original provision	Final provision	Estimated outturn
Total departmental spending	3,287,899	7,573,717	6,120,197
<i>of which:</i>			
Total DEL	3,008,867	2,872,186	2,599,904
Total AME	279,032	4,701,531	3,520,293

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: as with all the core tables, Table 2 is prepared on a 2012-13 Estimates structure; 2011-12 Main Estimate (Original provision) Estimate figures have been restated to allow for the restructure of the Estimate at the time of the Supplementary Estimate (Final provision).

Explanation of significant variances between Final provision and Estimated outturn are contained in Chapter 4: Financial Overview.

Table 3 Capital employed

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	outturn	outturn	outturn	outturn	projected outturn	plans	plans	plans
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Assets and liabilities on the Statement of Financial Position at end of year:								
Assets								
Non-current assets								
Intangible assets	0	0	0	431	541	394	247	99
Tangible assets	5,893	4,711	8,426	7,146	11,783	10,132	7,573	6,064
<i>of which:</i>								
Buildings	0	0	0	0	5,686	5,524	5,361	5,199
Information technology	5,431	4,572	6,825	5,771	4,936	3,579	1,671	620
Scientific equipment	443	130	0	0	0	0	0	0
Plant and machinery	0	0	0	90	69	51	33	15
Office machinery and equipment	19	9	1	0	0	0	0	0
Furniture, fixtures and fittings	0	0	1,600	1,285	1,092	978	508	230
Financial assets	2,972,927	469,580	74,446	86,929	60,527	29,178	10,579	3,556
Trade and other receivables	–	–	341,723	277,998	212,043	143,779	73,126	0
	2,978,820	474,291	424,595	372,504	284,894	183,483	91,525	9,719
Current assets	672,204	1,273,733	476,051	257,587	257,677	275,903	256,775	244,580
Liabilities								
Payables (< 1 year)	(345,000)	(984,307)	(616,945)	(396,563)	(412,712)	(302,000)	(302,000)	(302,000)
Payables (> 1 year)	0	0	(264)	(1,351)	(1,036)	(1,000)	(1,000)	(1,000)
Provisions	(3,148,438)	(2,878,829)	(2,719,693)	(2,578,504)	(2,487,542)	(2,211,785)	(1,929,684)	(1,673,872)
	(3,493,438)	(3,863,136)	(3,336,902)	(2,976,418)	(2,901,290)	(2,514,785)	(2,232,684)	(1,976,872)
Capital employed within main Department								
	157,586	(2,115,112)	(2,436,256)	(2,346,327)	(2,358,719)	(2,055,399)	(1,884,384)	(1,722,573)
NDPB net assets	(44,105,365)	(45,415,367)	(46,098,909)	(51,506,716)	(55,718,884)	(56,612,877)	(57,016,877)	(57,645,877)
Total capital employed in Departmental Group								
	(43,947,779)	(47,530,479)	(48,535,165)	(53,853,043)	(58,077,603)	(58,668,276)	(58,901,261)	(59,368,450)

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	Outturn	Estimated outturn	Plans	Plans	Plans
Section A: Save energy with the Green Deal and support vulnerable consumers	26,684	30,975	33,056	33,747	45,321	9,707	–	–	–
Section B: Deliver secure energy on the way to a low carbon energy future	1,189	1,226	1,264	1,303	1,343	–	–	–	–
Section D: Manage our energy legacy responsibly and cost-effectively	1,097	265	514	504	550	402	–	–	–
Section E: Deliver the capability DECC needs to achieve its goals	71,321	91,996	87,978	98,990	95,606	102,038	148,382	132,561	118,533
Section F: NDA and SLC expenditure (NDPB)	43,864	51,794	67,785	57,288	44,432	37,732	47,000	48,000	49,000
Section G: Coal Authority (NDPB) (net)	3,881	4,667	6,455	6,104	6,527	5,295	4,956	3,698	3,226
Section H: Civil Nuclear Police Authority (NDPB) (net)	661	–	23	176	24	-60	–	–	–
Section I: Committee on Climate Change (NDPB) (net)	–	–	1,070	3,667	4,257	3,842	2,662	2,741	2,741
Section J: Nuclear Decommissioning Authority Income (CFER)	–	–	–	–	–	-1,434	–	–	–
Total administration budget	148,697	180,923	198,145	201,779	198,060	157,522	203,000	187,000	173,500
<i>Of which:</i>									
– Paybill	105,177	115,179	147,322	157,661	162,259	146,985	103,955	99,309	94,036
– Expenditure	49,929	73,298	115,565	118,403	110,839	88,892	100,221	89,209	80,842
– Income	-6,409	-7,554	-64,742	-74,285	-75,038	-78,355	-1,176	-1,518	-1,378

Notes:

Expenditure on section A relates to the Carbon Trust and Energy Saving Trust.

Income for 2012-13 to 2014-15 is lower than the 2008-09 to 2011-12 as plans data for future years is set at a net level for NDPB's.

Table 5 Staff in post

	2008-09 Actual	2009-10 Actual	2010-11 Actual	2011-12 Actual
Full time employees	768.1	948.2	2,464.1	2,568.9
Others	122.5	147.5	260.3	345.5
Total	890.6	1,095.7	2,724.4	2,914.4

Notes:

2011-12 staff numbers are now shown on a post CLoS basis to include Core Department and NDPBs.

2010-11 staff numbers have been restated to a post CLoS basis.

Earlier years show Core Department only, on a pre CLoS basis.

