Committee on Climate Change

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ANNUAL REPORT AND ACCOUNTS

1 April 2010 to 31 March 2011

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1. Chairman's Message

Our main report on mitigation this year set our advice to the Government and Parliament on the level of the fourth carbon budget (2023-27). This is a crucial piece of the architecture under the Climate Change Act, given the need to prepare now for deep emissions cuts required in the 2020s.

Our advice was based on assessment of the latest science, international circumstances, and abatement opportunities. Our recommended budget of 1950 $MtCO_2e$ was designed to be cost effective, and consistent both with the 2050 target and as a UK contribution to meeting the climate objective underpinning the Climate Change Act. Implicit in the budget is a target to reduce emissions by 50% in 2025 relative to 1990 levels.

We were delighted when the Government accepted our advice in May 2011. This will be subject to a review in 2014 to ensure that the budget does not place the UK at competitive disadvantage, and which the Committee will carry out.

The challenge now for the Government is to put new policies in place, for example Electricity Market Reform and policies to support energy efficiency improvement. These will drive a step change in the pace of emissions reductions, the need for which we have identified in our progress reports to Parliament.

On adaptation, we published our first assessment of the UK's preparedness to deal with the impacts of climate change in summer 2010. Although the evidence base here needs further development, our preliminary assessment was that more is needed in terms of ensuring that adaptation is fully accounted for in decisions about infrastructure investment, land-use planning and emergency planning.

I would like to thank the members of both Committees for their hard work this year, including Baroness Barbara Young and Professor Michael Grubb who have left the Committee during the year. On behalf of the Committee, I would like to thank the Secretariat, who have worked hard in producing a record six analytical reports this year.

Adair Turner

Lord Adair Turner
Chair, Committee on Climate Change
4 July 2011

2. Chief Executive's Message

This has been a very busy year. Our three big reports were the annual progress report to the UK Parliament, our advice on the fourth carbon budget, and our first report on preparedness for climate change. In response to requests from our sponsors, we also published reports on low-carbon innovation and the Carbon Reduction Commitment, and gave specific advice to the Scottish Government and Welsh Government.

The emerging story is one of the need for deep emissions cuts (e.g. 50% by 2025 and 60% by 2030 relative to 1990 levels), opportunities to deliver these cuts at relatively small macroeconomic cost, and the need for new policies to drive a step change in the pace of emissions reductions. The challenge will be to ensure that emissions continue to fall beyond the recession as the economy recovers. In addition, it will be important to prepare better for the impacts of climate change in the UK, for example, through designing infrastructure to be climate proof.

As a young organisation, our corporate challenge this year was to move from start up to business as usual operation. Our focus has been on corporate governance, risk management and internal controls, together with delivering efficiency improvements.

Following publication last year of a sustainability strategy, we are very pleased to report that this year we reduced our business emissions by 8%, and as a result, we have been accredited with a Carbon Trust Standard.

Looking forward, we have a busy year ahead, with a major report required under the Climate Change Act on the inclusion of aviation and shipping emissions in carbon budgets, and our second report on preparedness for climate change. Our challenge will be to deliver quality outputs with significantly falling resources through the spending review period, and we are currently thinking innovatively about where we can best make savings.

I would like to thank our Secretariat for their continued hard work and enthusiasm, and both Committees for helping to shape our analysis this year. I would also like to thank the wide range of stakeholders who have worked with us to develop the analysis and evidence base.

David Kennedy
Chief Executive, Committee on Climate Change
4 July 2011

3. Committee Role and Highlights

3.1 Committee Role

The Committee's role is to provide independent advice to the UK Government on setting and meeting carbon budgets and on adapting to climate change. The Committee was established as a statutory Non-Departmental Public Body on 26 November 2008 when the Climate Change Bill was enacted into legislation. It is jointly-sponsored by the Department of Energy and Climate Change (DECC), Department for Environment Food and Rural Affairs (Defra), the Northern Ireland Executive, the Scottish Government and the Welsh Government.

The Committee:

- Advises on the appropriate level of the UK's carbon budgets and steps required to meet them. The budgets define the maximum level of CO_2 and other greenhouse gases which the UK can emit in each 5 year budget period, beginning with 2008-2012.
- Advises, where appropriate on the level of the devolved administrations carbon budgets, and the steps required to meet them.
- Monitors progress towards meeting carbon budgets and recommends actions to keep budgets on track.
- Conducts independent analysis into climate change science, economics and policy as requested by the sponsors.
- Advises on the preparation of the UK Climate Change Risk Assessment and monitors implementation of the Government's National Adaptation Programme.
- Engages with a wide range of organisations and individuals to share evidence and analysis.

The Committee is responsible to the UK Parliament, the Secretary of State for Energy and Climate Change, the Secretary of State for the Environment, Food and Rural Affairs and Environment and Climate Change Ministers from the devolved administrations of Northern Ireland, Scotland and Wales.

3.2 Our Business Objective 2011-12

Our business objectives are:

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

We will achieve this by:

- Assessing progress against indicators and milestones for meeting carbon budgets,
- Advising on inclusion of aviation and shipping in carbon budgets, including assessment of the impact for other sectors of the economy,
- Continuing to build an evidence base of realistically achievable emission reductions to support the advice on aviation and shipping emissions,
- Responding to ad hoc requests for advice from the UK government and devolved administrations, and
- Scrutinising the preparation of the UK Climate Change Risk Assessment and implementation of the Government's Adaptation Programme.

Business Objective 2: *Ensuring that the Committee's governance arrangements are fit for purpose, enabling it to operate as a responsible and effective NDPB, meeting statutory and other requirements.*

We will achieve this by:

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

3.3 The Committee's performance highlights for 2010-11

Carbon budgets

- In secondary legislation passed in May and October 2010, the Scottish Government reflected the Committee's advice in implementing its framework for the Climate Change (Scotland) Act 2009. The Committee also provided further ad-hoc analysis in September 2010.
- In June 2010, the Committee recommended that the Carbon Capture and Storage (CCS) demonstration programme should include gas-fired generation. The Government subsequently accepted this advice.
- Also in June 2010, the Committee published the second annual progress report to Parliament, '*Meeting carbon budgets – ensuring a low-carbon recovery*'. The report concluded that despite a fall in greenhouse gas emissions, a step change in the pace of emission reductions was still required if the UK is to meet its legislated carbon budgets.
- In July 2010, the Committee published a review of low-carbon innovation, following a request from the Government's Chief Scientist. The review identified key technologies to be supported in order to develop options for meeting the 2050 target, including CCS and renewable forms of power generation, and electric vehicles. It recommended the need for increased funding of R&D as fiscal constraints are eased beyond the current spending review period.
- In September 2010, the Committee provided an initial response to the Government's request for advice on the level of the renewable energy ambition to 2020. This suggested that the focus should be on delivering the existing 2020 target rather than increasing the level of ambition.

Following a request from the DECC Secretary of State, the Committee also published its advice on the Carbon Reduction Commitment Energy Efficiency Scheme (CRC). This highlighted the scope for significant emissions reductions in the sectors covered by the CRC, but questioned whether the scheme design was overly complex and suggested scope for simplification.

- In October 2010, the Government formally responded to the Committee's second annual progress report to Parliament, accepting the recommendations and committing to delivering the step change in emissions reductions as set out in the first Annual Energy Statement in July 2010, alongside other publications including the 2050 Pathways Analysis.
- In December 2010, the Committee published its advice on the level of the 4th carbon budget (2023-27), recommending a level of 1,950 CO_2e, consistent with a 60% cut in emissions by 2030 relative to 1990 levels. The Government accepted this advice in May 2011.
- In February 2011, the Committee advised the Scottish Government on a cumulative emissions budget to 2050.
- In March 2011, as required under the Climate Change Act the Committee advised the Government to aim to meet the second carbon budget (2013-2017) through domestic action alone and not through the use of offset credits.

Adaptation
This was the first full year of operation for the Adaptation Sub-Committee (ASC). In September 2010, the ASC published its first national assessment of the UK's preparedness for climate change. The Committee found that although some progress had been made by Government in raising awareness, little tangible action had taken place on the ground. The Committee therefore recommended that action was required in five priority areas – land use planning, infrastructure, buildings, natural resources and emergency planning.

The ASC has also advised on the preparation of the Government's Climate Change Risk Assessment, working closely with Defra and its consultants over the summer on the methodology for the technical risk assessment, and providing the Secretary of State, Caroline Spelman, with detailed advice on the method in the autumn.

