Department of Energy & Climate Change

Annual Report and Accounts 2012–13

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For the year ended 31 March 2013

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

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

Ordered by the House of Commons to be printed on 27 June 2013

HC 18 LONDON: The Stationery Office Price: £38.75

This is part of a series of departmental publications which, along with the Main Estimates 2013-14 and the document Public Expenditure: Statistical Analyses 2013, present the Government's outturn for 2012-13 and planned expenditure for 2013-14

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This document is also available from our website at www.decc.gov.uk.

ISBN: 9780102985238

Printed in the UK for The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office
ID P002569172 06/13

Printed on paper containing 75% recycled fibre content minimum.

Ministerial Foreword

The Department for Energy and Climate Change is one of the smaller departments in Government, but our mission is one of the most important: to power the country and protect the planet.

This is a huge agenda, but our platform for delivery is in place. With the Energy Bill going through Parliament, the Green Deal up and running and action in many other areas, we have the most coherent energy and climate change policy of any Government in Europe. And because we seek to maximise the economic potential of our policy platform, we are contributing significantly to the Government's overarching priority to get the economy moving. Our vision of a low-carbon future is building up a bow wave of new jobs and investment in the economy, stimulating 'Green Growth' and helping to build a new sustainable future.

My priorities over the next year are threefold: to use our policy platform to keep delivering on this green growth agenda; to demonstrate that we are on the side of consumers and helping them keep bills down; and to keep up the urgency of the message on climate change, building towards a successful global deal in 2015.

First, delivering on this growth agenda. By remodelling the electricity market to provide certainty for investors we will help attract the £110bn of capital required to re-build the UK's energy infrastructure and meet energy security requirements. This will incentivise investment in cleaner, greener energy so that we progressively de-carbonise energy generation – but it will also stimulate economic activity. The same is true of our drive on energy efficiency. The Green Deal is designed to galvanise the energy efficiency market which is already growing at 5% a year. All policy areas have the potential to contribute to the growth agenda, and that is what we will be working on in the year ahead.

Second, demonstrating that our policies are not only good for the economy and good for the environment, but affordable for consumers too. We have a good story to tell. We can't control the global market and drive down international wholesale prices. What we can do is try to put a cushion between the price of energy and the cost of bills. By encouraging greater energy efficiency through the Green Deal, we are helping people save energy and therefore money. And by moving towards low carbon energy sources through Electricity Market Reform (EMR), we are helping to insulate the public from volatile fossil fuel prices in the future. As the Prices and Bills Impacts Report shows, DECC policies will provide, on average, lower household bills than would otherwise have been the case. But the message is not always getting through. In the year ahead, all policy areas in DECC will be thinking about how they can sell the benefits of what they do to consumers, both business and households. Because if we don't carry the people with us, we won't get the support we need to meet our objectives on climate change.

That brings me to my third priority: keeping up the urgency of the message on climate change and advocating for EU and wider action. The centre-piece act in the last year was the Doha Conference. DECC sent a strong team. I am grateful for the support they provided me. We met our central objective: to ensure, that in the face of continued global financial problems, there was no rowing back on from the breakthrough achievements made in Durban in 2011. Over the next year, the UK, as part of the EU, will be working hard to ensure that the talks at the end of 2013 yield more progress.

The prize is of course a global deal in 2015. By working as part of the EU, we will maximise our influence. But to have a strong negotiating position, the EU needs to update its climate change policy, reforming the Emissions Trading System and putting in place a framework that takes us to 2030 and beyond. So I will be pressing for ambitious 2030 emissions targets with our EU partners, and working with them to prepare the ground for an international deal.

Just as last year was an eventful year of achievement for the Department, so the next promises to be too. My Ministerial Team and I are grateful for the dedication and hard work of the people who make up one of the most committed Departments in Government. By working together, breaking out of policy silos and thinking about what each area can contribute to wider priorities, I am certain that we will keep up our record of achievement. I would like to make special mention of Moira Wallace, who left the Department after four years as Permanent Secretary. Her successor, Stephen Lovegrove, inherits a high quality Department of hugely talented people, determined to face the challenges of the year ahead and which I am proud to lead.

Edward Davey

Lead NED contribution to DECC's Annual Report 2012-13

This is my last report as a Non-Executive of DECC having stepped down after two years with the Department. This year has seen two major milestones: firstly, the introduction to Parliament of the Energy Bill, which will set the framework for the country's long term energy supply; secondly, the launch of the Green Deal, which is a ground breaking approach to support households to improve their energy efficiency. Both these measures contribute to the Department's twin goals of keeping the lights on and reducing carbon emissions.

For the Departmental Board it has been a challenging year. As noted in the Governance Statement there has been high turnover, of Minsters, executives and non-executives. The Board met on three occasions (April, October and January) and received papers circulated in place of the July meeting. Recently, the Board conducted its annual self-evaluation which highlighted the impact of in-year personnel changes and infrequent meetings on the ability of the Board to support DECC to achieve its important objectives. The evaluation identified the need for the Board to play a more effective role in the strategic and operational leadership of the Department, and to identify the areas in which it can add most value.

As you would expect with these limitations, the focus of Board meetings has been on monitoring performance and risk, but it has also taken items on some specific areas of work. The Board:

- commissioned a Review of the Department's Portfolio of activities to ensure it was resourcing and supporting the right policies at the right level;
- commissioned a second round of deep dives into the top tier of departmental risks;
- held its second annual review of the work of the Nuclear Decommissioning Authority;
- discussed the Department's response to the Capability Review;
- received a report on the review of analytical models used in the Department (following the West Coast Mainline events); and
- reviewed the wider programme of activities in relation to energy efficiency.

Going forward there is much work yet for DECC to do but I am confident that the Department will continue to improve. The key drivers will be strong governance and high quality management information that inform timely and appropriate decision making. The new Permanent Secretary is prioritising further improvements to the Governance underpinning the Board, improving the roles and accountabilities of the Executive Committee and supporting sub-committees. Work is also underway to improve the framework for performance management reporting that will help inform both the Executive Committee's confidence on delivery and performance and inform the Board on areas of focus for active scrutiny and challenge.

Finally I would like to acknowledge the work of my Non-executive colleagues. Rob Whiteman, who left the Board in February, and was Chair of the Audit & Risk Committee made an extremely valuable contribution, actively using his tremendous expertise and experience to challenge and advise the Department. In July we welcomed Terry Morgan to the Board. He has already provided insightful support, in particular in challenging the Department on improving the quality of performance information and outcome of Board discussions. Terry has also taken on the role of Chair of the Audit and Risk Committee. Claire Thomas continues to provide a huge benefit, particularly on driving forward change in the Department and the Department's response to the Capability Review, reminding the Department of the importance of having the right people and skills to deliver their challenging agenda.

I now hand over the role of Lead NED in DECC to Martin Stewart whose experience in transformation and efficiency will benefit the Department as it takes the next step in its ambitious and challenging agenda. I am confident that the Department will progress over the coming years.

Paul Walsh

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Chapter 1

The Department

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

1.2 The Department exists to take the lead in tackling these challenges.

Structure and Ministerial Responsibilities

1.3 The Secretary of State for Energy and Climate Change is the Rt Hon Edward Davey, MP. The Ministers of State are Gregory Barker, MP and Michael Fallon, MP. The Parliamentary Under-Secretary of State is Baroness Verma.

1.4 Greg Barker supports the Secretary of State on:

- The Green Deal
- Energy efficiency and Electricity Demand Reduction
- Promoting the interests of energy consumers
- National and international climate change
- Carbon budgets
- Renewable Heat Incentive
- Planning consents and planning reform
- Feed-in Tariffs and decentralised energy
- The Green Investment Bank
- Green jobs and skills

- Climate science
- Fuel poverty

1.5 Michael Fallon supports the Secretary of State on:

- Energy Bill
- Supports the SoS on Electricity Market Reform
- Security of supply
- International energy
- CCS, gas and coal policy
- Nuclear policy
- Renewable energy deployment
- Grid policy including smart grids and network of recharging points
- Oil and Gas exploration, licensing and revenues
- Offshore environment and decommissioning
- Regulation and competition in the energy sector (incl. nuclear)
- Waste and decommissioning policy for new nuclear
- Resilience and emergency preparedness
- Energy Council
- Coal Authority

1.6 Baroness Verma supports the Secretary of State on:

- Departmental performance and delivery
- Efficiency
- Managing liabilities, including coal health and the Concessionary Fuel Scheme
- Departmental business in the Lords
- Transparency
- Managing the nuclear legacy, including NDA performance and delivery (supported by the Shareholder Executive) and policy on plutonium and MOX
- Geological Disposal Facility (GDF)
- Civil nuclear security, including responsibility for the Civil Nuclear Constabulary
- Smart meters
- Nuclear safety and regulation (including resilience and emergency preparedness)
- Nuclear non-proliferation

- Supports Greg Barker on Green Deal and fuel poverty

1.7 The Permanent Secretary is Stephen Lovegrove.

DECC Departmental Board and Sub-Committees

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

1.9 The Departmental Board is chaired by the Secretary of State with the Lead Non-Executive Director as deputy chair. Meetings of the Departmental Board are scheduled quarterly with two strategic sessions each year. The members of the Departmental Board during 2012-13 were:

Edward Davey	Secretary of State
Michael Fallon	Minister of State (from 28 March 2013)
Charles Hendry	Minister of State (until 4 September 2012)
John Hayes	Minister of State (from 5 September 2012 until 27 March 2013)
Gregory Barker	Minister of State
Baroness Verma	Parliamentary Under Secretary (from 5 September 2012)
Lord Marland	Parliamentary Under Secretary (until 4 September 2012)
Paul Walsh	Lead Non-executive Director
Rob Whiteman	Non-executive Director (until 11 February 2013)
Claire Thomas	Non-executive Director
Terry Morgan	Non-Executive Director (from 1 July 2012)
Stephen Lovegrove	Permanent Secretary (from 4 February 2013)
Moira Wallace	Permanent Secretary (until 26 October 2012)
Simon Virley	Director General, Energy Markets and Infrastructure
Phil Wynn Owen[1]	Director General, International Climate Change and Energy Efficiency
Vanessa Nicholls	Acting Chief Operating Officer (from 21 December 2012)
Wendy Barnes	Chief Operating Officer (until 21 December 2012)
Ravi Gurumurthy	Director, Strategy (standing attendee)
David MacKay	Chief Scientist
Vanessa Howlison	Finance Director[2]

1 Phil Wynn Owen was acting Permanent Secretary from 26 October 2012 to 3 February 2013.
2 The Finance Director joined the Board in May 2012

1.10 Paul Walsh (CEO of Diageo plc.) is the Department's Lead Non-executive Director. The Department's other Non-executive Directors are Claire Thomas (Senior Vice President HR, GlaxoSmithKline) and Terry Morgan (Chair of Crossrail) (from July 2012). Rob Whiteman (Chief Executive of the UK Border Agency) was a Non-executive Director until February 2013. Non-executive members provide a valuable external perspective to help improve the Department's internal processes, service delivery and change management. They act independently and provide an important advisory and challenge role, they sit on the Departmental Board. The Lead Non-executive Director also supports the Secretary of State in his role as Chair of the Departmental Board and liaises with lead Non-executive Directors across Government under the leadership of the Government's Lead Non-executive Director, Lord Browne. Rob Whiteman was Non-executive Director member of the Departmental Board and Chair of its Audit and Risk Committee until February 2013. Claire Thomas is Non-executive Director member of the Departmental Board and Chair to the Nominations and Governance Sub-Committee. Terry Morgan, appointed in July 2012, is Non-executive Director member of the Departmental Board and from February 2013 Chair to the Audit and Risk Committee.

1.11 Following the DECC Capability Review, published in 8 June 2012, the Department made a key change to its governance structure and created a new Executive Committee as a sub-Committee to the Departmental Board. The Executive Committee held its first meeting on 12 June 2012 and meets twice a month. The purpose of the Executive Committee is to ensure the smooth and efficient running of a joined up Department with clear objectives and measurable outcomes. A Finance Committee to support the Executive Committee was established in November 2012, it meets on a monthly basis.

1.12 Membership of the Executive Committee is;

Stephen Lovegrove	Permanent Secretary[3]
Phil Wynn Owen	DG International Climate Change and Energy Efficiency[4]
Simon Virley	DG Energy Markets and Infrastructure
Vanessa Nicholls	Chief Operating Officer[5]
David Mackay	Chief Scientific Adviser
Vanessa Howlison	Finance Director
Ravi Gurumurthy	Strategy Director
Rod Davis	HR Director[6]
Steven Fries	Chief Economist
Scott Milligan	Legal Director[7]

3 Moira Wallace until 31 October 2012. Phil Wynn Owen was acting Permanent Secretary from 26 October 2012 to 1 February 2013
4 Paul Hollinshead was acting DG from 26 October 2012 to 1 February 2013
5 Wendy Barnes until 31 December 2012
6 Alison Rumsey until September 2012, Anna Jenkins was interim HR Director from September to January 2013
7 Member from November 2012

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

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

Terry Morgan	Chairman and Non-executive Director on the Departmental Board[8]
Barry Rourke	Non-executive member
Barry MacDonald	Non-executive member
Caroline Mawhood	Non-executive member
To be appointed	Non-executive member

1.15 The Chief Operating Officer (Vanessa Nicholls[9]), the Finance Director (Vanessa Howlison), the Director of Planning and Performance (Scott McPherson), the Head of Internal Audit (Jon Whitfield), and the relevant director of the National Audit Office attend meetings of the Audit and Risk Committee. The Permanent Secretary attends as required.

1.16 The **Nominations and Governance Committee** supports the Board advising on the effectiveness of the Department's systems for identifying and developing leadership and high potential, scrutinising the incentive structure and succession planning for the Board and senior leadership of the Department and ensuring that DECC has appropriate corporate governance arrangements in place. The members of the Nominations and Governance Sub-Committee are:

Claire Thomas	Chair and Non-executive Director on the Departmental Board
Stephen Lovegrove	Permanent Secretary[10]
Vanessa Nicholls	Acting Chief Operating Officer[11]
Rod Davis	HR Director[12]
Rob Whiteman[13]	Non-executive member

8 Rob Whiteman held this position until February 2013
9 Wendy Barnes until 31 December 2012
10 Moira Wallace until 31 October 2012.
11 Wendy Barnes until 31 December 2012
12 Rod Davis was appointed HR Director from 14 January 2013. Alison Rumsey until September 2012, Anna Jenkins was interim HR Director from September to January 2013
13 Rob Whiteman until February 2012

1.17 The **Approvals Committee** ensures that DECC's major projects and programmes (those over £100m) are deliverable and affordable with adequate planning, resourcing and governance structures. The Committee is currently chaired by the Chief Economist. The members of the Approvals Committee are as follows:

Steven Fries	Chief Economist – Chair[14]
David Mackay	Chief Scientific Adviser
Hugo Robson	Commercial Director
Ravi Gurumurthy	Strategy Director
Scott Milligan	Legal Director
Vanessa Howlison	Finance Director
Archie Young	Head of Delivery Unit
Jonathan Vickers	Non-executive member
Barry Rourke	Non-executive member
Barry MacDonald	Non-executive member

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

1.19 The **Finance Committee** is a sub-Committee to the Executive Committee. Its objectives are to support and strengthen the decision-making of the Executive Committee around financial matters. The Committee is currently chaired by the Finance Director. The members of the Finance Committee are as follows:

Vanessa Howlison	Finance Director – Chair
Paul Hollinshead	Director of Science and Innovation
Scott McPherson	Director of Planning and Performance
Rod Davis	HR Director
David Purdy	Acting Director, Energy Efficiency Deployment Office
Patrick Erwin	Head, Energy Markets & Infrastructure Strategy and Programme Office
Ben Golding	Deputy Director, Strategy

DECC Structure

1.20 DECC is organised into four Groups these are:

The Energy Markets and Infrastructure Group

1.21 The Energy Markets and Infrastructure (EMI) Group role within DECC is to ensure that our policies enable the UK to have clean, safe and secure supplies of competitively priced energy, which is vital to our economic growth and the

14 Wendy Barnes until 31 December 2013

wellbeing of our population. The Group is led by Simon Virley, Director General, EMI, and consists of eight Directorates. The Directorates are:

- **Energy Strategy, Networks and Markets (ESNM)** – ESNM provides a strategic overview across EMI (including portfolio management), ensures high quality economic analysis, and leads DECC's work on electricity networks and markets, with a strengthened focus on retail and competition issues.
- **Energy Market Reform (EMR)** – EMR is delivering the Government's commitment to transform the UK's electricity system and ensure that our future electricity supply is secure, sustainable and affordable. EMR seeks to move the UK to the front of the global race for electricity investment, driving the growth of clean energy industries in the UK, and ensuring the best possible deal for consumers.
- **Office for Renewable Energy Deployment (ORED)** – ORED is responsible for delivering the UK's legal target to derive 15% of our energy from renewable sources by 2020 by rapidly increasing the deployment of renewable energy in the UK as cost effectively as possible.
- **Energy Development Unit (EDU)** – EDU's responsibilities include: licensing and regulating the UK's oil and gas exploration, production and development, support for the oil and gas supply chain; environment regulator for the offshore oil and gas industry including the decommissioning of facilities at the end of field life; it advises on planning consents for energy infrastructure development and provision of advice on planning issues with respect to energy policy; managing the health liabilities arising from the nationalised coal industry and British Shipbuilders.
- **Office for Nuclear Development (OND)** – OND aims to; facilitate the world's first new nuclear development without public subsidy by 2018; develop and implement solutions for the long-term management of higher activity radioactive waste through geological disposal, and develop policy on future management of UK's civil plutonium
- **International, EU and Energy Security (IEES)** – IEES is responsible for our international energy security, security of wholesale gas supplies, and oversight of overall UK energy security. The EU team is responsible for influencing the development of EU policy and maximising the support it gives to DECC's objectives and coordinating EU business across the department. The Energy Resilience Team works with industry to mitigate the likelihood or impact of disruptive events, including natural hazards or malicious threats that could disrupt energy supplies, and maintains a capability to respond to emergencies of all kinds.
- **Commercial Team** – The Commercial team provide expertise on commercial issues relevant to the Department, identifying the commercial opportunities and barriers to the implementation of policy to enable the provision of high quality policy advice to DECC policy leads.

- **Office of Carbon Capture and Storage (OCCS**) – OCCS exists to take the actions necessary to ensure that CCS can be deployed as an economically and technically viable commercial scale carbon abatement technology in the UK and, in time, more widely, enabling fossil fuels to contribute to a secure, affordable and low carbon electricity generating mix.

International Climate Change & Energy Efficiency Group

1.22 The International Climate Change and Energy Efficiency Group (ICCEE) is responsible for progressing international action to combat climate change with the EU and worldwide, taking measures to reduce carbon in the UK and improving our energy efficiency. Phil Wynn Owen is the Director General for the Group, overseeing the six ICCEE core areas. These are:

- **Green Deal:** responsible for this ambitious long term initiative designed to grow and sustain a dynamic and transparent energy efficiency market and deliver still more home improvement in Great Britain. Its launch on 28 January 2013 has been followed by positive early activity in the market.
- **Smart Meters:** this programme is playing an important role in Britain's transition to a low carbon economy, delivering a number of economic and other benefits. Consumers will have near real time information on their energy consumption to help them control and manage their energy use, save money and reduce emissions. Smart meters will also provide consumers with more accurate information and bring an end to estimated billing.
- **Heat and Industry:** responsible for delivering the Government's vision for heating our homes, businesses and industry in the decades ahead and the infrastructure required. On 26 March 2013, the Government published "The Future of Heating: Meeting the Challenge ", which set out the initial actions the Government proposes to take in order to support the transition to low carbon heating by 2050. The Renewable Heat Incentive, launched in November 2011, is the world's first of its kind and is a key part of delivery our heat strategy. Industrial Energy Efficiency continues to deliver significant reductions in emissions, through the EU Emissions Trading Scheme, simplified Climate Change Agreements and simplified CRC Energy Efficiency Scheme.
- **Fuel Poverty:** responsible for a range of policies to support low income and vulnerable households, including providing energy efficiency improvements and direct support with energy bills. Furthermore, the Government has proposed changes to the fuel poverty definition, building on the work of the independent Hills Review held in 2011-12. This work is enabling us to better understand the problems of fuel poverty so we can better design the solutions.
- **International Climate Change (ICC):** this programme is organised around four pillars to deliver our worldwide goal of avoiding dangerous climate change: i) ensuring progress in international negotiations; ii) building the political conditions for increased action in key countries iii) developing EU leadership; and iv) supporting and demonstrating low carbon climate resilient development.

- **Energy Efficiency Deployment Office (EEDO):** responsible for the development and implementation of the November 2012 Energy Efficiency Strategy, setting the direction for energy efficiency policy in the UK over the coming decades. The strategy has identified untapped cost-effective energy efficiency potential in the UK economy and clearly sets out the barriers that we need to overcome if we are to become a world leader on energy efficiency. EEDO is also overseeing the implementation of the Energy Efficiency Directive.

Operations Group

1.23 Operations Group provides central support functions and specialist advice to allow the Department to operate effectively and deliver on its objectives. The Nuclear Decommissioning & Security Directorate (NDSD) also contribute to "managing our energy legacy safely and cost effectively". It is headed by Vanessa Nicholls (Chief Operating Officer) and consists of:

- **Finance & Information Services** (including IT & Estates, Knowledge & Information Management, and Security)**:** Provides an effective and efficient finance and procurement service to contribute to continuous improvement in the management of the department. Supports DECC operations and priorities by providing good quality, value for money IT, Accommodation, Security, Knowledge and Information Management & Sustainability services
- **Legal Services:** Works to provide effective legal services/advice to DECC
- **HR:** Works to enable DECC to have the right people, with the right skills, in the right place at the right time leading to a high performing organisation
- **Planning and Performance:** Works to establish more streamlined, customer-facing planning and performance arrangements to support DECC to deliver its projects and programmes, and have appropriate governance and risk management in line with best practice and regulations
- **Nuclear Decommissioning & Security Directorate (NDSD):** Work involves ensuring the safety and security of civil nuclear sites, working with stakeholders to provide assurance that they are protected against criminal or malevolent acts, or accidents, and to ensure that we can effectively respond to a nuclear emergency. An important part of this is the departmental sponsorship of the Civil Nuclear Constabulary. In addition the team works to reduce the threats posed by nuclear and radiological materials and expertise in vulnerable locations worldwide, and play a key role in a cross-Government effort to address the threat to global security posed by nuclear and chemical weapons proliferation and other weapons of mass destruction.

Strategy and Evidence Group (SEG)

1.24 SEG's purpose is to provide support, challenge, innovation and high-quality evidence and analysis. This is in order to ensure a DECC strategy which achieves low-carbon energy security in the UK at least cost, and commands support across Government and the wider public. One of the key roles of SEG is therefore to ensure that the evidential basis for the delivery programmes is robust.

1.25 SEG is made up of the following areas:

- **The Science and Innovation Group** is led by DECC's Chief Scientific Adviser, Professor David MacKay FRS, and is responsible for delivering DECC's capital funding for energy technology innovation and for supporting and coordinating DECC's activities with other funders to maximise our collective impact. It provides in-house scientific and technical input to support delivery of key DECC programmes and underpinning climate science evidence essential for making the policy case for action on climate change. It aims to ensure the best scientific and engineering advice underpins DECC's policies and decisions.
- The **Strategy** directorate, led by Ravi Gurumurthy, comprises three teams. The Futures team work looks at scenarios to 2050, developing pathway calculators in partnership with other countries. The Core Strategy team lead on the UK's Carbon Budgets, the relationship with the Committee on Climate Change and other projects. Short-term projects covering many areas of DECC's portfolio are led by the Projects Team. Ravi Gurumurthy also oversees the Communications Directorate, comprised of press office, corporate communications and correspondence.
- The **Chief Economist's directorate**, led by DECC Chief Economist and Head of Analysis Steven Fries, provides professional leadership in economics, operational research, statistics and social research. It works closely with policy teams including their embedded analysts to develop robust evidence for policy development, option appraisal and evaluation. The Chief Economist signs off impact assessments and participates in the Approvals Committee which scrutinises businesses cases for major projects.

Changes to DECC structures

1.26 DECC underwent two structural changes since our last report:

- A new Energy Efficiency Deployment Office (EEDO) was launched on 8 February 2012 with the objective of advancing energy efficiency across the UK economy. Energy efficiency is at the heart of the government's approach to tackling dangerous climate change and ensuring safe, secure and affordable energy supplies.
- A new Directorate – Energy Strategy, Networks & Markets (ESNM) was created in January 2013. ESNM brings together the cross-cutting functions from across the EMI Group (energy economists, grids, markets and the Strategy and Programme Office). This helps to deliver greater coherence across the group, as well as a strengthened focus on retail and competition issues, as well as supporting the Director General and his directors to achieve the Group's objectives. It particularly looks to drive delivery of work programmes within EMI and ensure the strategic co-ordination and direction of programmes. It also works with the rest of DECC to manage the interfaces between EMI's work and that of the wider department.

Chapter 2

Departmental Performance

Coalition Priorities

2.1 The Department's four priorities were first set out in draft, in the 2010 Annual Energy Statement[15]. The priorities are to:

1. Save energy with the Green Deal and other policies and support vulnerable consumers;
2. Deliver secure energy on the way to a low carbon energy future;
3. Drive ambitious action on climate change at home and abroad; and
4. Manage our energy legacy responsibly and cost-effectively.

2.2 The Coalition Programme for Government set out that DECC should present an annual statement of our energy policy to Parliament. The 2012 Annual Energy Statement[16] was published in November 2012 and sets out the progress the Government has made, how the Government is implementing its energy and climate change strategy and how we are developing our approach further through a number of significant documents published last year. It explains how we will deliver both our near term priorities and set the UK on a long term path towards secure, affordable low carbon energy.

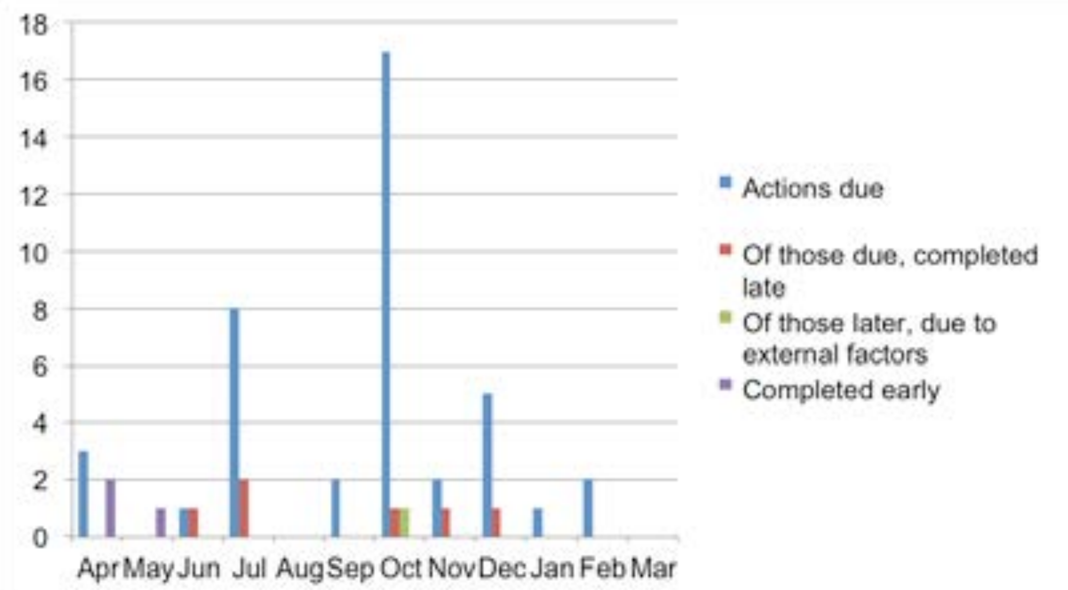
2.3 The above priorities were used to develop the DECC Business Plan. The Business Plan confirms the four priorities and sets out the vision for the work of the Department and how it will provide greater transparency to the public about its performance. The transparency measures include a schedule of planned actions, a set of input and impact indicators, and arrangements for publishing other data. This will allow the public to scrutinise what DECC does, particularly whether its policies and reforms are having the desired effect, if it is being run efficiently and how it is delivering the reform programme set out by the Coalition. The Business Plan is not intended to provide a complete overview of all the Department's

15 http://www.decc.gov.uk/en/content/cms/what_we_do/uk_supply/aes/aes.aspx
16 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/65633/7086-annual-energy-statement-2012.pdf

business, and some areas of its ongoing work that remain key priorities for the Government are not specifically covered.

Structural Reform Plan

2.4 The Department's Business Plan contains the Structural Reform Plan. This sets out high-level actions and milestones DECC should undertake to implement the coalition's programme for government. To monitor the Department's progress against these actions, DECC publishes monthly Structural Reform Plan implementation updates on the No. 10 website[17]. The graph below summarises DECC's performance on completing actions due in the 2012-13 financial year.



2.5 The department missed 6 actions in 2012-13. The reasons why actions were missed are set out in the tables in Annex A.

Quarterly Data Summary

2.6 Each quarter the department publishes an analysis of spend by budget type, type of internal operation and type of transaction. The detail can be found at: https://www.gov.uk/government/publications?departments%5B%5D=department-of-energy-climate-change

Key Achievements under our Priorities

Priority 1: Save energy with the Green Deal and other policies and support vulnerable customers

Green Deal and ECO

2.7 Ministers agreed to a phased implementation of Green Deal and ECO in order to ensure systems were properly tested and the supply chain had time to gear up. The regulatory framework went live on 1 October 2012 and enabled Green Deal

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

approved and accredited assessors and installers to begin operating as the initial market developed.

2.8 The Energy Company Obligation (ECO) came into force on 1st January 2013. It is designed to work alongside the Green Deal to provide additional support for packages of energy efficiency measures unlikely to be fully financeable under Green Deal as well as providing free insulation and heating measures to low-income and vulnerable households. All six energy companies obligated now have ECO offers in the market.

2.9 From 28 January, Green Deal Providers were able to sign Green Deal Plans with consumers.

2.10 We took another round of actions to drive early demand, these included a £125m cash-back scheme in January 2013 to reward early customers who made energy efficiency measures installed under the Green Deal.

2.11 At the time of launch a £2.9m communications Government campaign followed, aimed at increasing awareness of Green Deal and build trust and confidence in the initiative and its Green Deal Approved Quality Mark.

2.12 Eight English cities received a share of over £13m to help them kick-start the Green Deal in their regions. These were expected to deliver around 2,500 retrofits to households and non-domestic properties as well as test and develop other aspects of the Green Deal framework. Alongside this £10m was awarded to 39 projects to support early Green Deal projects involving 150 English Local Authorities.

2.13 The Green Deal Finance Company named its 16 stakeholder investors in March and confirmed that the £244m funding package was ready to flow to providers.

2.14 Since the launch, awareness and interest has increased, driven by DECC's marketing and PR campaign – Green Deal With It for example there were over 18,000 assessments by the end of April. We will publish in June 2013 the first number of Green Deal Plans and a breakdown of measures installed from Green Deal and ECO.

Fuel Poverty

2.15 The Warm Front scheme continued to provide support to low income and vulnerable households to improve the thermal efficiency of their homes. It is expected that around 35,000 households will be assisted from applications received in 2012-13. The scheme closed to new applications on 19 January 2013, at which time the Energy Company Obligation was already operational.

2.16 The Energy Company Obligation, which runs alongside the Green Deal, launched on 1 January 2013. It provides support to low income and vulnerable households to improve the thermal efficiency of their homes. The Affordable Warmth and Carbon Saving Communities Obligations together should generate expenditure in home thermal efficiency improvements worth around £540 million per year, supporting around 230,000 low income households. DECC has put in place a referrals mechanism to help customers access support. Under this mechanism, the Energy Savings Advice Service (ESAS) had provided some 5,000 referrals to participating suppliers by the end of March 2013.

2.17 In October 2012 DECC offered English Local Authorities the opportunity to bid for a share of £31m funding to reduce the extent of fuel poverty in their area. Funding was awarded to 60 projects involving 169 local authorities across England. This competition put local action at the heart of efforts to keep homes warm and energy bills down and delivered valuable support through innovative schemes to low income and vulnerable households across England.

2.18 The Warm Home Discount scheme requires energy companies with over 250,000 domestic customers to give a discount on electricity bills to a range of low income and vulnerable customers. As part of the scheme, in winter 2012-13 over 1.1 million of the poorest pensioners automatically received a discount on their electricity bill of £130. Other groups such as low income families and those on low incomes with long term illnesses and disabilities were also able to benefit through the scheme. The scheme is delivered by DECC in close collaboration with the Department of Work and Pensions. In 2012, the scheme was recognised in the Civil Service Awards as an exemplar for cross-Whitehall co-operation, winning the Collaboration Award.

2.19 The Government held a consultation on proposals to amend the measurement framework for fuel poverty. The Government's response to the consultation will be published shortly. In addition to changes to the measurement framework, the Government has announced that it will be publishing a refreshed fuel poverty strategy. Work has continued to understand the implications of the proposed change in the definition on our policy package. This will help Government to target resources as effectively as possible.