Table 6 Total identifiable expenditure on services by country and region, 2006-07 to 2010-11

	£ million				
	National Statistics				
Department of Energy and Climate Change	2006-07 outturn	2007-08 outturn	2008-09 outturn	2009-10 outturn	2010-11 outturn
North East	218	189	137	108	77
North West	1,109	860	740	1,146	1,220
Yorkshire and the Humber	342	304	213	187	129
East Midlands	196	176	157	125	128
West Midlands	158	150	149	133	105
East	174	142	109	125	121
London	91	92	110	102	89
South East	299	300	222	285	289
South West	110	237	197	278	290
Total England	2,697	2,448	2,036	2,490	2,447
Scotland	372	332	243	316	335
Wales	282	124	105	105	89
Northern Ireland	1	2	1	1	0
UK identifiable expenditure	3,353	2,906	2,386	2,910	2,871
Outside UK	42	51	51	42	53
Total identifiable expenditure	3,394	2,958	2,437	2,952	2,924
Non-identifiable expenditure	40	50	123	121	297
Total expenditure on services	3,434	3,008	2,559	3,074	3,221

Table 7 Total identifiable expenditure on services by country and region, per head 2006-07 to 2010-11

Department of Energy and Climate Change	£ per head				
	National Statistics				
	2006-07 outturn	2007-08 outturn	2008-09 outturn	2009-10 outturn	2010-11 outturn
North East	86	74	53	42	29
North West	162	125	108	166	176
Yorkshire and the Humber	66	59	41	36	24
East Midlands	45	40	35	28	29
West Midlands	30	28	28	24	19
East	31	25	19	22	21
London	12	12	14	13	11
South East	36	36	26	34	34
South West	21	46	38	53	55
England	53	48	40	48	47
Scotland	73	65	47	61	64
Wales	95	42	35	35	30
Northern Ireland	1	1	1	0	0
UK identifiable expenditure	55	48	39	47	46

Data in this table are National Statistics

[illegible]

Data in this table are National Statistics

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
Environment protection n.e.c	24	80	51	24	48	16	22	32	22	319	-	-	-	319	-	319	279	597									
Total environment protection	35	1,119	83	85	74	94	62	238	248	2,037	280	58	-	2,375	-	2,375	289	2,664									
TOTAL DEPARTMENT OF ENERGY AND CLIMATE CHANGE	77	1,220	129	128	105	121	89	289	290	2,447	335	89	0	2,871	53	2,924	297	3,222									

Notes to tables 6, 7 and 8:

¹ Tables 6, 7 and 8 show analyses of the department's spending by country and region, and by function. The data presented in these tables are consistent with the country and regional analyses (CRA) published by HM Treasury as part of the October 2011 Public Expenditure Statistical Analyses (PESA) National Statistics release. The figures were taken from the HM Treasury public spending database in summer 2011 and the regional distributions were completed by autumn 2011. Therefore the tables may not show the latest position and are not consistent with other tables in the Departmental Report. Totals may not sum due to rounding.

² The analyses are set within the overall framework of Total Expenditure on Services (TES). TES broadly represents the current and capital expenditure of the public sector, with some differences from the national accounts measure Total Managed Expenditure. The tables show the central government and public corporation elements of TES. They include current and capital spending by the department and its NDPBs, and public corporations' capital expenditure, but do not include capital finance to public corporations. They do not include payments to local authorities or local authorities own expenditure.

³ TES is a cash equivalent measure of public spending. The tables do not include depreciation, cost of capital charges, or movements in provisions that are in departmental budgets. They do include pay, procurement, capital expenditure, and grants and subsidies to individuals and private sector enterprises. Further information on TES can be found in Appendix E of PESA 2011.

⁴ The data are based on a subset of spending – identifiable expenditure on services – which is capable of being analysed as being for the benefit of individual countries and regions. Expenditure that is incurred for the benefit of the UK as a whole is excluded.

⁵ Across government, most expenditure is not planned or allocated on a regional basis. Social security payments, for example, are paid to eligible individuals irrespective of where they live. Expenditure on other programmes is allocated by looking at how all the projects across the department's area of responsibility, usually England, compare. So the analyses show the regional outcome of spending decisions that on the whole have not been made primarily on a regional basis.

⁶ The functional analyses of spending in Table 8 are based on the United Nations Classification of the Functions of Government (COFOG), the international standard. The presentations of spending by function are consistent with those used in Chapter A of the CRA October 2011 release. These are not the same as the strategic priorities shown elsewhere in the report.

Structural Reform Plan

Priorities

Save energy with the Green Deal and support vulnerable consumers

- Reduce energy use by households, businesses and the public sector, and help to protect the fuel poor.

Deliver secure energy on the way to a low carbon energy future

- Reform the energy market to ensure that 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 that 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.

Actions missed due to reasons outside the department's control¹:

Action	Reason for delay
2.3(iv) Set arrangements for the independent assessment of the safety, security and environmental impact of new reactor designs (due June 2011)	The exact timing of the Generic Design Assessment is a matter for regulators and industry. They were not able to set arrangements before publication of the Dr Weightman report on the Fukushima tragedy (completed December 2011)
2.3(iii) Finalise the framework that will ensure new nuclear operators have arrangements in place to meet the full costs of nuclear decommissioning and their full share of waste management costs through publication of statutory Funded Decommissioning Guidance and a pricing methodology for government taking ownership of the operator's waste (due May 2011)	The consultation close in March, and responses raised a number of significant issues which required detailed consideration before final policy proposals could be published (completed December 2011)
4.4(ii) Review environmental regulation of oil and gas exploration in the light of the Gulf of Mexico spill – Publish final conclusions (due September 2011)	The independent review panel was not able to publish its conclusions by the end of September, firstly, as it had taken longer than hoped to analyse and draw conclusions from the wealth of information received from industry and other stakeholders, and second, because the lengthy and detailed final US Joint Investigations report, which was relevant to the panel's considerations and therefore required review, was published late after significant delay. The panel's review also coincided with new draft European Commission regulations, which the panel therefore had to consider late in the process (completed December 2011)
2.7(i) Support the European Commission to publish an energy roadmap to 2050 which sets out scenarios for how the power industry can be decarbonised and maximise member states' support (due October 2011)	The Commission delayed publication (completed December 2011)
3.4(xiii) Ministerial visit to India as part of continued co-operation on low carbon growth, trade and investment (due October 2011)	The changes in the Government of India in July included the promotion of Minister Ramesh and his replacement with new Environment Minister Natarajan. The appointment of a new Environment Minister meant that it was not possible to schedule the relevant meetings in October (completed November 2011)
2.7(vi) Agree Commission proposals on offshore drilling which protect the environment and support UK objectives without placing a disproportionate burden on the industry (due December 2011)	Commission proposals now published. They call for a regulation rather than a directive which may involve the repeal of a large number of existing UK offshore regulations with all the uncertainty that will bring to industry. Negotiations have started which could continue until the end of 2012. Negotiations are outside of DECC's control. (not completed)

¹ The practice of assigning action delays to external factors began in June 2011.

Actions missed due to reasons within the department's control:

Action	Reason for delay
2010-15 Business Plan	
2.2(iv) Work with the Department for Communities and Local Government to allow communities that host renewable energy projects to keep the additional business rates they generate (due April 2011)	The Department for Communities and Local Government owned the means of implementing this measure, and it was swept up into a wider reform package (not completed)
4.4(i) Conduct review of environmental regulation of oil and gas exploration in light of the Gulf of Mexico spill (due April 2011)	Key US reports, most notably by the US Coastguard and Marine Board, were delayed (completed December 2011)
2011-15 Business Plan	
1.1(ix) Lay secondary Green Deal legislation and license modifications before Parliament (due March 2012)	Secondary legislation has been delayed because the Energy Act 2011 received Royal Assent in October 2011, not July 2011 as planned. (completed June 2012)
2.1(vi) Submit energy National Policy Statements (making the case for new energy infrastructure) to Parliament for ratification (due May 2011)	This was not possible to complete before publication of the Dr Weightman report on the Fukushima tragedy (completed June 2011)
2.2(ii) Respond to the Committee on Climate Change recommendations on the role of renewables beyond 2020 and potential pathways to 2030 (due October 2011)	Ministers agreed that DECC should respond to Committee on Climate Change recommendations as part of the Autumn Strategy in November 2011 (completed November 2011)
2.2(iv) Work with the Department for Transport to address the role of Renewable Transport Fuel in the UK Renewables Roadmap (due June 2011)	(completed July 2011)
2.4(i) Award contract for first [Carbon Capture and Storage] demonstration project (due December 2011)	Negotiations on the Demo One project have ceased. This project will no longer proceed, as announced on 19 October 2011. An alternative programme has commenced (not completed)
2.6(i) Design National Policy Statements with clear and effective guidance on onshore grid infrastructure to enable network development to take place in an environmentally sustainable and timely manner (due May 2011)	This was not possible to complete before publication of the Dr Weightman report on the Fukushima tragedy (completed June 2011)
4.3(i) Complete risk assessment of safety and security at civil nuclear sites (due August 2011)	Government takes the security of civil nuclear sites very seriously and stringent security measures, regulated by the Office for Nuclear Regulation, are applied to each site. It was important that this work was undertaken with due diligence and that robust processes are in place to deliver continuous improvement (completed September 2011)

Business Plan Quarterly Data Summary

The information in the following tables provides a summary of the performance over the past year on metrics set out in the Departmental Business Plan 2011-15¹ and routinely published in the Department's Business Plan Quarterly Data Summaries on the DECC website².

Several of these indicators had not previously been subject to a cross-government reporting regime and the technical definitions and processes for collection of the data have developed during the year. Where this work has led to inconsistencies of scope or definition, these are covered in the footnotes to the table. More detailed commentary can be found in the measurement annexes to the individual quarterly data summaries³.

The Quarterly Data summaries include a section reporting on the Department's expenditure against its budget this information is included in Core Table 1 (see Chapter 8 above).

1 http://www.decc.gov.uk/en/content/cms/about/our_goals/past_business/past_business.aspx

2 http://www.decc.gov.uk/en/content/cms/about/our_goals/qds_july2011/qds_july2011.aspx

3 Ibid.

SPENDING

Financial Indicators	2011-12	2010-11
Accuracy of Cash Forecasting (+/- %)	2.91	2.59
Working Capital Forecast (% variance of Actual v Forecast)	-5.50	N/A
Net Book Value (% variance of Actual v Forecast)	13.50	N/A

Common Areas of Spend	2011-12 ⁴	2010-11
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Estate Costs	Total office estate (m ²)	25,510	25,797
	Total cost of office estate (£million)	12.60	11.66
	Cost per FTE (£)	6,521	5,833
	Cost per m2 (£)	494	452
Procurement	Total Procurement Spend (£million)	3,101	2,851
	Price of standard box of A4 white copier paper (£/2500 sheets)	11.65	10.06
	Average price of energy (£/KWH)	0.083	0.093
IT	Total 3rd Party ICT Cost (£million)	31.28	20.01
	Cost of desktop provision per FTE (£)	2,519	3,444
Corporate Service Cost	Human Resources (£million)	13.24	7.20
	Finance (£million)	9.64	8.10
	Procurement (£million)	2.17	1.50
	Legal (£million)	9.34	5.40
	Communications (£million)	5.82	6.20
Fraud, Error, Debt	Total Identified Fraud (£million)	0.00	0.01
	Total known Errors (£million)	0.1	0.00
	Total Debt (£million)	4.61	N/A
	Debtor Days	2.8	N/A
Voluntary and community sector (VCS)/ Small and medium enterprises (SME)	Procurement spend with SME (£million)	18.00	18.00
	Procurement spend with VCS (£million)	0.34	N/A
	Grants to VCS (£million)	2.00	6.20