Corporate
As the Committee moves from start-up to full-scale operation, the focus has been to embed cross-functional project-based working to make the organisation more flexible and responsive, embedding corporate governance processes across the organisation. The Committee has successfully engaged with a wide range of stakeholders across the field of climate change using a wide range of channels including web and social media.

3.4 Deliverables in 2011-12

The Committee's deliverables for the year 2011-12 are outlined below.

Carbon budgets

- **Renewable energy review:** This was commissioned by the Coalition Government in May 2010 and published in May 2011. It covers renewable energy ambition to 2030, including implications for ambition in 2020 and any policy innovation required to drive investment over the next decade.
- **Third progress report to Parliament:** The Committee's third annual progress report to Parliament was published on 30 June 2011. The report reviewed latest emissions data, together with evidence on underlying emissions drivers including weather, economic activity and implementation of abatement measures.

- **Review of international shipping emissions:** The Committee has already provided a high-level assessment of international shipping emissions in its advice on the 2050 target. Further, more detailed work required to underpin the advice on the inclusion of shipping and aviation in carbon budgets will be published in October 2011.
- **Bioenergy review:** The review will aim to provide an in-depth assessment of the availability of sustainable bioenergy and where this might best be used. It will feed in to the advice on the inclusion of shipping and aviation in carbon budgets and will be published by the end of November 2011.
- **Advice on inclusion of international aviation and shipping (IA&S) in carbon budgets:** This is required under the Climate Change Act to enable Government to make a formal decision on whether the net carbon account should be defined to include international aviation and shipping. In addition to aviation and shipping, this advice will set out the implications of such inclusion for other sectors of the economy. This report will be published in March 2012.

Devolved Administrations

- Advice to the Scottish Government on the second batch of Scottish targets (2023-27) and on limits to carbon unit use (2013-2017), by July 2011.
- Advice to the Scottish Government on progress in reducing emissions in line with legislated targets, by January 2012.
- Advice to the Welsh Government on climate strategy and progress in reducing emissions, by October 2011.
- Advice to the Northern Ireland Assembly on the appropriateness of a NI Climate Change Act or other legislation to provide for legally binding GHG emission targets, by October 2011.

Adaptation

- **Second assessment of UK's preparedness (July 2011):** This will build on the ASC's first assessment by providing more quantitative information on the opportunities for the UK to adapt to current and future climate risks.
- **Advice on the preparation of Climate Change Risk Assessment (July 2011):** The ASC is required under the Climate Change Act to advise on the CCRA. The ASC will advise on how the technical risk assessment should be taken forward by the Government to form the final CCRA due in January 2012. This advice will be published as part of its second assessment of preparedness.
- **Continuing advice on the Climate Change Risk Assessment:** The ASC will continue to provide advice on this and the accompanying Adaptation Economic Assessment (AEA) until July 2012.
- **First assessment of Scotland's preparedness (September 2011):** This will build on the first and second UK reports putting a particular focus on the situation and progress, achieved in Scotland.

4. Management Structure

4.1 Committee on Climate Change

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

During the year, the membership of the Committee was:

Lord Adair Turner *Chair*

David Kennedy *Chief Executive*

Professor Samuel Fankhauser

Professor Michael Grubb (to 17 April 2011)

Sir Brian Hoskins

Professor Julia King

Lord John Krebs

Lord Robert May

Professor Jim Skea

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

4.2 Adaptation Sub-Committee

The Adaptation Sub-Committee (ASC) was set up on 1 April 2009, to support the Committee in its scrutiny of the Government's work to ensure that the UK is adapting to climate change.

During the year, the membership of the Committee was:

Lord John Krebs *Chair*

Dr. Andrew Dlugolecki

Professor Samuel Fankhauser

Professor Jim Hall

Professor Anne Johnson

Professor Tim Palmer

Professor Martin Parry

Sir Graham Wynne

Baroness Barbara Young (to 31 December 2010)

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

4.3 Audit Committee

The Audit Committee advises the Accounting Officer and Committee on matters of governance, risk, financial accountability, internal control and assurance.

During the year, the membership of the Audit Committee was:

Professor Julia King *Chair*

Professor Samuel Fankhauser

Lord Robert May

4.4 The Secretariat

The Committee employs a Chief Executive and a Secretariat of around 34 staff. This comprises around 29 economists and scientists to provide analytical support (of which six are utilised in the ASC and one is a secondee from the Scottish Government specialising in devolved administration-level analysis) and around five staff providing corporate support including specialists in communications, HR and finance.

The Committee is committed to the Civil Service Recruitment principles of fair and open competition and selection on merit. Our staff have been recruited externally, as well as from within the civil service. We promote equality of opportunity for all staff irrespective of their race, sex, disability, age, sexual orientation or religion. We also seek to provide effective and appropriate learning and development opportunities for all staff helping them to fulfil their individual and team potential.

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

5. Management Commentary

This is the Committee's second full year of operation following vesting on 26 November 2008, and the ASC's first full year of operation, thus completing the organisation's transition to business as usual operation.

5.1 Our Operations

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

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

Priorities for accommodation, IT and shared services delivery are kept under review to ensure they remain efficient, effective and provide value for money.

The lease on Manning House expired on 23rd June 2011 and so, with the assistance of the Government Property Unit, the Committee has entered into an agreement to lease the first floor of the offices of the Heritage Lottery Fund (HLF) in Holbein Place. This is consistent with the drive to rationalise the Government estate and will also reduce the rental costs incurred by the Committee.

Supplier Payment
The Committee uses Defra SSD to administer payments to suppliers on its behalf. The standard terms of payment for all contracts is 30 days from receipt of a valid invoice. Defra SSD is committed to the prompt payment target to pay valid invoices within 10 days of receipt, subsequently reduced to 5 days. However, they have only been able to put in place the 5-day payment target since November 2010.

The current payment performance target for Defra SSD is 100% for all valid payments to be made within 30-days of invoice. According to the statistics that have been provided to us, between 1 April 2010 and 31 October 2010, 91.6% % of the Committee's invoices were paid within the 10-day target, and between 1 November 2010 and 31 March 2011, 92.3% of invoices have been paid within the 5-day target.

No interest was payable under the Late Payment of Commercial Debts (Interest) Act 1998 (2009-10 £Nil).

Sickness Absence
During the period ended 31 March 2011 the average number of working days lost due to sickness absence was 0.85 days per full-time equivalent (2009-10, 0.72 days).

Personal Data Related Incidents
There were no personal data related incidents for the period ended 31 March 2011. (2009-10, Nil).

Financial Instruments
The Committee is not exposed to liquidity, interest rate or currency risk. Details of financial assets and liabilities are provided in note 6 to the accounts.

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

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

5.2 Financial Summary

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

Results
The accounts cover the second full year of the Committee's operation from 1 April 2010 to 31 March 2011 and have been prepared in accordance with the Financial Reporting Manual (FReM) issued by HM Treasury. The comparative period runs from 1 April 2009 to 31 March 2010.

During the year, the Committee on Climate Change (the Committee) was wholly funded by the Department of Energy and Climate Change (DECC), the Department for Environment, Food and Rural Affairs (Defra) and the devolved administrations.

Resource allocation during the year was £4,413,324 for 2010-11 (2009-10, £4,320,669). The total grant-in-aid funding drawn down during the year was £4,240,966 (2009-10, £2,446,122). The Committee's net operating cost for the year was £4,362,502 (2009-10, £3,666,621). Although cost efficiencies contributed to over £100,000 of savings, an increase in corporate overhead including IT/ Shared Services and VAT in rent together with research to support a full year of the Adaptation Sub-Committee work resulted in a net increase in expenditure.

Fixed Assets
In the year to 31 March 2011, the book value of fixed assets was £308,350 (2009-10, £298,870). Of this, £164,787 related to refurbishments to Holbein Place and £127,343 related to recognition of the capital element of the service concession assets for procurement of information technology support through Defra's E-nabling Agreement with IBM as detailed in the accounting policy. The future service cost under this agreement is disclosed separately.

Events since the end of the financial year
There are no events that have happened since the end of the financial year to materially affect the contents of these financial statements. The Annual Report and Accounts were authorised for issue by the Accounting Officer on 5 July 2011.

Going Concern
The statement of financial position at 31 March 2011 shows net liabilities of £706,919 (2009-10, net liabilities of £585,383). This reflects the inclusion of liabilities falling due in future years that may be only met by future Grants-in-aid from the sponsoring departments, DECC, Defra and devolved administrations. This is because under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need.