Smart Meters

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

2.21 During 2012-13 the Smart Meters Programme has continued to lay solid foundations for the roll-out of smart meters across Great Britain and to enable these benefits to be realised. Work has continued to define common technical standards to ensure smart meter interoperability with the Smart Meter Equipment Technical Specifications (SMETS). The EU notification of the second version of SMETS was successfully completed in April 2013. Regulations took effect in November 2012 that require energy suppliers to roll-out smart meters to domestic and smaller non-domestic customers and to comply with a code of practice to protect consumers during installation. Good progress has been made, with the licence award of for the appointment of Data and Communications Company licence holder and contract awards for the service providers for Data and Communications in 2013. In March 2013, further regulations came into effect setting out a policy framework for data access and privacy, consumer engagement security and monitoring and evaluation of the roll-out. We also published the Government consultation response to the stage one of the Smart Energy Code in April 2013.

Heat

2.22 Last year the Government published "The Future of Heating: A Strategic Framework for Low Carbon Heating in the UK". This set out the possible ways in which the supply of heat can be decarbonised to meet our renewables and emissions reduction targets. In March 2013 the Department published a follow-up document: "The Future of Heating: meeting the challenge". The new document provides an update on the progress the Government has made so far, alongside a new set of actions specifically targeted at industrial heat, urban heat networks and heat in buildings.

2.23 In 2012-13 we delivered the second phase of the Renewable Heat Premium Payment Scheme (RHPP 2) which provided money towards the up-front costs of biomass boilers, air and ground source heat pumps and solar thermal panels, as well as installation of renewable heating systems in social housing. The budget for RHPP 2 was £25m – an increase of £10m over the RHPP 1. As part of RHPP 2, £8m was made available for bids from community schemes and £10m for social housing competitions. An extension of the RHPP scheme for 2013-14 was announced in March 2013.

Industrial Energy Efficiency

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

CRC Energy Efficiency Scheme (CRC)

The Government response to the consultation on simplification of the scheme was published in December 2012. The subsequent legislative changes have been laid before Parliament in anticipation of the launch of the new scheme in mid-2013. The last performance league table was published in February 2013.

Climate Change Agreements

After completing target negotiations with the industrial sectors, all agreements have been signed and legal instruments put in place for the start of the new simplified scheme on 1 April 2013.

Energy Intensive Industries

Consultation on the Electro-Intensive Industries Package of Measures jointly with BIS, to ensure energy intensive industries can achieve emissions reductions while maintaining competitiveness, has been completed.

EU Emissions Trading System (EU ETS)

The EU ETS is predicted to deliver around 540 $MtCO_2$ reductions between 2008 and 2012 at an EU level as compared with 2005 verified emissions as a result of successful delivery of Phase II of the EU ETS that came to a close on 31 December 2012. DECC completed the UK measures in time for the start of the EU ETS Phase III on 1 January 2013, including the implementation of the UK Auction Platform with UK auctions now being successfully held approximately every fortnight.

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

Electricity Market Reform

2.25 EMR aims to attract the £110 billion investment we need over the next decade alone to replace our ageing electricity infrastructure with a more diverse and low-carbon energy mix. These reforms are starting to attract private sector investment now and thus deliver growth and jobs for the economy.

2.26 The draft Energy Bill, which will implement Electricity Market Reform (amongst other areas), was published in May 2012[18] for pre-legislative scrutiny by the Energy and Climate Change Committee. The Committee's report was published in July 2012[19].

2.27 Following consideration of the Committee's report, the Government introduced the Energy Bill into Parliament in November 2012[20]. Alongside the introduction of the Energy Bill, the Government published an overview of the Electricity Market Reform programme and further technical policy detail on the EMR framework and mechanisms, including the heads of terms for the Contracts for Difference and arrangements for a single counterparty to the contracts[21]. The first EMR Delivery Plan is due to be published in draft in July 2013.

Carbon Capture and Storage

2.28 In April 2012 DECC published the first UK CCS Roadmap, which set out the Government's wider strategy to bring about cost-competitive CCS in the 2020s. At the heart of the Roadmap is the Commercialisation Programme which announced on 20 March 2013 preferred and reserve bidders competing for £1bn of capital funding and further support from the Contract for Difference mechanisms under the Electricity Market Reform proposals. In addition, 13 projects benefited from a total of £18.3M from our CCS Innovation Programme, itself part of the cross Government £125m CCS R&D programme. Research undertaken by the CCS Cost Reduction Task Force in 2012-13 concluded that CCS could become cost competitive by the 2020s, and their recently published final report set out the actions they recommend to drive down costs across the industry.

18 https://www.gov.uk/government/publications/electricity-market-reform-policy-overview
19 http://www.parliament.uk/business/committees/committees-a-z/commons-select/energy-and-climate-change-committee/news/energy-bill-report-published/
20 https://www.gov.uk/government/organisations/department-of-energy-climate-change/series/energy-bill
21 https://www.gov.uk/government/publications/electricity-market-reform-policy-overview--2

New Nuclear

2.29 DECC continues its work to put in place the framework for development of new nuclear and has now completed all of its facilitative actions. In March 2012 we received a Funded Decommissioning Programme (FDP) submission in relation to Hinkley Point C from the developer NNB Genco and discussions with them are continuing. In December 2012, following a five-year assessment of the generic design, the nuclear regulators confirmed that the UK European Pressurized Reactor (EPR) reactor is suitable for construction. In November 2012 the Energy Bill was introduced to the House of Commons and includes provisions to create the Office for Nuclear Regulation as a statutory body.

2.30 The UK's new nuclear programme is advancing positively with three projects currently being taken forward by NNB Genco, NuGen and Horizon Nuclear Power. These developers have set out plans to develop around 16GW of new nuclear power in the UK. Planning consent was given by the Secretary of State for Energy and Climate Change on 19th March 2013 for construction for NNB Genco's planned multi-billion pound project at Hinkley Point C in Somerset which will generate enough low carbon electricity to power the equivalent of five million households, making it one of the largest power stations in the UK. Meanwhile Horizon Nuclear Power (HNP) will begin preparatory work with the Office for Nuclear Regulation and the Environment Agency on the Generic Design Assessment of the Advanced Boiling Water reactor which they intend to deploy at their sites in Wylfa and Oldbury. This follows the acquisition of HNP by Hitachi Ltd in 2012.

Geological Disposal of Radioactive Waste

2.31 In January 2013 the three local authorities engaged in the Managing Radioactive Waste Safely (MRWS) programme voted on whether to proceed to the next stage of the process. Copeland and Allerdale Borough Councils voted in favour, but Cumbria County Council voted against. DECC had given a specific commitment that the programme would only proceed in west Cumbria with agreement at county and borough level; the existing site selection process in west Cumbria therefore ended.

2.32 The MRWS programme continues, and the invitation remains open for other communities to express an interest in joining it; meanwhile DECC is considering whether any changes should be made to the site selection process. Any such changes would be preceded by a public consultation.

Renewables

2.33 In December 2012, the Office for Renewable Development (ORED) published the first annual update to the Renewable Energy Roadmap published in July 2011. The update shows the UK is on track to meet the first interim target on the way to the ambitious target of 15% renewable energy consumption by 2020. The update sets out the progress and changes delivered in the sector over the preceding year, and sets out the challenges and actions for the year ahead. In 2011, renewable energy accounted for 3.8% of energy consumption, up from 3.2% in 2010. We expect it to increase to over 4% in line with the first interim target on the way to 2020. The 2012 update can be found at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/80246/11-02-13_UK_Renewable_Energy_Roadmap_Update_FINAL_DRAFT.pdf.

2.34 New research from DECC shows that since 2010 more than £29 billion worth of investment has been announced in renewable energy with the potential to support around 30,000 jobs. ORED has played an important part in encouraging, facilitating and removing barriers to investment. The figures show that between January 2010 and April 2013 industry has announced:

- 18,613 jobs and £14.5 billion investment in England,
- 9,143 jobs and £13.1 billion investment in Scotland,
- 1,952 jobs and £1.4 billion investment in Wales,
- 239 jobs and £304 million investment in Northern Ireland.

Oil and Gas

2.35 DECC continues to work to maximise the exploitation of the UK's indigenous hydrocarbon resources. To encourage further oil and gas exploration activity, DECC launched a new offshore licensing round (the 27th Round), in February 2012, offering 2,800 blocks and received a record number (244) of applications. As of April 2013, DECC has awarded 167 new licences covering 328 blocks, and is carrying out environmental assessments on a further 61 blocks that were also applied for in the Round.

Oil and gas environmental controls

2.36 Following the Deepwater Horizon accident in the Gulf of Mexico an independent review of the UK's regulatory regime, chaired by Prof. Geoffrey Maitland, taking full account of the Select Committee Report into Deepwater Drilling and the reports from the US official investigations, was carried out to consider the implications for regulatory procedures, including safety and maritime regulation as well as offshore environmental regulation. A DECC, the Health and Safety Executive (HSE), the Maritime and Coastguard Agency (MCA) and the industry representative body Oil and Gas UK fully considered the Maitland Review recommendations and the formal Government response was published on 17 December 2012. The majority of the recommendations have been implemented in full. The changes will ensure that the UKCS offshore oil and gas industry builds upon its existing high standards by: protecting the environment; engaging and safeguarding its workforce; responding to emergencies and introducing new mechanisms on financial responsibility so that petroleum licensees on the UKCS must demonstrate that they have the financial capability to respond to an incident before consent is given to drill exploration and appraisal wells.

PILOT

2.37 Through PILOT (the oil and gas Government/industry task force) we are working to address barriers to success and bring forward initiatives which will help achieve the best overall outcome from the basin. PILOT continues to be an effective forum and is currently working on a number of key areas which are fundamental to the future success of the UK Continental Shelf, including Infrastructure, Improved Oil Recovery, Access to Capital, Exploration, and Technology.

Oil & Gas Industrial Strategy

2.38 BIS and DECC jointly launched the Oil and Gas Industry Industrial Strategy in April 2013. The Strategy, along with the work of PILOT, has a clear focus on partnership with industry to support oil and gas investment offshore and onshore, boost growth and enhance the UK's energy security. A key part of the work revolves around promoting the UK supply chain and ensuring that it is able to bid competitively for new projects both at home and abroad.

Unconventional Gas & Oil

2.39 Unconventional gas and oil, including shale gas, could have the potential to add to indigenous energy supplies with significant benefits to the UK economy, to employment and energy security. We need to move forward to enable the necessary exploration and prove the potential, while ensuring that the activity is safe and the environment is properly protected. Government has now put in place appropriate control measures to address seismic risks, and is taking forward work on a new onshore licensing round.

2.40 DECC has set up a new Office of Unconventional Gas and Oil, which was launched in March 2013. The Office aims to promote the safe, responsible, and environmentally sound recovery of the UK's unconventional reserves of gas and oil. As part of the Budget 2013, along with tax measures to incentivise shale gas development, Government has committed to:

- Publish technical planning guidance by the Summer 2013; and
- Bringing forward proposals to ensure communities benefit from shale gas development in their area by July 2013.

2.41 In December 2012, DECC published the Government's Gas Generation Strategy (GGS). The GGS set out the Government's response to a Call for Evidence and how it will address barriers to help build investor confidence and encourage the new capacity need over the coming years. It sets out our work to maintain the security of the UK's gas supply, and ensure we make the best use of our natural resources. A copy of the Strategy can be found at https://www.gov.uk/government/publications/gas-generation-strategy.

Energy Security

2.42 In November 2012 DECC published the first ever HMG Energy Security Strategy giving an analysis of energy security drivers, an assessment of the UK's energy security against a basket of indicators, and a policy framework for maintaining energy security. It was published alongside the annual Statutory Security of Supply Report which was produced jointly with Ofgem and with input from National Grid.

2.43 DECC has been actively involved in work to address threats to our energy security which range from industrial action to severe cold weather. There were no major disruptions to overall energy supply during this period.

EU and International

2.44 In April 2012 the UK hosted a highly successful Clean Energy Ministerial meeting, with the Prime Minister's involvement, bringing together energy ministers and senior officials from over 20 countries to support clean energy deployment internationally.

2.45 DECC successfully negotiated the EU Energy Efficiency Directive which was adopted in October 2012 and will help put the EU back on track to meeting its 2020 energy efficiency target. We also negotiated the EU Trans-European Energy Regulation expected to be published / in force early summer which will help remove planning and regulatory barriers to cross–border energy investment and enable greater interconnection through, in particular, the creation of EU Projects of Common Interest (PCIs) and streamlined planning and permitting procedures which respect Member State competences and are consistent with UK energy development consents regimes

Energy Resilience – London Olympics

2.46 The London 2012 Olympic and Paralympic Games required specific mitigation measures and emergency arrangements to be in place to safeguard energy supplies during competition sessions. DECC, working with LOCOG, the Government Olympic Executive and industry, provided oversight and up to £9.32m over two financial years to support electricity and gas supplies to Games venues. Effective risk mitigation and planning meant that financial contingencies were not required, as such DECC expenditure was limited to £6m over financial years 2011-12 and 2012-13.

Energy Planning

2.47 During 2012-13 Ministers consented ten applications for major power stations in England and Wales. Seven of these were consented under the Electricity Act 1989. The remaining three were consented under the Planning Act 2008. These included the first consent in the UK since 1995 for a new nuclear power station – Hinkley Point C.

2.48 In total these projects consist of nearly 5GW of capacity, comprising 3260MW of nuclear, 506MW of onshore wind, 1145MW of offshore wind, 60MW of energy from waste, and an extension to a biomass power station.

2.49 The fees payable to DECC for applications for consent for electric lines above ground ("overhead lines") were revised and consultations on two further measures that will improve the consenting regime for overhead lines were completed in November. The proposed measures will change the threshold for overhead lines in the Planning Act 2008 so that consents for minor works can be considered by the Secretary of State under a more proportionate regime and will modernise the Wayleaves Hearings Rules. These measures will simplify and improve the processes to avoid undue delays in determining applications for overhead lines.

Electricity Network Delivery and Management

2.50 DECC implemented the Transmission Constraint Licence Condition in order to protect consumers from excessive charges during periods of transmission constraint. The TCLC is being enforced by Ofgem, and could save consumers between £115m and £300m over the next five years.

2.51 The Smart Grid Forum, which is jointly chaired by DECC and Ofgem developed an economic model ("Transform") to support network companies in their business planning for the next electricity distribution price control (2015 to 2023). This will help the right investment in the electricity distribution network is made to securely and cost effectively accommodate new generation and demand consistent with the Government's energy goals.

2.52 From September 2012, we began publishing quarterly Status Updates of progress on major onshore transmission projects identified in the Electricity Networks Strategy Group's 2012 update of its '2020 Vision' report. The updates can be found here: https://www.gov.uk/government/policy-advisory-groups/electricity-networks-strategy-group.

2.53 DECC and Ofgem continued to work with stakeholders to ensure that the development of the EU Network Codes, which will underpin the Single European Electricity Market, will take account of GB interests.

2.54 The findings of the North Seas Countries' Offshore Grid Initiative were published, following a two-year programme of work by the UK and nine other European countries.

Ofgem

2.55 Following the Ofgem Review Final Report, published in July 2011, clauses have been introduced into the second session Energy Bill to introduce a new statutory Strategy and Policy Statement. The Strategy and Policy Statement will set out the Government's strategic priorities and other main considerations of its energy policy and the policy outcomes to be achieved as a result of the implementation of that policy. Ofgem will have a duty to have regard to the strategic priorities and to carry out their regulatory function in a manner best calculated to further the policy outcomes. The Statement will also set out the respective roles of Government and Regulator. This will help to increase regulatory predictability and so improve the climate for investment in energy infrastructure, because

Government will be required to be clearer about its own role, and the role of the regulator.

2.56 As recommended in the DECC Delivery Landscape Review, also published in July 2011, a Memorandum of Understanding between DECC and Ofgem E-serve was signed on 25 March 2013 covering the environmental and social programmes delivered by Ofgem

Electricity Demand Reduction

2.57 In the Electricity Market Reform white paper (2011), Government made a commitment to assess whether there are sufficient support and incentives available for households, businesses and organisations to use electricity more efficiently. DECC published an analysis in July 2012 which indicated that significant untapped potential for reducing electricity demand exists in the UK, alongside market failures in the take-up of efficiency technologies. A consultation on EDR was held between November and January to explore what more can be done to reduce electricity demand across the UK. This looked at whether financial incentives could help reduce electricity demand as well as whether non-financial options like improving the quality and availability of information could also be effective. Government will advise on the policy approach in time to make amendments to the Energy Bill if appropriate.

Electricity System Programme 2012-13

2.58 DECC published a document in August 2012, "Electricity System: Assessment of Future Challenges"[22], that provides an overview of the operation of the electricity system, the market arrangements and the potential value of non-generation balancing technologies (storage, interconnection, Demand Side Response) and possible barriers to their widespread deployment.

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

International Climate Change

2.59 In terms of driving ambitious action on climate change abroad, DECC's International Climate Change Directorate led for the UK in securing a balanced outcome in the international meeting of the United Nations Framework Convention on Climate Change (UNFCCC) at its Conference of the Parties (COP) meeting in Doha in December 2012. This included agreement to a high-level work plan for negotiating a new global agreement with legal force by 2015 and for exploring options to reduce emissions further pre 2020. The UK took action to ensure the current regime would not fragment and that the rules and mechanisms within it could be developed further ahead of the new regime from 2020. We did that by joining our European partners and a few other countries in agreeing to bind our existing actions on reducing greenhouse gas emissions into international law by entering a second commitment period of the Kyoto protocol (KP2). We also secured agreement to further work on developing the rules base around accounting, measurement, reporting and verification of effort by countries

22 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/48550/6099-elec-system-assess-future-chall-full.pdf

not in the KP2, while also streamlining three negotiating tracks working in parallel at Doha into one negotiation focused on the new agreement and the need to raise ambition. As part of agreeing a second commitment period of the Kyoto Protocol we secured a series of tight restrictions on surplus Kyoto Protocol 'AAU' emissions allowances, including restrictions on use of AAUs towards targets and the purchase of AAUs. This means that countries will be less able to meet their emissions reduction commitments through such 'hot air' surplus allowances, so increasing the environmental integrity of the Kyoto Protocol.

2.60 Other achievements included DECC delivering £230m of international climate finance in calendar year 2012 to support transformational programmes in developing countries that will help tackle climate change and support poverty reduction. This enabled the UK to successfully meet our target to provide £1.5bn of 'Fast Start' international climate finance over 2010-2012. DECC also joined in a partnership with the 'Tropical Forests Alliance 2020' to help tackle deforestation. In addition, DECC, along with the Foreign and Commonwealth Office, has worked closely with a range of countries, including China, to encourage low carbon development though supporting projects and sharing policy initiatives in areas such as carbon markets, energy efficiency, and climate legislation.

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

Coal liabilities

2.61 Claims for Noise Induced Hearing Loss suffered while employed by British Coal continue to represent the major source of health related compensation claims for DECC with regard to its coal liabilities. During 2012-13 two major litigations (where the Department was standing in the place of British Coal) were concluded. Judgment in the Miners Osteoarthritis of the Knee Group Litigation was made in the Department's favour. A Judgment in a group litigation relating to the Phurnacite plant in South Wales found the Department liable for causing some respiratory and cancer conditions in former employees. Offers of compensation are now being made to these claimants.

2.62 At the end of March 2013 the total number of beneficiaries under the National Concessionary Fuel Scheme (NCFS) was 70,419 of which 58,845 (83.5%) were in receipt of cash payments. The total cost of the Scheme for 2012/13 including cash and solid fuel entitlements amounted to £53m. The Coal Authority, which owns, on behalf of the country, the vast majority of the coal in Great Britain, as well as former coal mines, is a DECC sponsored NDPB. As part of its on-going digital strategy in August 2012 the Authority launched an interactive viewer to enable stakeholders to access property specific coal mining information online. Specific development risk and coal resource area mapping services are also available for use online by local authorities to assist the planning process. The successful introduction of the Authority's geographic and information system in 2012 allows stakeholders to self-digitise on line their property boundaries which enable a more effective and efficient mining reports service to be provided. During the year the Authority completed its mine entry inspection programme in the residential areas of Britain. It completed 18,000 inspections in urban areas and intends to complete a further 20,000 inspections in the coming year.

Legacy Ponds and Silos

2.63 A key priority for the NDA is dealing with the ageing Legacy Ponds and Silos at Sellafield. One of these, the First Generation Magnox Storage Pond FGMSP dates from the 1960s when it was built to store spent fuel from the Magnox stations. Over the years the pond has accumulated large quantities of waste material, including sludge from corroded fuel cladding, fuel fragments, skips and debris. The pond is located in an extremely congested area of the site, meaning major construction projects are complex and high risk.

2.64 A new pipe bridge, completed 18 months ahead of schedule, connects the pond to a treatment plant, allowing radioactive sludge to be moved for the first time. The focus can now switch to retrieving fuel from the pond, scheduled to begin in 2015-2016. Installing the 50-tonne pipe-bridge posed a series of huge challenges including finding the space between buildings and lifting the pipe bridge over the top of neighbouring nuclear facilities.

2.65 Meanwhile, a specially designed crane has been brought back into service. This straddles the pond and is used to move around skips of spent fuel, waste and equipment. This enabled a 60-tonne 'skip handler' crane to become fully operational for the first time since the 1990s. This means that fuel skips can be retrieved and relocated, and fuel and sludge can start to be retrieved from the storage pond.

Dounreay Revised Contract

2.66 The NDA's mission to introduce competition and global expertise to the UKs Site Licence Companies continues. They have now completed the first year under the contract awarded to the Babcock Dounreay Partnership (BDP) for the Dounreay Site with improvements consolidated into the lifetime plan and a successful year of delivery. NDA looks forward to delivery of the accelerated outcomes which include more than £1 billion in savings and a prospective closure date up to 17 years earlier than originally anticipated.

Input and Impact Indicators

2.67 This section includes a progress report for the input and impact indicators for each of the four coalition priorities. Additional indicators have been included to demonstrate in more detail what DECC has delivered on each of the priorities in 2012-13.

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

Priority 1 Impact indicator 1	The total number of energy efficiency installations (cavity wall and loft insulation) in GB households

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

Cavity wall insulation

	2010-11	2011-12	2012-13
Number of cavity wall installations at start of period	11,440,000	12,040,000	12,700,000
Additional cavity wall installations during period	600,000	660,000	*

Loft insulation

	2010-11	2011-12	2012-13
Number of lofts insulated at start of period	12,400,000	13,480,000	14,720,000
Additional lofts insulated during period	1,080,000	1,240,000	*

* data not available at time of printing
Source: DECC Home insulation statistics https://www.gov.uk/government/organisations/department-of-energy-climate-change/series/estimates-of-home-insulation-levels-in-great-britain

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

However, most of the easy-to-treat cavities in GB have now been insulated. Only around 1% of lofts have no insulation at all and just over a third of lofts would benefit from having their insulation topped up.

Figures for the start of April 2012 show:

- Of the 23.4 million properties in Great Britain with lofts, 14.7 million had loft insulation of at least 125mm thickness.
- Of the 18.9 million homes with cavity walls, 12.7 million homes had cavity wall insulation.

It is worth noting that the number of properties with lofts and cavity wall insulation will now be higher than this as the CERT / CESP schemes that came to an end of 31 December 2012 will have delivered additional insulation measures in the period from April to December 2012.

Priority 1 **Impact indicator 1**	**The total number of energy efficiency installations (cavity wall and loft insulation) in UK households**

Continued

Between 1 April 2011 and 31 March 2012, 522,000 homes received retro-fit cavity wall insulation and 1.1 million under-insulated lofts received loft insulation through Government schemes (nearly all under CERT). A further 140,000 CWI and 110,000 LI measures were installed in new build homes over the same period.

The Department is currently undertaking an end of scheme evaluation of the CERT/CESP policies to assess the extent to which they met their objectives.

There were a number of factors which may have caused short-term fluctuations in the delivery of insulation including energy companies' promotional activities and seasonal variations.

A step-change in the delivery of insulation measures to focus on the treatment of properties with hard to treat cavities and solid walls is required under the Green Deal and Energy Companies Obligation to help meet the UK's legally binding carbon targets.

The Energy Companies Obligation (ECO) came into force on 1 January 2013 and will deliver carbon savings and heating cost reductions. In the final Green Deal and ECO Impact Assessment, our best, central estimate of the total cost to energy companies of delivering ECO was around £1.3bn a year on average.

ECO will work alongside the Green Deal to provide additional support for packages of energy efficiency measures and will also provide insulation and heating measures to low-income and vulnerable households and insulation measures to low income communities.

ECO will be delivered through three sub-targets, which energy companies must deliver by March 2015:

- Carbon Saving Obligation (20.9MtCO_2[23] of Carbon Savings)
- Carbon Saving Communities Obligation (6.8 MtCO_2 of Carbon Savings)
- Affordable Warmth Obligation (£4.2bn of Bill Savings)

ECO Brokerage is a market-based mechanism that has been introduced to support an open and competitive market for the delivery of the ECO.

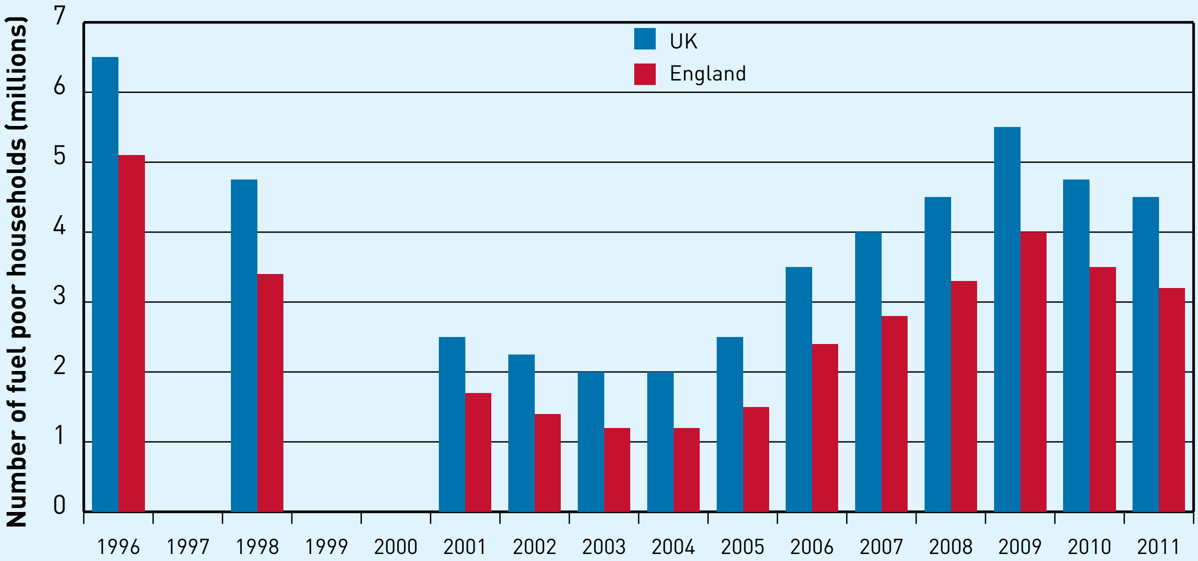
23 MtCO_2 = million tonnes of lifetime CO_2

Priority 1
Impact indicator 2

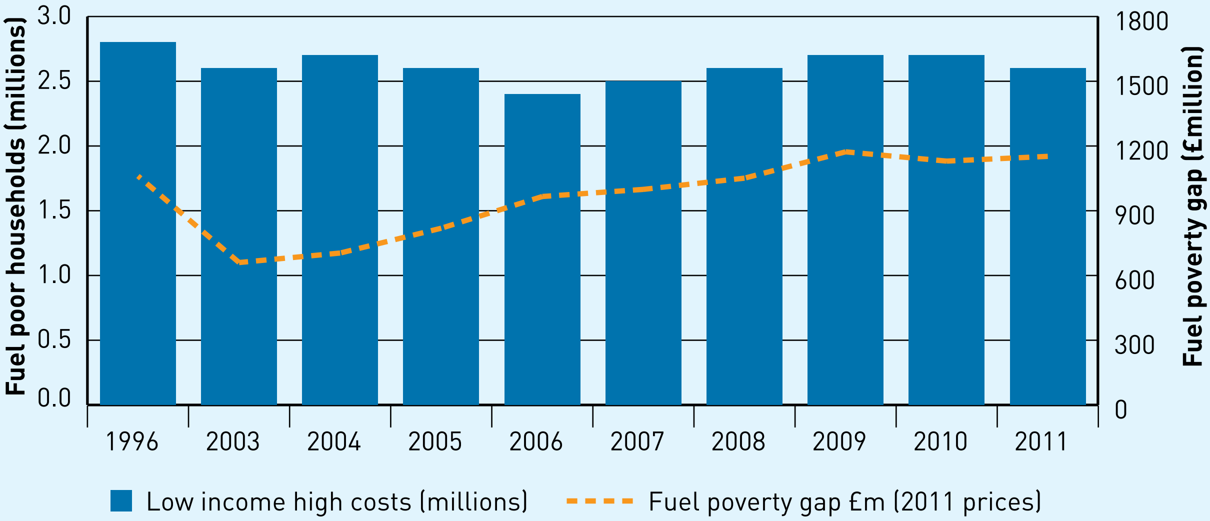
The number of households in 'fuel poverty'

This indicator records the number of households considered to be in fuel poverty and the fuel poverty gap. The latest official statistics for fuel poverty were published on 16th May 2013. These statistics show that in 2011, 3.2 million households were in fuel poverty in England.

The number of households in 'fuel poverty' under the 10 per cent measure, UK and England



The number of households in 'fuel poverty' under the Low Income High Costs (LIHC) measure, UK and England



DECC annual report on fuel poverty statistics
https://www.gov.uk/government/organisations/department-of-energy-climate-change/series/fuel-poverty-statistics

Priority 1 Impact indicator 2	The number of households in 'fuel poverty'

Continued

In November 2012, the Government consulted on proposals to adopt a new fuel poverty measurement framework based on the 'Low Income High Costs' (LIHC) definition that was recommended by the independent Hills Review. Under the new definition a household would be defined as being in fuel poverty if it were on a low income and faced high energy costs. In addition, the 'fuel poverty gap' (which is a measure of the depth or severity of fuel poverty) is the amount by which a fuel poor household's energy costs would need to fall for that household to be removed from fuel poverty.

The latest official statistics publication also presented figures for the proposed LIHC indicator. These figures showed that – based on the LIHC indicator – there were 2.6 million fuel poor households and the aggregate fuel poverty gap was £1.15 billion in England in 2011. The level of the fuel poverty gap is projected to have increased between 2010 and 2011 by 2%, a change largely driven by rising energy prices.

Fuel poverty is driven by three key elements: energy efficiency, incomes and energy prices. Helping a household to improve the thermal comfort and efficiency of the dwelling through the installation of heating and energy efficiency measures is usually the most cost-effective way of reducing the cost of maintaining an adequate level of warmth and tackling fuel poverty.

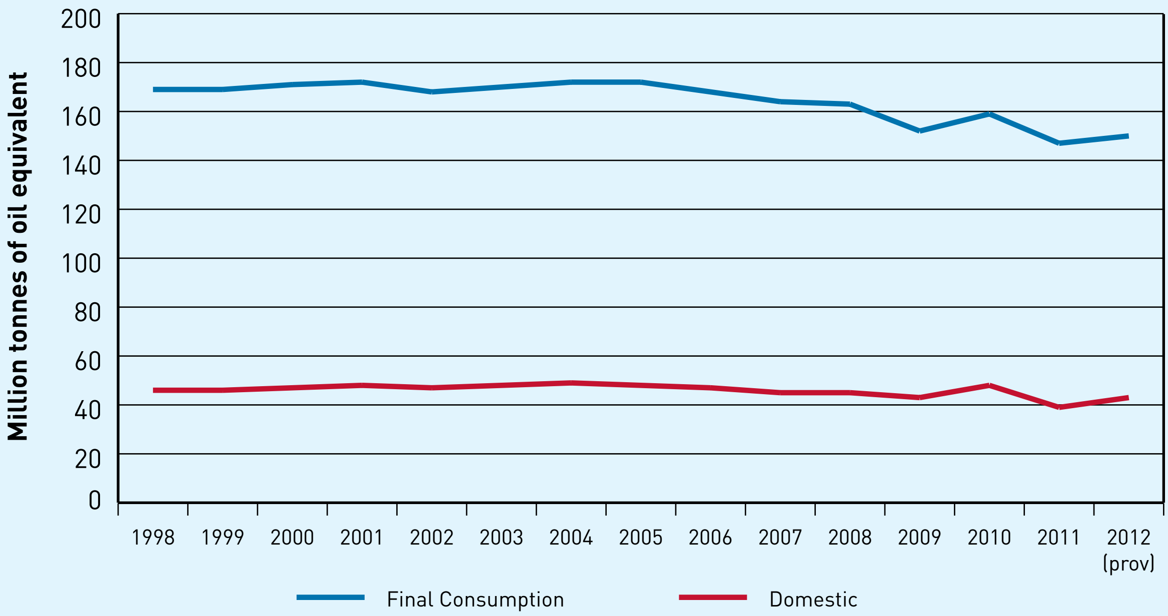
- The Government committed to helping a minimum of 65,000 households through Warm Front in the period April 2011 to March 2013. Warm Front assisted 33,054 households in 2011-12 and it is expected that around 35,000 households will be assisted from applications received in 2012-13.
- Warm Front closed to new applications on 19 January 2013 with support for energy efficiency measures for low income and vulnerable households being offered by suppliers under the Affordable Warmth element of the Energy Company Obligation. ECO Affordable Warmth will support some 120,000 low income households per year through energy efficiency measures.
- Under the Local Authority Fuel Poverty competition Government provided £31m to support Local Authorities to improve the thermal efficiency of homes for low income and vulnerable people in their areas.
- Around £283m is expected to have been spent by suppliers providing rebates and support to low income vulnerable customers in 2012-13 through the Warm Home Discount scheme. Final spending will be confirmed in Ofgem's annual report in October 2013.