Major Projects (Top 5)	Cost
Carbon Capture & Storage (CCS) Commercialisation Programme	£1,000m
Renewable Heat Incentive (RHI)	£864m
Green Deal	£200m
Smart Meters and Electricity Market Reform	TBC
£m whole life cost of ALL major projects	£17,075m

⁴ 2011-12 data and 2010-11 data may not be comparable due to definitional revision during the course of the year. Over the course of the current year, significant work has been undertaken to identify component sources related to each cost driver. This has enabled computation of weighted average costs for 2011-12, rather than the simple averages used in some 2010-11 data. In some fields it has been possible to restate 2010-11 values in order that they are consistent with 2011-12 data. Revised figures are in bold.

RESULTS

Input Indicators	Current	Previous
1: Renewable financial incentive cost per unit of renewable energy generated (excl. transport levies) (£/MWh, current = 2010-11, previous = 2009-10)	55.66	54.46
2: Leverage of UK international climate change finance (US\$ international climate finance leveraged/US\$ UK funding) (ratio, current = Jan 2010 – Mar 2012, previous = Jan 2010 – Sep 2011)	7.4	6.5
3: Proportion of Nuclear Decommissioning Authority's budget spent on decommissioning and nuclear plant clean-up (% , current = 2010-11, previous = 2009-10)	29	25
Impact Indicators	2011-12	2010-11
1: Number of energy efficiency installations (cavity wall and loft insulation) in GB households (million, current = April 2012, previous = January 2012)	25.84	25.26
2: Number of households in fuel poverty in England (million, current = 2010, previous = 2009)	3.5	4.0
3: Percentage of energy consumed in the UK generated from renewable sources (% , current = 2011, previous = 2010)	3.8	3.2
4: Spare capacity of UK gas network (maximum possible supply less actual peak demand) (% of actual peak demand, current = 2010-11, previous = 2009-10)	22	41
5: Spare capacity of UK electricity network (maximum possible supply less actual peak demand) (% of actual peak demand, current = 2010-11, previous = 2009-10)	36	30
6: Impact of other countries' pledges to decrease their greenhouse gas emissions on predicted global emissions (GtCO ₂ , current = 2011 , previous = 2010)	6-11	5-9
7: UK greenhouse gas emissions (MtCO ₂ , current = 2011 provisional, previous = 2010)	549.3	590.4
8: Reduction in nuclear provision through decommissioning and clean-up (£billion, current = 2010-11, previous = 2009-10)	2.2	1.8
9: Proportion of UK energy supply from low-carbon sources (% , current = 2011 provisional, previous = 2010)	12.5	10.2
Other Data Sets	2011-12	2010-11
1: Average domestic electricity price (including taxes) (UK rank within the EU15, current = 2011, previous = 2010)	12	11
2: Average domestic gas price (including taxes) (UK rank within the EU15, current = 2011, previous = 2010)	14	14
3: Net UK energy import dependency (% , current = 2011 provisional, previous = 2010)	36.5	28.3
4: Final energy consumption (Mtoe, current = 2011 provisional, previous = 2010)	146.8	158.6
5: Temperature adjusted primary energy use (Mtoe, current = 2011 provisional, previous = 2010)	209.0	213.6
6: The size of the nuclear provision (£billion, current = 2010-11, previous = 2009-10)	-49.2	-45.0
Structural Reform Plan Actions	2011-12	
Total number of actions completed during the year	53	
Total number of actions overdue at the end of the year	3	
Number of overdue actions that are attributable to external factors	1	
Total number of actions ongoing	34	

Whole Department Family – Workforce Size		31 Mar 2012	31 Mar 2011
Payroll Staff	Department and Agencies	See Core Table 5	
	Non-departmental public bodies		
	Department Family		
Average Staff Costs		59,158	59,100
Contingent Labour	Department and Agencies	See Core Table 5	
	Non-departmental public bodies		
	Department Family		
Department and Agencies Only		Year ended 31 March 12	Year ended 31 March 11
Workforce Shape	Administrative Assistants and Administrative Officers	6.1	5.7
	Executive Officers	8.6	9.7
	Higher and Senior Executive Officers	35.9	37.7
	Grade 7/6	42.1	39.4
	Senior Civil Servants	7.4	7.4
	Part Time	7.2	7
Workforce Dynamics	Recruitment Exceptions	20	29
	Annual Turnover Rate	9.9	7.2
Workforce Diversity	Black and Minority Ethnic	10.2	9.7
	Women	44.9	43.8
	Disabled	5.7	4.9
Workforce Diversity (Senior Civil Servants only)	Black and Minority Ethnic	4.1	3.5
	Women	30.9	26.7
	Women (Top Management Posts)	21.4	20
	Disabled	5.2	3.5
Attendance (AWDL)	Actual	3.6	3.6
	Standardised		
Department only; People Survey Metrics		2011 survey	2010 survey
Engagement Index (%)		60	62
Theme scores (%)	Leadership and Managing Change	42	45
	My Work	77	77
	My Line Manager	66	66
	Organisational Objectives & Purpose	88	85

Delivery Partners

This Annex lists our formal partners during the 2011-12 financial year. At the beginning of the financial year the 'Departmental family' contained seven non-departmental public bodies (NDPBs). DECC is also responsible for overseeing one non-ministerial department and two public corporations, and over the financial year has been associated with a number of other bodies.