In common with other government departments, the future financing of the Committee (including the ASC) is to be met by grants of Supply to DECC, Defra and the devolved administrations and the application of future income, both to be approved annually by Parliament. Such approval for amounts required for 2011-12 has already been given and there is no reason to believe that future approvals will not be forthcoming. It has therefore been considered appropriate to adopt the going concern basis for the preparation of these financial statements.

Auditors
The accounts of the Committee are audited by the Comptroller and Auditor General under Schedule 1, Section 24(4) of the Climate Change Act 2008. His certificate and report appear on pages 29 to 30. The audit fee charged in the Income and Expenditure Account was £22,500 (2009-10, £27,500). The auditors received no fees for non-audit services.

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

David Kennedy

David Kennedy
Accounting Officer
4 July 2011

6. Features

6.1 2nd Progress Report to the UK Parliament

On 30 June, the Committee published its 2nd Progress Report to the UK Parliament assessing the achievements made by the UK Government towards meeting carbon budgets. The Committee again called for a step change in both the pace and approach taken to ensuring emission reductions.

Although there was an 8.6% reduction in the emission of greenhouse gases in 2009, our analysis suggested that this was almost entirely due to the impact of the recession and increased fossil fuel and energy prices. Crucially, it was not due to implementation of abatement measures aimed at reducing emissions. As the economy returns to business as usual, the concern is therefore that emissions will increase and carbon budgets will be missed.

In order to drive the implementation of abatement measures, the Committee highlighted four main areas for policy development:

- Electricity market reforms based on the introduction of long-term contracts would help to secure investment in low-carbon capacity at least cost to the consumer.
- New approaches to energy efficiency improvement should address both financial and non-financial barriers to uptake. This is likely to require new funding and delivery models.
- Support for purchase of electric vehicles and investment in a battery charging infrastructure will be required in order that electric vehicle markets are developed.
- New policies may be required to deliver emissions reductions in agriculture, given uncertainties over scope for delivery under the current industry/voluntary approach.

The report was widely welcomed:

Andy Atkins, Executive Director of Friends of the Earth said:

"It's extremely disturbing that, despite a similar warning from the Committee last year, the recent fall in UK emissions is mainly due to the recession. This report is further evidence of the need to build our future prosperity on safe, green foundations".

Neil Bentley, Director of Business Environment at the CBI said:

"We are not making fast enough progress and we need to see urgent decisions from the new government. The electricity market needs reform, and a cost-effective way must be found of persuading householders to make their homes more energy efficient".

6.2 Low-carbon Innovation

The Committee produced a review of low-carbon innovation in the UK, on the request of the UK Government's Chief Scientific Adviser, Professor Sir John Beddington.

The review looked at the UK's current spend on research and development and the levels of investment required to support development of low-carbon technologies to 2050.

It found that the UK lags far behind other developed nations in its spend on energy research and development (R&D). The UK spends around 0.01% of its GDP, with the U.S spending 3 times this amount each year, and Japan, 9 times this amount.

The review highlighted six key technologies which the UK should actively develop and deploy: offshore wind, marine (wave and tidal), carbon capture and storage, smart grids and meters, electric vehicles and aviation technologies. In addition, it identified potential for the UK to contribute towards the development of hydrogen fuel-cell vehicles, 3rd generation solar photovoltaic technologies and advanced biofuel technologies.

The review recommended that funding in these areas should be protected in the Spending Review, and that R&D funding should be increased as fiscal constraints are eased.

Professor Julia King, one of the Committee's technology experts, said:

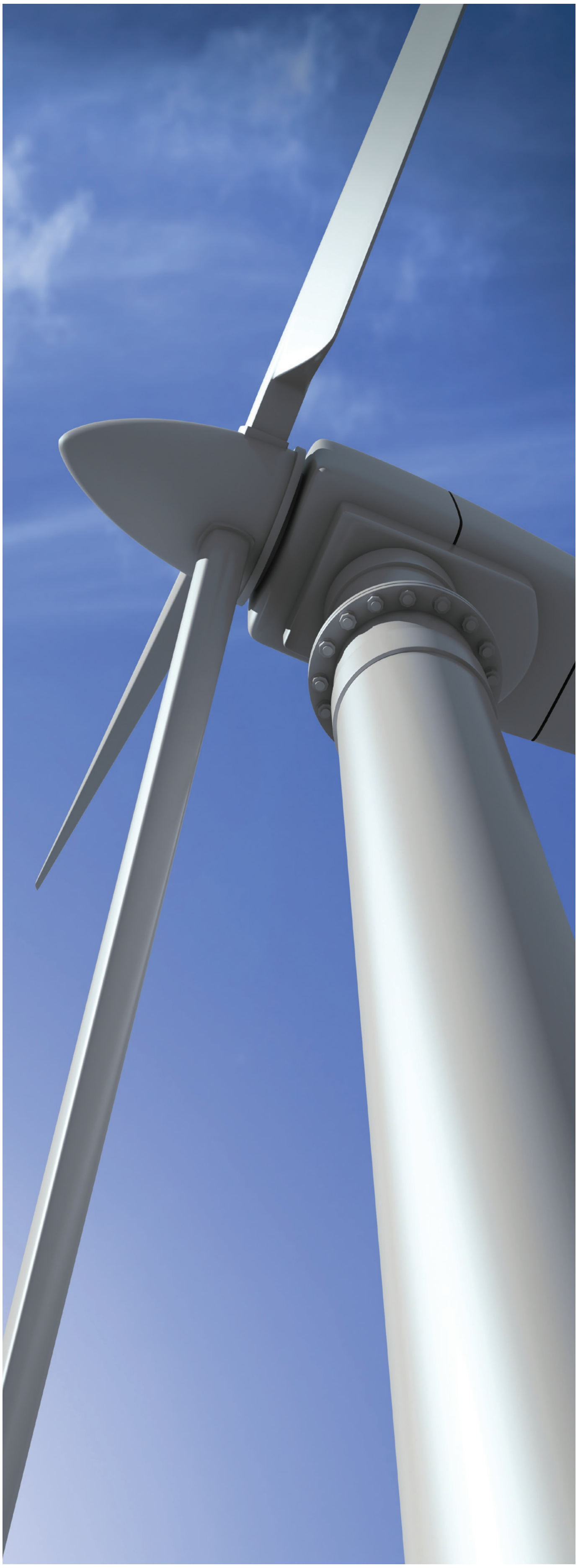
"We urge the Government to put the appropriate low-carbon technology support arrangements in place, to unlock environmental and wider economic benefits".

Professor Sir John Beddington said:

"In times of austerity, we must also make sure we invest public money to maximum effect. We need to develop and deploy the most promising low-carbon technologies quickly across all sectors".

Tom Delay, Chief Executive of the Carbon Trust, said:

"This is an important report that has come at an important time. We welcome the recognition of the need for continued and expanded funding for wise, focused and output-driven, low-carbon innovation".



6.3 Assessment of the UK's Preparedness for Climate Change

In September, the Adaptation Sub-Committee published its first assessment of the UK's preparedness to deal with the impacts of climate change. The Committee found that little tangible action is currently taking place to adapt and recommended that urgent action should now be taken.

The report reviewed the impacts that climate change is having in the UK, finding that incidences of extreme weather events such as floods, heat-waves and droughts are becoming more frequent.

The report argued that the UK's resilience could be improved by ensuring that action to adapt is focused on five priority areas: land-use planning, infrastructure, buildings, natural resources and emergency planning. Early action here could significantly reduce costs associated with climate change damage.

The Committee's Chair, Lord Krebs, was joined at the launch of the report by Caroline Spelman, Secretary of State for the Environment, Food and Rural Affairs, who used the occasion to launch the Coalition Government's position on adaptation. The Secretary of State emphasised that her department would help communities and businesses to put in place plans to prepare for future climate change impacts.

6.4 Carbon Reduction Commitment

The Committee was asked by the Government to provide advice about the design of the Carbon Reduction Commitment (CRC) energy efficiency scheme.

The CRC scheme requires large public and private sector organisations to buy allowances to cover emissions produced from their usage of electricity and heat. It is aimed at strengthening financial and reputational incentives for organisations to make energy efficiency improvements.

The organisations covered by the scheme produce 10% of the UK's total greenhouse gas emissions. The Committee found that by 2017, the scheme could reduce these emissions by 30% on today's levels, which would help the UK to meet carbon budgets.