Changing the definition of fuel poverty will have an impact on the composition of the fuel poor and potentially also on the types of households we want to target for support through our policies. In our 2012 consultation on the fuel poverty measurement framework, the Government committed to looking again at the current policy package to understand how effectively it is supporting the fuel poor. We also committed to setting out a new fuel poverty strategy that reflects the revised definition. This will help to ensure that Government makes the most effective use of available resources to support the fuel poor.

Priority 1
Additional indicator 1

Final energy consumption (domestic/household energy consumption)

This indicator shows the total final energy consumption and consumption by the domestic (residential) sector.



Source: DECC Energy Trends table 1.3a
https://www.gov.uk/government/publications/total-energy-section-1-energy-trends

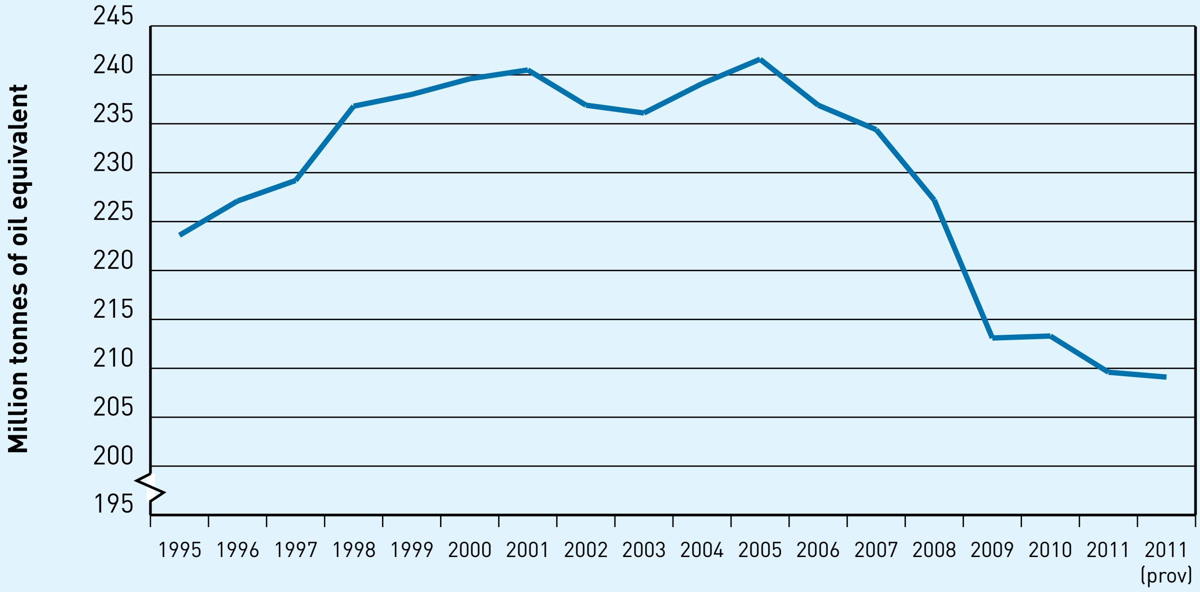
The long term trend demonstrates the impact on consumption of the take up of home energy efficiencies measured by the other indicators of Priority 1 together with energy efficiency in the other sectors. Final energy consumption is strongly influenced by external temperatures particularly in the domestic sector where 60 per cent of energy is used for space heating. The external temperatures were particularly low in 2012, on average 1.0°C lower than in 2011.

Provisionally, in 2012, the latest period for which the data is available, 150 million tonnes of oil equivalent was consumed 2 per cent more than in 2011 but 11 per cent less than 10 years ago.

The domestic sector accounted for 43 million tonnes of oil equivalent, 10 per cent more than in 2011 but 10 per cent less than 10 years ago. Final data for 2012 will be available in the DECC publication Energy Trends, to be published on 25 July 2013.

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

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



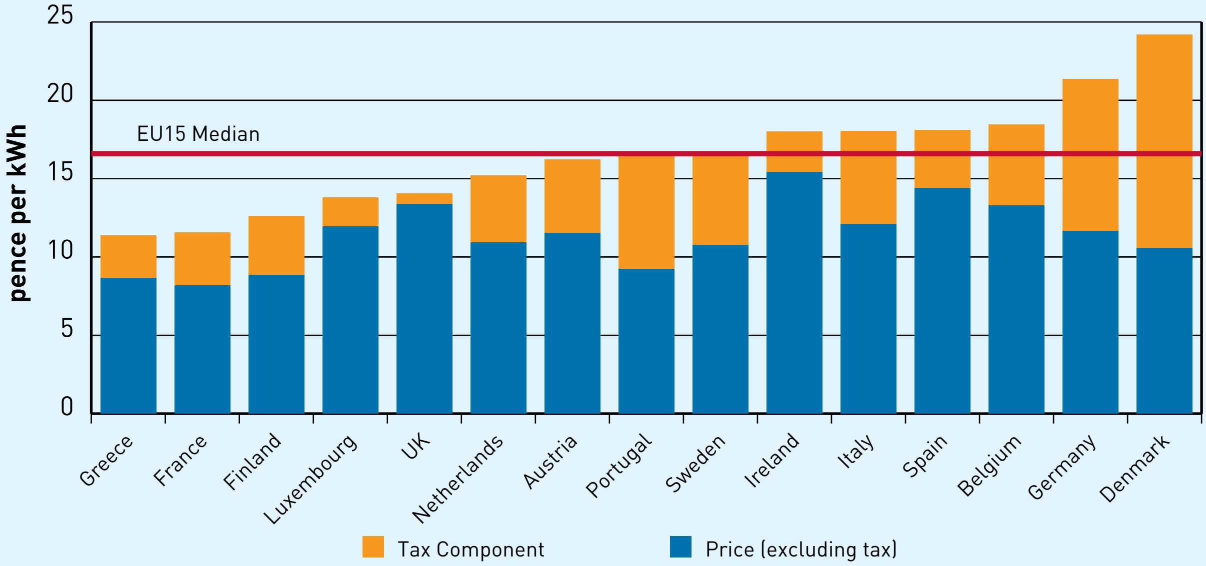
Source: DECC Energy Trends table 1.2
https://www.gov.uk/government/publications/total-energy-section-1-energy-trends

Provisionally, in 2012, the latest period for which the data is available, the UK consumed 209 million tonnes of oil equivalent. Final data for 2012 will be available in the DECC publication Energy Trends, to be published on 25 July 2013.

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

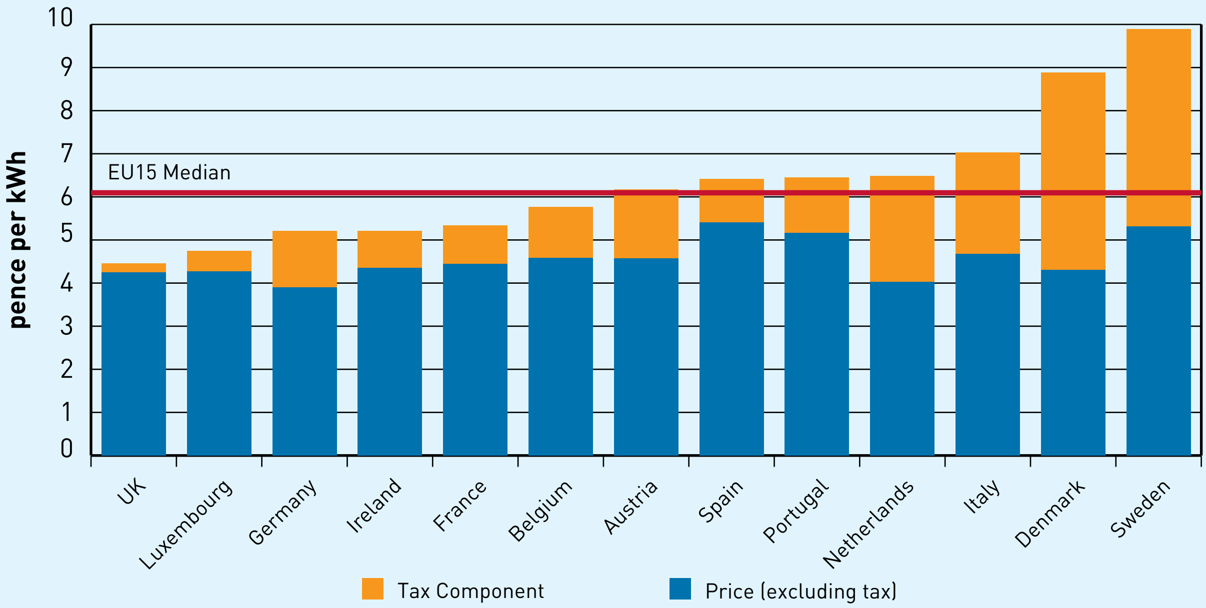
Priority 1 Additional indicator 3 | **Average domestic electricity prices (including taxes) within the EU15 and G7 in 2012**

Average domestic electricity prices (including taxes) within the EU15 in 2012



Source: DECC Quarterly Energy Prices 5.6.2 (medium size-band) https://www.gov.uk/government/statistical-data-sets/comparisons-of-industrial-and-domestic-energy-prices-annual-figures

Average domestic gas prices (including taxes) within the EU15 in 2012



Source: DECC Quarterly Energy Prices 5.10.2 (medium size-band) https://www.gov.uk/government/statistical-data-sets/comparisons-of-industrial-and-domestic-energy-prices-annual-figures

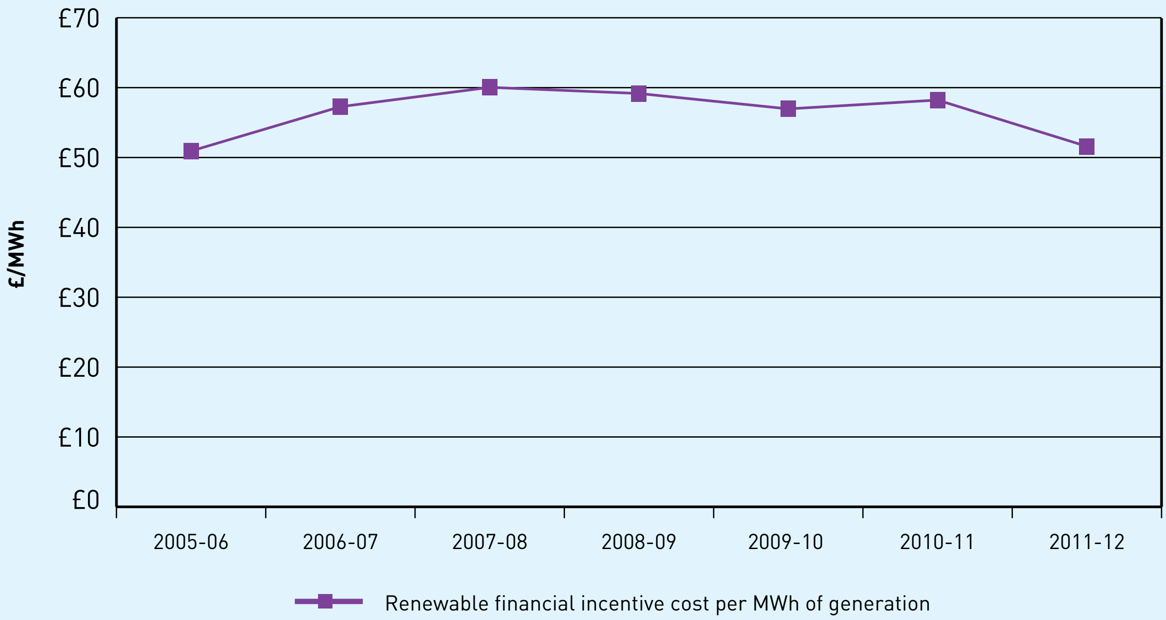
Domestic electricity and gas prices are determined by the market, with firms setting prices and competing for customers. This market is regulated by Ofgem, which has a primary duty to act in the interest of consumers. During 2012, Government introduced no new taxes that will impact on prices. Specifically, VAT on domestic energy is set at 5% and has been unaffected by recent changes to VAT rates.

The data shows that the average UK electricity prices remained below the EU15 median during 2012, with UK gas prices being the lowest within the EU15.

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

Priority 2 Input indicator 1	Renewable financial incentive cost per unit of renewable energy generated (excluding transport levies)

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



Source: Ofgem: Renewables Obligation Annual Report http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=298&refer=Sustainability/Environment/RenewablObl
Ofgem: Feed in Tariffs Annual Report http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=42&refer=Sustainability/Environment/fits

This data incorporates the Renewables Obligation (RO), the Feed-in Tariffs (FITs) and the non-domestic Renewable Heat Incentive (RHI). Data for the domestic RHI will be incorporated when launched.

For the RO, the indicator is the RO subsidy cost/MWh of RO generation. For FITs, the indicator is Gross FITs cost/MWh FITs generation. For the non-domestic RHI, the indicator is RHI expenditure /MWh RHI heat generation.

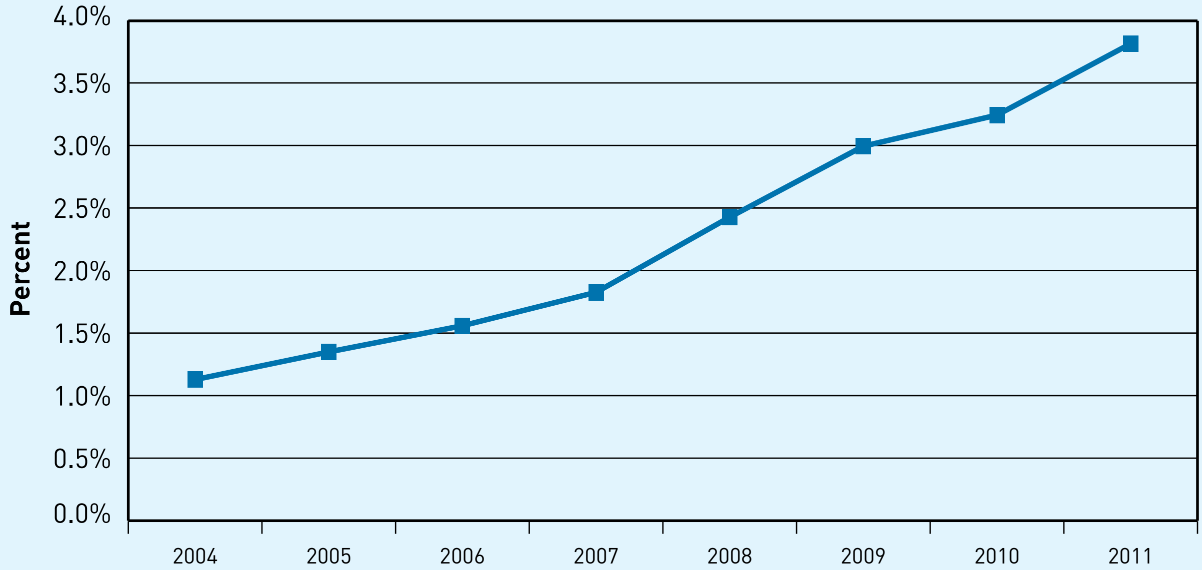
The Feed-In Tariff Scheme was launched in April 2010 and includes incentives for small-scale (less than 5 MW) low carbon electricity generation. It also brings forward the RO Banding Review by one year.

In 2011-12, the period for which the latest data is available, the cost per unit of renewable energy generated was £51.59 per MWh. Costs will vary over time, depending on different renewable energy technologies. Data for 2012-13 will be available in March 2014, when the Renewables Obligation Annual Report is published.

Priority 2
Impact indicator 1

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

This indicator uses the data that report the UK's progress against the Renewable Energy Directive and records the energy consumed from renewable technologies, such as wind (onshore and offshore), hydro, solar, bio-energy and transport bio-fuels.



Source: DECC Energy Trends June edition
https://www.gov.uk/government/organisations/department-of-energy-climate-change/series/energy-trends

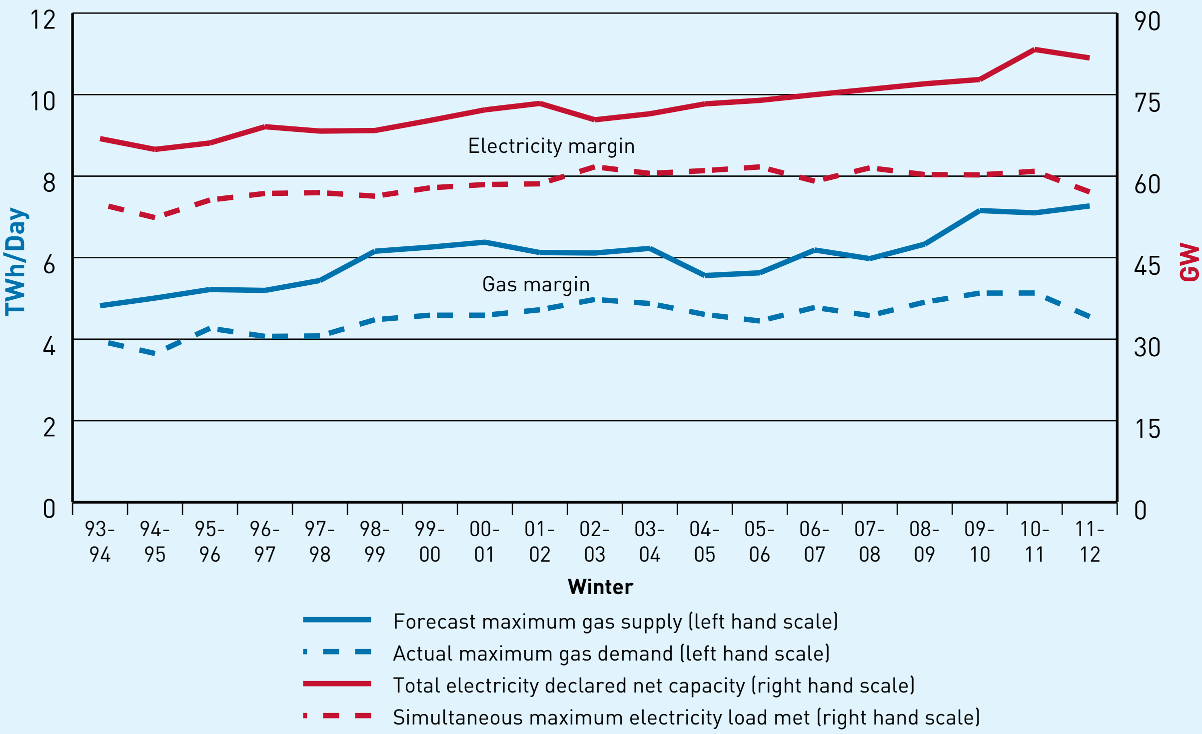
The directive set out an indicative trajectory towards the UK's target of 15% of energy consumption in 2020 being from renewable sources. In 2011 renewable energy provisionally accounted for 3.8% of energy consumption. This is an increase from the revised 2010 position of 3.2%. In July 2011, we published the 'UK Renewable Energy Roadmap' (http://www.decc.gov.uk/en/content/cms/meeting_energy/renewable_ener/re_roadmap/re_roadmap.aspx) which sets out our plan of action to drive renewables deployment and reduce costs. It focuses on 8 key technologies which have either the greatest potential (more than 90%) to help meet the 2020 target in a cost effective and sustainable way, or offer the greatest potential for the UK in the decades that follow. The Roadmap sets out a comprehensive suite of targeted, practical actions to remove barriers for each of the 8 technologies, including onshore wind, offshore wind, marine energy, biomass electricity, biomass heat, ground and air source heat pumps and renewable transport. In December 2011 we also submitted our 'First Progress Report on the Promotion and Use of Energy from Renewable Sources for the United Kingdom' (http://www.decc.gov.uk/assets/decc/11/meeting-energy-demand/renewable-energy/3992-first-progressreport-on-the-promotion-and-use-of-.pdf) to the European Commission as required under the Renewable Energy Directive 2009. The report focuses on our renewables performance over the past two years (2009 and 2010) and provides a summary of the key policies and measures we have undertaken and are taking to increase their use.

Data for 2012 will be available in June 2013.

Priority 2
Impact indicator 2

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

This indicator illustrates one element of energy security, showing the difference between maximum supply and demand for gas and electricity.



Source: DECC UK Energy in Brief
https://www.gov.uk/government/organisations/department-of-energy-climate-change/series/uk-energy-in-brief

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

Data for 2011-12 shows that:

- Maximum gas supply was 7.3 TWh/d (Terawatt hours per day) and peak winter demand was 4.6 TWh/d
- Maximum electricity supply was 81.8 GW (Gigawatts) and peak winter demand was 57.1 GW

Data for 2012-13 will be available July 2013.[24]

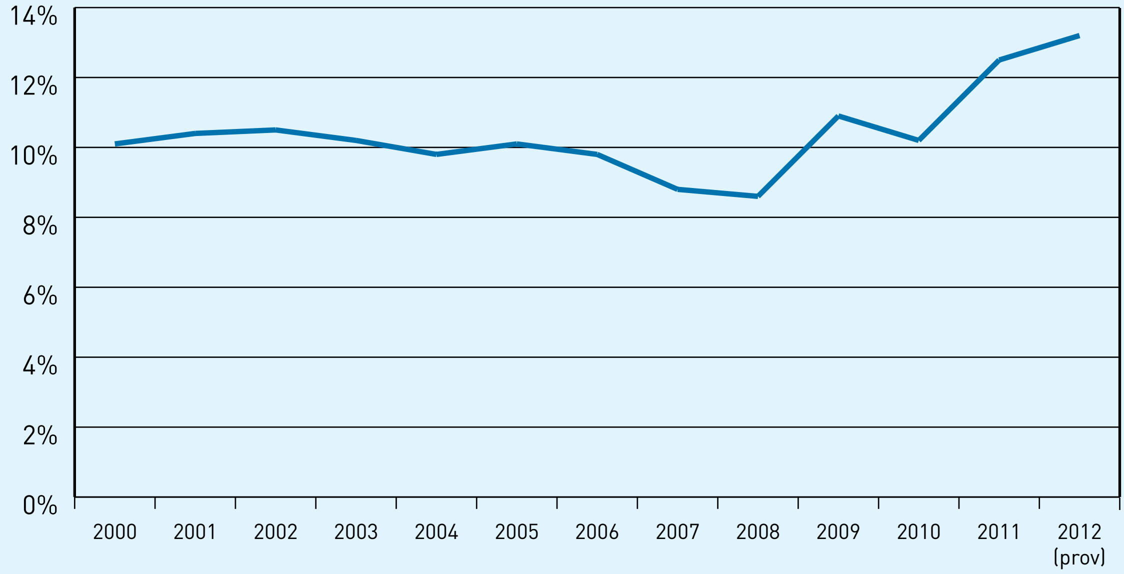
24 Note that the maximum supply is a measure of total installed capacity. It is not de-rated. i.e. the likelihood that the capacity will be available at peak demand is not taken into account. DECC does not formally provide an estimate of the current de-rated capacity margin. However, The Energy Act 2011 places an obligation on Ofgem to provide a report to the Secretary of State which provides a short term outlook for security of electricity supply and this will likely include an estimate of de-rated capacity margin. The first report will inform the Statutory Security of Supply Report 2012

Priority 2 Impact indicator 2	**The spare capacity of the UK's gas and electricity networks (difference between maximum possible supply and actual peak demand)**
Continued	
Electricity margins are currently at historic highs. However, 19 GW of capacity (roughly 25% of Britain's current generation) is scheduled to close by 2018. More than 20 GW (of which 12.5 GW is gas-fired and 6.5 GW wind powered) of new build is under construction or has planning consents. The Energy Security Strategy, published in November 2012, sets out for the first time a clear overarching analysis and policy framework for ensuring our energy security.	

Priority 2
Impact indicator 3

The proportion of all UK energy supply from low carbon sources

This indicator measures the share of supply of the UK's energy sourced from low-carbon technologies.



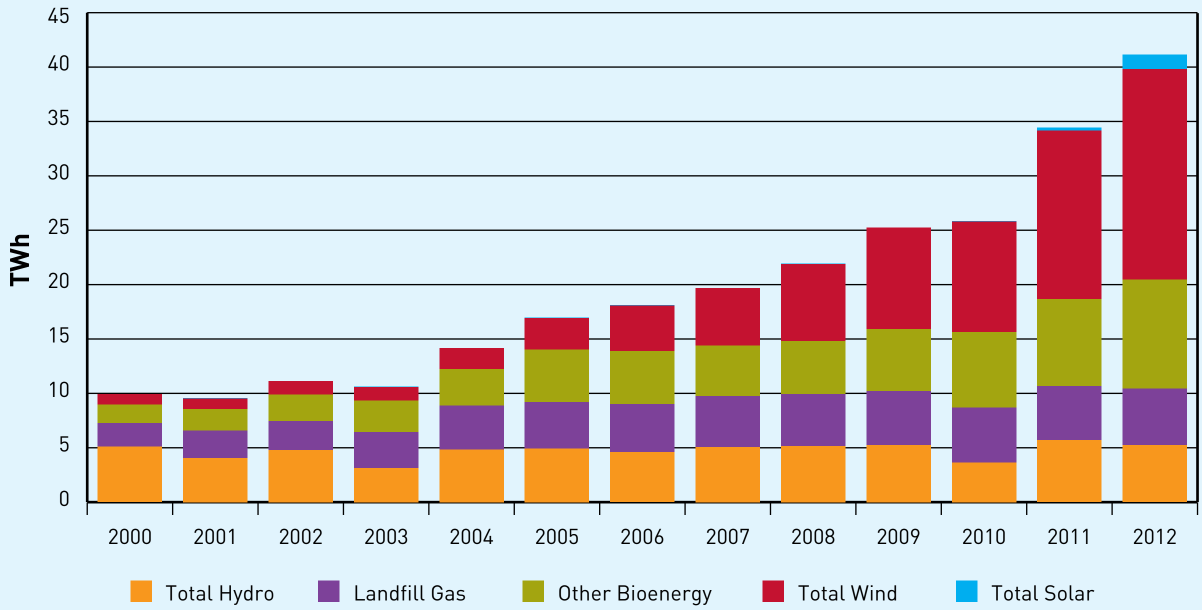
Source: DECC Energy Trends table 1.3a
https://www.gov.uk/government/publications/total-energy-section-1-energy-trends

The data shows the sum of primary energy consumption of non-fossil fuels (nuclear, wind, hydro, biomass and other renewables) divided by the sum of the primary energy consumption for all fuels. Primary energy consumption is defined as the sum of energy final consumption, transformation, transfers, energy industry use and losses, less non-energy use.

Provisionally, in 2012, the period for which the latest data is available, 13.2 per cent of all UK energy supply came from low carbon sources. Final data for 2012 will be available in the DECC publication Energy Trends, to be published on 25 July 2013.

Priority 2 Additional indicator 1 — **Electricity generation from renewable sources**

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



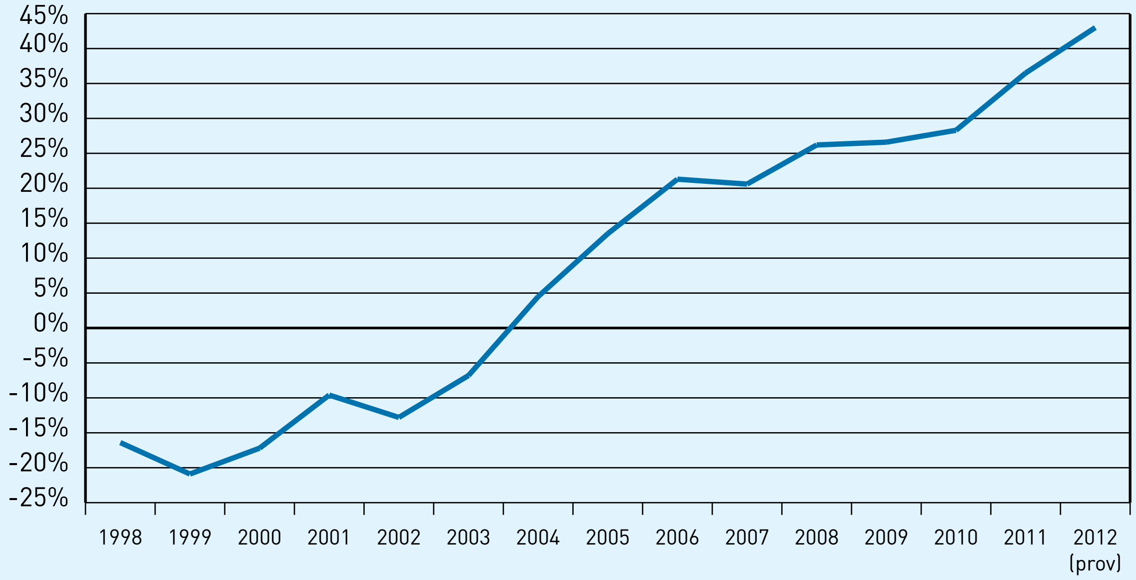
Source: DECC Energy Trends June edition
https://www.gov.uk/government/organisations/department-of-energy-climate-change/series/energy-trends

The amount of electricity generated from renewable sources in 2012 was 41.1 TWh, a 20% increase on 2011. Offshore wind generation increased by 2.3 TWh (45%), and onshore wind by 1.5 TWh (15%). Generation from bioenergy (excluding landfill gas) increased by 2.0 TWh (25%), while generation from solar photovoltaics increased by four times.

Data for 2012 are provisional. Final data will be available in June 2013.

Priority 2
Additional indicator 2

Net import dependency



Source: DECC Energy Trends table 1.3a
https://www.gov.uk/government/publications/total-energy-section-1-energy-trends

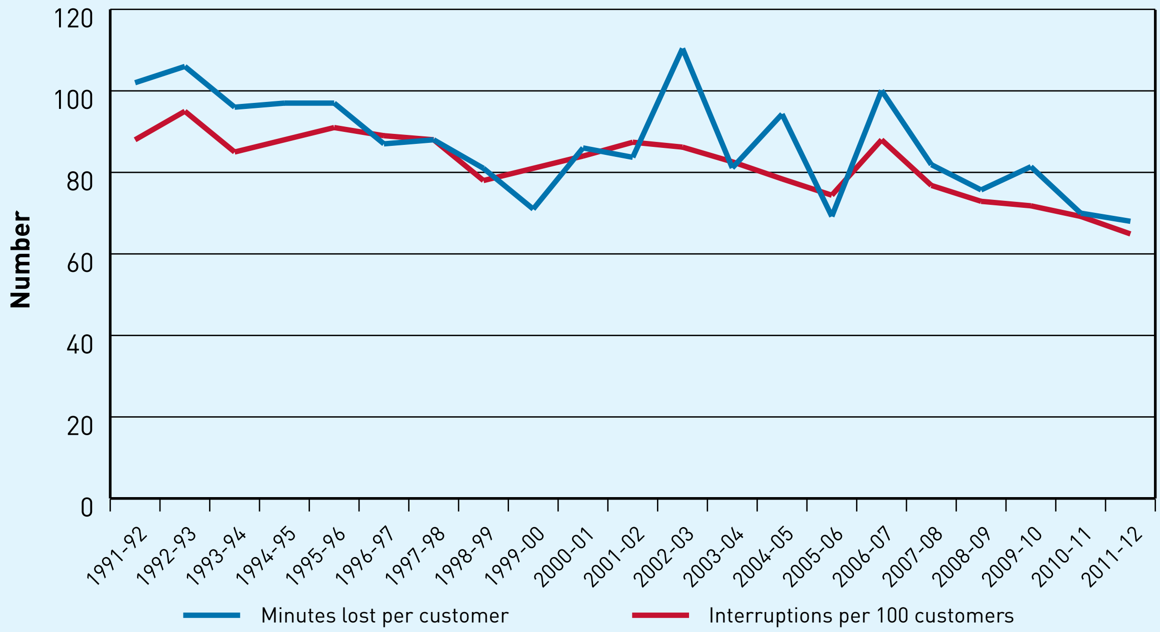
The decline of indigenous production has meant an increased dependency on imported supplies. The UK strategy for managing its import dependency is centred around making greater use of its own supplies. Government is currently promoting more energy generation from onshore and offshore wind, marine and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

Provisionally, in 2012, the latest period for which data is available, the UK imported 43% of its fuel, compared to 36.5% in 2011, its highest level since 1976. Final data for 2012 will be available in the DECC Digest of Energy Statistics, to be published on 25 July 2013.

Priority 2
Additional indicator 3

Security and availability of electricity supply for the average customer

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



Source: DECC UK Energy Sector Indicators (from Ofgem Electricity Distribution Annual Report).
https://www.gov.uk/government/organisations/department-of-energy-climate-change/series/uk-energy-sector-indicators

In 2011-12, the latest period for which data is available, 68 minutes per customer were lost through 65 interruptions per 100 connected customers.