Where the Department is responsible for appointments to the boards of our delivery partners, it is committed to basing appointments on merit. Public appointments to the boards of the NDPBs and agencies are made by Ministers in accordance with the Code of Practice of the Office of the Commissioner for Public Appointments.

Each NDPB is overseen by a sponsor team 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.

Executive NDPBs publish their own annual reports and accounts. These describe the targets and the performance of the organisation and provide financial information. They can be obtained from their websites or from The Stationery Office. Following the introduction of the Clear Line of Sight reporting requirements during the year, the Department's Accounts are now prepared on a Group basis which fully consolidates the core Department and the four executive NDPBs.

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](http://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](http://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](http://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](http://www.decc.gov.uk/en/content/cms/what_we_do/uk_supply/energy_mix/ccs/stakeholder)

Complaints to the Parliamentary Ombudsman

In the financial year 2011-12, no complaints about DECC were accepted for investigation by the Parliamentary Ombudsman.

Anyone who has a complaint about the way in which DECC or an individual within the Department has provided a service, the standards of that service or how a policy has been implemented, should contact the member of staff they have already been dealing with. They can do this via telephone, by email or in writing. If the complainant feels that this is not the right way to resolve their complaint or they are 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, if possible within 15 working days.

If a complainant remains dissatisfied with the Head of Team's response they can write to DECC's independent complaints co-ordinator who will investigate the complaint and where possible reply to the complainant within 15 working days. If the complainant is dissatisfied with the complaints co-ordinator's response, they can write to their MP who will refer the complaint to the Parliamentary and Health Service Ombudsman.

DECC Sustainability Report

DECC Group Consolidated Sustainability Report for the year ended 31 March 2012

Purpose:

This report shows the Department's consolidated sustainability performance, alongside related financial information, as required by HM Treasury's Financial Reporting Manual (FreM), including the performance of those NDPBs required to report under the Greening Government Commitments (GGCs). It is also part of the effort to improve transparency on sustainability performance under the GGCs.

Scope:

The scope of this report is the scope of the GGCs, except where specified (for example, we have chosen to report International travel emissions for completeness). The consolidated report includes DECC and one of its Non-Departmental Public Bodies (NDPBs) – the core Nuclear Decommissioning Authority (NDA) (excluding its subsidiaries and Site Licenced Companies that work under contracts for the NDA). For details of the NDA's individual performance, please refer to their published Annual Report & Accounts¹. DECC's other NDPBs are exempt from the Greening Government Commitments and are therefore outside the scope of this report. However, the Civil Nuclear Police Authority, Coal Authority and Committee on Climate Change will provide DECC with details of their Greenhouse Gas emissions from the 2011/12 financial year and DECC and its NDPBs meet regularly to discuss and share experience on sustainability performance.

Background:

Since its creation on 3 October 2008, core DECC has been engaged in an ambitious and wide-reaching programme to reduce its energy consumption and improve its overall sustainability performance. The main focus of this has been on our headquarters building in London, 3 Whitehall Place, as it provided the best opportunity to make significant "quick win" savings. Energy use in the building is currently down 60% and emissions down by 50% compared to 2008/09. The Display Energy Certificate (DEC)

¹ <https://www.nda.gov.uk/news/arac-2011-2012.cfm>

rating for the building has been improved from a G (score of 165) in October 2008 to a D (score of 85) in October 2011.

With the help of the Carbon Trust's Central Government Carbon Management Service, DECC has produced a Carbon Management Plan² covering the period 1 April 2010 to 31 March 2015. This ambitious plan aims to cut carbon emissions from the core department's estate and business travel (including international travel) by 25% by 2014/15 compared to 2009/10. In 2011/12 core DECC also produced plans to reduce water, waste and business related travel emissions.

The NDA has produced a delivery plan which sets out the actions to be taken to meet the GGCs. This flows from the continuous improvement obligation required by the NDA's ISO 14001 certificated Environmental Management System. The plan has the aim of optimising the internal environmental management arrangements in a way that delivers cost savings to NDA, as well as delivering against the Government's sustainability commitments.

Summary of Performance:

In this first reporting year, we are already making good progress towards many of the targets. Our greenhouse gas emissions within the GGC scope have been reduced by 26%, exceeding the 2014/15 target, and energy use has been reduced by 27.2% compared to 2009/10. Travel emissions have also been reduced significantly, with a reduction in emissions from travel of 37.1%. The number of domestic flights has also been reduced from 2193 to 1171 – a cut of 46.6%.

However, there are some areas that need to be addressed. Water consumption is slightly higher both in absolute terms, and per FTE, compared to the baseline (though it has been reduced compared to 2010/11 figures). Our reported figures for total waste arising has increased by 12.5%, though this is primarily due to improvements in our waste data collection processes on the DECC London estate – if we exclude the new data streams we would see an 11% reduction in waste instead. More needs to be done to achieve the waste and water targets by 2014/15, so core DECC has produced a Water Management Plan and Waste Management Plan this year to set out how we intend to address these areas. The NDA has taken action in both these target areas this year, and we expect to see the full benefits in 2012-13.