In commenting on the design of the scheme, the Committee recommended that:

- The proposed auctioning of allowances would increase complexity without strengthening incentives for emissions reduction. Therefore, an alternative approach whereby an unlimited number of allowances are offered at a fixed price should be considered.
- The mechanism for revenue recycling was complex, and the impact on incentives unclear.

- Separate league tables and revenue recycling should be set up for the public and private sectors, reflecting fundamentally different challenges in these sectors.
- The CRC should not provide additional subsidy for renewable heat.
- There may be opportunities to include smaller emitters if the scheme were to be simplified.

Commenting more generally, the Committee noted that there are overlapping policies in the non-residential buildings and industry sectors, and questioned whether there might be scope for rationalisation.

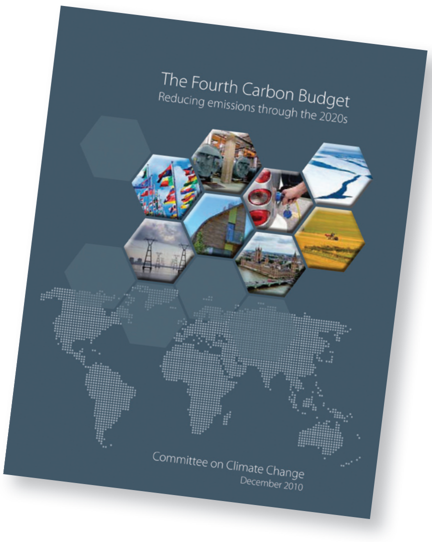
6.5 4th Carbon Budget

The most significant report of the year was the 4th Carbon Budget report, published in December 2010.

This recommended the level of the 4th carbon budget (2023-2027), and also proposed a 2030 target, designed to ensure the UK was on track to meet the 2050 target.

It included a full review of climate science, an assessment of the international context, and a breakdown of the policies and progress required across each sector of the UK economy to meet the budget.

The headline recommendations from the report were that the UK Government sets an ambitious carbon budget for 2023-2027 that would limit emissions of GHGs to 1950 $MtCO_2e$ over that period. This would imply an emissions reduction of 50% in 2025 relative to 1990 levels, on the path to a 60% reduction in 2030.



A review of the science presented in the report concluded that the case for action is still strong, that climate change risks have if anything worsened, and that the 80% reduction target for 2050 remains appropriate.

Given the case for action, technical and economic analysis suggested scope for deep emissions cuts in power generation, buildings and transport. In order to drive emissions reductions, the report argued that action now is required to reform the electricity market; develop low carbon power generation technologies (i.e. CCS and renewables); demonstrate and deploy renewable heat technologies; develop electric vehicle markets.

With well designed policies, analysis in the report showed that the recommended budget could be achieved at a cost of around 1% of GDP.

The report was widely welcomed by a range of high profile organisations. The UK Corporate Leaders and Aldersgate Groups, and the Green Alliance, wrote to the Prime Minister David Cameron urging him to accept the Committee's proposals, which were also endorsed by the CBI.

The UK Government accepted our 4th carbon budget proposals in May, committing the UK to the emissions limit recommended for the period 2023-2027.

7. Sustainability

Adopting sustainable business practices and reducing our carbon emissions is a priority. In our second year of recording emissions data we lowered our overall emissions, continued to engage in sustainable procurement, reduced waste and increased recycling. As a result we have been accredited with the Carbon Trust Standard.

We will continue our focus on reducing our carbon footprint when we move to our new offices in Holbein Place in June 2011.

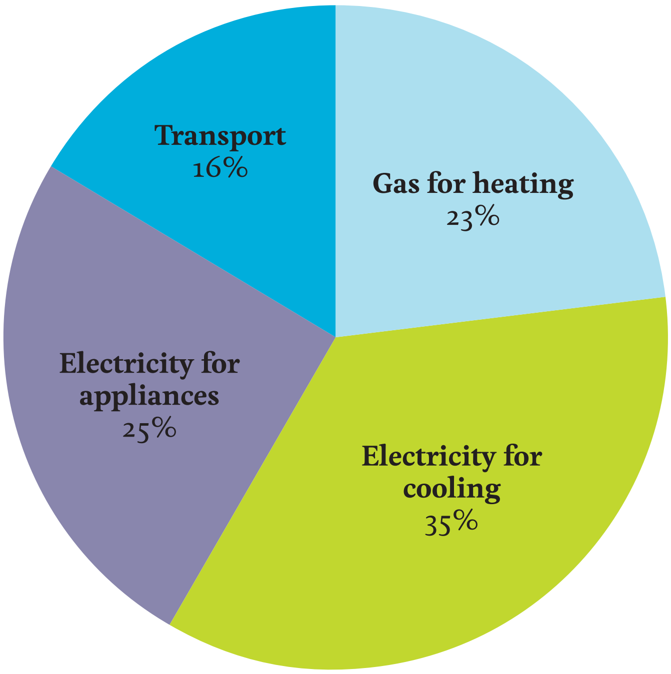
7.1 Monitoring, reducing and off-setting our carbon emissions

Committee's emissions in 2010-11
We estimate around 50 tonnes CO_2e was emitted by the Committee and Secretariat in 2010-11, a decrease of 8% over 2009-10.

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

Emissions from heating and cooling: These accounted for 58% of emissions, and were at a similar level to last year. The heating and cooling systems which operate in the Committee's office space are not under the Committee's control, as the equipment is used across the whole building and is the responsibility of the property owner[2]. The Committee has suggested the need for efficiency improvement to the property owner.

Figure 1: The Committee's Emissions (1 May 2010 to 30 April 2011)



Total Emissions: 49.8 tonnes CO_2e

1 This includes travel by members of the Secretariat for business purposes and excludes private commuting. It also includes travel undertaken by Committee members on Committee business.

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

Emissions from electricity for appliances: These accounted for 25% of emissions, a reduction of over 10% over 2009-10. There is limited scope to reduce emissions from these further, as the appliances used are already energy efficient and the consumption is mostly non-discretionary. However, the Committee will ensure that behavioural measures (i.e. turn computers, printers off at night), continue to be reinforced for staff.

Emissions from travel: Around 16 % of emissions are from transport, a reduction of 20% over 2009-10. This encompasses car, rail and air travel undertaken by Secretariat staff and by Committee members when travelling on Committee business. The Committee's travel policy advises staff to travel on rail where possible, with UK domestic flights used only in exceptional circumstances. Further, all staff travel is economy class unless there is a clear business case for departing from this. In addition, the organisation is committed to using video/teleconferencing for meetings to cut down on the number of trips being made.

Emissions offset: The Committee has offset its emissions produced across all areas of the business (49.8 tonnes CO_2e at a cost of £1,056) through Carbon Retirement, which is covered by the UK Government's Quality Assurance Scheme for Carbon Offsetting, which ensures best practice in carbon offsetting.

7.2 Sustainable procurement, waste and recycling

The Committee continues to integrate sustainability into its procurement practices, reduce waste and increase recycling. Key initiatives include:

- Sustainability concerns are considered as part of all of the Committee's procurement decisions, including when the Committee enters into contracts with new suppliers or tenders for services from external contractors.
- Printing limited numbers of reports in hard copy, and by only working with sustainable publications and printing agencies e.g. using 100% recycled FSC certified paper, vegetable inks, uncoated paper and waterless printing.
- Reducing waste through striving to reduce the amount of stationery purchased and by purchasing recycled stationery products where possible.
- Minimising our impact by only using tap water in the office and at external events.
- Setting printers to print double-sided as default and using 100% recycled paper
- Bin-less office with recycling units for office consumables (e.g. paper, card, cans, plastic bottles, toner cartridges).
- Around 90% of the waste produced through refurbishing the new office space in Holbein Place has been recycled.

Work is ongoing to ensure that staff increase the amount of waste that they recycle and cut down on waste generally, for example paper usage. The Committee has recycled 2.3 tonnes of waste through Viridor London recycling, which they have estimated has resulted in avoided emissions of 1.45 tonnes CO_2e.

8. Remuneration Report

8.1 Remuneration Policy

The Chief Executive's remuneration is determined by the Committee. This is on the basis of a performance evaluation by the Chair, and inter alia on recommendations by the Senior Salaries Review Body regarding Senior Civil Service pay.

10-20% of the Chief Executive's remuneration is subject to performance conditions. It is measured against delivery of objectives set by the Committee at the beginning of the year and is only triggered if all main performance targets are exceeded.

None of the remuneration of any Committee Member is subject to performance conditions.

8.2 Service contracts

Staff
Appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit following fair and open competition. The code also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

The Chief Executive is on a permanent contract that may be terminated by the Committee or the Chief Executive by giving three months notice.