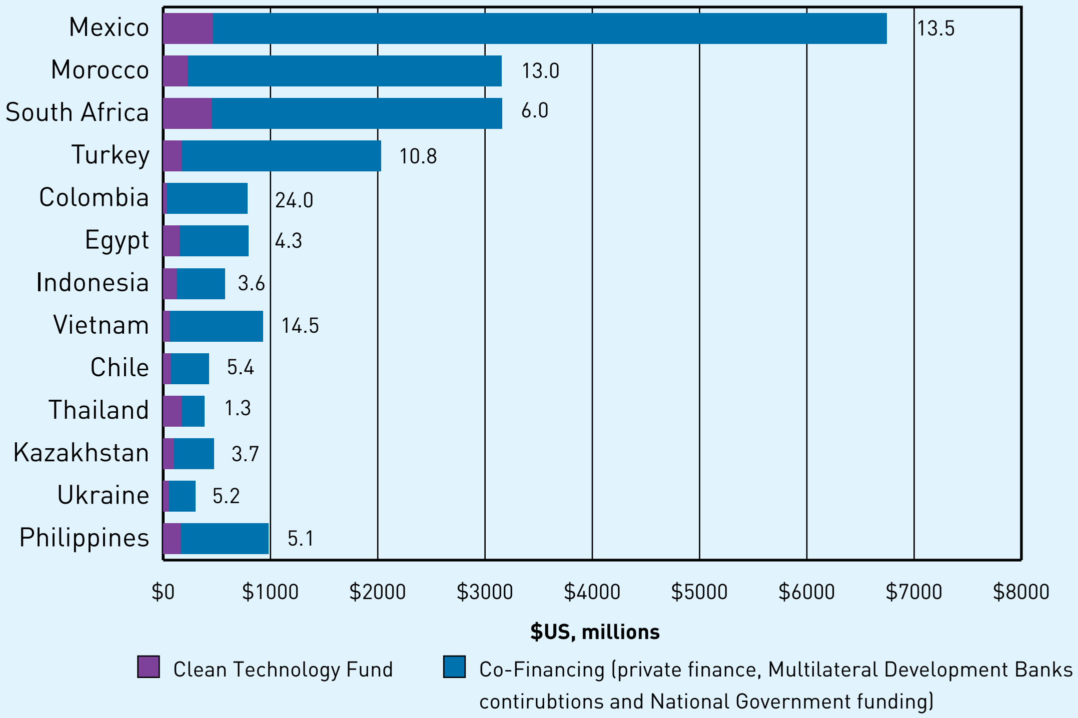
Extreme weather conditions such as storms can impact upon performance.

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

Priority 3
Input indicator 1

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

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



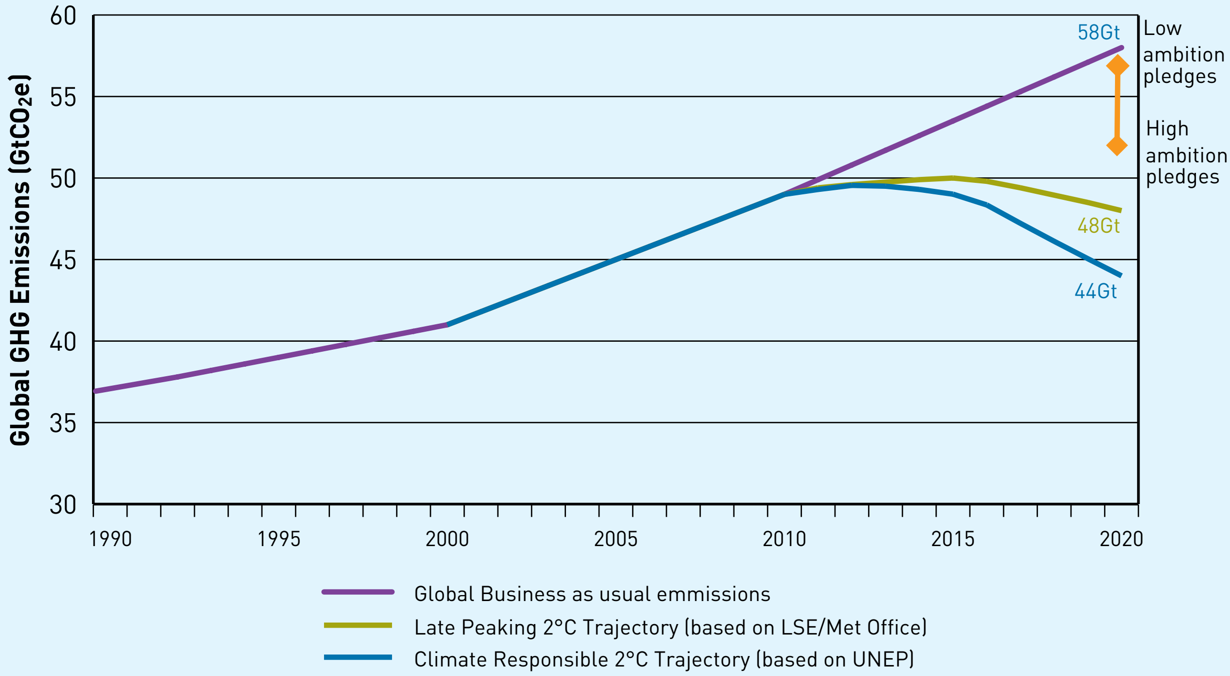
Source: DECC based on data from Climate Investment Funds
http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/CTF_3_Semi_Annual_Report_0.pdf

In the first instance we are monitoring the leverage ratio of the Climate Investment Funds (CIFs) Clean Technology Fund (CTF) as a proxy. The current CTFs expected average leverage ratio is 8.3. This ratio is based on information from 43 projects approved by the Trust Fund Committee as of May 2012.

The indicator reflects expected future levels of finance – this will change as more projects are approved and developed and it will be some years before actual flows are realised and can be monitored, reported and verified. Leveraging private finance is a priority for both DECC and DFID ministers. Leveraging finance from the private sector delivers both increased financial flows as well as further co-benefits from private sector involvement such as skills transfer, innovation etc. Including MDBs, domestic Government and NGOs as part of the leverage captures the positive effect of ensuring buy-in from the recipient country and co-ordination of climate finance.

Priority 3 Impact indicator 1	The impact of other countries' pledges to decrease their greenhouse gas emissions on predicted global emissions

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



Source: DECC based on data from the United Nations Environment Programme Emission Gap Report
http://www.unep.org/publications/ebooks/emissionsgapreport/
Updated in November 2011 based on UNEP follow up report – Bridging the Emissions Gap
http://www.unep.org/publications/ebooks/emissionsgapreport/
Updated in November 2012 based on UNEP Emissions Gap Report 2012
http://www.unep.org/publications/ebooks/emissionsgap2012/

Our aim, and the internationally agreed global goal (agreed at the UNFCCC in Cancun, 2010), is to limit the expected rise in average global surface temperatures to no more than 2°C above pre-industrial levels, and so avoid the most dangerous effects of climate change.

The latest data is from the 2012 Emission Gap Report, a detailed report by UNEP that updates their assessment of how international researchers' estimates of current national emission pledges compare with possible 2°C trajectories (scientific research suggests that to achieve the 2°C goal, global emissions need to peak before 2020 and get down to around half of 1990 levels by 2050).

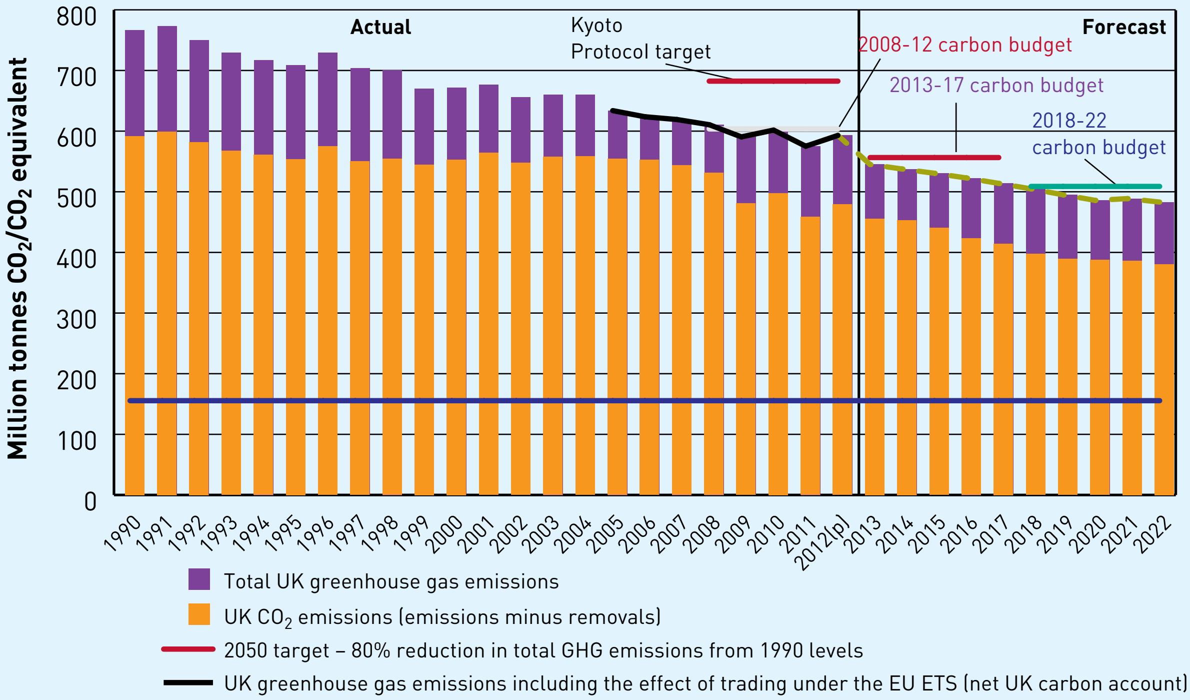
Priority 3 **Impact indicator 1**	**The impact of other countries' pledges to decrease their greenhouse gas emissions on predicted global emissions**
Continued	

UNEP estimated that to be consistent with a 66% chance of the 2°C goal, global emissions should be around 44Gt in 2020 while for a 50% chance they should be below 46Gt. The most recent estimate by UNEP suggests that there is a **8-13Gt gap** between current commitments and the level of reductions needed to be reach the 2°C goal. Current pledges take us just under halfway at best from BAU to where we need to be for 2°C. High end pledges could get us to 52Gt in 2020, leaving an 8Gt emissions gap. The change on last year's estimate of 6-11Gt is largely a result of updated assumptions around BAU emissions in emerging economies, and including the possible impact of double counting of carbon offsets in the gap estimate for the first time.

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

Priority 3
Impact indicator 2

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



Source: DECC

Kyoto Protocol

Provisional estimates show that UK emissions covered by the Kyoto Protocol rose by 3.5% to 571.6 $MtCO_2e$ in 2012 from 552.6 $MtCO_2e$ in 2011, primarily due to lower use of gas and greater use of coal for electricity generation at power stations, combined with an increase in residential gas use. However, the UK remains on track to over-achieve on its Kyoto Protocol target.

Carbon Budgets

UK Greenhouse gas emissions estimates for 2011 shows that the net UK carbon account – which includes the impact of emissions trading – decreased by 4 per cent between 2010 and 2011 to 573.9 $MtCO_2e$.

This fall in emissions resulted primarily from a decrease in residential gas use. Residential emissions are heavily influenced by external temperatures, and 2011 was a warmer than average year. It should also be noted that on average 2010 was the coldest year since 1986.

The net UK carbon account in 2011 was 25.9% below 1990 levels. The first carbon budget requires that total UK GHG emissions do not exceed 3,018 $MtCO_2e$ over the five-year period 2008–12, which is approximately 22% below the 1990 level, on average, over the period.

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

Continued

The table below summarises the UK's progress towards meeting the first carbon budget by comparing the average emissions per annum required to meet the budget with the average emissions to date in the first budgetary period. Emissions have averaged 591.2 $MtCO_2e$ over the course of 2008–11, which means that we will meet the first budget unless emissions in 2012 were to exceed 653.3 $MtCO_2e$. The October 2012 emissions projections suggest that the UK will be comfortably below this level during the remaining two years.

Carbon Budget 1		Actual emissions including EU ETS $MtCO_2e$					
Level of first carbon budget (total emissions, 2008-12	Equivalent average emissions p.a.	2008	2009	2010	2011(P)	Cumulative emissions to date (2008–11)	Average emissions p.a. (2008–11)
3,018	603.6	606.9	586.2	597.8	573.9	2,364.7	591.2

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

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

Priority 4
Input indicator 1

Proportion of the Nuclear Decommissioning Authority's budget that is spent on decommissioning and cleaning up nuclear plants

Year	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Proportion of budget spent on decommissioning and cleaning up nuclear plants	20%	24%	24%	24%	25%	29%	34%

Source: Nuclear Decommissioning Authority annual report and accounts https://www.nda.gov.uk/aboutus/

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

Decommissioning expenditure includes capital expenditure for new plant to undertake clean-up operations, for example building a machine to extract waste safely. It excludes waste and nuclear materials, support and operational costs. Subject to continuing to maintain its infrastructure to ensure it remains safe and secure, an objective for the NDA is to reduce overhead and support costs across its estate and to use savings to increase the proportion of its budget spent on decommissioning. Early decommissioning delivers value for money by avoiding future overhead costs (such as building maintenance and security). The data is collected by the NDA and reported in its Annual Report and Accounts, which are audited by the National Audit Office.

Priority 4
Input indicator 2

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

Year	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Opening estimate (£bn)	-24.1	-30.6	-37.0	-44.1	-44.5	-45.0	-49.2
Provision worked off (£bn)	1.3	1.5	1.8	1.4	1.8	2.2	1.9
Financial adjustments and changes in scope (£bn)	-7.8	-7.9	-8.9	-1.8	-2.3	-6.4	-5.6
Closing estimate (£bn)	-30.6	-37.0	-44.1	-44.5	-45.0	-49.2	-52.9

Source: Nuclear Decommissioning Authority annual report and accounts htpps://www.nda.gov.uk/aboutus/

The NDA accounts for the future cost of the decommissioning and clean-up of its estate by way of the Nuclear Provision (previously called the Nuclear Liability Estimate). The Nuclear Provision represents the total estimated cost of the rolled up plans for carrying out the NDA's core mission of decommissioning and cleaning up its 19 sites. It includes waste management, maintaining safety and security at the sites and the NDA's share of the costs of the Geological Disposal Facility. It does not include the costs of commercial operations and the associated income. The indicator shows the total value of work completed in the year, offset by any increase in the Nuclear Provision as a result of financing costs (unwind of discount and effect of inflation) and any change in scope. Because the mission is long term and because the challenge inherited by the NDA was poorly understood, the Nuclear Provision has risen significantly in recent years as the NDA has increased its understanding of the task and related costs. Over time, efficiency and innovation should see the Nuclear Provision fall as the work-off rate increases and starts to exceed increases in scope or financing costs. The data is collected by the NDA and reported in its Annual Report and Accounts, which are audited by the National Audit Office.

Chapter 3

Corporate Performance and Better Policy Making

Science and innovation

3.1 DECC's Chief Scientific Advisor (CSA), Professor David MacKay FRS, leads the Science and Innovation Group (SIG) in DECC. He is responsible for ensuring that Ministers have the best available science and engineering advice and that DECC uses scientific and engineering principles when developing policies and making decisions.

3.2 The CSA has responsibility for:

- ensuring that key policy and planning decisions in DECC are evidence based;
- ensuring that DECC has a plan for meeting its renewable energy and greenhouse gas emissions targets that is scientifically robust, feasible, costed and deliverable;
- supporting innovation, where government involvement is justified;
- ensuring excellent advice on climate science;
- accurate reporting of national greenhouse gas emissions;
- ensuring that DECC develops an effective knowledge management system;
- acting as Head of Science and Engineering Profession (HoSEP) for DECC; and
- ensuring that the right science and engineering capability and capacity exists within the Department.

3.3 The CSA may also be asked to support Ministers during an emergency.

3.4 The Science and Innovation Group delivers two programmes for DECC: (1) the energy innovation programme; and (2) the science programme.

Innovation programme

3.5 The UK won't successfully deliver secure, affordable, low carbon energy with current technologies at current costs. Market failures mean industry under-invests in the innovation needed. Innovation will both reduce the cost of energy and support economic growth: Successful innovation could save the UK up to £160 billion in energy supply costs to 2050 and generate UK-based business activity contributing up to £89 billion to GDP over the same period.

3.6 The 2010 Spending Review announced funding of over £200m for low carbon technologies. This included up to £60m for the development of offshore wind manufacturing at port sites. The remaining capital funding is supporting innovation in low carbon technologies and systems. Using the Technology Innovation Needs Assessments (TINAs) led by the Low Carbon Innovation Coordination Group (LCICG), the programme has prioritised key technology families, to inform innovation plans and properly target spending. The LCICG brings together the 17 key public sector funded bodies supporting low carbon innovation including the: Research Councils UK; Department of Energy and Climate Change; Department for Business, Innovation and Skills; Energy Technologies Institute; Technology Strategy Board; Scottish Government; and Scottish Enterprise.

3.7 DECC's innovation portfolio targets a range of key technology families, where there is clear evidence that Government funding can help to address market failures and where a technology programme can make a significant contribution to DECC's policy goals..

3.8 In terms of delivering the DECC innovation programme, 2012-13 was a pivotal year. All the schemes in the programme have been successfully launched. More than 120 individual grants or contracts have been let across the full range of technologies, totalling £38 million of investment in low carbon innovation. A summary of the progress of each scheme is below.

- ***Offshore Wind*****;** Grants totalling almost £30million have been awarded to a range of companies and technologies in support of reducing costs in the off-shore wind supply chain. This is delivering essential performance and cost benefits to the industry.
- ***Marine Renewables*****;** two projects have been identified to install larger arrays of marine electricity generation which will demonstrate progress and potential of the industry.
- ***Nuclear*****;** DECC has participated in a series of cross government projects to support innovation in the nuclear supply chain. Additionally DECC has secured access to the Jules Horowitz Reactor – a European test facility for the UK nuclear industry.
- ***Carbon Capture and Storage*****;** DECC is supporting thirteen projects, all of which offer significant progress in the development of cost effective CCS, one of which, if successful, could enable electricity generation at a cost comparable with today with the benefit of no CO_2 emission at source.
- ***Buildings Energy Efficiency*****;** DECC is running a series of demonstration projects on advanced heat storage systems, integration of heat storage with heat pumps and innovative refurbishment of commercial buildings for energy efficiency.

- ***Energy Entrepreneur Scheme***; DECC has piloted a unique scheme which is supporting new companies with a mix of R&D grants and business incubation support to get new products to market quickly. Thirty companies have been awarded support through this scheme to date

- ***Geothermal*****;** DECC has commissioned a feasibility report to identify the economic potential of and next steps for development of the UK geothermal industry.

- ***Bioenergy*****;** DECC is leading the first EU "ERANET+" scheme on behalf of the EU. This is an international collaboration with eight member states to support demonstration of innovative bioenergy technologies. Additionally, DECC is working with UK businesses to demonstrate new technologies for generating energy from wetland biomass.

- ***Electricity Storage***; As a result of extensive consultation with the electricity storage industry, DECC identified the need for demonstration of emergent technologies. In preparation for this, contracts have been let for twelve feasibility studies from which two full scale demonstrations will be selected. In addition, grants for new supporting technologies have been identified or awarded.

- ***Carbon Trust technology accelerators***; There are two areas of technology acceleration still underway from legacy programmes. These are the fuel cell challenge and the pyrolysis challenge. The fuel cell challenge is on track to provide cost effective fuel cells for the automotive applications and the pyrolysis challenge has built a pilot plant to demonstrate production of liquid fuel replacements from bio materials.

- ***Hydrogen Systems Demonstration projects***; Working with Technology Strategy Board, DECC is contributing to demonstration of six major Hydrogen systems projects which will replace CO_2 emitting equipment with low carbon Hydrogen generation, storage and usage.

Science Programme

3.9 The Science Programme delivers and interprets the underpinning science and evidence essential to making the case for action on climate change and to inform technical input to DECC policies.

3.10 The programme provides the bridge between the various scientific and technical communities and the policy communities in DECC and Government. The science team interacts closely with policy colleagues to ensure robust, policy-relevant evidence is provided. The programme generates and provides essential products under international commitments and processes including the Intergovernmental Panel on Climate Change (IPCC), the United Nations Framework Convention on Climate Change (UNFCCC) Science and its Subsidiary Body on Science and Technology, and those working on climate change impacts and adaptation, and energy demand.

3.11 The programme has provided technical advice and input to support key DECC delivery programmes (Green Deal, Renewable Heat Incentive, Energy Company Obligation, Electricity Demand Reduction, EEDO/non domestic buildings).

3.12 In addition, the programme delivers the UK greenhouse gas inventory to ensure that DECC meets its reporting obligations to the UNFCCC and the EU and Annual Report to Parliament under the Climate Change Act 2008.

3.13 Highlights from last year include:

- A new joint DECC and Defra funded Met Office Hadley Centre Climate Programme (2012-2015) – re-focusing on DECC's policy evidence needs;
- Delivery of a Government position on geo-engineering research;
- Completion of the successful AVOID Programme (a research programme that provides key advice to the UK Government on avoiding dangerous climate change brought on by greenhouse gas emissions) and planning is taking place for follow-on research on achievability and impacts of the 2°C target;
- Following 2011 Durban Conference of Parties (CoP) launch of climate change impact assessments for G20 plus 4 countries, the first batch of high level summary factsheets launched at 2012 Doha CoP were produced; and
- The UK's emissions reporting obligations were all met. The UK greenhouse gas inventory was submitted to the UNFCCC, and estimates of UK emissions for 2011 and 2012 were amongst a number of statistical publications during the year.

Better Regulation

3.14 As a Department, DECC uses better regulation principles to design effective regulation where required to achieve our policy aims, and uses alternatives to regulation and removes unnecessary regulatory burdens on business where possible. This can help achieve DECC's objectives at the least cost to the economy, and thereby promote economic growth and prosperity.

3.15 DECC has taken significant steps to reduce the regulatory burden on business during the course of 2012-13. For example, the simplification of the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme is expected to reduce direct costs to business by £14m a year. DECC has also implemented the new Climate Change Agreements (CCAs). These are administered by the Environment Agency via a web based portal, replacing the previous paper-based DECC system. It is estimated that policy simplifications will provide a net financial benefit to business of £2.4m during the life of the scheme.

3.16 We are also taking action to increase the flexibility of the planning system for existing power station development consents. During the year we introduced changes as part of the Growth and Infrastructure Bill to allow greater flexibility for those proposals that have been granted consent under s36 of the Electricity Act, but are not yet built. This will allow project developers to take account of the latest design improvements, including advances in technology and improvements in environmental protection, without having to re-start their application under the Planning Act.

Red Tape Challenge

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

3.18 The Department had committed to improving 13 regulations within the Defra-led Environment Theme relating to the operation of EU ETS and the Greenhouse Gas Inventory. Most of these improvements were implemented in 2012; the final changes are intended to be completed in 2013.

3.19 The improvements we have already introduced have simplified the legal requirements for UK EU ETS participants while enabling smaller installations to opt out. This reform will deliver an estimated £39m savings to industry in regulatory costs to 2020.

3.20 DECC is responsible for the Energy Theme and in August 2012 announced our commitment to scrapping or improving 134 regulations[25]. Since then, DECC has made good progress, implementing 18 of these reforms, with a further 82 scheduled for delivery over the next twelve months. It has been estimated that these reforms will deliver industry savings worth in the region of £35m over the next twenty years.

Alternatives to regulation

3.21 DECC is committed to exploring non-regulatory approaches to meeting its objectives. Examples include shaping policy on demand and incentives within the Green Deal and, through the nuclear regulator, enhancing security requirements for civil nuclear sites by targeting compliance against outcomes rather than process.

25 This figure has been revised. 130 regulations will now be scrapped or improved in the Red Tape Challenge Energy Theme.

3.22 DECC has also recently brought forward an amendment to the Energy Bill so that a financial incentive to encourage permanent reductions in electricity demand can be delivered through the proposed Capacity Market. The Government is considering whether to test the proposed approach via a pilot in order to gather evidence that will inform final decisions on an incentive.

3.23 DECC is developing three new behavioural trials to identify effective ways to improve domestic energy efficiency, working in partnership with business and local authority partners. This includes:

- a trial to test the effectiveness of better information on lifetime running costs in encouraging the purchase of more energy efficient electric appliances;
- a trial to test whether in-home advice on heating controls from a trusted messenger can save more energy and money than a 'leave behind' advice leaflet or no intervention at all; and
- considering a large-scale trial to evaluate if energy is saved by installing advanced heating controls.

3.24 The Department will also publish findings from earlier trials and continue to work closely with the Cabinet Office Behavioural Insight Team and other government departments to collect robust evidence in this area.

One-in, One-out and One-in, Two-out

3.25 The One-in, Two-out rule ensures that no new regulation is brought in without the burdens on business created by other regulations being cut by at least twice the value. A new regulation within the scope of this rule is called an "IN", the size of which is measured in terms of its annual net cost to business. An "OUT" is the removal or recasting of regulations currently on the Department's books and is measured in the same way: the annual net reduction of costs to business. One-in, Two-out replaced One-in, One-out from 1 January 2013.

3.26 The Department is required to produce a Statement of New Regulation (SNR) covering all new regulations in scope of One-in, Two-out coming into force in each six-month period, all Red Tape Challenge measures that are being scrapped or improved, and all EU-derived UK legislation expected to come into force in the relevant period.

3.27 The following table shows DECC's cumulative position for One-in, One-out up until the fifth SNR when One-in One-out closed and One-in Two-out started:

One-in, One-out position Cumulative position as at 31 December 2012	
Count of measures:	
Ins	3
Zero net cost	5
Outs	5
Total measures	14[26]
Cost (EANCB, £m):	
Ins	0.02
Outs	-2.53
Total Net Cost	-2.51[27]

Regulatory Policy Committee

3.28 Between April 2012 and March 2013 the Department received opinions on 30 Impact Assessments (IAs) from the Regulatory Policy Committee (RPC)[28]. Of the 30 IAs 28 were "fit for purpose" (i.e., received a Green or Amber rating). The following table shows the breakdown of those opinions into Green, Amber or Red ratings:

Green	Amber	Red	Total
18	10	2	30

3.29 In its six-monthly report published in November 2012, the RPC stated that DECC has achieved an increase in the percentage of IAs rated as 'fit for purpose' and as 'Green'.

Sunsetting of Regulations

3.30 Domestic and EU measures which have a regulatory impact on business are required to include a review clause which has the effect of imposing a statutory duty to carry out a review of the measure in a specified timescale. Any proposed regulation within the scope of One-in, Two-out, and classed as a regulatory "IN", is also required to include a 'sunset clause', which means that the regulation will

26 The total number 14 includes one measure within the scope of the first SNR which is still awaiting classification from the Office for National Statistics.

27 The Smart Meters measure was exceptionally agreed to be scored as a cross-Government cost under One-in, One-out accounting, rather than being ascribed to DECC.

28 The RPC scrutiny process was streamlined in August 2012 so statistics before and after this date are not directly comparable.

expire automatically on a certain date unless positive action is taken to renew it. Sunset clauses should ordinarily take effect seven years after commencement. DECC has complied with the guidance on this policy, and where necessary included such clauses in regulations made during this period.

EU regulations

3.31 The Department is committed to the use of evidence in shaping EU policy. The following examples illustrate this:

- UK lobbying on new EU offshore oil & gas drilling safety legislation helped persuade the EU Commission that this should be a Directive (which will enable the UK to keep most of its existing regime) rather than a (directly applicable) Regulation which would have required replacement of parts of an existing long-established and globally-respected safety regime and could have put UK operators at a competitive disadvantage.
- Early UK engagement in the shaping of EU Energy Infrastructure Regulations (which aim to facilitate EU cross-border energy infrastructure projects) ensured that Member State competences on planning and permitting were preserved and the text was sufficiently flexible to accommodate UK devolved arrangements.

Civil Service Reform and Efficiency

3.32 DECC has engaged with Civil Service Reform Plan and Efficiency and Reform Commitments, two Whitehall-wide change programmes that began in 2012.

3.33 Ten Efficiency and Reform Commitments have been identified for DECC to take forward and the department has delivered, or is on course to deliver, each of these within the agreed timescales. Key points include:

- DECC has migrated to gov.uk;
- The Department's Digital Strategy was published in December 2012;
- DECC's spend under management through the GPS is above the 10% target, in advance of the March 2013 deadline;
- The DECC procurement average is below the 120 day target, in advance of the March 2013 deadline; and
- All paper in the Department is available to the Closed Loop recycling programme.

3.34 DECC has been responding to the priorities outlined in the Civil Service Reform Plan since its publication in June 2012. The Plan aimed to set out specific and practical measures to create a Civil Service better able to respond to today's economic and financial challenges while delivering the priorities of Government. Departmental activity to fulfil Reform Plan actions is ongoing, with 4 actions now closed and significant progress in satisfying a number of key objectives:

- DECC is already performing well against objectives that encourage departments to share services and expertise;
- As a department we have strengthened internal accountability, with Accounting Officer sign-off required for implementation plans;
- DECC has responded well to actions that address departmental learning and development offers (see the People and Culture section of this chapter);
- Flexible working is encouraged among staff, with a fully lap-top based IT solution provided for all members of the department; in 2012 DECC was named the top performing department in Whitehall in adopting flexible working practices during the Olympics; and
- DECC is working to improve Project and Programme Management practice through the development and roll-out of a standardised operating model to support staff.

Capability Review and Internal Change

3.35 Following an externally-led Capability Review DECC published its Capability Action Plan (CAP) in June 2012. The key message from this report was that with our large and high risk project portfolio, we would need a much larger and more mature delivery cadre and tougher governance and delivery management processes, including a robust mechanism for prioritisation across our department-wide portfolio. DECC has focused its efforts on development in 3 areas, leadership and governance, people and skills and delivery culture.

3.36 In response to the report the Department set up the DECC Development Programme (DDP) to manage the delivery of the Capability Action Plan (CAP). The DECC Development Programme ran for 10 months and achievements included:

- The creation of the Executive Committee for operational management of the Department;
- Development and delivery of a core set of Programme and Project Management tools;
- Programme Development & Support Plans (PDSP) for eight of our key programmes/projects;
- Contract awarded for a tailored leadership programme;
- Development of a Core Script for the Department;
- Portfolio Office design options completed;
- A P3M3 assessment has been carried out using standard methodologies with a reassessment planned during 2013-14 to measure progress; and
- Developing a training solution on Commercial Skills.

3.37 The DECC Development Programme was closed on 15 March 2013, although some elements of work continued as individual projects, including the development of portfolio, programme and project management capability.

3.38 Following the arrival of the new Permanent Secretary and appointment of a Corporate Strategy and Change Director, the Permanent Secretary announced that further work to coordinate improvements to DECC and how we all work together would be taken forward under the heading *DECC Works* and organised around five themes:

- **Systems & Hygiene** – improving the practical aspects of where and how we work, such as the IT infrastructure, accommodation issues and the systems we use to carry out our day to day work;
- **Governance** – ensuring we have a well-focussed governance structure with clear accountabilities that provide support and challenge;
- **Capability & Prioritisation** – enabling us to make more of what we have and reduce the complexity in how we operate;
- **Culture** – developing DECC into a collaborative and flexible department; and
- **External Partnerships and Communications** – developing a more confident and proactive approach to selling DECC to key stakeholders and across Whitehall.

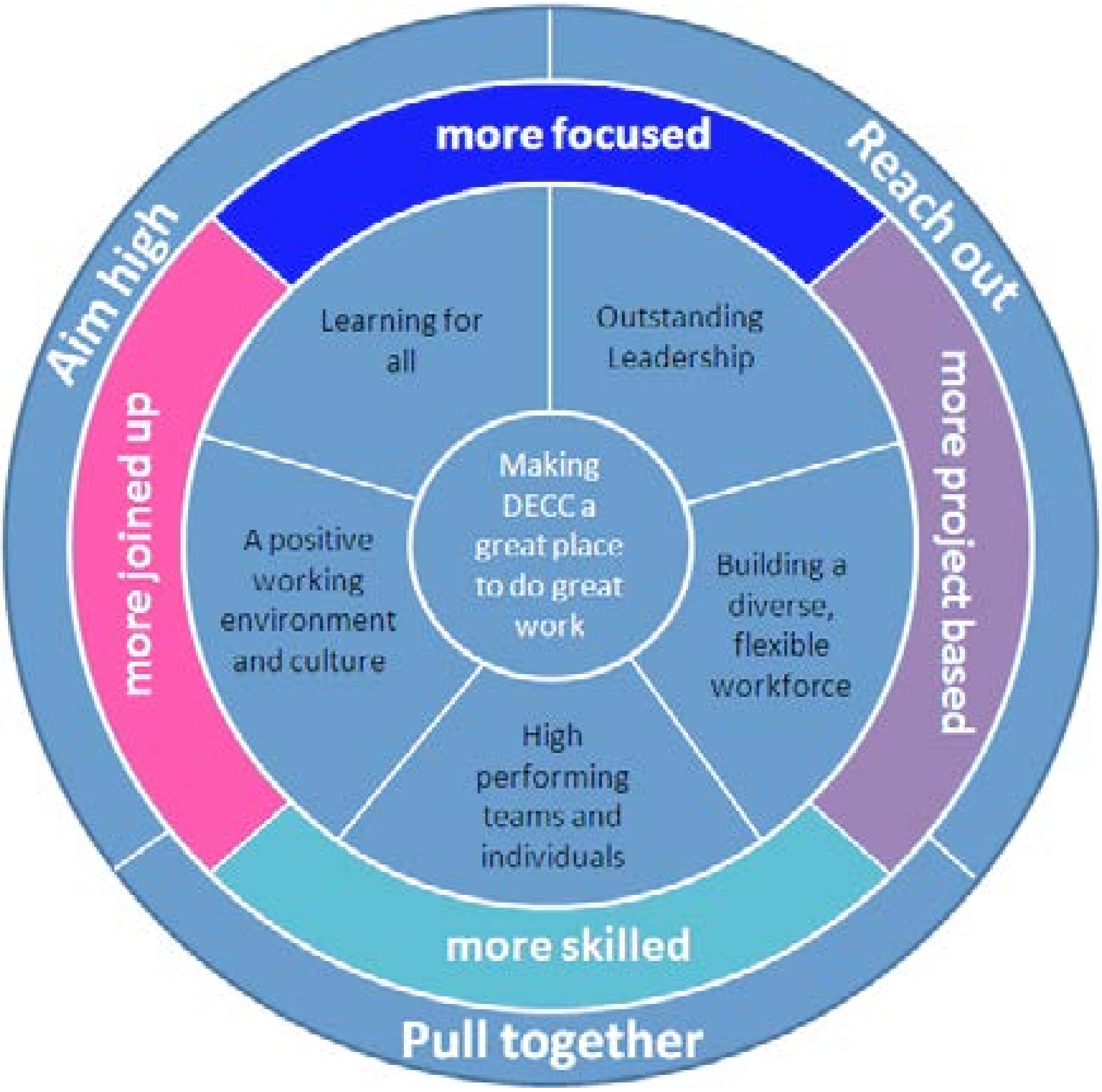
People and Culture

People Strategy

3.39 The department launched its People Strategy in January 2012. It has been designed to help build upon progress already made and to take us forward to meet the challenges of the future with the aim of making DECC a great place to do great work.