² <http://www.decc.gov.uk/assets/decc/11/tackling-climate-change/saving-energy-co2/2130-decc-carbon-management-plan-2011.pdf>

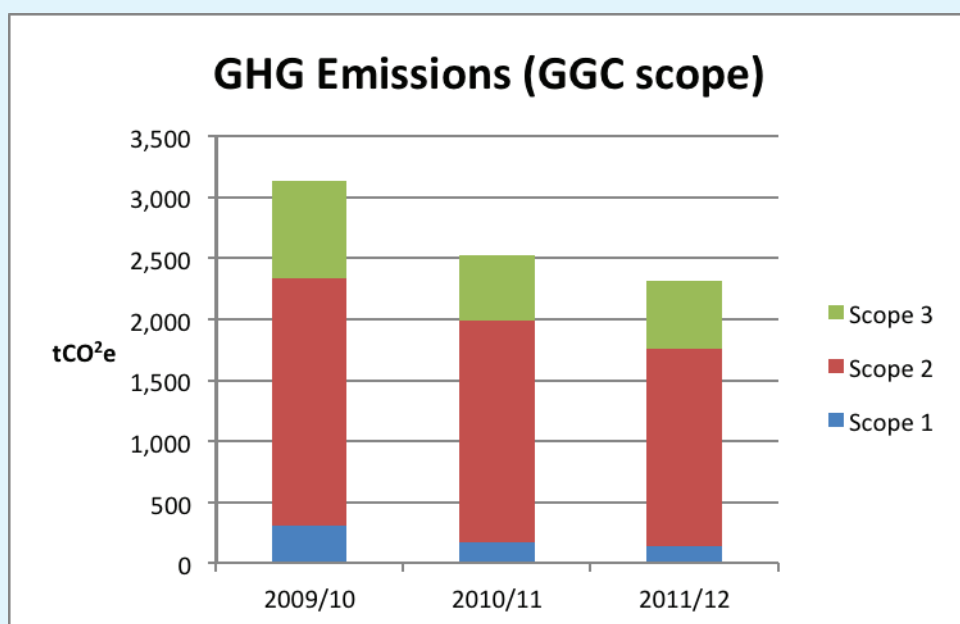
GREENHOUSE GAS EMISSIONS			Baseline (2009/10)	2010/11	2011/12
Non-Financial Indicators (tCO ₂ e)	GGC Scope	Scope 1 emissions	311	188	156
		Scope 2 emissions	2,028	1,807	1,615
		Scope 3 emissions (domestic) ³	772	533	548
		Total emissions (GGC scope)	3,131	2,529	2,318
		Emissions per FTE (GGC scope)	1.95	1.60	1.43
		% emissions reduction against 2009/10 baseline	N/A	-19.2%	-26 %
	Total	Scope 3 Total (inc. international)	3,236	1,980	2,036
		Total Gross Emissions	5,596	3,976	3,807
		Total Offsets (GCOF)	1,006	1,031	1,420
		Total Net Emissions	4,590	2,945	2,387
Other non- financial indicators	Full Time Equivalents (FTEs)		1,608	1,585	1,623.6
	Number of Domestic Flights		2,193	1,389	1,171
Financial Indicators (£k)	CRC Gross Expenditure ⁴ (2011/12 onwards)		N/A	N/A	1,782 ⁵
	Total expenditure on business travel (inc. international)		3,154	2,185	2,210
	Expenditure on accredited offsets (e.g. GCOF) (excl.VAT)		11.7	10.7	8.3

³ Emissions from DECC's taxi travel are not included, as mileage data is not available for this. Also excluded are any DECC air and rail journeys not booked through one of the department's travel providers.

⁴ The scope of the CRC Energy Efficiency Scheme is not the same as the scope of the Greening Government Commitments.

⁵ CRC costs for 2011/12 are forecast figures.

Graphical Analysis



Targets and Commentary

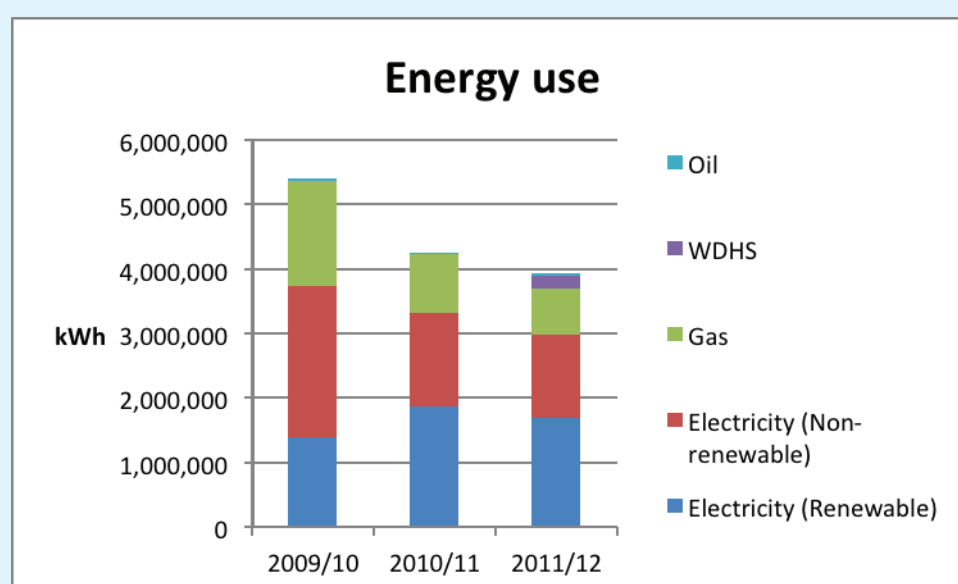
The Greening Government Commitments include a target to reduce our UK GHG emissions by 25% by 2014/15 from a 2009/10 baseline. This year we have achieved a 26% reduction in GHG emissions against the baseline year, which puts us in an excellent position to meet the target, but we will need to ensure that the reductions achieved can be maintained. The DECC Carbon Management Plan sets out how we intend to deliver these savings in the core Department, and the NDA Delivery Plan sets out how we intend to achieve these in the NDA.