Further information about the about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.co.uk

Committee Members
All appointments of the Committee for Climate Change Members are made on behalf of the Secretary of State for Energy and Climate Change. Appointments for the Adaptation Sub-Committee are made on behalf of the Secretary of State for Environment, Food and Rural Affairs. These appointments are made in accordance with the Code of Practice for Ministerial Appointments to Public Bodies issued by the Office of the Commissioner for Public Appointments.

Chairs and Committee Members are normally appointed for a fixed period of five years. Either party may terminate an appointment for any reason upon giving three months' notice in writing or the appointment may be terminated immediately by mutual consent. The Departments (DECC or Defra) may also terminate an appointment immediately should the member be guilty of any conduct that,
in the opinion of the Department, renders them unsuitable to continue the appointment.

The remuneration for the Committee on Climate Change is determined by the Department of Energy and Climate Change. In 2010-11, the Chairman of the Committee for Climate Change (Lord Turner) was paid £1,000 per day based on an average time commitment of 4 days per month. Committee members were paid £800 per day based on an estimated time commitment of 2 days per month.

The remuneration for the Adaptation Sub-Committee is determined by the Department for Environment, Food and Rural Affairs. In 2010-11, the Chairman of the Adaptation Sub-Committee (Lord Krebs) was paid £900 per day based on an average time commitment of 3 days per month. Committee members were paid £800 per day based on an estimated time commitment of 2 days per month.

8.3 Remuneration (including salary) and pension entitlements

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

Remuneration Salary and Benefits in Kind (audited information)

	2010-11		2009-10	
	Salary £000	Benefit in kind to nearest £100	Salary £000	Benefit in kind to nearest £100
Chief Executive				
David Kennedy	100-105		100-105	
Performance Pay	10-15	–	10-15	–
Committee on Climate Change				
Committee Chair				
Lord Adair Turner	15-20	100	25-30	500
Committee Members				
Professor Samuel Fankhauser*	25-30	500	20-25	–
Professor Michael Grubb (resigned 17 April 2011)	15-20	500	10-15	400
Sir Brian Hoskins	10-15	–	5-10	–
Professor Julia King	10-15	1,900	5-10	2,000
Lord Robert May	10-15	1,700	10-15	800
Professor Jim Skea	15-20	–	15-20	500

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

Remuneration Salary and Benefits in Kind (audited information) continued

	2010-11		2009-10	
	Salary £000	Benefit in kind to nearest £100	Salary* £000	Benefit in kind to nearest £100
Adaptation Sub-Committee				
Committee Chair				
Lord John Krebs**	25-30	4,700	20-25	1,700
Committee Members				
Dr Andrew Dlugolecki	15-20	6,200	10-15 (full year equivalent 15-20)	3,800
Professor Jim Hall	15-20	9,900	5-10 (full year equivalent 10-15)	5,400
Professor Anne Johnson	10-15	-	5-10 (full year equivalent 5-10)	-
Professor Martin Parry	10-15	4,400	5-10 (full year equivalent 5-10)	600
Professor Tim Palmer	5-10	1,200	0-5 (full year equivalent 15-20)	300
Sir Graham Wynne	10-15	1,000	10-15 (full year equivalent 10-15)	400
Baroness Barbara Young (resigned 31 December 2010)	5-10 (full year equivalent 10-15)	400	5-10 (full year equivalent 10-15)	200

* The ASC was formed on 1 April 2009, but Committee members were appointed over the course of the next six months, hence full year equivalents for the comparative year are also provided.
** Lord John Krebs is also a member of the Committee on Climate Change.

Pension Benefit of Senior Staff (audited information)

	Accrued pension pension age as at 31/03/11 and related lump sum £000	Real Increase in pension and lump sum at pension age £000	CETV at 31/03/11 £000	CETV at 31/03/10 £000	Real increase in CETV £000	Employer contribution to partnership pension accounts £
Chief Executive David Kennedy	10-15 plus a lump sum of £0	0-2.5 plus a lump sum of £0	135	114	9	-

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

8.4 Salary

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

8.5 Benefit in Kind

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

8.6 Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (classic, premium or classic plus); or a 'whole career' scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with changes in the Retail Prices Index (RPI). Members who joined from October 2002 could opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and, immediately after the scheme year end, the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted, is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

Further details about the Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk

8.7 Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

8.8 Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

David Kennedy
Accounting Officer
4 July 2011

9. Statement of Accounting Officer's Responsibilities

Under Schedule 1, Section 24(2) of the Climate Change Act 2008, the Secretary of State has directed the Committee to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Committee and of its income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

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

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

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

10. Statement on Internal Control

Scope of responsibility
As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Committee's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me within '*Managing Public Money*'.

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

We consult on our corporate plan with the Sponsor Group, comprising DECC, Defra and devolved administrations. The plan includes our strategic and business objectives as framed by the Climate Change Act and any subsequent requests for advice, together with corporate risks and financial plans.

The purpose of the system of internal control
The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Committee's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Committee for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

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

An internal audit function is performed by DECC Internal Audit. It reports to and agrees forward plans with the Audit Committee

However, it should be recognised that the majority of the organisation's financial systems and processes are provided by Defra SSD and therefore not directly controlled by the Committee. We have received an opinion from Defra's Internal Audit on the review of the controls operated by Defra Shared Services. The review concludes that the overall control framework is adequate. Further, we are in regular contact with Defra SSD through our business partner and participation in customer forums to maintain oversight of their performance in delivering the service to the Committee.

Addtionally, I am not aware of any control issues relating to our arrangements for information technology support through Defra's E-nabling Agreement with IBM.

The risk and control framework
The risk and control framework has evolved since the launch of the Committee, gaining assurance from a wide-ranging suite of controls that individually are evolving to give better assurance and collectively form the foundation of our framework.

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

The risk register is the main management tool used to identify, track and manage risks. The organisation reviews its top ten risks on a regular basis to ensure identified risks are mitigated appropriately and that residual risk is of an acceptable level.

The Committee has focussed its efforts to identify and mitigate risks on priority areas, adopting a proportionate, risk-based approach to the set-up of its evolving control framework. In particular, we have developed and implemented the following key control components:

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

Risk management framework has been strengthened during the year, to include a risk appetite statement and risk management policy. The risk register is reviewed and discussed at monthly senior management team meetings and Audit committee meetings with greater emphasis on ensuring risks are managed at the right level with escalation up to Committee level as necessary.

Corporate governance processes have been embedded including a corporate governance framework, whistle blowing procedures, counterfraud and fraud response policy and business continuity plan. Additionally, the financial reporting process has been enhanced with regular monthly reports shared with the senior management team and Sponsor Group, and quarterly performance highlight reports shared with Sponsor Group and Committee.

Senior management team oversees and monitors the operation of the risk management policies and procedures throughout the Committee, including the maintenance of the corporate risk register.

Information risk management: The Committee is not a major holder of protected personal or otherwise sensitive information. There have been no reportable incidents of personal information data loss during the year. An information risk policy is in place to ensure information assets are handled appropriately. The Committee's Senior Information Risk Owner (SIRO) participates in the DECC family information risk working group. Further, the Committee also contributes to the DECC family Information Asset Maturity Model (IAMM). The Committee has registered for the National School of Government's 'protecting information' e-learning course with half of staff on target to pass Level 1 by September 2011.

Review of effectiveness

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

Key features of the system area as follows:

The Committee members who have been appointed by the Secretary of State, meet regularly to consider the strategic direction and performance of the Committee against objectives and emerging significant risks identified by the Audit Committee. The Committee delegates to the Audit Committee the review of financial and operational performance against current plans and monitoring risk assessments for reporting back by exception.

The Audit Committee is an advisory body of the Committee and meets three to four times a year to oversee the arrangements in place for risk management, governance and operational effectiveness. It considers the annual financial statements, reports submitted by the internal and external audit teams and monitors progress towards resolution of any internal and external audit recommendations and reports regularly to the main Committee.

Senior management team meets regularly to monitor progress against planned delivery, operations, policy and corporate affairs including finance; to review risk; to make any necessary and appropriate decisions relating to the day-to-day performance of the Committee's business.

Internal audit: This year, Internal Audit reviewed the Committee's corporate governance and financial controls. The findings and related action points were agreed with the Audit Committee. There were no material issues identified as a result of these reviews and Internal Audit has provided me with an Annual Report which provides a 'satisfactory' opinion over the Committee's system of internal control for 2010-11.