3.40 The department wants to be an organisation which is open to change, innovative, flexible and professional. We are committed to being an organisation that openly encourages participation and personal development and values its staff.

DECC People Strategy



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

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

3.42 The People Strategy has to strike a balance between securing the benefits of a common and consistent approach to people issues but also recognise that different parts of the Department have different issues and needs. During 2012, each Group produced a Group People plan to support the delivery of the People Strategy. All Groups had produced their plans by August 2012. Those Groups which were able to produce People Plans at the start of the reporting year have seen improved engagement scores in the annual staff engagement survey.

Staff engagement

3.43 DECC attaches great importance to staff engagement. The effectiveness of staff engagement is measured by DECC's participation in the annual Civil Service-wide People survey. DECC consistently achieves a high participation rate with over 81% of staff participating this year. DECC saw a slight drop in engagement scores this year, falling 2% to 58% which is now in line with the benchmark engagement index for the Civil Service.

Values

3.44 The DECC Values are to "Aim High, Reach Out and Pull Together". They were launched in October 2009 and are a central part of the work to build an ambitious and outward-focused DECC culture. Staff are assessed annually on what they achieve and how well they have demonstrated the DECC values. The People Survey (October 2012) showed that 94% of staff were aware of the values and 73% of respondents believed their team operated in accordance with them.

Learning and development

3.45 DECC remains a Civil Service high performing department in terms of Learning & Development, with 68% of staff reporting in the 2012 Employee Engagement survey that they could access the right learning. This was supported by an internal survey showing that that 77% of managers thought DECC Learning was making a corporate difference. Our evaluation model indicates that we have made considerable progress over the year but that we must continue to invest in learning to develop the capabilities of all our staff.

3.46 DECC's Delivery Skills – those we consider essential as the Department moves to implementation and delivery as well as policy development – include two critical areas for which we have delivered successful programmes in the last year: Project and Programme Management (with over 200 members of staff certified) and Commercial Awareness (283 staff attended the DECC-specific course, 50 of them the 5-day Specialist version).

3.47 We have also recruited specialists, including scientists, engineers, social researchers and project managers. We aim to use these specialist staff to develop others through such vehicles as the DECC School and Mentoring.

3.48 Almost 100% of staff have registered with Civil Service Learning (CSL) for the provision of the Department's Core Skills. The take-up of face-to-face courses and e-learning rose steadily over the year.

3.49 The DECC School is the Department's long-established enterprise for the transfer and sharing of knowledge. It accounts for approximately 45% of L&D course attendance in the department and over the last year has included events in support of several of our critical skills programmes.

3.50 DECC has active participation and representation of staff on all the civil service talent programmes. We have a large number of fast streamers (many specialist and analytical) totalling some 7% of our staff.

3.51 2013 saw the launch of the DECC Leadership Programme in pilot. It is critical to delivery of the departmental agenda, and the development of the programme was commissioned by the Board as a specific commitment of the Department's Capability Action Plan in response to the 2012 Capability Review. Following the pilot, the Leadership programme will be rolled-out to senior managers and Senior Civil Servants.

Performance Appraisal and Pay and Reward

3.52 DECC's performance management policy for delegated grades was strengthened and aligned to the Civil Service Employee Performance Management Policy in 2012-13. DECC ensures staff are clear of what is expected of them and how their work supports the Department's aims and priorities; that their performance is regularly reviewed and any development needs are identified and supported. The policy requires that managers set SMART work and development objectives at the start of the performance year, have regular performance reviews with staff throughout the year, and assess performance at the end of the year.

3.53 This year DECC staff exited the two-year pay freeze announced in the emergency budget in May 2010 for staff in delegated Grades (AA to Grade 6). The DECC 2012 Pay Award operated within the Treasury pay guidance with an average award of a 1%. DECC continued to freeze its non-consolidated performance pot which it uses to award non-consolidated performance related payments to reward the departments highest performers and drive high performance.

Trade unions

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

Equality and diversity

3.55 The Department has had some notable achievements during 2012. These achievements have included:

- The launch of the Equality, Diversity and Inclusion Strategy and Action Plan, together with setting up the formal governance for the Strategy.
- We have completed benchmarking exercises to examine DECC's current performance in terms of equality and diversity. This will help us to measure our progress against the aims of our strategy.
- Health, safety and disability assessments of over 70 individual staff.
- The establishment of a new Women's Network.

- Unconscious bias workshops were rolled out to line managers and staff at grade 7 and above. A new unconscious bias e-learning package is also now available to all staff.
- Extending the e-learning options to include an Introduction to Diversity and Equality and a new Disability Awareness package.
- Providing participants for Coaching Squared, a cross-organisational coaching programme for black and minority ethnic and female staff aimed at addressing the under representation of groups at senior level.
- Holding two Job Share Workshops to promote Job Sharing as a form of flexible working. We have also produced a Job Share Guide which has been adopted as a Civil Service Job Share Guide.
- Supporting the Civil Service Fast Stream Summer Diversity Internship Programme, something we're looking to repeat in 2013.
- Holding our first "Diversity Day", a series of workshops, talks and presentations to raise the profile of equality, diversity and inclusion in DECC.
- Publishing a thorough breakdown of the impact of DECC's HR policies and practices on staff in the DECC Diversity Information 2013 report. We have also completed a pay audit that looks at pay gaps by protected characteristic where there is sufficient data.
- Teams have undertaken disability awareness training to allow them to better understand disability issues and what they could do to help create an inclusive work environment.
- The Chief Operating Officer is the Departmental Board champion of Equality, Diversity and Well-being, a role currently being covered by Vanessa Nicholls.

3.56 DECC continues to work on improving the representation rates of minority groups at senior management level. The current representation rates are below.

Table 1

DECC SCS diversity data at the start of the reporting period 2011 to date							
	31 March 2011		31 March 2012		31 March 2013		Cabinet Office Target
	Numbers	%	Numbers	%	Numbers	%	%
SCS Women (all SCS)	26 of 90	29%	30 of 97	31%	28 of 103	27%	39%
SCS Women (PB2 and above)	6 of 24	25%	6 of 28	21%	4 of 27	15%	34%
SCS BME (all SCS)	3 of 90	3%	4 of 97	4%	3 of 103	3%	5%
SCS Disabled (all SCS)	5 of 90	6%	5 of 97	5%	5 of 103	5%	5%

Equality Analysis

3.57 DECC ensures consideration of the impact of its policy decisions on both staff and the public are considered as part of our decision-making process. We have sought to embed diversity and equality into existing practices and streamline our processes.

Wellbeing

3.58 During this year, wellbeing initiatives focused on keeping staff healthy and well for work. We provided flu jabs for 450 staff to help DECC maintain one of the lowest sickness absence rates in Whitehall. Other activities to promote wellbeing included free eye tests for 60 staff, a health kiosk that provided information on key health indicators (used by 245 staff) and campaigns on healthier lifestyle.

3.59 We provided counselling and advice services for staff with personal issues that could affect their work, and Occupational Health provision for staff returning to work after absence.

3.60 On-going wellbeing promotions and activities included DECC's cycle to work scheme, benefiting staff health and reducing reliance on other forms of transport, our own gym, and several clubs and societies focus on sport, and other pastimes. We also completed health, safety and disability assessments of over 70 individual staff, and disability access audits of all three DECC buildings.

Sickness and absence data

3.61 The Department encourages a culture where good attendance is expected and valued, but recognises some absences are unavoidable for medical reasons. The Department aims to treat its staff who are absent through illness with sympathy and fairness, and where possible support their recovery to health and regular work. The Department monitors the annual working days lost due to sickness absence on a quarterly basis. From 1 April 2012 to 31 March 2013 the annual average was 2.7 days per employee. The Civil Service average is 7.2 days per annum per employee.

Spending on consultancy and temporary staff

3.62 Departmental expenditure on consultancies and contingent labour (temporary staff) for 2012-13 was £6.7m and £7.4m respectively (including Non-Departmental Public Bodies).

DECC Spend on Consultancy	2011-12	2012-13
	£'000	£'000
Total Core DECC	6,690	5,162
Total NDPBs	1,559	1,578
Total DECC spend	8,249	6,740
DECC spend on contingent labour	**2011-12**	**2012-13**
	£'000	£'000
Total Core DECC	3,420	4,511
Total NDPBs	2,014	2,336
Total DECC spend	5,434	6,847

Off-Payroll arrangements

3.63 The Core Department had 35 off-payroll engagements in place as at 31 January 2012 at a cost of over £58,200 per annum. In the period between 31 January 2012 and 31 March 2013 none of these engagements came onto the Department's payroll. Two out of the 35 engagements were renegotiated to include contractual clauses allowing the Department to seek assurance as to their tax obligations as the original contracts had come to an end and an extension was negotiated. The other contractors continued working under their original contract terms until the contract came to end with the contractor leaving the Department. DECC took steps to transfer one senior level contractor to payroll but this was unsuccessful. This contract was extended by two-months on existing terms (without the new tax clauses) because of exceptional temporary circumstances and ended.

3.64 15 new engagements were entered into by the core Department between 23 August 2012 and 31 March 2013. All these engagements included contractual clauses giving the Department the right to request assurance in relation to income tax and National Insurance obligations.

3.65 There were 12 off payroll engagements by the Department's arm's length bodies that were entered into between 1st April 2012 and 31 March 2013. Assurance is being obtained from the individuals regarding their tax obligations.

Professional Support

Legal

3.66 DECC has an in-house legal team which provides expert advice to its policy and delivery teams and is also responsible for the procurement of legal services from outside the Department.

Engineering and Evidence

3.67 The Engineering team, which reports to the Chief Scientist, was established to provide technical understanding in support of DECC policy and programmes, especially on electrical engineering, chemical engineering, nuclear and bio-energy. The team provides technical support to the Innovation programme in doing technical evaluation of grant offers, and provides a technical lead on gateway reviews of partner projects, as part of the overall programme governance. During the 2012-13 the team also provided technical inputs to a number of other DECC policy and programme areas including:

- Support to development of Carbon Capture and Storage;
- Lead on cross-governmental nuclear R&D review and other support to nuclear programmes;
- Support and specialist communications engineering input to Smart Metering;
- Support to ORED on marine innovation, RO banding review, wind correspondence handling;
- RHI modelling support;
- Development of technical training for non-specialists;
- Support to EMR on levelised cost technical assumptions, scoping National Grid modelling activity, modelling of balancing emissions and curtailment issues;
- Assistance to Heat and Industry on various aspects of the Heat Strategy;
- Help in scoping the National Household Model;
- Leading the CSA's review of fugitive emissions for shale gas;
- Developing an innovative bioenergy calculator that clearly and transparently analyses and presents the carbon impacts of UK bioenergy use in a range of plausible circumstances now and in the future; and

- Modelling to assess the whole system carbon emissions of high levels of intermittent generation on the electricity grid.

3.68 The Evidence Team, which also reports to the Chief Scientist, is responsible for ensuring that DECC has the evidence it needs, and that the way evidence is used to inform policy is robust.

3.69 An intranet-based wiki has been implemented to help the Department keep track and access its knowledge base more effectively and to keep it up to date. Improvements have also been developed to the way evidence is applied to policy development and to evidence planning, which will be implemented in DECC's change programme. In 2013-14 an Evidence Strategy will be published and implemented.

3.70 In 2012-13, DECC's Scientific Advisory Group has continued to provide independent expert advice to the CSA. This year a Social Science Expert Panel, run jointly with Defra, has also been set up to provide expert advice to the Department.

Chief Economist's directorate

3.71 The Chief Economist's directorate provides professional leadership in economics, operational research, statistics and social research. It works closely with policy teams including their embedded analysts to develop robust evidence for policy development, option appraisal and evaluation. The Chief Economist signs off impact assessments and participates in the Approvals Committee which scrutinises businesses cases for major projects. The directorate consists of the following analytical teams.

3.72 The strategic analysis team, led by the Deputy Chief Economist, includes economists and social researchers working on a range of issues across the department. In 2012-13, responsibilities of the team widened to include quality assuring key analytical outputs produced by the department including impact assessments and value for money assessments in business cases. In particular, the team is responsible for producing the annual Prices and Bills Report, assessing distributional and growth impact of policies, and analysis to support renewable electricity policy. The team also works with policy teams to strengthen monitoring and evaluation of policies.

3.73 In 2012-13, the central modelling team was expanded to include new SCS leadership. This team is responsible for the development and use of key analytical models for the department, including the National Household Model and Energy and Emissions Projection model. The team produced the annual Updated Energy and Emissions Projection Report. It also developed and disseminated "best practice" modelling quality assurance guidelines and created a multidisciplinary modelling forum to share the learning. The team will continue to take forward work on quality assurance of models, including the department's response to the MacPherson Review.

3.74 The statistics team produces a vast range of energy data each year, many of which are national statistics. This data enables DECC, and a wide range of stakeholders, to understand energy prices, energy security and emissions. The team have added new data on renewables to support the renewable directive, on FITS (small scale renewables) and building insulation. The team has continued its pioneering work on energy efficiency data, including improving NEED (the National Energy Efficiency Data framework) which provides a valuable insight into home energy use and has contributed to the launch of the Green Deal. A continuing area of policy support is on fuel poverty, providing analysis for the independent review of fuel poverty and support for the development of the new indicators and the new strategy. This work led to the team's second Royal Statistical Society award for excellence in official statistics.

Shared services

3.75 DECC receives a number of shared services from the departments out of which it was formed (Defra and BIS). These services include various financial, HR, IT, KIM and estates management services. The provision of these services is managed through Service Level Agreements between DECC and the providing departments. Considerable savings have been made during the year following a change of provider of finance services which are now delivered via the same provider of HR services.

Knowledge and Information management

3.76 A new intranet was launched in October 2012, incorporating a new, more comprehensive staff directory and the DECC wiki. DECC's corporate knowledge and expertise is now available through one searchable portal. Work is now underway to exploit additional functionality including supporting communities of practice.

3.77 The DECC Chief Operating Officer met with the CEO of the National Archives in September to discuss the findings of the Information Management Assessment and agree an Action Plan.

3.78 The remit of the DECC SIRO Group was extended to include Knowledge and Information Management and Transparency, ensuring that the interdependencies between these activities are properly managed and have appropriate governance in place. The SIRO group includes DECC's ALBs and ensures that best practice and expertise can be shared, whilst allowing DECC to monitor performance of ALBs in these areas.

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

3.80 DECC reported no incidents of loss of protected personal data to the Information Commissioner's Office during 2012-13.

Communications

3.81 The Communications Function in DECC consists of Press Office, Corporate and Internal Communications, Digital and E-Comms and Correspondence, as well as embedded communication focused staff within policy teams. Our Communications function is one of the smallest across Whitehall; in 2011 we had a reduction in headcount by 38% and a 95% reduction in spend. Over 2012-13 the Directorate transitioned to a new operating model given the headcount and budget reductions. Key achievements in 2012-13 include:

- Successful Green Deal launch in January 2013
- Big Energy Saving Week and other consumer facing campaign activity jointly with energy companies and Citizens Advice Bureau
- DECC was one of the first tranche of departments to move its web presence to gov.uk. Once the final transition of microsites is complete, DECC will save the cost of using an external web agency.
- The Nuclear Decommissioning Authority has made a total of £71,000 in savings by streamlining its stakeholder engagement meetings each year, by doing more public relations and design work in-house, and by publishing online.

Publicity and advertising

3.82 During 2012-13 the Department spent £2.9m on communicating the launch of the Green Deal, our flagship policy to establish a growing and sustainable market improving the energy efficiency of properties. The 'Green Deal With It' campaign of digital and press advertising, media partnerships and events, aims to build awareness, understanding and trust of the Green Deal and its Quality Mark. Other marketing spend was minimal and focused on supporting policy deployment and consultation activity.

Stakeholder management

3.83 A new approach to stakeholder engagement has been put in place to tackle weaknesses identified in the last Communications Capability Review. An intensive stakeholder survey is planned for autumn 2013. Meantime two new stakeholder initiatives have been implemented. The first tracks stakeholder reactions to and perceptions of DECC's key announcements – this helps inform future engagement and facilitate better planning. The second is that DECC's corporate e-zine 'DECC Review' (which showcases DECC's policy and reflects information that stakeholders need and want to know) has been redesigned with a fresh new format. This improvement has resulted in an increase in subscribers from 17,223 in May 2012 to 21,515 subscribers in April 2013.

Correspondence and enquiry handling

3.84 The Whitehall correspondence target requires Government departments to reply to correspondence within a maximum of 20 working days. DECC has set itself a target to respond to 80% of all correspondence within 15 working days. In 2012-13 DECC did not meet the Whitehall target. The first part of the financial year was on target but the following factors caused a temporary dip: i) team restructuring and downsizing. ii) changes to Ministers and portfolios. Now these factors have largely settled we are on track to regain the good performance of 2011 when we exceeded target and at printing had achieved our 80% by May.

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

	April 2011 – March 12	April 2012 – March 13
Ministerial Correspondence	83%	66%
Public Enquiries	80%	76%

Websites and digital services

3.85 DECC published its Digital Strategy in December 2012 detailing how the Department will support and deliver on the Government's aims for delivering digital by default services and transactions. In line with this agenda, DECC finally transition to GOV.UK in January 2013.

3.86 DECC continues to use Twitter to engage with its audiences and promote key content – the follower numbers rising to above 40,000 this year. Filming and editing of Ministerial messages for events where they could not attend was done in-house, saving money on both travel and external supplier costs.

Press Office

3.87 The Department's Press office has continued to promote and defend DECC's activity and announcements.

Estates Management and Health and Safety

Estates

3.88 In 2012-13, the Department operated from four buildings: Atholl House in Aberdeen and in London, 3 Whitehall Place, 55 Whitehall, and from the beginning of FY 2012-13, 1 Victoria Street. The facilities management services for all space occupied by DECC is provided through either Defra (3 Whitehall Place and 55 Whitehall) or BIS (Atholl House and 1 Victoria Street) under a Shared Services – Service Level Agreement.

Security and Resilience

3.89 The Department has in place Incident Management and Business Continuity plans to help cope with unforeseeable incidents which are regularly reviewed and tested.

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

3.91 A senior level board is responsible for DECC's business continuity and the Department's preparedness to respond to security and resilience emergencies in the energy sector.

Health and Safety

3.92 During 2012–13, we continued to promote safe working practices for staff, and to respond to the changes in flexible working arrangements during the Olympics, including working at home. In preparation for this event, some 936 staff completed training and risk assessments to allow them to perform effectively and safely while working away from the office.

3.93 Most staff are regular Display Screen Equipment users and during the year we trained and risk assessed 643 of them who were either new to DECC, or whose circumstances had changed. Other training included Safety for Managers (which informed managers of their safety obligations and responsibilities), Managing Stress, Manual Handling and Safety for Contractors.

3.94 A series of events was held to raise awareness of the most common risks within DECC, including back awareness and managing stress. The aim of this was to limit accidents and the number of days lost through sickness absence.

3.95 In 2012–13, we provided specialist advice and equipment to 87 employees to help them manage a health problem, or disability.

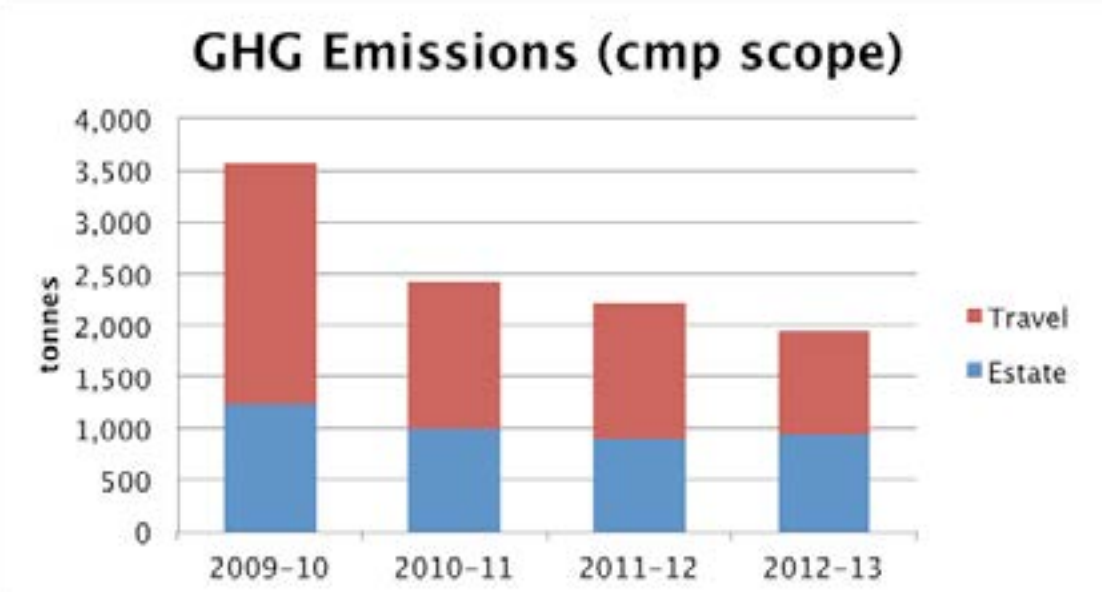
3.96 Access audits and building risk assessments were completed on all three buildings, and follow up actions were started on a priority basis. We consulted on the actions we took through our Health and Safety Committee which is made up of Employee Representatives. The Committee met quarterly and was the primary vehicle through which we met our duty to for consult and communicate.

Sustainability

3.97 In 2012-13 Core DECC has strived to consolidate the excellent performance in reducing its greenhouse gas emissions made over the previous three years. Emissions from buildings have been reduced by 24% and energy use by 22% since 2009-10. In fact, DECC has reduced emission from its estate 38% since the department was set up in 2008-09. Emissions from travel have also been significantly reduced with a cut of 60% since 2009-10. Our overall greenhouse gas footprint has fallen by 45% since 2009-10.

3.98 In 2012-13 we carried out a number of significant energy saving and other sustainability measures including the recycling of heat from our kitchen to warm the neighbouring canteen area, installation of solar window film at 3 Whitehall

Place, the replacement of standalone printers, scanners and photocopiers with energy efficient multifunctional devices and the replacement of hand towels with energy efficient hand dryers. Core DECC has also signed up to the Mayor of London's RE:FIT Programme. This scheme will be used to help identify and possibly take forward further water and carbon saving projects in 2013-14.



Graph to show core DECC's greenhouse gas emissions over the last 4 years, within the scope of the Carbon Management Plan

3.99 The Department also improved its Display Energy Certificate (DEC) rating for 3 Whitehall Place from a D in April 2011 to a C in July 2012. When DECC first took over the building in autumn 2008 it was rated G, which is the least energy efficient rating. We have improved the DEC rating of our second building, 55 Whitehall, from a D when we took it over in April 2011 to a B. DECC has improved its score under its Green ICT Maturity model, which measures our green capability with regards to the management of IT, from 2.3 out of 5 in March 2012 to 3.2 in March 2013.

3.100 The Department's Carbon Management Plan was published in July 2011[29] and revised in July 2012. More detailed data on DECC's sustainability performance, including water consumption and waste reduction, and encompassing the wider DECC family, can be found in the Sustainability Report (Annex D).

Adapting to Climate Change

3.101 The Climate Change Act Requires the UK to develop the CCRA (Climate Change Risk Assessment) and the NAP (National Adaptation Plan). The CCRA was published in January 2012, and the NAP will be published in 2013. Both are managed by Defra, working closely with OGDs including DECC.

29 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/43471/5927-decc-carbon-management-plan.pdf

3.102 The CCRA shows us that without any current or planned action there are significant risks to parts of our infrastructure, e.g. from flooding. However, government and other key organisations are already taking action in many areas to minimise risks. For example, the energy generators are working to protect key assets such as power stations.

3.103 The NAP identifies a number of actions for DECC and the energy industry to ensure that energy policies, and energy infrastructure, are suitable for a changing climate.

Mainstreaming Sustainable Development

Progress against tailored SD Statement

'The Department of Energy and Climate Change works to ensure the UK has a diverse, safe, secure and affordable energy system. It also drives ambitious action on climate change at home and abroad. DECC works to maximise the benefits of a low carbon energy future to society, the economy, the environment and future generations. It works to support the most vulnerable members of society in meeting the cost of energy bills. DECC also works with Defra and other government departments to mainstream sustainable development across government.'

3.104 DECC's policies aim to achieve economic, social and environmental goals by promoting the green economy and helping consumers with their energy bills now and looking to reduce harmful climate change and secure safe sustainable supplies of energy in the future. For example the **Green Deal** lets homes and businesses make energy efficiency improvements like insulation with some of the cost paid for from the savings on their energy bills. Green Deal advice will also encourage customers to think about their whole property and what can be done to improve its sustainability beyond energy efficiency. The Green Deal thus achieves economic, social and environmental objectives at the same time. The Green Deal was launched on 28 January 2013 and 9,268 Green Deal assessments had been lodged by the end of March alone, up from 1,803 at end of February. 108 GD Assessor Organisations and the 1,003 GD Advisors they employ had been accredited, up from 77 and 618 at end February respectively. The **Energy Company Obligation (ECO),** a subsidy from energy suppliers, came into force on 1 January 2013 and provides extra help for those most in need and for properties that are harder to treat. At the end of March £68.9 million worth of contracts had been let through the ECO brokerage system, compared to £26.9 million at end February. For the full report please see here https://www.gov.uk/government/publications/green-deal-and-energy-company-obligation-eco-monthly-statistics-april-2013

3.105 **Smart meters** give consumers near real time information on their energy consumption to help them manage their energy use, save money and reduce emissions. The Smart Meter Programme is being delivered in two phases: the Foundation phase, which began in March 2011, followed by mass roll-out. Regulations took effect in November 2012 that require energy suppliers to roll-out smart meters to their domestic and smaller non-domestic customers. Some consumers will receive smart meters during the Foundation Stage, as the energy suppliers start up their programmes in preparation for mass roll-out. However, the majority of consumers will receive their smart meters during mass roll-out. Further information on Smart Meters can be found at https://www.gov.uk/government/policies/helping-households-to-cut-their-energy-bills/supporting-pages/smart-meters

3.106 DECC also provided targeted support to households least able to afford the costs of rising energy bills through a range of policies including the **Community Energy Savings Programme (CESP)** which requires gas and electricity suppliers and electricity generators to deliver energy saving measures to households in low income areas; the **Warm Home Discount** which will reach around 2 million households this year, including providing a £130 rebate on electricity bills for more than 1 million of the poorest pensioners. The CESP programme came to an end in December 2012 and the Department is currently undertaking an end of scheme evaluation. The **Energy Efficiency** sector already provides 136,000 jobs, and is growing at 5% a year. **Renewables** support 270,000 jobs which could rise to 400,000 by 2020. New markets such as **wind** are expected to deliver a significant amount of inwards investment to the UK from multi-national companies.

Assessing and managing environmental, social and economic impacts

3.107 DECC produced a Mainstreaming Sustainable Development Plan in October 2012. Guidance for staff on assessing sustainability impacts was published on the internet in Spring 2012 to help assess and manage environmental social and economic impacts and opportunities in its policy development and decision making and staff are required to follow this when preparing business cases. The aim of a sustainability assessment is to demonstrate that the programme/project/policy is sustainable i.e. its positive impacts have been maximised and its negative impacts have been minimised, mitigated or otherwise compensated for. Sustainability considerations have been incorporated into programme and project business case templates from July 2012 and compliance with this requirement is ensured by sign off by the Head of Sustainability in the Approval Committee log book. Sustainability considerations are also included in Procurement business case templates, whilst guidance to staff on sustainable procurement was published in September 2012.

Greening Government Commitments (GGCs)

3.108 We are implementing DECC's Carbon, Water and Waste Management Plans and are on track to meet these commitments – see Annex D. DECC has provided quarterly reports to Defra on schedule and has contributed to both their GGC 2011-12 and the Mainstreaming Sustainability reports.

SMEs

3.109 DECC's procurement processes, as laid down in our Procurement Code, are designed to encourage such organisations to bid, and to ensure that they are not deterred from doing so by unnecessarily complex tendering processes. Indirectly, our policies also provide opportunities for SMEs. For example SMEs will play a key role in delivering the Green Deal with small builders being responsible for half of all repairs, maintenance and improvements in the UK.

3.110 DECC's aspiration is to achieve 25% of procurement spend through SMEs by 2014/15. In 2012/13 we achieved 11% and we have introduced an SME action plan, signed off by our Secretary of State, to further improve performance in this area.

Other Sustainability Commitments in DECC's Business Plan

3.111 DECC's Carbon Management Plan was reviewed in 2012 and a revised version published on 25 July 2012. Plans for meeting the GGC waste and water targets in Core DECC were developed and published on our intranet in May and June 2012. These Plans contain a range measures to be implemented in 2012-13 through to 2014-15. Total emissions of greenhouse gases from the UK, a Sustainable Development Indicator for which DECC is responsible, are published in UK GHG Inventory. Final national figures relating to 2010 and provisional figures for 2011 have been published.

Supportive processes for sustainable development

3.112 DECC has made a significant contribution to the development and implementation of the Mainstreaming Sustainable Development agenda. DECC Minister of State, Greg Barker, is part of the Ministerial Committee on Home Affairs Sub Committee on Green Government Commitments. DECC officials work to mainstream sustainability across Government through membership of a number of Cross-Whitehall sustainability fora including Greening Government Commitments Officials group and the Mainstreaming Sustainability Group. DECC chaired the Sustainability Practitioner Forum during its inaugural 6 months (June to December 2012) helping to set its direction and scope and is part of a core group of Departments that work closely with Defra to shape sustainable development across Government. DECC also contributed to the 'Government Progress in Mainstreaming' report published by Defra in March 2013. The DECC school offers formal and informal opportunities to develop a detailed understanding and knowledge of energy and climate change policies, industries, markets and key technologies. The School is open to staff from other Government departments who would benefit from its energy and climate change knowledge transfer programme; so far staff from FCO, Defra, CO, HMT, BIS, SDC, GOs and MoD have attended.

Rural Proofing

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

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

3.115 The Energy Company Obligation (ECO) recognises that rural households often have high energy needs, due to being off the gas grid. Under the scheme, 15% of the Carbon Saving Communities obligation is ring-fenced for those living in rural areas. These households can benefit from insulation measures.

3.116 The Coalition is committed to encouraging community-based ownership of renewable energy and wants to ensure that all those local communities who want to develop renewable energy schemes are able to do so.

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

3.118 In 2012-13, DECC ran a second phase of the Renewable Heat Premium Payment (RHPP) scheme to provide further short-term support for installations of renewable heat technologies in the domestic sector. This phase consisted of three elements:

- Householder voucher scheme
- Communities scheme
- Social landlords' competition

3.119 The scheme was primarily targeted at homes not heated by mains gas, who were able to apply for vouchers towards the costs of installing air-to-water-source and ground source heat pumps, biomass boilers and solar thermal systems. The Gov.uk website has details on how popular the scheme has been: https://www.gov.uk/government/organisations/department-of-energy-climate-change/series/renewable-heat-incentive-renewable-heat-premium-payment-statistics

3.120 On 26 March 2013 DECC announced an extension to the RHPP scheme consisting of another household voucher scheme and two further social landlord competitions to be run in 2013-14. Further information can be found at: https://www.gov.uk/renewable-heat-premium-payment-scheme

Chapter 4

Financial Overview

Introduction

4.1 This overview deals with the financial control regime that applies to central government bodies, this reflects the Clear Line of Sight (CLoS) reporting requirements introduced in 2011-12 to bring the Accounting and Estimates boundary of the Department into line with the Budget boundary.

4.2 The Department's Estimate and Accounts are shown on a fully consolidated group basis which involves the consolidation of the Core Department (which already includes the Advisory Non-Departmental Public Bodies), the Executive NDPBs and, for the first time this year, the nuclear Site Licence Companies (SLCs). The Department does not have any Executive Agencies.