While international travel is not covered by the GGC target, it is an important area for core DECC. We have set an additional carbon reduction target for core DECC which includes international business travel. The DECC Carbon Management Plan aims to reduce our carbon emissions from estates and both domestic and international business travel by 25% by 2014/15 compared to 2009/10. Core DECC has reduced both domestic and international air travel emissions this year, primarily due to more economy class travel. This year we have produced a Business Travel Emissions Reduction Plan to help us further reduce our travel emissions in the core Department.

The impact of domestic travel is an important issue for the NDA – their own objectives include a target to reduce travel by vehicles both for environmental and risk reasons with a reduction in business mileage by 25% on the baseline year.

FINITE RESOURCE CONSUMPTION – ENERGY		2009/10 (Baseline)	2010/11	2011/12
Non-Financial Indicators (kWh)	Electricity: Standard Tariff	2,330,841	1,450,056	1,291,017
	Electricity: Green Tariff	1,395,833	1,864,070	1,690,667
	Electricity Total	3,726,674	3,314,126	2,981,684
	Gas	1,639,127	911,372	714,834
	Whitehall District Heating System	n/a	n/a	190,125
	Oil	35,108	29,004	44,966
	Total Energy	5,400,909	4,254,502	3,931,609
	Total energy per FTE	3,359	2,684	2,422
Financial Indicators (£k)	Total Energy Expenditure	476	388	390

Graphical Analysis



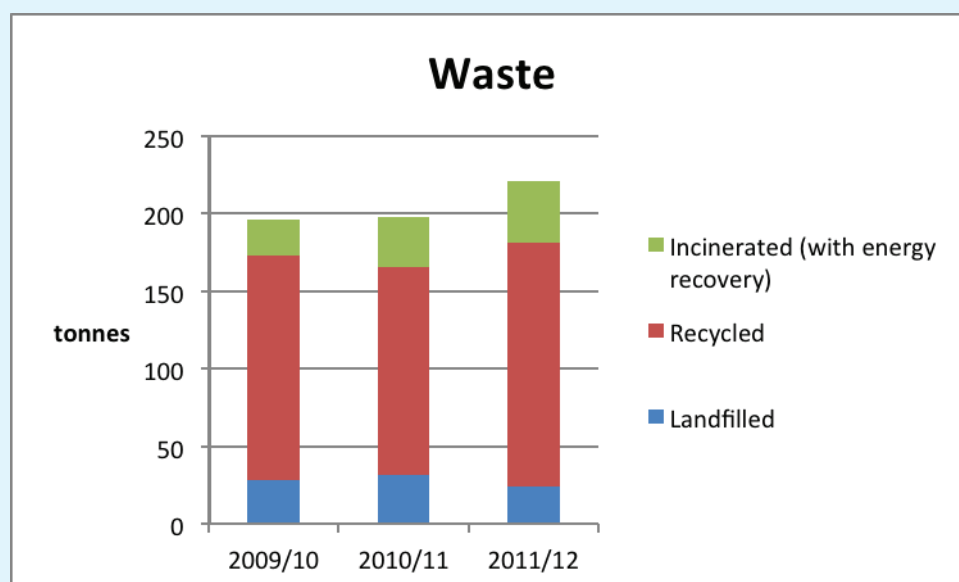
Targets and Narrative

Energy use is one of the main contributors to our GHG emissions, and reducing it is therefore a significant part of the target to reduce emissions by 25%.

In 2011-12 we achieved a reduction in electricity consumption of 20% and a reduction in gas use of 56%, compared to the baseline. Total energy use has been reduced by 27% and energy use per FTE reduced by 28%. DECC's Carbon Management Plan and the NDA delivery plan set out how we plan to reduce energy use even further over the next few years. The inclusion of the Whitehall District Heating System in 2011/12 energy consumption is due to the acquisition by core DECC of 55 Whitehall, which is heated by the system, in April 2011

WASTE			2009/10 (Baseline)	2010/11	2011/12
Non-Financial Indicators (t)	Total Waste		196	198	221
	Waste per FTE (kg)		122	125	136
	Non-Hazardous Waste	Landfill	29	32	24
		Recycled ⁶	144	134	157
		Incinerated (with energy recovery)	23	32	40
	Paper use (A4 reams equivalent) ⁷		7,193	5,044	3,731
Financial Indicators (£k)	Total disposal cost ⁸		68	67	73

Graphical analysis



⁶ Waste tonnage figures for 2009/10 and 2010/11 do not include confidential waste, toner cartridges or used cooking oil – we did not have ways of collecting this data until 2011/12. Data for ICT recycling are not included as we do not have this data.

⁷ Paper use figures are for the NDA only. Data on paper use in core DECC is not available prior to 2011.

⁸ Waste disposal costs are not available separately, as they are part of wider arrangements with landlords or facilities management companies. These figures are therefore estimates.

Targets and Narrative

Our main target is the Greening Government Commitment to reduce waste by 25%. Our reported figures show a 12.5% increase in waste arising compared to the 2009/10 baseline. However, this is not the whole story. Our 2009/10 baseline and 2010/11 figures do not include confidential waste, toner cartridges or used cooking oil from the core department's London headquarters, as the data was not available at the time. We have now put in place measures to ensure that data on these waste streams are collected, significantly improving the quality of our waste data. The new waste streams account for 44 tonnes in 2011/12, and we will therefore be looking to recalculate our baseline for waste to take account of the wider scope.