Whilst both the internal and external audit reports give assurance that the majority of controls the Committee has developed (and is continuing to develop) are well designed, the Committee is working to embed further these systems and procedures and to ensure that the framework for risk, governance and financial management continues to evolve.

David Kennedy

David Kennedy
Accounting Officer
4 July 2011

11. The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Committee on Climate Change for the year ended 31 March 2011 under the Climate Change Act 2008. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Committee, Accounting Officer and auditor
As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Climate Change Act 2008. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Committee on Climate Change's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Committee on Climate Change; and the overall presentation of the financial statements.

In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

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

Opinion on financial statements
In my opinion:

- the financial statements give a true and fair view of the state of the Committee on Climate Change's affairs as at 31 March 2011 and of its net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Climate Change Act 2008 and the Secretary of State directions issued thereunder.

Opinion on other matters
In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions issued under the Climate Change Act 2008; and
- the information given in the Management Structure, Management Commentary and Sustainability sections included within the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

Report
I have no observations to make on these financial statements.

Amyas C E Morse

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

5 July 2011

12. Financial Statements

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2011

	Notes	2010-11 £	2009-10 £
Expenditure			
Staff Costs	3a	(2,234,814)	(1,989,360)
Depreciation	5	(134,221)	(112,526)
Provisions	10	(105,600)	-
Other Expenditure	4	(1,887,867)	(1,564,735)
		(4,362,502)	**(3,666,621)**
Income			
Income from activities		–	–
Other income		–	–
Net expenditure		**(4,362,502)**	**(3,666,621)**
Interest payable/receivable		–	–
Net expenditure after interest		**(4,362,502)**	**(3,666,621)**

All income and expenditure is derived from continuing operations

The notes on pages 35 to 50 form part of these accounts.

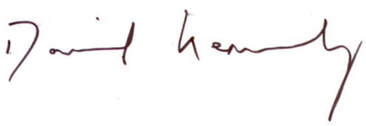
There was no income or gains and losses other than the reported expenditure and there was no comprehensive expenditure other than that shown above.

Statement of Financial Position

As at 31 March 2011

	Notes	31 March 2011 £	£	31 March 2010 £	£
Non-current assets					
Property, plant & equipment	5	308,350		298,870	
Total non-current assets			308,350		298,870
Current assets					
Trade and other receivables	7	5,304		19,273	
Cash and cash equivalents	8	195,287		239,435	
Total current assets			200,591		258,708
Total assets			**508,941**		**557,578**
Current liabilities					
Trade and other payables	9	(1,001,344)		(1,002,284)	
Total current liabilities			(1,001,344)		(1,002,284)
Non current assets plus/(less) net current assets/(liabilities)			**(492,403)**		**(444,706)**
Non-current liabilities					
Provisions	10	(105,600)		–	
Other payables	9	(108,916)		(140,677)	
Total non-current liabilities			(214,516)		(140,677)
Assets less liabilities			**(706,919)**		**(585,383)**
Taxpayers equity					
General reserve			(706,919)		(585,383)
Total taxpayers equity			**(706,919)**		**(585,383)**

The financial statements on pages 31 to 34 were approved by the Committee on 4 July 2011 and signed on its behalf by:



David Kennedy
Accounting Officer
4 July 2011

The notes on pages 35 to 50 form part of these accounts.

Statement of Cash Flows

For the year ended 31 March 2011

	Notes	Year to 31 March 2011 £	Year to 31 March 2010 Restated £
Cash flows from operating activities			
Net deficit after interest		(4,362,502)	(3,666,621)
Adjustments for depreciation	5	134,221	112,526
Adjustments for provisions	10	105,600	-
Revaluation of PFI Contract Assets	5	21,086	(178,505)
(Increase)/Decrease in trade and other receivables	7	13,969	376,909
Increase/(Decrease) in trade payables	9	(137,376)	58,001
Increase/(Decrease) in payables not passing through the Net Expenditure Account	9	(31,761)	128,556
Net cash outflow from operating activities		**(4,256,763)**	**(3,169,134)**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	-	(148,703)
		–	**(148,703)**
Cash flows from financing activities			
Grant from parent department		4,240,966	2,446,122
Capital element of payments in respect of finance leases and on-balance sheet PFI and Service Concession Agreements	9	(28,351)	(8,332)
		4,212,615	**2,437,790**
Net Financing			
Net increase/(decrease) in cash and cash equivalents in the period		**(44,148)**	**(880,047)**
Cash and cash equivalents at the beginning of the period	8	**239,435**	**1,119,482**
Cash and cash equivalents at the end of the period	8	**195,287**	**239,435**

The 2009-10 figures have been restated to provide a clearer presentation of the impact of the necessary IFRIC 12 adjustment. There is no impact on the overall cash flows.

The notes on pages 35 to 50 form part of these accounts.

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2011

	Notes	General Reserve £
Balance at 31 March 2009		658,116
Changes in accounting policy		(23,000)
		635,116
Changes in Taxpayers Equity 2009-10		
Grants from Parent		2,446,122
Comprehensive Expenditure for the year		(3,666,621)
Balance at 31 March 2010		**(585,383)**
Changes in Taxpayers Equity 2010-11		
Grants from Parent		4,240,966
Comprehensive Expenditure for the year		(4,362,502)
Balance at March 2011 under IFRS		**(706,919)**

The notes on pages 35 to 50 form part of these accounts.

13. Notes to Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2010-11 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Committee for the purposes of giving a true and fair view has been selected. The particular policies adopted by the Committee are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and inventories.

1.2 Property, plant and equipment

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

The Committee does not hold any financial interest in land or buildings. During the period covered by these financial statements, the Committee rented premises from Defra.

The FReM states that all non-current assets should be valued using the revaluation model as prescribed in IAS 16. The PFI asset has been revalued based on the present value of the minimum lease payments in accordance with IAS 17.

In accordance with the FReM, the Committee has opted to value the remaining non-property assets on a depreciated historical cost (DHC) basis, as a proxy for fair value as these assets have short useful lives or are of low value or both.

Internally developed property, plant and equipment are recognised as assets under construction (AUC) and treated as capital expenditure but not depreciated until the completed asset is brought into service. AUC are not revalued.

1.3 Depreciation

Property, plant and equipment assets are depreciated at rates calculated to write them down to their estimated residual value on a straight line basis over their estimated useful lives. Depreciation is not charged on assets under construction. Assets are normally depreciated over the following periods:

- Furniture and fittings — *remaining life of lease*
- Information technology — *3-5 years*
- Plant and machinery — *remaining life of lease*

A full month's depreciation is charged to the net expenditure account in the month following acquisition and in the month of disposal.

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

1.4 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 Committee becomes a party to the contractual provisions of an instrument.

The Committee has no borrowings and relies primarily on grants from DECC, Defra and the devolved administrations for its cash requirements and is therefore not exposed to liquidity risks. All material assets and liabilities are denominated in sterling so it is not exposed to currency risk.

1.5 Grant-in-aid

Grant-in-aid received used to finance activities and expenditure which support the statutory and other objectives of Committee are treated as financing and credited to the General Reserve, because they are regarded as contributions from a controlling party.

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

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

1.6 Pensions

Pension benefits are provided through the Principal Civil Service Pension Scheme (PCSPS). From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (classic, premium or classic plus); or a 'whole career' scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with changes in the Retail Prices Index (RPI). Members who joined from October 2002 could opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (partnership pension account). Note 3b provides details of Committee pension costs.

1.7 Value added tax (VAT)

All of Committee's activities are outside the scope of VAT and therefore all expenditure is shown including the irrecoverable VAT.

1.8 Leases

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

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

Rentals due under operating leases are charged to the Statement of Comprehensive Net Expenditure over the lease term on a straight-line basis.

1.9 Service Concessions

The Committee procures information technology support through the Defra's E-nabling Agreement with IBM. Although, the Committee has a rolling twelve month contract with Defra, Defra's contract with IBM is for a term of eight years from February 2010. The Defra contract falls within the scope of IFRIC 12 and is disclosed within the accounts as a service concession arrangement. A lease liability has been included to reflect the capital value payments to IBM to lease IT infrastructure assets throughout the duration of the 8 year contract. A matching asset has been raised to reflect the benefit that the Committee will derive from having access to IBM's IT infrastructure assets. Depreciation has been applied on a straight line basis consistent with the Committee's depreciation policy. These IT infrastructure assets, which consist of laptops, servers and hardware, are classed as one tangible service concession assets under property, plant and equipment.