4.3 The Accounts therefore comprise a full consolidation of the core Department, the four Executive NDPBs and the five SLCs as follows:

Executive NDPBs

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

SLCs

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

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

4.5 The SLCs are private companies which operate sites under contract from the NDA. The SLCs fall within the Departmental Boundary, for the first time in 2012-13, as a result of their inclusion in the Designation Order 2012-13 which itself is due to the classification of each SLC as Central Government by the Office for National Statistics (ONS). The comparative data has been restated to reflect the results of the SLCs for previous financial years, however the inclusion of the SLCs has no effect on the net operating cost of the DECC group, nor on the Statement of Parliamentary Supply.

4.6 The expenditure tables in Chapter 8 of this Report show the estimated outturn against the Budget, as published by HM Treasury in the Public Expenditure Statistical Analyses (PESA) 2012.

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

The resources available to the Department

4.8 A Comprehensive Spending Review (CSR) or Spending Review (SR) is the process by which the Government sets spending plans, typically for a three or four year period. This determines the Total Managed Expenditure (TME). TME is made up of the Departmental Expenditure Limit (DEL) Budget and the Annually Managed Expenditure (AME) Budget. The DEL Budget is set before the CSR/SR period starts for each year of the CSR/SR. The AME Budget is set in consultation with HM Treasury at the start of each financial year and updated through the Supplementary Estimate. DEL Budgets for the period up to 2014-15 were set by the Spending Review in 2010 (SR10). Budgets for 2015-16 are due to be announced on 26th June.

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

4.10 Whilst the Department's Budgets are agreed in the Spending Review process, additional Parliamentary approval must be sought annually for the planned expenditure of the Departmental Group. Supply Estimates seek Parliamentary authority each year via a voted net expenditure

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

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

Financial review of the accounts

Statement of Parliamentary Supply

4.13 This is the main accountability statement for Parliamentary reporting purposes, showing the Outturn compared to the Estimate. The Outturns for 2012-13 compared to the Estimate are summarised in the table below between DEL and AME and between Resource and Capital. The saving/(excess) for voted Outturn compared with Estimate are control totals.

Voted	Estimate £m	Outturn £m	Saving / (excess) £m
DEL – Resource	2,027	1,909	118
DEL – Capital	2,154	2,093	61
AME – Resource	8,183	5,389	2,794
AME – Capital	91	(20)	111
Total – Voted	**12,455**	**9,371**	**3,084**

Non-Voted	Estimate £m	Outturn £m
DEL – Resource	(835)	(780)
DEL – Capital	(57)	(55)
AME – Resource	–	(1)
AME – Capital	–	–
Total – Non-Voted	**(892)**	**(836)**

4.14 As can be seen in the table above, Voted Outturn is a saving compared with Estimate for all of the four control totals.

4.15 The detailed comparison of Outturn against Estimate by individual subheading is shown in Note 2 to the Accounts. The most significant variances (over £10m) are explained below:

Net resource outturn – DEL

4.16 Deliver secure energy on the way to a low carbon energy future (Estimate Subhead B) was £11m (19%) lower than Estimate due to £5m of the budget cover being moved to non-voted RDEL as this related to the contingency fund advance for

Electricity Market Reform; other underspends related to the running costs of renewable energy deployment.

4.17 NDA and SLC expenditure (NDPB) (Estimate Subhead F) was £95m lower than Estimate and the Nuclear Decommissioning Authority income (Estimate Subhead J) was £51m lower than Estimate; as a result of which net resource expenditure was £44m (8%) lower than Estimate. This favourable net resource expenditure is mainly as a result of energy trading income exceeding forecasts due to strong generation at Wylfa for much of the year. The effects are shown as variances in both income and expenditure following the elimination of trading between the NDA and the SLCs.

Net resource outturn – AME

4.18 Manage our energy legacy responsibly and cost effectively (Estimate Subhead K) was £997m (94%) lower than Estimate due to the Estimate including cover for a potential payment that the Government may have been required to make into the BCSSS Coal Pension fund following the fund valuation in March 2012 (see Notes 19.1 and 28.1). The fund valuation has not yet been finalised, but indications are that no such payment will be required and so no liability is recognised in the accounts.

4.19 Nuclear Decommissioning Authority (NDPB) (Estimate Subhead L) was £1,696m (25%) lower than Estimate due to the eventual increase in the nuclear provisions being less than that factored into the Estimate for emerging cost increases and audit adjustments.

4.20 Coal Authority (NDPB) (net) (Estimate Subhead M) was £18m (10%) lower than Estimate. The Estimate cover was primarily due to the inclusion of a Mine Water Scheme refurbishment programme over the next 100 years. The final outturn calculations associated with this programme, combined with incremental cost savings and efficiencies over the term of the provision has resulted in a reduction to the projected increase.

4.21 Renewable Heat Incentive (Estimate Subhead O) was £81m (75%) lower than Estimate due to delays in the launch of the domestic and non-domestic schemes, also the take-up of the schemes has been slower than expected.

Net capital outturn – DEL

4.22 Deliver secure energy on the way to a low carbon energy future (Estimate Subhead B) was £18m (38%) lower than Estimate due to underspends on energy innovation capital grants as a result of difficulty in identifying and developing suitable projects.

4.23 Deliver the capability DECC needs to achieve its goals (Estimate Subhead E) was £31m (98%) lower than the Estimate as a result of the centrally held contingency budget not being drawn on.

Net capital outturn – AME

4.24 Manage our energy legacy responsibly and cost-effectively (Estimate Subhead K) was £67m (199%) lower than Estimate; this is the net effect of the expenditure being £19m (23%) lower than Estimate and income being £47m (95%) above Estimate as a result of the Estimate including cover for a potential payment being the first instalment of the potential liability noted above in the resource AME (Subhead K) variance; the liability was not recognised and hence no payment was required.

4.25 Renewable Heat Incentive (Estimate Subhead O) was £12m (49%) lower than Estimate, this subhead relates to Renewable Heat Premium Payments, for which the anticipated take-up has been slower than expected for the community and domestic schemes, also longer timescales had been allowed for social landlords.

4.26 Save energy with the Green Deal and support vulnerable customers (Estimate Subhead P) was £33m (100%) lower than Estimate due to the Estimate including cover for a potential capital provision for a Junior Capital Bridge which would have been triggered had the take-up been higher than expected and a cash injection required, this did not turn out to be the case.

Statement of Comprehensive Net Expenditure

4.27 The Statement of Comprehensive Net Expenditure in not-for-profit bodies is similar to an Income and Expenditure Account and includes all operating income and expenditure relating to the Group on an accruals accounting basis, including that which sits outside of the Estimate.

4.28 The Net Operating cost for 2012-13 was £8,587m (2011-12: £6,545m), an increase of £2,042m largely due to the increased movements in provisions; these being £6,453m for 2012-13 (2011-12: £4,418m), an increase of £2,035m.

4.29 The change in the discount rates as noted in paragraphs 27 and 28 below total £4.1bn of the 2012-13 movements in provisions, this being a one-off effect in 2012-13. Total other increases in provisions are less than the increases in 2011-12 which reflected regulatory or HM Government led policy changes, incorporating costs of management of plutonium.

4.30 Total programme costs, excluding movement and unwinding of discount in provisions, are £199m less than prior year. The main year-on-year movements being amortisation of recoverable contract costs and contractor costs within the NDA which are less than the prior year by £70m and £100m less than prior year respectively.

4.31 Income is less than the prior year by £105m mainly due to the reduction in electricity generation following the closure of Oldbury in 2012, Wylfa is now the last remaining reactor power station in the NDA estate.

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

4.33 The outturn administration costs for 2012-13 were £162m (2010-11: £158m). This compares to the administration budget of £176m, a saving of £14m due to lower than expected spends on external resources for NDA projects, delays in plutonium management, savings on consultancy spend and underspend of budgets allocated for pay rises and staff exits.

Statement of Financial Position

4.34 The Department had total net liabilities at 31 March 2013 of £63,881m (31 March 2012: £58,050m), a net increase in liabilities of £5,831m. The major movements are in respect of provisions and financial assets which have increased by £6.1bn and £0.5bn respectively, these movements are explained in the paragraphs below.

4.35 Other movements in the Statement of Financial Position are mostly due to year on year movements across trade and other receivables and trade and other payables which net to £281m; the largest element being the £135m increase in the defined benefit pension liability within the Sellafield section of the Combined Nuclear Pension Plan as shown in Note 14.8.

Property, plant and equipment

4.36 The carrying value of property, plant and equipment has reduced by £60m as a result of additions of £37m offset by the depreciation charge of £99m, together with minor revaluations. Most of the additions were assets under construction within the NDA.

Financial assets

4.37 The majority of the financial assets of the group are recoverable contract costs within the NDA, the net increase of £584m is mostly reflected in the nuclear provision, contract losses provision and payments on account within trade payables; the net effect on the Statement of Net Comprehensive Expenditure being £172m amortisation.

4.38 Within financial assets, energy efficiency and recyclable energy efficiency loans have had additions of £18m to public sector bodies, offset by total repayments of £39m, there is also a new loan of £17m to the Green Deal Finance Company being an injection to develop its loans administration service and cover its operating costs.

Provisions

4.39 The most significant impact on the value of provisions during 2012-13 relates to the introduction of new discount rates by HM Treasury for use in all Government accounts from 2012-13 onwards. Until 2011-12, provisions were calculated by discounting the current estimate of future expenditure by a uniform rate of 2.2%. The new discount rates, as instructed by HM Treasury, apply to the expenditure within ten years and are based upon the real yield of UK index-linked gilts; expenditure beyond ten years remains discounted at the uniform 2.2%.

4.40 The change in methodology is to ensure that the discount rates meet the accounting standard's requirement to provide entities with rates that reflect current market assessments of the risk-free time value of money. The effect of this is to change the rates for short-term and medium-term expenditure to -1.8% and -1.0% respectively (previously +2.2). The negative rates reflect the interest payable on UK gilts being less than the rate of inflation, consequently the value of discounted expenditure within ten years is greater than the actual undiscounted expenditure.

Nuclear provisions

4.41 The core Department is obliged to assist British Energy to meet its historic nuclear fuel liabilities. The provision has increased over and above the utilisation as a result of the change in the discount rate methodology; the effect of which is £231m of the total increase of £288m, the remainder being due to the indexation of future cash flows.

4.42 The decommissioning provision has shown an increase of £5,942m due to a number of movements as shown in Note 22.1. The most significant element is the increase in provision as a result of changes to forecasts, assumptions and discounting of future cash flows (discount unwinding and movements against recoverable contract costs broadly equating to the expenditure against the provision).

4.43 The most significant element giving rise to an increase in the value of the provision during 2012-13 is the introduction of new discount rates by HM Treasury as noted in paragraphs 27 and 28 above. The effect of this is an increase to the provision of £3.8bn.

4.44 Other elements giving rise to an increase in the value of the provision relate to the Sellafield programme to cover site developments, major project costs and accounting adjustments; offset by the reductions on other sites to give a net increase of £1.7bn.

4.45 The contract loss provision recognises anticipated shortfalls between total income and total expenditure on relevant long-term contracts, the increase in provision relates to changes in estimates of costs of existing contracts.

Other provisions

4.46 Other provisions within core DECC all relate to coal liabilities comprising the health liabilities of British Coal transferred to the Department, the National Concessionary Fuel Scheme to provide either solid fuel or a cash alternative to former employees of the British Coal Corporation and their widows, and site restoration. Of the total net increase of £88m, the change in the discount rate methodology accounts for £68m; the remainder is made up of an increase in the concessionary fuel provision due to solid fuel price increases and longer mortality rates, offset by a reduction in health liabilities due to reduced settlement rate assumptions for Noise Induced Hearing Loss.

4.47 The Coal Authority provision consists of Mine Water treatment, costs of subsidence pumping stations and subsidence. Of the total net increase of £157m, the change in the discount rate methodology accounts for £52m; the remainder is mainly due to the costs of refurbishing Mine Water schemes being incorporated into the future liabilities for the first time.

Cash Flow Statement

4.48 The amount of cash required to fund the Department's activities during 2012-13 was £3,824m (2011-12: £3,502m) compared to an Estimate of £4,416m, a saving of £592m. The reconciliation of net cash requirement to the increase in cash of £127m can be seen in Note 4.

Other information

Risks and uncertainties

4.49 DECC promulgated a new risk management framework in June 2012 and has since made good progress in embedding this across the Department. A key element of the framework is the active management of risks, with mitigating actions planned and implemented to reduce them. During the year the Department established an Executive Committee which has reviewed the Department's strategic risks on a monthly basis. DECC's strategic risks have also been reviewed by the Departmental Board at each of its meetings. The framework requires programmes and projects to manage their risks actively and escalate them where necessary. Additional scrutiny has been given to the risk management arrangements supporting high risk/value projects and programmes before their business cases are submitted to the Department's Approvals Committee. A risk management training programme has been established to increase capability.

4.50 DECC continues to manage major strategic risks on behalf of the UK government, in particular the risks of disruption to UK energy supplies, man-made climate change, increasing fuel poverty and health and safety impacts from the UK's energy legacy. Many of the programmes we have in place to manage these risks are innovative or have challenging targets with a high inherent risk profile. For example, carbon capture and storage, smart meters and new nuclear power generation are all innovative technologies and/ or require major private sector investment in a difficult economic environment. Other strategic risks to the Department's objectives include the potential impact if the Nuclear Decommissioning Authority is unable to operate within its financial control totals. This risk is routinely managed by working closely with the Authority using the expertise provided by the Shareholder Executive. More information on DECC's risk management arrangements is included in the Governance Statement.

Liquidity, interest and currency risks

4.51 The Department has no borrowings and relies primarily on voted funds from Parliament for its cash requirements. It is therefore not exposed to liquidity risk. It has no material deposits so it is not exposed to interest rate risk and all material assets and liabilities are denominated in sterling so it is not exposed to material currency risk. Further disclosures are provided in Note 27.4 to the Accounts. Some items on the Balance Sheet are discounted using rates specified by HM Treasury, specifically Financial Assets and Provisions. HM Treasury varies these discount rates from time to time, which will affect the value of these assets and liabilities on the Balance Sheet.

Contingent liabilities

4.52 Under Parliamentary reporting requirements, the Department discloses contingent liabilities which, by their remoteness, do not fall within the scope of IAS37: Provisions, contingent liabilities and contingent assets. These fall into two categories, those which are quantifiable and those which are unquantifiable; details of both of these are given in Note 29 to the Accounts.

Research and development

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

Personal data

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

Events after the reporting period

4.55 Details of events after the reporting period are given in Note 33 to the Accounts.

Going concern

4.56 In common with other Government departments, the future financing of the Department's liabilities is to be met by future grants of Supply and the application of future income, both to be approved annually by Parliament. Such approval for amounts required for 2013-14 is due to be voted on account when the Supply and Appropriation (Main Estimates) Bill is put before Parliament, the bill was introduced to the House of Commons during July; there is no reason to believe that future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Pension liabilities

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

4.58 The PCSPS are unfunded multi-employer defined benefit schemes and the Department is consequently unable to identify its share of the underlying assets and liabilities. There is therefore no reflection of the Schemes on the Department's Balance Sheet. Further details can be found in Note 7 to the Accounts and in the Remuneration Report in Chapter 6.

Donations

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

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

Payment of suppliers

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

4.62 For the year 2012-13, 94.7% (2011-12: 90.4%) of undisputed invoices were paid within five working days.

Auditors

4.63 These financial statements and the accompanying Trust Statement have been audited, under the Government Resources and Accounts Act 2000, by the Comptroller and Auditor General (C&AG), who is appointed under statute and reports to Parliament. The audit opinions are on pages 107 to 109 and pages 238 to 239. The notional cost to the Department of the external audit of the financial statements by the National Audit Office for the C&AG was £220,000 (2011-12: £200,000). There were no fees in respect of non-audit work.

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

Offshore electricity transmission

4.65 Following the publication by the Comptroller and Auditor General's report Offshore electricity transmission: a new model for delivering infrastructure (HC22, Session 2012-13, 22 June 2012) the Public Accounts Committee of the House of Commons took evidence from the Department on 17 October 2012 and subsequently published its own report on 6 December 2012 (Twentieth Report of Session 2012-13, HC621).

4.66 The NAO's recommendations were that the Gas and Electricity Markets Authority (the Authority) should: seek future licences conditions which ensure that consumers are only exposed to appropriate risks; use the lessons of the initial competitions to improve the efficiency of future competition tenders; continue its work in developing independent information on the efficient costs of providing offshore transmission assets; complete a fully quantified estimate of costs and savings from the first tender round; and make use of the costs evident from offshore transmission competitions to inform future process reviews for onshore activities.

4.67 The government published its formal response to the Public Account Committee's recommendations in March 2013 (Treasury Minutes, Government responses on the Twentieth, Twenty Third and the Twenty Fifth Reports from the Committee of Public Accounts Session: 2012-13, Cm 8586, pages 3 to 6). Of the four recommendations, the government agreed with two of the recommendations and disagreed with two of the recommendations.

4.68 The government agreed with the following PAC recommendations: the Authority should monitor the offshore transmission market and should refer the market to the Competition Commission if consolidation by a few companies undermines competition; and Treasury should be alert to any part of Government setting up a new market, and make sure they learn from previous experience.

4.69 The government disagreed with the PAC recommendation that in applying the regime for future licences, the department and the Authority should: show clearly how the regime is expected to produce better outcomes than alternative approaches; and introduce a rigorous system of evaluation to confirm whether projected savings are achieved. The Government believes that a rigorous system of evaluation is in place, and that the benefits of the offshore electricity transmission regime are already being demonstrated.

4.70 The government disagreed with the PAC recommendation that for future licences and, where appropriate, licences already being competed, the Authority should: require investors to provide transparency over actual returns including those from sale proceeds, and to share gains from debt refinancing and excess equity profits; reconsider whether a revenue stream linked to the retail price index offers better value for money for consumers than alternatives such as a flat or partially indexed revenue stream; assess the benefits and risks of continuing with guaranteed income for 20 year licence periods compared with shorter licence periods or more regular price reviews within each licence period; and consider higher penalties beyond the current 10% annual cap for failure to make assets available. The Authority intends to publish a statement on the regime in the summer of 2013, following assessment of the consultation responses and further input from its technical and financial advisers. The department considers that identified licence terms should be kept under review for future licences. However, it would be inappropriate for the Authority to change any terms for future licences prior to consultation responses being thoroughly reviewed and considered.

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

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

Managing risk reduction at Sellafield

4.72 Following the publication by the Comptroller and Auditor General's report Managing risk reduction at Sellafield (HC630, Session 2012-13, 7 November 2012) the Public Accounts Committee of the House of Commons took evidence from the Department on 26 November 2012 and subsequently published its own report on 4 February 2013 (Twenty-fourth Report of Session 2012-13, HC746).

4.73 The NAO's recommendations were that the Nuclear Decommissioning Authority (the Authority) should: better understand how Sellafield Limited has prepared cost and schedule estimates in the lifetime plan and business cases; gather lessons from other organisations that use similar contracts to the cost reimbursement contract with Sellafield Limited; obtain assurance that Sellafield Limited has fully assessed risks to time and cost from its approach to supply chain management and put sufficient mitigations in place, with clear individual responsibilities; and routinely report externally on its major projects, with performance information against original schedules and budgeted costs.

4.74 The PAC's recommendations were that the Authority should: develop and apply benchmarks to assess the robustness of the lifetime plan and challenge existing assumptions on costs and timescales for critical projects, and rigorously examine the timetable for the geological disposal facility; invite the Major Projects Authority to review the most critical and largest projects, and should report publicly on the progress of key risk reduction programmes against plans and budgets; determine how and when it will have achieved sufficient certainty to expect Sellafield Limited to transfer risk down the supply chain on individual projects and then to reconsider its contracting approach for the site as a whole; ensure all payments are linked to the value delivered and that payments are not made where companies have failed to deliver, it should also routinely provide assurance on the operation of its controls over payments for Nuclear Management Partners' constituent companies; and set out what added value can be achieved from taxpayers' investment in Sellafield, clarify their roles in delivering this and set performance targets for contributing to the development of the regional and national economy and workforce; and the NAO should review the basis on which savings have been assessed and provide assurance to the Committee that the level of savings achieved at Sellafield has been measured and reported accurately.

4.75 The government published its formal response to the Public Account Committee's recommendations in May 2013 (Treasury Minutes, Government responses on the Twenty Fourth and the Twenty Sixth to the Thirty Fifth Reports from the Committee of Public Accounts Session: 2012-13, Cm 8613, pages 3 to 8). The government agreed with all of the Committee's recommendations.

Disclosure of audit information

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

Stephen Lovegrove
Accounting Officer and Permanent Secretary
24 June 2012

Chapter 5

Accounts

Statement of Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed the Department of Energy and Climate Change to prepare, for each financial year, consolidated resource accounts detailing the resources acquired, held or disposed of, and the use of resources, during the year by the Department and its sponsored non-departmental and other arm's-length public bodies designated by order made under the GRAA by Statutory Instrument 2012 no 717 as amended by Statutory Instrument 2012 no 3135 (together known as the 'Departmental group', consisting of the Department and sponsored bodies listed at note 1.3 to the accounts). The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department and the Departmental group and of the net resource outturn, application of resources, changes in taxpayers' equity and cash flows of the Departmental group for the financial year.

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

- observe the Accounts Direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- ensure that the Department has in place appropriate and reliable systems and procedures to carry out the consolidation process;
- make judgements and estimates on a reasonable basis, including those judgements involved in consolidating the accounting information provided by non-departmental and other arm's-length public bodies;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

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

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

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the Department, non-departmental or other arm's-length public body for which the Accounting Officer is responsible, are set out in Managing Public Money published by HM Treasury.

DECC Governance Statement

1. INTRODUCTION AND KEY CHALLENGES

This Governance Statement sets out the governance, risk management and internal control arrangements for the Department of Energy and Climate Change (DECC). It applies to the financial year 1 April 2012 to 31 March 2013 and up to the date of approval of the Annual Report and Accounts including the Department's Trust Statement, and accords with HM Treasury Guidance. It also integrates information about the Department's Non-Departmental Public Bodies (NDPBs) included in the Group consolidated Accounts.

DECC is a relatively small Department responsible for the second largest delivery portfolio in Government. Our goals are long-term and complex and our governance, structures, staffing and systems have needed to evolve as the Department makes the transition from being a policy department towards one that is also effective at delivering major programmes and projects. DECC has invested significantly in improving its capability to deliver through implementation of the DECC Development Programme, helping to develop DECC towards being a fully-fledged policy and delivery organisation that successfully manages long term programmes of national importance and delivers value to the public.

2. THE GOVERNANCE STRUCTURE

I was appointed Accounting Officer on the 4th February 2013, and was advised about the system of governance, risk management and internal control in operation prior to my appointment by my predecessor, the Chairman of the Audit & Risk Committee and the Director of Internal Audit. In addition, given the turnover in these and other senior positions, I have taken advice from officials across the Department to satisfy myself about how structures have been operating.

During 2012-13 the main development in departmental governance was the establishment of the DECC Executive Committee and the Finance sub-committee.

I was supported in my role of Accounting Officer by the Departmental Board, and its sub-committees: the Executive Committee, Audit and Risk Committee, Nominations & Governance Committee, Approvals Committee and the Finance Committee.

2.1 How the Governance Structure Operated in 2012-13

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

Executive Committee – established in June 2012, replacing the Management and Change and Strategy Development Committees. It is chaired by the Permanent Secretary and meets twice a month. It supports the Departmental Board by ensuring the operational management of the Department is effective in delivering DECC's organisational strategy. Its role is to take decisions on key operational items that have a strategic or overarching impact while ensuring DECC achieves its strategic objectives.

It does this through a monthly review of finance, performance and risk, and oversight and management of DECC's portfolios. The Committee self-evaluated its effectiveness in October 2012 and found that while it was generally working well it needed to shift the balance of business from corporate to more strategic issues. I am working with the Secretariat team to ensure we implement this change.

Audit and Risk Committee – provided assurance on the quality of the Department's Resource Accounts, the effectiveness of governance, risk management & internal control arrangements, the activity and results of both Internal and External audit and counter-fraud and whistle blowing processes. It typically meets four times a year. The Committee self-evaluated its effectiveness in December 2012 and agreed three areas for improvement: strengthening its relationship with the Departmental Board and Accounting Officer; greater oversight of DECC's Arms Length Bodies; and improved support to allow it to operate effectively, with more time allowed for greater scrutiny and discussion of items requiring the Committee's attention. A plan is in place to deliver these improvements.

Nominations and Governance Committee – advised on the effectiveness of the department's systems for identifying and developing leadership and high potential, scrutinising the incentive structure and succession planning for the Board and senior leadership of the Department and scrutinising governance arrangements. The Committee aims to meet quarterly. It held its first meeting in June 2012 and met twice thereafter.

Approvals Committee – ensured DECC's major projects and programmes are deliverable and affordable with adequate planning, resourcing and governance structures. This year saw a number of improvements to the work of the Department's Approvals Committee so that its scrutiny of business cases is more focused on benefits, timelines, financial aspects, risk and resource planning; to drive up the quality of business cases; and to review lessons after each business case. The Committee meets two to three times each month.

Finance Committee – established in November 2012 as a sub-committee to the Executive Committee to support and strengthen decision-making around financial matters. It meets monthly and has focussed on optimal allocation of resources, providing assurance around effective financial management and controls, and overseeing financial risk management. The Executive Committee has highlighted to the Board the effectiveness of the new Finance Committee in greatly assisting and supporting its decision-making on financial issues, enabling timely decisions on allocation of funds to groups.

The Departmental Board receives a report on the work of its sub-committees at each meeting with time allocated to formally review and consider decisions taken by them.

Each of the four business groups in the Department also has its own governance structure and these have continued to be developed during 2012-13. In particular, there has been increased focus on maintaining effective oversight of finance, performance and risk in ensuring Programmes, Projects and Business as Usual activities are able to deliver.

2.2 Issues & Risks Considered by the Departmental Board

The Departmental Board held two full meetings and one reduced meeting in 2012–13. Two offsite meetings and one regular meeting were cancelled due to other pressures, such as the need for the Secretary of State to attend Cabinet Committees (in accordance with the Ministerial Code). In the case where the regular Board meeting was cancelled, papers were circulated to Board members for comment.

At each meeting the Board discussed risk and performance management and received reports back from its Sub-Committees. Specific discussions included the outcome of the Department's Capability Review, Board Development, the outcome of the Department's Portfolio Review, an annual review of the Nuclear Decommissioning Authority (NDA) and an initial review of DECC analytical models following the West Coast mainline issue at Department for Transport. On risk management, the Board discussed and agreed that risk appetite in DECC should continue to be documented at programme and project level and reviewed the Department's top ten risks and agreed that they should be subject to detailed risk reviews. A number of key programmes were discussed individually, specifically the Green Deal & the Energy Company Obligation (ECO) and Energy Efficiency Strategy.

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

The Department has complied with the Corporate Governance code in principle, however infrequent meetings of the Departmental Board has been a notable issue through the year. Whilst this has weakened the effectiveness of governance in the Department at the top level, the Department has ensured that key decisions have been made appropriately.

The Departmental Board conducted an evaluation of its effectiveness in 2012-13. This found that while it had continued to develop in its second year with good constructive discussion, progress had been hampered by infrequent meetings and several changes to membership as new Ministers and members of the Department's senior management team were appointed throughout the year. In the coming year I will be working with the Secretary of State and new lead Non-Executive Board Member to help the Board refocus and agree its priorities for the coming year as well as improving the roles and accountabilities of its sub-committees.

Below are the dates when the Departmental Board met during 2012-13 along with a record of Board Member attendance:

Board Member	17/4	23/10	15/1	Total
SoS	√	√	√	3/3
Charles Hendry[30]	√	–	–	1/1
John Hayes[31]	–	√	√	2/2
Michael Fallon[32]	–	–	–	0/0
Greg Barker	X	X	√	1/3
Lord Marland[33]	√	–	–	1/1
Baroness Verma[34]	–	√	√	2/2
Moira Wallace[35]	√	√	–	2/2
Stephen Lovegrove[36]	–	–	√	1/1
Phil Wynn Owen[37]	√	√	√	3/3
Simon Virley	√	√	√	3/3
Wendy Barnes[38]	√	√	–	2/2
Vanessa Nicholls[39]	–	–	√	1/1
Paul Hollinshead[40]	–	–	√	1/1
Vanessa Howlison[41]	–	√	√	2/2
Paul Walsh	√	√	X	2/3
Claire Thomas	√	√	√	3/3
Rob Whiteman[42]	√	X	X	1/3
Terry Morgan[43]	–	√	√	2/2

30 Minister of State until 4 September 2012
31 Minister of State from 5 September 2012 to 27 March 2013
32 Minister of State from 28 March 2013 (jointly with Business, Innovation and Skills)
33 Parliamentary under SoS until 4 September 2012
34 Parliamentary under SoS from 6 September 2012
35 Permanent Secretary until 26 October 2012
36 Permanent Secretary from 4 February 2013 – attended January meeting as Observer
37 Acting Permanent Secretary from 29th October 2012 – 1st February 2013
38 Chief Operating Officer until 21st December 2012
39 Acting Chief Operating Officer from 21st December 2012
40 Acting Director General International Climate Change and Energy Efficiency from 29th October 2012 – 1st February 2013
41 Finance Director – full Board member from 1st May 2012
42 Non-Executive Director until 11th February 2013
43 Non-Executive Director from 1st July 2012

2.4 Conflicts of interest

All Board members are required to declare to the Secretary of State or the Permanent Secretary any personal or business interest which may (or may be perceived by a reasonable member of the public) to influence their judgement in performing their functions and obligations. These interests include (without limitation), personal direct and indirect pecuniary interests and any such interests of close family members and/or of people living in the same household as the Board members.

The Department collects this information on a biannual basis from Executive and Non-Executive Board members. No conflicts of interest requiring active management were identified.

2.5 New Board Members

The Department has experienced high turnover in a number of senior positions over the year. To mitigate the associated risks to good governance, where possible, succession is planned and new Board members have received an induction about the Department. This includes briefing on the Board and their role, including propriety matters, general briefing on the work of the Department, and more specific briefing to support their understanding of issues brought before the Board.

In light of this level of turnover, Nominations and Governance Committee has reviewed and agreed arrangements for succession planning of senior executives and non-executives.

2.6 Machinery of Government Changes

On 1 April 2012, policy and ownership responsibility for the UK shareholding in Urenco transferred from the Secretary of State for Energy and Climate Change to the Secretary of State for Business, Innovation and Skills in a move to consolidate government shareholdings within the Shareholder Executive. This will strengthen the ability of the Government to utilise commercial expertise in the future management of its Urenco shareholding, including in the ongoing work on a possible sale. The transfer was jointly planned by the two departments, with advice from the Machinery of Government team in the Cabinet Office.

2.7 Local Government

The Department has provided grants to Local Authorities totalling £45m during the year under Section 31 of the Local Government Act 2003. It is Central Government's policy that such grants do not have legal control restricting their use. For each grant the Department has issued a Memorandum of Understanding to the Local Authority, however this is not legally enforceable, rather it constitutes an expression of intent for assurance that the grant will be put to use in accordance with the Department's objectives. Internal Audit completed a review of Local Government grants in April. The audit report confirms that there is a strong control environment with no further actions required by the department.

3 RISK MANAGEMENT

3.1 Approach to Risk

The Department has clearly articulated the key risks to achieving its objectives and recognises the importance of having a consistent approach to managing them across the organisation. The Departmental Board considered risk appetite at its October 2012 meeting and decided it was not possible to set a departmental level appetite given the range of objectives and risks that DECC faces. The Board did, however, reaffirm its requirement for risk appetite to be documented for all programmes and projects and endorsed additional guidance to help embed this.

The Departmental Board reviewed the top-level Risk Register in April 2012, October 2012 and January 2013 has also agreed that the top tier risks should be subject to a detailed risk review to determine whether they have been assessed correctly, have appropriate target levels and ensure that sufficient mitigating actions are in place. The Secretary of State has prioritised which top tier risks will be reviewed. Each review will be attended by senior management, Non-executive Directors and Ministers (where available) and will be similar to the approach applied in 2011-12. Reports of these risk reviews are sent to the Departmental Board to provide them with assurance that risks are being managed appropriately.

The creation of the Executive Committee also allows for the top-level risks to be reviewed on a monthly basis by exception with a more formal review of the risks taking place each quarter, ahead of each Departmental Board meeting. The Executive Committee's monthly reviews include risks which have been escalated from Group level guided by stated escalation criteria. The risk management arrangements supporting high risk/value business cases are scrutinised before they are submitted to the Department's Approvals Committee. The Audit and Risk Committee is responsible for assessing the Department's risk policy and its effectiveness. It discusses the latest agreed version of the top-level Risk Register at every meeting.

During 2012-13, the Department launched a risk management improvement programme to strengthen our risk management capability and ensure a consistent approach is applied across the organisation. A new risk management policy and associated risk management framework were promulgated on 12 June 2012 and work is on-going to embed the approach throughout the organisation. Staff are now required to record risks using a standard risk register template and a series of awareness sessions were held to familiarise staff with the new arrangements. This has been followed up with more detailed training sessions on risk management that are available to staff every six weeks through the "DECC School" which 83 staff have attended (to March 2013) and 93 per cent of feedback forms showed a positive reception. A specialist Programme and Project Risk Management course has also been developed and attended by 24 people with 83 per cent of feedback forms showing a positive reception. Induction training for new entrants to the Department also now covers risk management.