If we were to exclude the new waste streams from the scope, we would have seen a 22 tonne reduction in our total waste figures. This is as a result of work by the NDA, which undertook a number of waste reduction projects and estate rationalisation projects, which has reduced the total waste generated by 42.5% compared to 2009/10. Core DECC has produced a Waste Management Plan to set out our plans to reduce the amount of waste generated.

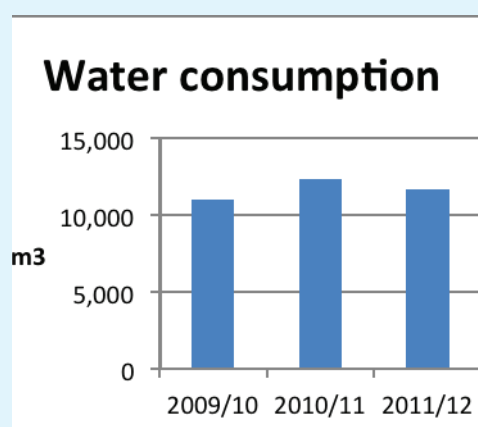
All the core Department's and NDA's direct waste is from our office estate. The majority of this waste is recycled or incinerated with energy recovery. With new waste treatment facilities in Cumbria becoming available, NDA is seeking to utilise these to reduce the amount of waste sent to landfill.

The core Department's waste is handled by its Facilities Management providers through a Defra contract (London estate) and a BIS contract (Aberdeen office). DECC has been working with those Departments and facilities management companies to improve waste reporting data. The NDA are also in the process of making improvements to their waste reporting data collection.

The NDA reduced paper use from the equivalent of 7,193 reams of A4 in 2009/10 to 3,731 reams in 2011/12 – a reduction of 48%.

**FINITE RESOURCE
CONSUMPTION –
WATER****Baseline 2010/11 2011/12 Graphical analysis**

Non-Financial Indicators	Water Consumption (m ³)	11,108	12,358	11,678
	Water consumption (m ³ /FTE)	6.9	7.8	7.2
Financial Indicators (£k)	Water Supply Costs	41	34	77 ⁹

**Performance Commentary (including Targets)**

The Greening Government Commitments target is to reduce water consumption by 2014-15 compared to a baseline of 2009-10. We will also be reporting against the following benchmarks for water consumption per FTE per annum:

More than 6m³ = poor practice

Between 4m³ and 6m³ = good practice

Less than 4m³ = best practice

Our water use has decreased by 5.5% in 2011/12, though it is still up by 5.1% compared to the baseline. Water use per FTE has stayed relatively stable however. This is partially due to some poor performing buildings on the NDA estate – they are undertaking estate rationalisation as well as a range of water reduction actions, which should help reduce consumption in 2012/13. Core DECC produced a Water Management Plan this year which aims to bring water use down into the good practice range by 2014/15.

Biodiversity Action Planning

Within the scope of GGCs the DECC Family have no significant direct impact on biodiversity. neither DECC nor the NDA have a Biodiversity Action Plan as our estate is all office-based.

However the NDA encourage tenants on their (non-designated) land to participate in environmental stewardship programmes where appropriate. It is also a contractual requirement for the Site Licence Companies managing the NDA's nuclear sites to have in place suitable Biodiversity Action Plans.

Sustainable Procurement

Core DECC is mandated to use Government Procurement Service frameworks where a suitable framework exists for the procurement of goods and services. As an alternative, DECC may utilise other government department or other viable enabled frameworks. When DECC procures directly, we have standard sustainable procurement terms and

⁹ DECC was informed in 2011 that we had been under-charged for water in our HQ building in previous years, and paid a back-payment to settle this. This has resulted in artificially low costs for 2009/10 and 2010/11, and artificially high costs for 2011/12.

conditions that apply to suppliers and contractors. These are currently being strengthened to incorporate the Government Buying Standards. DECC is also in the process of identifying and measuring its greenhouse gas related supply chain impacts for the 2011/12 year. We will use this information as a basis of engaging with key suppliers in the future.

The NDA considers sustainability in its procurement processes and assessments and seeks to achieve the best possible value for money having due regard to propriety and regularity, meeting legal requirements, demonstrating high ethical standards and ensuring compliance with the NDA's safety, quality, security and environmental standards. The NDA has regard to the Office of Government Commerce policy standards and guidance on best practice in procurement, including sustainability.

NOTES:

1. The above report has been prepared in accordance with guidelines laid down by HM Treasury in 'Public Sector Sustainability Reporting' published at www.financial-reporting.gov.uk.
2. Detailed Departmental policies for sustainability accounting within DECC, in support of HMT Guidance, can be found on our website at http://www.decc.gov.uk/en/content/cms/tackling/saving_energy/what_doing/10_percent/sustain/sustain.aspx. Detailed policies for emissions accounting within the NDA can be found on their website <https://www.nda.gov.uk/news/arac-2011-2012.cfm>. Defra conversion rates have been used to account for greenhouse gas emissions. Emissions data have not been weather-corrected.
3. The FTE figures used in this Annex are those calculated in our Greening Government Commitments return, though it may differ from other figures provided in this report due to different methodologies.
4. International Air Travel emissions include an uplift factor of 1.9 to account for radiative forcing, in accordance with GCOF rules.
5. Details of the Greening Government Commitments can be found at <http://sd.defra.gov.uk/gov/green-government/commitments/>
6. NDA has not reported components where these are not separately identified in tenant service contract charges i.e. some water and waste disposal charges which are not separately billed for.



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