Due to the fact the asset will depreciate quicker than the liability is released in the early stages of the contract there will be a net expenditure impact. In the later stages of the contract the impact of unwinding the finance charge at an increasing rate will result in a negative expenditure impact. Overall however, the impact over the duration of the contract be zero.

1.10 Estimation techniques

The annual leave accrual required under IAS 19 is based on employees annual leave records as at the end of the financial year. The value is calculated using average employee salary cost based on a working year of 260 days.

1.11 Accounting policy change – removal of cost of capital charge

HM Treasury has agreed that any amount relating to Cost of Capital is to be removed from the financial statements as an accounting policy change. This has been carried out and the net impact in respect of the Taxpayers' Equity is zero.

The impact on the Statement of Comprehensive Net Expenditure is highlighted below:

- Net Expenditure after finance charge for 2009-10 per original disclosure: £3,647,646
- Adjustment for notional capital credit: £18,975
- Restated Net Expenditure after finance charge for 2009-10: £3,666,621

1.12 Impending application of newly issues accounting standards not yet effective

There is no anticipated material impact to the Committee in respect of International Financial Reporting Standards (IFRSs) that have been issued by the International Accounting Standards Board but are not yet effective at the end of the reporting period.

2. Analysis of Net Expenditure by Segment

	Committee on Climate Change £	Adaptation Sub-Committee £	Total £
Staff costs			
Committee members	112,313	144,129	256,442
Staff	1,613,935	364,437	1,978,372
Total staff costs	**1,726,248**	**508,566**	**2,234,814**
Other costs			
Research	876,136	166,663	1,042,799
Recoveries for research	(11,096)	(8,726)	(19,822)
Rentals under operating leases	206,407	51,602	258,009
Occupancy	53,306	13,326	66,632
Shared services	43,296	10,824	54,120
PFI service charges	113,047	28,262	141,309
PFI finance charges	10,090	2,522	12,612
Printing and publications	113,007	12,280	125,287
Travel and subsistence	19,268	1,998	21,266
Corporate services	58,298	14,574	72,872
Learning and development	31,674	12,454	44,128
Telephony	8,880	2,220	11,100
Web development and hosting	16,234	5,017	21,251
Conferences and events	9,207	1,721	10,928
Auditor's remuneration	18,000	4,500	22,500
Other	2,301	575	2,876
Total	**1,568,055**	**319,812**	**1,887,867**
Total operating costs	**3,294,303**	**828,378**	**4,122,681**

The split between the Committee and Adaptation Sub-Committee is based on actual figures, where available. For elements where the cost is shared it has been apportioned on the basis of headcount. All assets and liabilities are held centrally by the Committee and no apportionment is appropriate.

3. Staff numbers and related costs

(a) Staff costs

	2010-11 Permanent staff* £	2010-11 Loans, secondments and STA/FTA* £	2010-11 Total £	Year to 31 March 2010 Total £
Committee Members' remuneration**	256,442	–	256,442	180,490
Wages and salaries***	1,208,683	319,632	1,528,315	1,421,747
Social security costs****	138,404	25,776	164,180	142,036
Other pension costs	246,055	61,675	307,730	261,060
Sub total	**1,849,584**	**407,083**	**2,256,667**	**2,005,333**
Less recoveries for outward secondments	(675)	(21,178)	(21,853)	(15,973)
Total net costs	**1,848,909**	**385,905**	**2,234,814**	**1,989,360**

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

The ASC comprised nine Committee members until December: A Chair who is contracted to work on average three days per month and eight independent members contracted to work on average two days per month. Barbara Young ceased to be a member after 31 December 2010.

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

* 'Permanent' staff comprise staff employed on a permanent basis on the Committee's terms and conditions. 'Loans, secondments, short term and fixed term appointments (STA/FTA)' comprise staff who are either employed by other government departments or agencies whether recharged or not, inclusive of VAT where applicable or employed directly on a short/ fixed term basis by the Committee.

** Remuneration for Committee members are fees paid for attending meetings and other work performed on behalf of the Committee during the period 1 April 2010 to 31 March 2011

*** Wages and salaries includes an accrual of £50,400 for total performance bonuses related to the 2010-11 financial year (2009-10, total performance bonus £59,340, comprising an accrual of £39,840 and £19,500 paid in-year). Further it also includes a movement of (£5,383) in staff leave accrual (2009-10, £12,000).

**** Social security costs includes £27,728 for employers national insurance paid on Committee fees (2009-10, £19,983).

No severance payments were made in the financial year.

(b) Pensions

'The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Committee is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation www.civilservice-pensions.gov.uk .

For 2010-11, employers' contributions of £307,730 (2009-10, £261,060) were payable to the PCSPS at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions usually every four years following a full scheme valuation. From 2010-11, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2010-11 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £347 (2009-10, £545) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £781, 0.8% of pensionable pay (2009-10, £691), were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £27 (2009-10, £46). Contributions prepaid at that date were £0 (2009-10, £0).

(c) The average number of persons employed:

	2010-11 Permanent staff £	2010-11 Loans, secondments and STA/FTA £	2010-11 Others £	2010-11 Total £	Year to 31 March 2010 Total £
Chief Executive Office	2.0	–	–	2.0	2.0
ASC	2.9	3.5	–	6.4	5.2
CCC	15.2	5.3	–	20.5	17.1
Corporate Team	3.5	1.5	–	5.0	5.0
	23.6	**10.3**	**–**	**33.9**	**29.3**

4. Other expenditure

		2010-11		2009-10
	£	£	£	£
Administration costs				
Research	1,042,799		1,124,038	
Recoveries for research*	(19,822)		(320,476)	
Rentals under operating leases	258,009		188,673	
Occupancy	66,632		56,457	
Shared services	54,120		34,053	
PFI Service payments	141,309		42,417	
Finance charges on PFI	12,612		–	
Printing and publications	125,287		167,010	
Travel and subsistence	21,266		42,911	
Corporate services	72,872		51,087	
Learning and development	44,128		79,607	
Telephony	11,100		11,275	
Web development and hosting	21,251		24,789	
Conferences and events	10,928		29,795	
Auditor's remuneration	22,500		27,500	
Other	2,876		5,599	
		1,887,867		1,564,735
Non-Cash Items				
Depreciation		134,221		112,526
Dilipadations provision		105,600		–
Total Expenditure		**2,127,688**		**1,677,261**

* Recoveries for research represent contributions from other government bodies to the Committee's work programme. This comprises £8,727 from the Scottish Government and £11,095 from Department for Business Innovation and Skills.

5. Property, plant and equipment

	Furniture & fittings £	Information Technology £	Plant & machinery £	Assets under construction £	Total £
Cost					
At 1 April 2010	181,512	230,928	6,251	–	418,691
Additions	–	–	–	164,787	164,787
Revaluations	–	(21,086)	–	–	(21,086)
At 31 March 2011	**181,512**	**209,842**	**6,251**	**164,787**	**562,392**
Depreciation					
At 31 March 2010	(71,945)	(45,603)	(2,273)	–	(119,821)
Charged in year	(93,914)	(36,897)	(3,410)	–	(134,221)
At 31 March 2011	**(165,859)**	**(82,500)**	**(5,683)**	**–**	**(254,042)**
Net Book Value at 31 March 2011	**15,653**	**127,342**	**568**	**164,787**	**308,350**
Net Book Value at 31 March 2010	**109,567**	**185,325**	**3,978**	**–**	**298,870**
Asset financing					
Owned	15,653	2,351	568	164,787	183,359
Finance leased	–	124,991	–	–	124,991
Net Book Value at 31 March 2011	**15,653**	**127,342**	**568**	**164,787**	**308,350**

'Assets under construction' related to the refurbishment of 7 Holbein Place. 'Information technology' includes assets raised to reflect the benefit the Committee will derive from having access to IBM's IT infrastructure assets as part of the Defra E-nabling agreement, as covered in Note 13.

6. Financial Instruments

As the cash requirements of Committee are met through Grant-in-Aid provided by DECC, Defra and devolved administrations, financial instruments play a more limited role in creating and managing risks than would apply to a non-public sector body.

The majority of financial instruments relate to contracts to buy non-financial items in line with the Committee's expected purchase and usage requirements and the Committee is therefore exposed to little credit, liquidity or market risk.

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

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

- *Foreign currency risk:* The Committee did not have any foreign currency income and expenditure and therefore had no exposure to foreign currency risk during the year.
- *Interest rate risk:* The Committee does not invest or access funds from commercial sources and so is not exposed to significant interest rate risks.
- *Other price risk:* The Committee does not have any significant holding of financial instruments that are traded in an active market and as such is not directly exposed to other price risks.