The Department remains exposed to many risks, both from the innovative nature of its programmes, and the challenge of delivering a large programme with a small department. I recognise that further work still needs to be done to embed the appropriate risk management capability across the Department. To that end, a group of local risk management leads meets periodically throughout the year to discuss progress in embedding risk management and what further activity might need to be undertaken. A survey has been issued to staff seeking feedback about the progress made in embedding risk management across the organisation since the risk framework was launched. More detailed guidance has been developed on how risk appetite for programmes and projects should be quantified and expressed. The Department will look at how it can develop more analytical and quantitative techniques for measuring some of the more complex risks it faces as well as ensuring a disciplined and consistent approach to managing risk is maintained.

Fraud Risk

During 2012-13, DECC actively contributed to a cross-government initiative to improve fraud awareness, so that every member of staff recognises the threat and understands their role in tackling it. A Fraud Awareness Survey was launched in July 2012 with 60% of DECC staff completing it by the end of March 2013. In October 2012, DECC held a Fraud Awareness Week where a series of counter-fraud talks were held with DECC staff. These sessions were well attended and as a result led to the creation of a Fraud Risk Group which met in December and February. The Group includes representation from Ofgem and will meet on a regular basis to:

- develop a more shared understanding on the state of the fraud risks DECC manage and how they are managed downwards;
- get updates on national Government initiatives to manage fraud;
- help feed ideas into the design of programmes and contracts; and
- be made aware of issues that DECC should be drawing to the attention of our partners to manage fraud risks that they deal with on our behalf.

Types of fraud risk of which managers are aware include the risk of misuse of schemes such as FITs; risks of inappropriate payments under schemes such as Warmfront; risk of unwanted payments under schemes such as coal health; and risks of misuse of the procurement, payroll and expenses systems.

In seeking to further strengthen our intelligence about possible fraudulent activity that might be impacting on DECC programmes and projects, a contact point has been made available on the DECC Internet for third parties to report any suspicions of fraud or irregularity.

Information Security Risk

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

The DECC Security Risk Management Overview report for Cabinet Office states that the department meets all Security Policy Framework mandated requirements, and reports no significant risks found by the department.

4. CONTROL AND RISK ISSUES

4.1 Key Events

CCS Commercialisation programme

Following the Government's decision not to proceed with the Carbon Capture and Storage demonstration project at Longannet, DECC initiated an outcome based programme to support developers gain practical experience in the design, construction and operation of commercial scale CCS with £1bn capital funding, with operating costs supported through low carbon contracts for difference. The Programme is one of the Top 40 infrastructure projects and aims to make CCS cost competitive with other forms of low carbon electricity generation, and encourage greater investment in CCS.

The Chancellor announced the two preferred bidders in this year's Budget Statement: Peterhead Project in Aberdeenshire and White Rose Project in Yorkshire. DECC will now undertake discussions with the two preferred bidders to agree terms by the summer for Front End Engineering Design (FEED) studies. A final investment decision is expected to be taken in early in 2015.

Electricity Market Reform (EMR)

The aim of the EMR programme is to undertake the necessary reform to the electricity market to ensure the UK can attract the investment in electricity generation needed to have a secure, affordable supply of electricity towards the end of this decade and in the longer-term and to meet its renewable and carbon emission reduction targets in the most cost-effective way. The EMR Programme is on track to deliver to original date of 2014. The main achievements in 2012-13 were the publication of the EMR Policy Overview and draft Bill in May 2012 for pre legislative scrutiny and the introduction of the Energy Bill and publication of further detailed policy updates in November 2012. The Bill is expected to achieve Royal Assent by the end of 2013. The programme has a comprehensive governance structure in place with project and programme level boards which include delivery partners. Any issues or risks that cannot be dealt with at the project level are escalated to the Programme Management Board, which provides coordination and direction to the programme. An Executive Board, with membership from across DECC at Director level, signs off policy recommendations to Ministers. A programme-level Steering Board, including Government Departments and Devolved Administrations, provides a senior-level government steer.

Green Deal

The Green Deal is the Coalition Government's flagship policy for energy efficiency. During the early part of 2012-13, DECC completed the policy consultation process by issuing the Government's response and also secured Parliament's approval to the key secondary legislation that provides the framework of accreditation and consumer protection. As Green Deal is a market mechanism, the Department liaised closely with stakeholders to develop a phased introduction to the programme. This ensured that risks were reduced by allowing participants to become accredited from 1 October so that the supply chain had time to grow before the main launch on 28 January 2013. This period also allowed time for extensive testing of systems to ensure that key functionality, such as the ability for assessors to get their Green Deal assessments lodged on the database, would operate satisfactorily. In addition, exemption was secured to the Government's freeze on marketing to allow an advertising campaign that stimulated both demand and the supply chain to support early activity in the market. Throughout 2012-13, and beyond, there has been careful governance of the programme to ensure that the impacts of any adjustments to the operating model are properly understood within DECC and beyond. To ensure we understand progress, regular weekly statistics have also been available within DECC since October and monthly statistical releases have been published since March.

Levy Control Framework

A number of DECC's policies place the financing obligation onto energy companies through levies, currently the Renewables Obligation (RO), Feed-in-Tariffs (FITs) and Warm Homes Discount. As these charges are passed onto bill-payers by suppliers, DECC levy-funded spending forms part of the Government's public spending framework. The 2010 Spending Review set an overall cap on the level of levies expenditure that DECC could obligate through policies by establishing a Levies Control Framework. DECC is expected to set policy such that the central forecast for DECC levy-funded spending is equal to or less than the agreed cap. The framework includes a 'headroom' of 20% to recognise the uncertainty involved in managing demand-led schemes. In circumstances where the headroom is being used DECC has to develop plans for bringing policies back into line with the cap, or agree with the Treasury that the variation is only temporary. The Treasury may seek a financial contribution from DECC DEL budgets should a satisfactory reduction plan not be brought forward when required.

The high uptake of FITs payments for solar PV during 2011 and 2012 and the ongoing financial commitment that this entails means that the total expenditure for FITs is expected to be £2.1 billion compared to a budget of £1.1billion in this Spending Review period. The FITs overspend is being met through a combination of underspend from the RO, and use of the headroom facility. A degression mechanism has been introduced for all supported technologies which lowers tariff levels as deployment increases. To date there have been trigger points for solar PV in November 2012, February 2013 and May 2013,with the result that some tariffs have been reduced. Tariffs for the other technologies support will reduce from 1 April 2013. This gives greater certainty that future FITs spending will not exceed estimates.

The RO operates on the basis of three separate obligations: one covering England and Wales, for which DECC is responsible, one in Scotland and one in Northern Ireland. UK Government policy is to close all three RO schemes to new accreditations from 1 April 2017, from which time support for large-scale renewable electricity will only be available through Contracts for Difference. The Scottish Government has executive authority for administering the RO in Scotland while the RO in Northern Ireland is fully devolved to the Northern Ireland Executive. Both Devolved Administrations may set their own RO support rates and determine the timing for the closure of their respective schemes. The costs of the RO in general, including costs resulting from any separate decisions made by the Devolved Administrations, are shared across UK consumers in general. DECC is accountable to HM Treasury for all expenditure under the three RO schemes, including expenditure from decisions taken solely by the Devolved Administrations. DECC has good working relations with the Scottish Government and the Northern Ireland Executive on the RO. The last comprehensive banding review, which concluded in 2012, set broadly consistent levels of support across the whole of the UK, which are affordable within the agreed LCF. DECC officials continue to engage with their counterparts in the Devolved Administrations regarding a common closure date for all three RO schemes.

Managing Risk at Sellafield

In November 2012, the National Audit Office (NAO) published a report into managing risk at Sellafield, the UK's largest and most hazardous nuclear site. The main conclusion was that the inherited challenge was great due to historic neglect, that there had been progress since 2008 (following the appointment of Nuclear Management Partners (NMP) as the parent body for the site licence company, Sellafield Ltd,) but that it was too early to judge whether the appointment of NMP was delivering value for money. They also found that, whilst the management of projects at Sellafield to date had not provided good value for money, the NDA was 'taking appropriate steps' in working with Sellafield Limited to understand and address the causes of under-performance. They also noted that improvements have been achieved in other activities across the site. The PAC subsequently held a hearing and published its own report, which reinforced the NAO's findings and made a number of recommendations for improvements. The Government accepted all the recommendations and the NDA is implementing them, continuing to work closely with Sellafield Limited to improve capability and performance at the site on what remains a unique and highly complex national priority.

Migration to a new Finance Shared Services provider

We migrated our finance transactional services to Defra Shared Services Division (SSD) in June 2012, and they are now provided by the same team that provides our HR transaction services. The migration was managed carefully to maintain continuity of service provision. Risks associated with the project were identified and appropriate mitigation measures put in place. The outcome was a smooth transition with continuity of service and information, and limited impact on customers.

Quality Assurance

In response to the Laidlaw Report and the Macpherson Review into the West Coast Mainline bid process, the department is introducing a number of changes in relation to the production and use of evidence in the policy process. We are putting in place a more systematic multidisciplinary quality assurance process for all evidence and analytical outputs (including for developing and using models) as well as clarifying the roles and responsibilities of individuals and boards in ensuring multidisciplinary evidence is used effectively in the policy process, and risks related to evidence are properly logged, managed and escalated as necessary. We are also introducing new processes to improve the way we plan our evidence base.

Renewable Heat Incentive

The Renewable Heat Incentive scheme was launched for non-domestic participants in November 2011. Although some eligible technologies have been deploying at good levels, deployment of other technologies and for the scheme as a whole has been lower than expected. In response, DECC conducted a review of the evidence on which the original tariff levels were based and at the end of May 2013, published a consultation document proposing increases to the tariffs for ground source heat pumps, large biomass and solar thermal. DECC is also working with Ofgem E-Serve, the scheme administrator, to design and implement other improvements to the current RHI scheme – for example, simplifying metering requirements.

4.2 Key Initiatives

DECC Development Programme

Following an independent Capability Review in 2011–12, the Department initiated the DECC Development Programme (DDP) to implement the recommendations contained in the published Capability Action Plan. The programme was designed to improve the way the Department operates and functions, and to ensure the Department is better equipped to deliver its challenging agenda.

The DDP team prioritised its focus on the Governance and Portfolio, Programme and Project Operating Model themes, leading to the development, quality assurance and then launch of a new set of standard tools for managing DECC programmes and projects to help drive delivery and identify and mitigate risk. Governance improvements including the creation of the Executive Committee are set out in section 2.

The DDP was closed in March 2013 and a new Director of Corporate Strategy and Change was appointed to continue the process of delivering further improvements across the Department over the next few years.

Finance Improvement Programme

An external review of the stength of finance in DECC was commissioned by the Finance Director in 2011-12 considering both the organisation and strength of the central Finance Team, and the financial capacity and capability of staff managing budgets and working on projects and programmes. It was designed to identify opportunities to strengthen financial management and ensure that the relationship between the central team and the business was correctly defined and operating effectively.

A Finance Improvement Project was launched in 2012-13 to implement a number of findings from the review. A key output is a Finance Blueprint document incorporating:

- a shared vision for the delivery and development of finance;

- new ways of working based around an extended finance community encompassing more finance professionals embedded within programmes;
- a statement of the respective roles and responsibilities of central finance, local finance staff and budget holders;
- a roadmap to delivering our vision for finance.

The programme has also devised an improved training programme, with different modules focussing on different finance skills and capabilities, with a self-assessment skills matrix tool to help staff identify the most suitable modules for individuals.

The Finance Improvement Project will help DECC to address the priorities of the Finance Leadership Group chaired by Richard Douglas, Head of the Government Finance Profession. The workstreams of the government-wide Finance Transformation Plan cover capability, financial awareness, efficiency, cost effectiveness, control and reporting. We plan to complete a full assessment using the CIPFA Financial Management Model.

As noted in the accounts for the previous year, the Department breached the annually managed capital expenditure limit by £6.165 million. The breach has been reported to Parliament and authorised through the Excess Vote. We have reinforced our existing forecasting processes to reduce the risk of any future similar breach.

Commercial Skills Review

DECC needs strong commercial skills to ensure that projects that interact with the market have the capability to incentivise investment in energy and low carbon technology, whilst minimising costs to consumers. Since 2011, when DECC's portfolio transitioned to delivering a portfolio of Major projects, the Department has sought to increase commercial capability by recruiting commercial specialists and providing training for existing staff. Continued development of commercial skills is a priority for the Department, and as part of the drive to build commercial skills announced in the Budget in March 2013, we are working with Infrastructure UK to establish an Infrastructure Capacity Plan.

Ministerial Directions

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

5. GOVERNANCE OF NON-DEPARTMENTAL PUBLIC BODIES

5.1 Sponsorship of NDPBS

The Department has clear arrangements for monitoring its NDPBs. Responsibility for

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

Nuclear Decommissioning Authority

DECC has continued to utilise the services of the Shareholder Executive (ShEx) to provide oversight and governance of the NDA. The detailed arrangements are set out in the Management Statement and Financial Memorandum and there is a Memorandum of Understanding in place between DECC and ShEx.

The Chairman has routine meetings with DECC Ministers and me which augments the existing interface between NDA senior management and DECC officials. During the year, the NDA presented on its activities to the DECC Departmental Board and the DECC Audit & Risk Committee. DECC governance of the NDA has been strengthened during the year by the inclusion of the Authority within the scope of the DECC Approvals Committee for consideration of high risk, high expenditure proposals.

5.2 Triennial Reviews

The Department has a planned programme of detailed reviews for each of its Non-Departmental Bodies for the period 2011-14. One review has completed and three are ongoing. The Triennial Review of the Committee on Radioactive Waste Management concluded in May 2012 and found that there was a clear need for it to be retained as an advisory NDPB as it was an authoritative and independent source of scrutiny and advice, providing confidence and reassurance to stakeholders and the wider public. A review of the Fuel Poverty Advisory Group was announced in May 2012 and is expected to complete later in 2013. A review of the Committee on Climate Change is ongoing and is expected to complete in 2013-14.

5.3 Delivery Partners

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

On 11 September 2012 the Head of DECC's Industrial Energy Efficiency Programme and the Environment Agency's (EA) Director of Finance signed a financial Memorandum of Understanding (MoU) setting out how the two organisations will work together on the schemes the EA delivers for which DECC has policy responsibility, including the EU Emissions Trading System and CRC Energy Efficiency Scheme; the next review of the MoU is due in 2015. The MoU is supplemented by an annual finance letter setting the level of funding for the following year against agreed outputs as measured through a set of key performance indicators. The EA is an Executive Non-departmental Public Body responsible to the Secretary of State for Environment, Food and Rural Affairs that acts as a regulator with statutory roles.

In March 2013 the Director General for Energy Markets and Infrastructure and the Chief Executive of Ofgem signed a MoU setting out how DECC and Ofgem E-serve will work together on the environmental and social schemes Ofgem delivers. Ofgem is an independent regulator but also has a statutory role in a number of schemes for which DECC has policy responsibility. The MoU does not affect Ofgem's independence but it sets a clear framework for how the two organisations work together.

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

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

My review has provided me with assurance that the system of governance, risk management and internal control in operation in the Department continued to improve as a result of the work undertaken to strengthen arrangements in these areas during 2012–13. Given the ongoing evolution of the Department, there is further to go in strengthening our governance, risk management and internal control environment to a level that is appropriate for an organisation with such a challenging delivery agenda, and this will continue to be taken forward in 2013-14.

The effectiveness of the system of governance, risk management and internal control is reviewed in-year by my Directors General, who each provide me with a Statement on Risk Management, Internal Control and Corporate Governance for their Group, informed by returns or opinions they themselves receive from their Heads of Management Units through formal reviews. As part of this year's exercise, the DGs have also each completed an Action Plan for improving their Group's governance, risk management and internal control environment by the end of the financial year. Actions contained in the Group action plans have all been completed or continue to be delivered as part of continuous improvement of Group level governance and capability. The Head of Internal Audit and the Chair of the Audit & Risk Committee review each Statement with the relevant Director General and discuss the key findings with me. Directors General provide me with an updated position statement on their return at year-end.

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

- Departmental governance at Board level was recognised as an urgent area for improvement, with better engagement of Ministers and Non-Executives in order to strengthen collective leadership at Board level.
- Higher quality information on programme delivery and reporting was needed to allow the Executive Committee to make an effective contribution and make sound judgements.
- While some improvement had been seen in strengthening the Department's capability, there remained a need for the Department to ensure it has the right skills mix to enable it to become an effective delivery Department.
- Better prioritisation of the Department's resources was regarded as essential.

- There was support for the decision to bring the work of the DECC Development Programme to a close and to take forward the next phase of the organisational change through the DECC Works programme.

6.1 Non-Departmental Public Bodies

The Department's Executive Non-Departmental Public Bodies (NDPBs) each conduct a review of the effectiveness of governance, risk management and internal control in the Governance Statements they produce for their Annual Accounts. They apply a similar process to that of the Department, and the signed statements from each Chief Executive form part of the Department's overall assurance on internal control. I have reviewed the Governance Statements prepared by the NDPBs and am satisfied that effective governance, risk management and internal control arrangements are in place. The respective Governance Statements of the NDPBs highlighted the following issues:

Nuclear Decommissioning Authority (DEL budget £2,245,621k)

- The Board effectiveness review proposed some areas of improvement including moving to a more strategic level of focus from the current operational level as well as a need for continuous improvement in the information provided to the Board.

Coal Authority (DEL budget £33,714k)

- Good progress has been made to improve the Coal Authority's organisational capability following its reorganisation in 2011, completing 95% of milestones against its corporate objectives. However it recognises that ensuring the Authority has the right skills and levels of capability going forward to meet its objectives will remain a key challenge over the coming period.

Civil Nuclear Police Authority (DEL budget £500k)

- The issues raised in the CNPA's 2011-12 Governance Statement have been resolved and no significant weaknesses in the CNPA's internal control systems have been reported for 2012-13.

Committee on Climate Change (DEL budget £3,409k)

- A self-assessment of the effectiveness of the Committee's main Committee, Adaptation Sub-Committee and Audit Committee concluded that while the committees were operating effectively, there should be a continued focus on ensuring the Committee had sufficient time to go through its intensive work programme.

The following companies are also consolidated into DECC Group Accounts:

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

These are Site Licence Companies (SLCs) which are private companies that operate sites on behalf of the NDA. The SLCs are subsidiaries of their respective Parent Body Organisations (PBOs) and operate sites under contract from the NDA. The SLCs fall within the Departmental Boundary, for the first time in 2012-13, as a result of their inclusion in the HM Treasury's Designation Order 2012-13 which itself is due to the classification of each SLC as a Central Government body by the Office for National Statistics (ONS).

6.2 Internal Audit

Neither DECC nor any other government organisation has any governance arrangements over the SLCs other than the operational arrangements contained within the Management and Operations contracts between the NDA and each SLC and the Parent Body Agreement between the NDA and each respective PBO. Consequently, I am unable to comment on the effectiveness of day to day governance by the SLCs. However the SLC management teams have worked constructively with DECC and the NDA to prepare information required for the DECC consolidation which supplements that included in their audited financial statements; elements can be corroborated by the NDA who are the counterparty to many of the SLCs' transactions and balances.

DECC's internal audit programme is designed specifically to identify control weaknesses and make recommendations for improvement. The Head of Internal Audit has provided me with an Annual Report which incorporates an opinion on DECC's system of internal control. This opinion takes account of the residual risk carried by the Department during 2012–13 and of the findings of audit reviews. The auditors issue one of three opinion ratings: satisfactory, improvement required, and unsatisfactory. In 2012–13 the auditors' assessment was that there was "improvement required" at DECC. The Department accepts this assessment and has either implemented or started work to implement the improvements suggested by Internal Audit in its reports for the year. Where weaknesses in the control environment have been identified this year, action to strengthen control has been taken or is planned. DECC monitors progress on implementing audit recommendations throughout the year and provides regular updates to the Audit & Risk Committee.

During 2012-13, Internal Audit undertook a number of reviews that covered various aspects of DECC's internal control environment. Its work revealed inconsistencies in the level of control being applied across the organisation. IA found a number of areas, such as the Carbon Capture Storage Commercialisation Programme, where good practice was being applied and effective progress made. Conversely, there were a number of areas where control needed to be strengthened if effective delivery was to be achieved. In those areas, IA found that teams tended to lack the skills and experience needed to manage some of the risks they faced and often were learning as they did the job. IA considered that this skills gap reduced the Department's overall effectiveness to deliver, leaving it potentially exposed in a number of areas. Furthermore, the inconsistency in the level of control being applied across various areas of the Department indicated to IA that the Department still needed to become more corporate in its approach. IA suggested that the internal control environment could be significantly improved by more effective sharing of good practice and lessons learned and the development of a skills set for the organisation that aligns with the agenda it is trying to deliver.

In addition to the Internal Audit plan, the National Audit Office (NAO) produces a number of value-for-money reports. A summary of reports issued in 2012-13 can be found in the Financial Review chapter of DECC's Annual Report and Accounts 2012-13. This work identifies opportunities for DECC to make improvements and it is supplemented in greater detail by assurance activity coordinated by the Major Projects Authority (MPA) on individual major programmes and projects. This assurance activity usually involves staged assurance gateway reviews, run by external non-advocate experts and coinciding with major decision points, thus providing good evidence as to whether projects are ready to enter the next phase of work or to commit expenditure.

7. Conclusion

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

Stephen Lovegrove
Accounting Officer and Permanent Secretary
24 June 2012

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

I certify that I have audited the financial statements of the Department of Energy and Climate Change and of its Departmental Group for the year ended 31 March 2013 under the Government Resources and Accounts Act 2000. The Departmental Group consists of the Department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2012. The financial statements comprise: the Department's and Departmental Group's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2013 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's and the Departmental Group's affairs as at 31 March 2013 and of the Department's net operating cost and Departmental Group's net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Emphasis of matter

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

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

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

25 June 2013

Statement of Parliamentary Supply

Summary of Resource and Capital Outturn 2012-13

£'000							2012-13	2011-12
	Estimate			Outturn				Outturn
	Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted Outturn compared with Estimate: saving/(excess)	Total Restated
Departmental Expenditure Limit								
Resource	2,026,682	(835,000)	1,191,682	1,908,827	(780,232)	1,128,595	117,855	1,156,994
Capital	2,153,894	(57,000)	2,096,894	2,093,306	(54,866)	2,038,440	60,588	1,454,315
Annually Managed Expenditure								
Resource	8,182,927	–	8,182,927	5,388,727	(711)	5,388,016	2,794,200	3,742,338
Capital	91,462	–	91,462	(20,458)	–	(20,458)	111,920	(57,635)
Total Budget	12,454,965	(892,000)	11,562,965	9,370,402	(835,809)	8,534,593	3,084,563	6,296,012
Non-Budget								
Resource	–	–	–	–	–	–	–	–
Total	12,454,965	(892,000)	11,562,965	9,370,402	(835,809)	8,534,593	3,084,563	6,296,012
Total Resource	10,209,609	(835,000)	9,374,609	7,297,554	(780,943)	6,516,611	2,912,055	4,899,332
Total Capital	2,245,356	(57,000)	2,188,356	2,072,848	(54,866)	2,017,982	172,508	1,396,680
Total	12,454,965	(892,000)	11,562,965	9,370,402	(835,809)	8,534,593	3,084,563	6,296,012

Net cash requirement 2012-13

£'000	Note	2012-13 Estimate	2012-13 Outturn	2012-13 Outturn compared with Estimate: saving/(excess)	2011-12 Outturn
Net cash requirement	4	4,416,485	3,824,271	592,214	3,501,624

Administration Costs 2012-13

		2012-13 Estimate	2012-13 Outturn	2011-12 Outturn Restated
Administration Costs 2011-12	3.2	175,520	161,766	157,502

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

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

The Notes on pages 117 to 216 form part of these Accounts.

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2013

£'000	Note	2012-13 Core Department	2012-13 Departmental Group	2011-12 Core Department Restated	2011-12 Departmental Group
Administration costs					
Staff costs	7	80,068	169,487	70,902	150,353
Other costs	8	39,597	78,704	44,270	85,900
Income	11	(2,141)	(31,934)	(2,997)	(24,934)
Programme costs					
Staff costs	7	8,891	20,759	5,518	16,706
Other costs	9	1,031,914	9,261,546	732,820	7,339,864
Income	11	(1,200,271)	(911,149)	(1,261,020)	(1,022,792)
Grant in Aid to NDPBs	9	3,184,966	–	2,730,559	–
Net operating cost for continuing operations for the year ended 31 March 2013		**3,143,024**	**8,587,413**	**2,320,052**	**6,545,097**
Total expenditure		4,345,436	9,530,496	3,584,069	7,592,823
Total income		(1,202,412)	(943,083)	(1,264,017)	(1,047,726)
Net operating cost for the year ended 31 March 2013		**3,143,024**	**8,587,413**	**2,320,052**	**6,545,097**

All operations are continuing operations.

See Notes 1.37 and 36 for explanations of the restatement of the 2011-12 results.

The Notes on pages 117 to 216 form part of these Accounts.

Other Comprehensive Net Expenditure

for the year ended 31 March 2013

£'000		2012-13		2011-12
	Core Department	Departmental Group	Core Department Restated	Departmental Group
Net operating costs for the year ended 31 March 2013	**3,143,024**	**8,587,413**	**2,320,052**	**6,545,097**
Net (gain)/loss on:				
Revaluation of property, plant and equipment	(426)	(3,044)	–	(3,288)
Revaluation of intangibles	–	–	–	(2)
Leased building transfer in	–	–	(5,822)	(5,822)
Revaluation of assets held for sale	–	(5,468)	–	–
Defined benefit pension schemes	–	6,287	–	11,960
Change in equity of non-controlling interest	–	(14,301)	–	862
Total Comprehensive net expenditure for the year ended 31 March 2013	**3,142,598**	**8,570,887**	**2,314,230**	**6,548,807**

See Notes 1.37 and 36 for explanations of the restatement of the 2011-12 results.

The Notes on pages 117 to 216 form part of these Accounts.

Consolidated Statement of Financial Position

as at 31 March 2013

£'000	Note	31 March 2013 Core Department	31 March 2013 Departmental Group	31 March 2012 Core Department Restated	31 March 2012 Departmental Group	1 April 2011 Core Department Restated	1 April 2011 Departmental Group
Non-current assets							
Property, plant and equipment	12	9,674	715,441	11,783	774,972	7,146	888,280
Intangible assets	13	508	6,989	541	7,218	431	6,648
Financial assets	14	60,914	2,358,583	60,527	1,799,652	86,929	1,701,097
Investment property	15	–	626	–	934	–	1,226
Trade and other receivables	19	168,106	211,292	212,043	228,990	277,998	306,700
Total non-current assets		**239,202**	**3,292,931**	**284,894**	**2,811,766**	**372,504**	**2,903,951**
Current assets							
Assets classified as held for sale	17	–	50,550	–	100,145	–	277,647
Inventories	18	–	103,827	–	80,089	–	112,250
Trade and other receivables	19	280,301	869,168	127,194	671,680	154,516	675,090
Financial assets	14	39,447	40,236	40,869	57,371	43,319	91,567
Cash and cash equivalents	20	100,172	317,629	89,614	190,942	59,752	287,504
Total current assets		**419,920**	**1,381,410**	**257,677**	**1,100,227**	**257,587**	**1,444,058**
Total assets		**659,122**	**4,674,341**	**542,571**	**3,911,993**	**630,091**	**4,348,009**
Current liabilities							
Trade and other payables	21	(482,166)	(1,657,516)	(167,753)	(1,434,457)	(282,641)	(1,609,438)
Provisions	22	(334,685)	(3,221,901)	(318,890)	(2,733,755)	(324,293)	(2,448,968)
Total current liabilities		**(816,851)**	**(4,879,417)**	**(486,643)**	**(4,168,212)**	**(606,934)**	**(4,058,406)**
Non-current assets plus/less net current assets/liabilities		**(157,729)**	**(205,076)**	**55,928**	**(256,219)**	**23,157**	**289,603**
Non-current liabilities							
Trade and other payables	21	(341,573)	(2,467,583)	(245,820)	(2,229,431)	(115,214)	(2,006,454)
Provisions	22	(2,263,204)	(61,208,616)	(2,168,652)	(55,563,992)	(2,254,211)	(52,107,485)
Total non-current liabilities		**(2,604,777)**	**(63,676,199)**	**(2,414,472)**	**(57,793,423)**	**(2,369,425)**	**(54,113,939)**
Total assets less liabilities		**(2,762,506)**	**(63,881,275)**	**(2,358,544)**	**(58,049,642)**	**(2,346,268)**	**(53,824,336)**
Taxpayers' equity and other reserves							
General fund		(2,762,932)	(63,980,874)	(2,358,544)	(58,411,643)	(2,346,268)	(54,155,921)
Revaluation reserve		426	57,512	–	334,215	–	302,937
Non-controlling interest	23	–	42,087	–	27,786	–	28,648
Total equity		**(2,762,506)**	**(63,881,275)**	**(2,358,544)**	**(58,049,642)**	**(2,346,268)**	**(53,824,336)**

See Notes 1.37 and 36 for explanations of the restatement of the 31 March 2012 and 1 April 2011 balances.

Stephen Lovegrove
Accounting Officer and Permanent Secretary

24 June 2013

The Notes on pages 117 to 216 form part of these Accounts.

Consolidated Statement of Cash Flows

for the year ended 31 March 2013

	Note	2012-13 £'000	2011-12 Restated £'000
Cash flows from operating activities			
Net operating cost	3.1	(8,587,413)	(6,545,097)
Machinery of Government transfer adjustment	36	–	24,630
Adjustments for non-cash transactions	10	8,250,184	6,311,596
(Increase)/decrease in trade and other receivables	19	(179,790)	81,120
(Increase)/decrease in finance lease receivables	14.7	(23,718)	(658)
(Increase)/decrease in inventories	18	(23,738)	32,161
(Increase)/decrease in derivative financial instruments assets	14.5	–	2,124
Movement on recoverable contract costs	14.6	(584,015)	(140,751)
Movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure		915,144	57,140
Increase/(decrease) in trade and other payables	21	461,211	47,996
Movements in payables relating to items not passing through the Statement of Comprehensive Expenditure		(155,866)	48,840
Use of provisions	22	(2,711,568)	(2,542,372)
Net cash outflow from operating activities		**(2,639,569)**	**(2,623,271)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(36,970)	(53,083)
Purchase of intangibles		(1,889)	(1,293)
Purchase of investments	14.3	–	(20,000)
Proceeds on disposal of property, plant and equipment		4,210	242,482
Proceeds on disposal of investments		16,502	29,622
Energy Efficiency Loans advanced to other bodies		(74,564)	(22,536)
Repayments from other bodies	14.1	38,973	45,357
Net cash outflow from investing activities		**(53,738)**	**220,549**
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		3,664,212	3,590,000
From the Consolidated Fund (Supply) – prior year		–	13,173
Amounts remitted to the Consolidated Fund (offset against Parliamentary Supply)		–	(73,214)
Advances from Contingencies Fund		4,851	-
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts		(8)	(21)
Net financing		**3,669,055**	**3,529,938**
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**975,748**	**1,127,216**
Payments of amounts due to the Consolidated Fund		(849,061)	(1,223,778)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**126,687**	**(96,562)**
Cash and cash equivalents at the beginning of the period	20	**190,942**	**287,504**
Cash and cash equivalents at the end of the period	20	**317,629**	**190,942**

See Notes 1.37 and 36 for explanations of the restatement of the 2011-12 results.

The Notes on pages 117 to 216 form part of these Accounts.

Consolidated Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2013

	Note	Core Department General fund restated £'000	Core Revaluation Reserve £'000	Total Restated £'000	Departmental Group General fund Restated £'000	Departmental Group Revaluation reserve £'000	Non-controlled interest Restated £'000	Departmental Group Taxpayers' equity Restated £'000
Balance at 1 April 2011		(2,346,268)	–	**(2,346,268)**	(54,155,921)	302,937	28,648	**(53,824,336)**
Net parliamentary funding – drawn down		3,590,000	–	**3,590,000**	3,590,000	–	–	**3,590,000**
Amounts remitted/paid over to the Consolidated Fund		(73,214)	–	**(73,214)**	(73,214)			**(73,214)**
Supply payable – current year	21.1	(87,553)	–	**(87,553)**	(87,553)	–	–	**(87,553)**
CFERs[1] payable to the Consolidated Fund	5.1	(1,225,439)	–	**(1,225,439)**	(1,225,439)	–	–	**(1,225,439)**
Supply CLoS adjustment		73,214	–	**73,214**	73,214	–	–	**73,214**
Net operating cost for the year		(2,320,052)	–	**(2,320,052)**	(6,545,097)	–	–	**(6,545,097)**
Revaluation of property, plant and equipment		–	–	**–**	–	3,288	–	**3,288**
Revaluation of intangibles		–	–	**–**	–	2	–	**2**
Transfer between reserves		–	–	**–**	201	(201)	–	**–**
Non cash charges – Auditors remuneration	10	200	–	**200**	200	–	–	**200**
Leased building transfer in		5,822	–	**5,822**	5,822	–	–	**5,822**
Machinery of Government transfer		24,746	–	**24,746**	24,746	–	–	**24,746**
Defined benfit pension schemes		–	–	**–**	(11,960)	–	–	**(11,960)**
Change in equity of non-controlling interest	23	–	–	**–**	–	–	(862)	**(862)**
Other		–	–	**–**	(6,642)	28,189	–	**21,547**
Balance as at 31 March 2012		**(2,358,544)**	**–**	**(2,358,544)**	**(58,411,643)**	**334,215**	**27,786**	**(58,049,642)**
Net Parliamentary funding – drawn down		3,664,212	–	**3,664,212**	3,664,212	–	–	**3,664,212**
Net Parliamentary deemed		87,553	–	**87,553**	87,553	–	–	**87,553**
Advances from Contingencies Fund	21.1	4,851	–	**4,851**	4,851	–	–	**4,851**
Contingencies Fund loan repayable		(4,851)	–	**(4,851)**	(4,851)	–	–	**(4,851)**
Supply receivable: current year	19.1	72,506	–	**72,506**	72,506	–	–	**72,506**
CFERs payable to the Consolidated Fund1	5.1	(1,085,855)	–	**(1,085,855)**	(1,085,855)	–	–	**(1,085,855)**
Net operating cost for the year		(3,143,024)	–	**(3,143,024)**	(8,587,413)	–	–	**(8,587,413)**
Revaluation of property, plant and equipment		–	426	**426**	–	3,044	–	**3,044**
Revaluation of assets held for sale		–	–	**–**	5,468	–	–	**5,468**
Transfer between reserves		–	–	**–**	279,747	(279,747)	–	**–**
Non-cash charges – Auditors remuneration	10	220	–	**220**	220	–	–	**220**
Defined benfit pension schemes		–	–	**–**	(6,287)	–	–	**(6,287)**
Change in equity of non-controlling interest	23	–	–	**–**	–	–	14,301	**14,301**
Other		–	–	**–**	618	–	–	**618**
Balances at 31 March 2013		**(2,762,932)**	**426**	**(2,762,506)**	**(63,980,874)**	**57,512**	**42,087**	**(63,881,275)**

See Notes 1.37 and 36 for explanations of the restatement of the 2011-12 results.