Credit risk
The Committee does not have any significant credit risk exposure given the nature and characteristics of its assets.

Liquidity risk
The Committee has no borrowings and is therefore not exposed to liquidity risks.

7. Trade receivables and other current assets

	31 March 2011 £	31 March 2010 £
Amounts falling due within one year:		
Trade receivables	–	–
Deposits and advances	5,304	1,771
Other receivables	–	15,000
Prepayments and accrued income	–	2,502
Total	**5,304**	**19,273**

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

	Amounts falling due within one year: 31 March 2011 £	Amounts falling due within one year: 31 March 2010 £
Balances with other central government bodies	–	15,000
Balances with local authorities	–	1,234
Sub total	**–**	**16,234**
Balances with bodies external to government	5,304	3,039
Total Debtors at 31 March	**5,304**	**19,273**

8. Cash and cash equivalents

	31 March 2011 £	31 March 2010 £
Balance at 1 April	239,435	1,119,482
Net change in cash and cash equivalent balances	(44,148)	(880,047)
Balance at 31 March	**195,287**	**239,435**
The following balances at 31 March were held at:		
The Office of HM Paymaster	–	(267,150)
Amounts held in Government banking service accounts	195,287	506,337
Commercial banks and cash in hand	–	248
Balance at 31 March	**195,287**	**239,435**

9. Trade payables and other current liabilities

	31 March 2011 £	31 March 2010 £
Amounts falling due within one year		
Other taxation and social security	43,218	38,772
Trade payables	213,058	186,824
Other payables	–	–
Current part of finance leases	20,968	28,351
Capital creditors and accruals	164,787	–
Accruals and deferred income	502,135	684,707
Pension contributions	27,561	28,630
Staff unpaid leave accrual	29,617	35,000
	1,001,344	**1,002,284**
Amounts falling due in more than 1 year		
Finance leases	108,916	140,677
	108,916	**140,677**
Total payables	**1,110,260**	**1,142,961**

The finance lease comprises the future liability to pay for the capital element of the service concession assets to IBM as part of the Defra E-nabling agreement.

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

	Amounts falling due within one year: 31 March 2011 £	Amounts falling due after more than one year: 31 March 2011 £	Amounts falling due within one year: 31 March 2010 £	Amounts falling due after more than one year: 31 March 2010 £
Balances with other central government bodies	148,218	108,916	498,405	140,677
Balances with local authorities	–	–	–	–
Balances with NHS bodies	–	–	–	–
Balances with public corporations and trading funds	–	–	–	–
Sub total	**148,218**	**108,916**	**498,405**	**140,677**
Balances with bodies external to government	853,126	–	503,879	–
Total creditors at 31 March	**1,001,344**	**108,916**	**1,002,284**	**140,677**

10. Provisions for liabilities and charges

	Dilapidations £
Balance at 31 March 2010	–
Provided in the year	105,600
Provision not required written back	–
Total	**105,600**

The Defra lease on Manning House expires on 23 June 2011. As a part of the lease there is an obligation on the tenant to make good the condition of the premises. Defra has appointed DTZ to manage the negotiations with the Landlord's agents and the provision here represents the full amount (including VAT) of DTZ's estimate. The Committee and Defra will, of course, negotiate robustly to minimise this exposure.

11. Capital commitments

	31 March 2011 £	31 March 2010 £
Contracted capital commitments at 31 March not otherwise included in these financial statements		
Property plant and equipment	33,599	–
Total	**33,599**	**–**

Capital commitments relate to fit-out of Holbein Place to be completed in April 2011.

12. Commitments under operating leases

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

	31 March 2011		31 March 2010	
	Land & buildings £	Other £	Land & buildings £	Other £
Obligations under operating leases comprise:				
Not later than one year	225,800	–	251,564	–
Later than one year and not later than 5 years	559,473	–	62,891	–
Later than five years	–	–	–	–
	785,273	**–**	**314,455**	**–**

The lease payments represent the last rent payable on the lease for 4th floor, Manning House, the lease for which expires on 23 June 2011 and future lease commitments for 7 Holbein Place through to the first break clause in the lease on 31 March 2015.

13. Commitments under PFI and other service concession arrangements contracts

	31 March 2011 £	31 March 2010 (restated) £
Total obligations under on-balance sheet (SoFP) service concession arrangements for the following periods comprises:		
Not later than one year	22,454	27,471
Later than one year and not later than 5 years	97,876	111,827
Later than five years	49,614	89,036
	169,944	**228,334**
Less interest elements	(49,060)	(59,334)
	129,884	**169,000**

The comparatives have been restated following Defra's recalculation of the overall commitment.

	31 March 2011 £	31 March 2010 (restated) £
Present value of obligations under on-balance sheet (SoFP) service concession arrangements for the following periods		
Not later than one year	20,968	25,652
Later than one year and not later than 5 years	77,018	87,995
Later than five years	31,898	55,353
	129,884	**169,000**

The Committee has a rolling 12 month contract to procure information technology support through Defra. In turn, Defra has a contract with IBM for the provision of IT services and infrastructure assets which was reframed on 1 February 2010. It aims to support Defra by providing a modernised IT infrastructure; in line with the wider government IS strategy, which will give Defra access to cost effective IT services and infrastructure.

During the life of the contract, Defra has the right to use assets owned by IBM and IBM are obliged to provide a consistent level of performance as set out in the contract. This includes underlying IT product developments commissioned by the Department.

The contract prices are subject to an annual incremental increase, applied from 1 April. This increase is based on the Consumer Price Index (CPI) as at the end of January in the previous financial year.

There is flexibility in terms of termination providing the option to end the service or key aspects thereof. The financial penalty for termination is on a sliding scale depending on several factors, including time left on the contract. There are no beneficial entitlements at the end of the contract, although the Department has the option to purchase specified assets at net book value on exiting the contract. This gives the Department control of the assets during the life of the contract.

The information technology assets are included in the Consolidated Statement of Financial Position under Property, Plant and Equipment, together with those detailed in Note 5.

14. Changes to the income and expenditure and future commitments

The total amount charged in the Statement of Comprehensive Net Expenditure in respect of off-balance sheet (SoFP) PFI and other service concession arrangements transactions and the service element of on-balance sheet (SoFP) PFI and other service concession arrangements transactions was £141,309 (2009-10, £42,417) and the payments to which the Committee is committed is as follows:

	31 March 2011 £	31 March 2010 (restated) £
Not later than one year	117,280	116,350
Later than one year and not later than 5 years	410,217	415,278
Later than five years	181,967	273,048
	709,464	**804,677**

15. Contingent liabilities disclosed under IAS 37

There are no legal claims against the Committee or other contingent liabilities.

16. Related-party transactions

The Committee on Climate Change is a non-departmental public body of the Department of Energy and Climate Change (DECC) and receives its grant-in-aid funding from DECC, on behalf of DECC, Defra and the devolved administrations comprising the Northern Ireland Executive, Scottish Government and the Welsh Government. During the period ending 31 March 2011, the Committee has carried out a number of material transactions with these and other Government bodies in the normal course of business. The quantum of the transactions between the Committee and these bodies was as follows:

	Grant in aid		Project funding		Purchased services	
	2010–11	2009–10	2010–11	2009–10	2010–11	2009–10
Government bodies:						
DECC	4,240,966	2,446,122	–	61,752	25,408	64,767
Defra	–	–	–	–	392,845	412,643
Department for Transport	–	–	–	215,254	79,655	29,875
Department of Business Innovation & Skills	–	–	25,000	15,000*	17,074	54,233*
Scottish Government	–	–	16,000	43,470	10,367	–
Home Office	–	–	–	–	1,678	61,220
HM Revenue & Customs	–	–	–	–	820	–
HM Treasury	–	–	–	–	19,240	
Ministry of Justice	–	–	–	–	7,386	–
Meterological Office	–	–	–	–	65,079	52,063*
Environment Agency	–	–	–	–	1,170	–
Cranfield University	–	–	–	–	53,242	
Imperial College, London	–	–	–	–	14,710	–
London School of Economics	–	–	–	–	42,823	–
National School of Government	–	–	–	–	10,198	–
Open University	–	–	–	–	1,500	–
Oxford University	–	–	–	–	5,000	–
Scottish Agricultural College (SAC)	–	–	–	–	30,072	48,104*
University College, London	–	–	–	–	65,690	–

*Amounts outstanding at the year-end.

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

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