The Notes on pages 117 to 216 form part of these Accounts.

The General fund represents the total assets less liabilities of the Group and of the core Department. The General fund shows a deficit as a result of the large value of provisions for both the Group and the core Department; these future liabilities will be met out of future funding from Parliament. The budget for 2013-14 has been approved and the remainder of the spending review period has been agreed. There is no reason to believe that future funding will not be forthcoming.

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

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

The Notes on pages 117 to 216 form part of these Accounts.

Notes

1.1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2012-13 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector.

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

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

1.2 Accounting convention

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

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

1.3 Basis of consolidation

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

- the core Department itself;

Executive NDPBs

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

Other entities

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

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

Sellafield, Magnox, DSRL, RSRL and LLWR are Site Licence Companies (SLCs). These are private companies which operate sites on behalf of, and under contract from, the NDA. The SLCs are subsidiaries of their respective Parent Body Organizations (PBOs), further details can be found in the NDA Annual Report and Accounts. The SLCs fall within the Departmental Boundary for the first time in 2012-13 due to the classification of each SLC as a Central Government body by the Office for National Statistics (ONS) for National Accounts purposes. The consolidation does not reflect control over these entities for accounting purposes.

DSRL is a limited company registered in Scotland, the other four SLCs are limited companies registered in England and Wales. Each SLC prepares its own accounts which are available from Companies House.

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

1.4 Going concern

The consolidated Statement of Financial Position at 31 March 2013 shows net liabilities of £63,881 million (31 March 2012: £58,050 million). This reflects the inclusion of liabilities, in particular nuclear and coal provisions, which fall due in future years. All liabilities will be met by future funding from Parliament and there is no reason to believe that future Parliamentary approval will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.5 Property, plant and equipment

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

1.6 Property

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

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

1.7 Non-property

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

Assets under construction are valued at cost.

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

1.8 Revaluation

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

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

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

1.9 Depreciation

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

Assets are depreciated over the following periods:

Freehold and leasehold buildings	10 to 60 years
Plant, machinery and equipment	3 to 50 years
Furniture, fixtures and fittings	2 to 11 years
Information technology	2 to 5 years

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

1.10 Intangible assets

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

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

1.11 Impairment

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

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

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

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

1.12 Investment properties

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

1.13 Investments in subsidiaries

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

1.14 Inventories

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

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

1.15 Assets classified as held for sale

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

1.16 Research and development

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

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

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

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

1.17 Operating income and revenue recognition

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

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

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

Revenue received in advance of work performed is held on the Statement of Financial Position (under trade and other payables as payments received on account) and released to the Statement of Comprehensive Net Expenditure when the work is completed and the liability extinguished.

1.18 Contracts

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

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

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

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

1.19 Foreign currencies

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

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

1.20 Leases

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

1.21 Finance leases

Group as a lessor

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

1.22 Operating leases

Group as a lessor

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

Group as a lessee

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

1.23 Service concession arrangements

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

1.24 Administration and programme expenditure and income

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

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

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

1.25 Grants payable

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

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

1.26 Staff Costs

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

1.27 Pensions

Core Department and NDPBs

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

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

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

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

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

SLCs

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

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

*DSRL does not believe the accounting treatment for a defined benefit scheme is appropriate for this scheme and therefore accounts for it in line with the requirements for a defined contribution scheme in its company accounts.

SLC schemes accounted for as defined benefit schemes

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

SLC schemes accounted for as defined contribution schemes

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

1.28 Taxation

Income and Corporation Tax

The Department and its NDPBs are exempt from corporation tax by way of their Crown exemption. The SLCs are, as private companies, all subject to income and corporation tax.

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

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

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

Value Added Tax (VAT)

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

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

1.29 Statement of Parliamentary Supply

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

1.30 Financial assets

Financial assets are classified into the following four specified categories:

- financial assets 'at fair value through profit or loss' (FVTPL);
- held to maturity investments;

- loans and receivables;
- financial assets available for sale.

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

The Group holds financial assets in the following categories:

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

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

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

Financial assets classified as FVTPL are bank deposits shown in Note 14.4 and assets related to commodity supply contracts shown in Note 14.5.

Loans and receivables

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

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

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

Where loans and receivables are expected to be settled within twelve months of the reporting date there is no material difference between fair value, amortised cost and historical cost. Consolidated Fund Extra Receipts (CFER) receivables are also carried at historical cost in accordance with the FReM.

Cash and cash equivalents

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

Available for sale assets

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

Shares

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

Impairment and derecognition

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

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

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

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

1.31 Financial liabilities

The Group classifies financial liabilities into the following two categories:

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

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

The Group holds financial liabilities in the following categories:

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

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

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

Financial liabilities classified as FVTPL those related to commodity supply contracts shown in Note 14.5.

Other financial liabilities

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

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

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

Other forms of security include guarantee bonds and escrow accounts.

CFER payables and amounts issued from the Consolidated Fund for Supply but not spent at year end are carried at historical cost in accordance with the FReM. All other financial liabilities are measured at amortised cost after initial recognition. Where these balances are expected to be settled within twelve months of the reporting date there is no material difference between fair value, amortised cost and historical cost.

Impairment and derecognition

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

1.32 Derivatives

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

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

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

1.33 Provisions

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

Where the time value of money is material, the Group discounts the provision to its present value using discount rates stipulated by Treasury which are based upon the real yield of UK-index linked gilts as determined by examining the Bank of England data for the spot yield curves for the appropriate short-term and medium-term periods; the long-term period rate remains at the fixed 2.2% in accordance with Treasury's instructions. Each year the financing charges in the Statement of Comprehensive Net Expenditure include the adjustments to unwind one year's discount so that liabilities are shown at current price levels.

Nuclear Provisions

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

Coal Provisions

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

1.34 Contingent Assets and Liabilities

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

These comprise:

- items over £250,000 (or lower, where required by specific statute) that do not arise in the normal course of business and which are reported to Parliament by Departmental Minute prior to the Group entering into the arrangement; and
- all items (whether or not they arise in the normal course of business) over £250,000 (or lower, where required by specific statute or where material in the context of the Accounts), which are required by the FReM to be noted in the Accounts.

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

1.35 Third Party Assets

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

1.36 Critical accounting judgements, estimates and assumptions

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

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

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

Income recognition

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

Impairment of assets (Note 16)

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

Reprocessed plutonium inventory

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

Provisions (Note 22)

As described in Note 1.33, the provisions discount rates are based on real yield of UK-index linked gilts for short and medium-term periods, with the long-term period being fixed at 2.2% in accordance with Treasury's instructions; in previous years all rates were 2.2% in accordance with Treasury's instructions. The change in methodology is to ensure that the discount rates meet the accounting standard's requirement to provide entities with rates that reflect current market assessments of the risk free time value of money.

If the discount rates were to change then the provisions would also change. An increase of 0.5% in the discount rates would result in a decrease in the overall provisions by £66m for core DECC and £6bn for the Group and a decrease of 0.5% in the discount rates would result in an increase in the overall provisions by £70m for core DECC and £7bn for the Group.

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

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

- potential changes in the NDA funding profile, requiring the tailoring of expenditure across the estate to ensure the right balance between addressing high risk, hazard and affordability; this could emanate from either economic conditions or changes in funding at the next Government Spending Review;
- the length of time over which the necessary programme of work will be delivered – stretching out over one hundred years;
- interdependencies between programmes of work both within the Site Licence Companies (SLCs) and across SLC boundaries. For example, a shortage of flasks for transport of spent fuel from the Magnox power stations to Sellafield could delay defueling and increase costs at Magnox, and also impact the production schedule and direct operations costs at Sellafield;
- a lack of detailed information on the design of the legacy ponds and silos at Sellafield and the exact quantities and chemical composition of the historical wastes held in them, resulting in potential significant uncertainty in both the process and costs of dealing with these materials;
- uncertainty over future Government policy positions and potential regulatory changes; and
- possible technological advances which may occur and could impact the work to be undertaken to decommission and clean up the sites.

Within other provisions in Note 22.2 there is the Coal Authority provision which relates to mine water, subsidence pumping stations and public safety and subsidence. Due to the uncertainties in the likely costs in respect of these liabilities it is not possible to quantify with certainty the settlement of these liabilities or the impact on future financial results. The provision shown in the accounts is the best estimate of these discounted future liabilities.

Taxation

The SLCs are subject to routine tax audits and also a process whereby tax computations are discussed and agreed with the appropriate authorities. Whilst the outcome of such tax audits and discussions cannot be determined with certainty, management estimates the level of provisions required for both current and deferred tax on the basis of professional advice and the nature of current discussions with the tax authority concerned. Management

judgement is required to determine the amount of deferred tax assets that can be recognised in the SLCs, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

1.37 Changes in accounting policy and restatement of prior comparatives

Inclusion of SLCs

As detailed in Note 1.3 the five SLCs now fall within the consolidation boundary for the first time. As a result the comparative information within the Consolidated Statement of Comprehensive Net Expenditure, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows and the Consolidated Statement of Changes in Taxpayers' Equity has been restated.

Urenco transfer

The core Department underwent a Machinery of Government (MoG) change on 17 January 2013 which transferred the shares in Enrichment Holdings Limited and consequently the Government's stake in the uranium enrichment company Urenco to the Department for Business, Innovation and Skills. Machinery of Government changes, which involve the merger or the transfer of functions or responsibility of one part of the public service sector to another, are accounted for using merger accounting in accordance with the FReM. This requires the restatement of the Primary Statements and associated Notes to the Accounts.

Trade and other payables

The core Department also reclassified the payable relating to certain un-cashed promissory notes from a current liability to non-current liability. The comparative data has been restated to reflect the position.

The impact of the changes above is shown in Note 36 to the accounts.

1.38 New Standards

At the time of preparing these financial statements there are new IFRSs in issue but which are not yet effective. Further details on their application to the Group's accounts are given in Note 35 to these accounts.

2 Net Outturn

2a Analysis of net resource outturn by section

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

	2012-13										2011-12
	Outturn							Estimate			Outturn
	Administration			Programme							
	Gross	Income	Net	Gross	Income	Net	Total	Net total	Net total compared to Estimate	Net total compared to Estimate adjusted for virements	Total Restated
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Spending in Departmental Expenditure Limits (DEL)											
Voted:											
A Save energy with the Green Deal and support vulnerable consumers	–	–	–	67,670	(467)	67,203	67,203	75,370	8,167	8,167	100,402
B Deliver secure energy on the way to a low carbon energy future	–	–	–	63,619	(15,123)	48,496	48,496	59,586	11,090	7,267	4,632
C Drive ambitious action on climate change at home and abroad	–	–	–	39,273	(3,298)	35,975	35,975	36,015	40	40	14,718
D Manage our energy legacy responsibly and cost-effectively	–	–	–	341,210	(502)	340,708	340,708	338,628	(2,080)	–	321,719
E Deliver the capability DECC needs to achieve its goals	119,646	(2,141)	117,505	9,476	(31)	9,445	126,950	129,889	2,939	841	126,685
F NDA and SLC expenditure (NDPB)	38,752	–	38,752	1,220,287	–	1,220,287	1,259,039	1,353,621	94,582	43,637	1,531,264
G Coal Authority (NDPB) (net)	5,058	–	5,058	22,626	–	22,626	27,684	30,164	2,480	2,480	25,296
H Civil Nuclear Police Authority (NDPB) (net)	(655)	–	(655)	–	–	–	(655)	–	655	655	(60)
I Committee on Climate Change (NDPB) (net)	3,427	–	3,427	–	–	–	3,427	3,409	(18)	–	3,842
	166,228	**(2,141)**	**164,087**	**1,764,161**	**(19,421)**	**1,744,740**	**1,908,827**	**2,026,682**	**117,855**	**63,087**	**2,128,498**

	2012-13										2011-12
	Outturn							Estimate			Outturn
	Administration			Programme							
	Gross	Income	Net	Gross	Income	Net	Total	Net total	Net total compared to Estimate	Net total compared to Estimate adjusted for virements	Total Restated
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Non-Voted:											
J Nuclear Decommissioning Authority Income (CFER)	-	(2,321)	(2,321)	-	(781,734)	(781,734)	(784,055)	(835,000)	(50,945)	–	(971,504)
Electricity Market Reform	-	-	-	3,823	-	3,823	3,823	-	(3,823)	–	–
Total DEL	**166,228**	**(4,462)**	**161,766**	**1,767,984**	**(801,155)**	**966,829**	**1,128,595**	**1,191,682**	**63,087**	**63,087**	**1,156,994**
Annually Managed Expenditure (AME)											
Voted:											
K Manage our energy legacy responsibly and cost-effectively	–	–	–	156,496	(88,081)	68,415	68,415	1,065,351	996,936	992,956	(51,280)
L Nuclear Decommissioning Authority (NDPB)	–	–	–	5,137,651	–	5,137,651	5,137,651	6,834,000	1,696,349	1,696,349	3,796,310
M Coal Authority (NDPB) (net)	–	–	–	156,000	–	156,000	156,000	174,000	18,000	18,000	(4,000)
N Civil Nuclear Police Authority (NDPB) (net)	–	–	–	4,042	–	4,042	4,042	62	(3,980)	–	(106)
O Renewable Heat Incentive	–	–	–	27,416	–	27,416	27,416	108,000	80,584	80,584	1,919
P Save energy with the Green Deal and support vulnerable consumers	–	–	–	(217)	(4,580)	(4,797)	(4,797)	1,514	6,311	6,311	(509)
Committee on Climate Change (NDPB) (Net)	–	–	–	–	–	–	–	–	–	–	4
	–	–	–	5,481,388	(92,661)	5,388,727	5,388,727	8,182,927	2,794, 200	2,794,200	3,742,338
Non-Voted:											
Nuclear Decommissioning Authority Income (CFER)	–	–	–	–	(711)	(711)	(711)	–	711	711	–
Total AME	**–**	**–**	**–**	**5,481,388**	**(93,372)**	**5,388,016**	**5,388,016**	**8,182,927**	**2,794,911**	**2,794,911**	**3,742,338**
Total DEL and AME	**166,228**	**(4,462)**	**161,766**	**7,249,372**	**(894,527)**	**6,354,845**	**6,516,611**	**9,374,609**	**2,857,998**	**2,857,998**	**4,899,332**

2b. Analysis of net capital outturn by section

						2012-13	2011-12
			Outturn			Estimate	Outturn
	Gross	Income	Net	Net	Net total compared with Estimate	Net total compared to Estimate, adjusted for virements	Net
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Spending in Departmental Expenditure Limit							
Voted:							
A Save energy in the Green Deal and support vulnerable consumers	126,325	(39,921)	86,404	89,273	2,869	2,869	106,575
B Deliver secure energy on the way to a low carbon energy future	31,155	(1,009)	30,146	48,275	18,129	18,129	–
C Drive ambitious action on climate change at home and abroad	189,430	–	189,430	190,000	570	570	132,895
D Manage our energy legacy responsibly and cost-effectively	6,815	–	6,815	6,600	(215)	–	7,239
E Deliver the capability DECC needs to achieve its goals	771	–	771	31,696	30,925	29,898	17,510
F NDA and SLC expenditure (NDPB)	1,776,295	–	1,776,295	1,784,000	7,705	5,571	1,429,712
G Coal Authority (NDPB) (net)	2,133	–	2,133	3,550	1,417	1,417	9,800
H Civil Nuclear Police Authority (NDPB) (net)	1,310	–	1,310	500	(810)	–	2,272
I Committee on Climate Change (NDPB) (net)	2	–	2	–	(2)	–	24
	2,134,236	**(40,930)**	**2,093,306**	**2,153,894**	**60,588**	**58,454**	**1,706,027**
Non-Voted:							
J Nuclear Decommissioning Authority Income (CFER)	–	(54,866)	(54,866)	(57,000)	(2,134)	–	(251,712)
Total DEL	**2,134,236**	**(95,796)**	**2,038,440**	**2,096,894**	**58,454**	**58,454**	**1,454,315**
Annually Managed Expenditure							
Voted:							
K Manage our energy legacy responsibly and cost-effectively	64,214	(97,403)	(33,189)	33,462	66,651	66,651	(65,955)
L Nuclear Decommissioning Authority (NDPB)	–	–	–	–	–	–	–
M Coal Authority (NDPB) (net)	–	–	–	–	–	–	–

						2012-13	2011-12
			Outturn			Estimate	Outturn
	Gross	Income	Net	Net	Net total compared with Estimate	Net total compared to Estimate, adjusted for virements	Net
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
N Civil Nuclear Police Authority (NDPB) (net)	–	–	–	–	–	–	–
O Renewable Heat Incentive	12,731	-	12,731	25,000	12,269	12,269	9,320
P Save energy with the Green Deal and support vulnerable consumers	–	–	–	33,000	33,000	33,000	–
	76,945	**(97,403)**	**(20,458)**	**91,462**	**111,920**	**111,920**	**(56,635)**
Non-Voted	–	–	–	–	–	–	(1,000)
Total AME	**76,945**	**(97,403)**	**(20,458)**	**91,462**	**111,920**	**111,920**	**(57,635)**
Total DEL and AME	**2,211,181**	**(193,199)**	**2,017,982**	**2,188,356**	**170,374**	**170,374**	**1,396,680**

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

3.1 Reconciliation of net resource outturn to net operating cost

		Note	2012-13 £'000 Outturn	2011-12 £'000 Outturn Restated
Total resource outturn in Statement of Parliamentary Supply	Budget	2	6,516,611	4,874,702
	MoG adjustment		–	24,630
	Non-Budget		–	–
			6,516,611	**4,899,332**
Add:	Capital grants		331,892	299,434
	NDA costs which are capital in Budgets but taken through the SoCNE		1,747,214	1,363,363
			2,079,106	**1,662,797**
Less:	Gains/(losses) on defined benefit scheme		(6,287)	(11,960)
	Revaluation of assets held for sale		5,468	–
	CFER: Other income	11	(925)	(2,223)
	Capital grant income		(6,560)	(2,849)
			(8,304)	**(17,032)**
Net Operating Cost in Consolidated Statement of Comprehensive Net Expenditure			**8,587,413**	**6,545,097**

3.2 Outturn against final Administration Budget and Administration net operating cost

	Note	2012-13 £'000 Outturn	2011-12 £'000 Outturn Restated
Estimate – Administration costs limit		175,520	198,000
Outturn – Gross Administration Costs		248,153	236,391
Outturn – Gross income relating to administration costs		(86,387)	(78,889)
Outturn – Net administration costs	2	161,766	157,502
Reconciliation to operating costs:			
Less: Provisions utilised (transfer from programme)		(91)	(138)
Adjust intra-group movements		54,582	53,955
Administration Net Operating Costs		216,257	211,319

4 Reconciliation of Net Resource Outturn to Net Cash Requirement

	Note	Estimate £'000	Outturn £'000	Net total outturn compared with Estimate: Saving/(excess) £'000
Resource outturn	2a	9,374,609	6,516,611	2,857,998
Capital outturn	2b	2,188,356	2,017,982	170,374
Accruals to cash adjustments:				
Adjustments to remove non-cash items:				
Depreciation	10	(929,556)	(28,583)	(900,973)
New provisions and adjustments to previous provisions	10	(435,202)	(430,744)	(4,458)
Departmental Unallocated Provision		–	–	–
Supported capital expenditure (revenue)		–	–	–
Prior Period Adjustments				
Other non-cash items	10, 11	(1,514)	92,622	(94,136)
Adjustments for NDPBs:				
Remove voted resource and capital	2a, 2b	(10,183,306)	(8,366,928)	(1,816,378)
Add cash grant-in-aid	9	3,176,613	3,184,966	(8,353)
Adjustments to reflect movements in working balances:				
Increase/decrease in inventories		–	–	–
Increase/decrease in receivables		–	(61,788)	61,788
Increase/decrease in payables		–	(256,074)	256,074
Use of provisions	2b	334,485	320,398	14,087
Removal of non-voted budget items:				
Consolidated Fund Standing Services		–	–	–
Other adjustments – NDA CFER income and contingencies fund expenditure	2a, 2b	892,000	835,809	56,191
Net cash requirement		**4,416,485**	**3,824,271**	**592,214**

5 Income payable to the Consolidated Fund

5.1 Analysis of income payable to the Consolidated Fund

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

			Outturn 2012-13 £'000		Outturn 2011-12 £'000
	Note	**Income**	***Receipts***	**Income**	***Receipts***
Operating income of the NDA within the ambit	11	1,084,930	*1,014,000*	1,223,216	*1,223,216*
Operating income outside the Ambit of the Estimate	11	925	*827*	2,223	*2,089*
Excess cash surrenderable to the Consolidated fund		–	–	–	–
Total income payable to the Consolidated Fund		**1,085,855**	***1,014,827***	**1,225,439**	***1,225,305***

5.2 Consolidated Fund Income

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

6 Statement of Operating Costs by Operating Segment

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

Year ended 31 March 2013

2012-13	Operations £'000	Energy Markets and Infrastructure £'000	International Climate Change and Energy Efficiency £'000	Science and Evidence Group £'000	Nuclear Decommissioning Authority (NDA) £'000	Total £'000
Administration income						
Revenue from external customers	(81,732)	(710)	(476)	(1,277)	(2,528)	(86,723)
Administration expenditure						
Staff costs	83,772	31,722	18,238	13,882	21,873	169,487
Professional Services	3,571	5,218	1,773	256	8,671	19,489
Research and Development Expenditure	1	83	25	606	–	715
Interest expense	–	12	–	4	–	16
Other administration costs	36,299	4,827	2,843	1,392	8,415	53,776
Depreciation and amortisation	4,069	925	–	23	–	5,017
Notional Audit fee	220	–	–	–	–	220
Other non-cash	(323)	1	–	–	–	(322)
Utilisation of provisions	91	–	–	–	–	91
Programme income						
Revenue from external customers	23	(23,734)	(3,298)	(4,557)	(781,734)	(813,300)
Interest revenue	–	(31)	(467)	–	(901)	(1,399)
Programme expenditure						
Staff costs	393	8,945	3,719	60	7,642	20,759
Grants	2,733	16,284	36,621	4,902	–	60,540

2012-13	Operations £'000	Energy Markets and Infrastructure £'000	International Climate Change and Energy Efficiency £'000	Science and Evidence Group £'000	Nuclear Decommissioning Authority (NDA) £'000	Total £'000
Research and development expenditure	97	885	1,019	26,277	–	28,278
Professional services	3,306	23,180	45,527	1,333	–	73,346
International subscriptions	24,514	3,111	2,459	59	–	30,143
Tax expense	–	–	–	–	9,737	9,737
Other Programme costs	10,503	7,730	9,936	1,519	1,203,809	1,233,497
Depreciation and amortisation	886	3,840	14	–	–	4,740
Other non-cash costs	294	1,271	1,129	–	–	2,694
Utilisation of provisions	–	317,794	–	–	–	317,794
Total Resource DEL	**88,717**	**401,353**	**119,062**	**44,479**	**474,984**	**1,128,595**
Resource AME	**88,658**	**135,002**	**27,416**	**–**	**5,136,940**	**5,388,016**
Total Resource DEL and AME	**177,375**	**536,355**	**146,478**	**44,479**	**5,611,924**	**6,516,611**
Total Capital DEL	**6,929**	**2,133**	**276,547**	**31,402**	**1,721,429**	**2,038,440**
Total Capital AME	**–**	**(33,189)**	**12,731**	**–**	**–**	**(20,458)**

Description of segments

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

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

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

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

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

Reconciliation between Operating Segments and SoCNE

2012-13	Operations £'000	Energy Markets and Infrastructure £'000	International Climate Change and Energy Efficiency £'000	Science and Evidence Group £'000	Nuclear Decommissioning Authority (NDA) £'000	Total £'000
Total net expenditure by operating segment	**177,375**	**536,355**	**146,478**	**44,479**	**5,611,924**	**6,516,611**
Reconciling items						
Capital grants	6,800	–	293,692	31,400	–	331,892
NDA decommissioning	–	–	–	–	1,747,214	1,747,214
Actual gains/losses on defined benefit schemes	–	–	–	–	(6,287)	(6,287)
NDA revaluation of assets	–	–	–	–	5,468	5,468
Coal Authority CFER	–	(925)	–	–	–	(925)
Capital grant	(1,953)	(4,603)	(4)	–	–	(6,560)
Total net expenditure per Statement of Comprehensive Net Expenditure	**182,222**	**530,827**	**440,166**	**75,879**	**7,358,319**	**8,587,413**

Year ended 31 March 2012

2011-12	Operations Restated £'000	Energy Markets and Infrastructure Restated £'000	International Climate Change and Energy Efficiency £'000	Science and Evidence Group £'000	Nuclear Decommissioning Authority (NDA) £'000	Total Restated £'000
Administration income						
Revenue from external customers	(74,451)	(502)	(640)	(1,347)	(1,434)	(78,374)
Administration expenditure						
Staff costs	74,085	29,232	14,962	13,661	18,413	150,353
Grants	–	–	9,707	–	–	9,707
Professional Services	2,862	2,941	2,745	224	–	8,772
Research and Development Expenditure	–	–	–	18	–	18
Other administration costs	34,369	5,941	2,599	2,171	19,319	64,399
Depreciation and amortisation	2,289	–	–	–	–	2,289
Notional Audit fee	200	–	–	–	–	200
Utilisation of provisions	108	–	–	30	–	138
Programme income						
Revenue from external customers	(126)	(31,654)	(3,097)	(4,500)	(970,070)	(1,009,447)
Programme expenditure						
Staff costs	155	7,644	2,170	–	6,736	16,705
Grants	7,329	1,089	66,266	–	–	74,684
Research and development expenditure	(79)	(7,042)	1,837	24,620	4,702	24,038
International subscriptions	23,299	3,670	2,038	2	–	29,009
Interest expense	–	–	–	–	221	221
Other Programme costs	13,048	22,820	30,879	1,502	1,481,873	1,550,122
Depreciation and amortisation	35	3,434	55	–	–	3,524
Other non-cash costs	2,520	508	2,490	–	–	5,518
Utilisation of provisions	72,430	–	232,688	–	–	305,118

2011-12	Operations Restated £'000	Energy Markets and Infrastructure Restated £'000	International Climate Change and Energy Efficiency £'000	Science and Evidence Group £'000	Nuclear Decommissioning Authority (NDA) £'000	Total Restated £'000
Total Resource DEL	**158,073**	**38,081**	**364,699**	**36,381**	**559,760**	**1,156,994**
Resource AME	**(121,802)**	**65,907**	**1,919**	**4**	**3,796,310**	**3,742,338**
Total Resource DEL and AME	**36,271**	**103,988**	**366,618**	**36,385**	**4,356,070**	**4,899,332**
Total Capital DEL	**32,886**	**9,801**	**214,422**	**19,206**	**1,178,000**	**1,454,315**
Total Capital AME	**–**	**(66,955)**	**9,320**	**–**	**–**	**(57,635)**

Reconciliation between Operating Segments and SoCNE

2011-12	Operations Restated £'000	Energy Markets and Infrastructure Restated £'000	International Climate Change and Energy Efficiency £'000	Science and Evidence Group £'000	Nuclear Decommissioning Authority (NDA) £'000	Total Restated £'000
Total net expenditure by operating segment	**36,271**	**103,988**	**366,618**	**36,385**	**4,356,070**	**4,899,332**
Reconciling items						
Capital grants	30,916	–	249,337	19,181	–	299,434
NDA decommissioning	–	–	–	–	1,363,363	1,363,363
Actual gains/losses on defined benefit schemes	–	–	–	–	(11,960)	(11,960)
Coal privatisation CFER	–	(1,000)	–	–	–	(1,000)
Coal Authority CFER	–	(1,223)	–	–	–	(1,223)
Capital grant	(302)	1	(2,548)	–	–	(2,849)
Total net expenditure per Statement of Comprehensive Net Expenditure	**66,885**	**101,766**	**613,407**	**55,566**	**5,707,473**	**6,545,097**

The balances above have been restated to reflect the subsequent transfer of Enrichment Holdings Limited from DECC to BIS as shown in Note 36.

7 Staff numbers and related costs

7.1 Staff costs:

	Permanently employed staff	Others	Ministers	Special advisers	2012-13 £'000 Total	2011-12 £'000 Total Restated
Wages and salaries[1]	140,516	13,037	203	140	153,896	133,663
Social security costs	13,457	244	17	16	13,734	12,316
Other pension costs	23,790	306	–	13	24,109	21,650
Total	**177,763**	**13,587**	**220**	**169**	**191,739**	**167,629**
Less recoveries in respect of outward secondments	(1,493)	–	–	–	(1,493)	(570)
Total net costs[2]	**176,270**	**13,587**	**220**	**169**	**190,246**	**167,059**
Of which:						
Core Department	81,258	7,312	220	169	88,959	76,420
NDPBs	95,012	6,275	–	–	101,287	90,639
	176,270	**13,587**	**220**	**169**	**190,246**	**167,059**

Of which:	2012-13 Charged to Administration Budgets £'000	2012-13 Charged to Programme Budgets £'000	2012-13 Total £'000	2011-12 Charged to Administration Budgets £'000	2011-12 Charged to Programme Budgets £'000	2011-12 Total Restated £'000
Core Department	80,068	8,891	88,959	70,902	5,518	76,420
NDPBs	89,419	11,868	101,287	79,451	11,188	90,639
	169,487	**20,759**	**190,246**	**150,353**	**16,706**	**167,059**

1 Includes exit payments paid via payroll, for further details see Note 7.3.
2 Staff costs of £93,000 (2011-12: £161,000) were charged to capital projects.

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

The PCSPS is an unfunded multi-employer defined benefit scheme, but the Group is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007; a valuation as at 31 March 2012 is currently being carried out, the results of which are expected to be published at the end of 2013. Details can be found in the accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

For 2012-13, employer's contributions of £17,141,159 (2011-12: £15,605,087) were payable to the PCSPS at one of four rates in the range 16.7% to 24.3% (2011-12: 16.7% to 24.3%) of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full Scheme valuation. The contribution rates reflect benefits as they are accrued, not when costs are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £128,108 (2011-12: £72,043) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% (2011-12: 3% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £9,427, 0.8% (2011-12: £5,733, 0.8%) of pensionable pay were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the reporting period date were £17,175 (2011-12: £5,944). Contributions prepaid at the date were £Nil (2011-12: £Nil).

In 2012-13, 1 person (2011-12: 0 persons) retired early on ill-health grounds. The total additional accrued pension liabilities in the year amounted to £5,012 (2011-12: £Nil).

All employees of CNPA are eligible to be members of the Combined Pension Scheme (CPS) of the UKAEA for the year ended 31 March 2013. The CPS is a contributory unfunded statutory defined benefit public service pension scheme; contributions paid in 2012-13 amounted to £6,781,000 (2011-12: £6,011,000).

Staff costs SLCs

	Permanently employed staff	Others	Total	Permanently employed staff	Others	Total
	2012-13	2012-13	2012-13	2011-12	2011-12	
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	730,929	132,616	863,545	681,920	123,978	805,898
Social security costs	66,225	–	66,225	64,000	–	64,000
Other pension costs	123,280	–	123,280	121,274	–	121,274
Less recoveries in respect of outward secondees	(145)	–	(145)	–	–	–
Totals	**920,289**	**132,616**	**1,052,905**	**867,194**	**123,978**	**991,172**

SLC staff costs shown above are reflected in the amounts shown for utilisation in the nuclear provision in Note 22.1 and in contractor fees in Note 9. For the analysis in the Statement of Parliamentary Supply, sixty seven per cent of the staff costs are capital with the remainder being resource.

7.2 Average number of persons employed

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

Activity	Permanent staff	Others	Ministers	Special advisers	2012-13 Number Total	2011-12 Number Total Restated*
Operations[1]	1,445.0	130.2	1.0	0.5	1,576.7	1,404.9
Energy Markets and infrastructure	631.4	78.6	1.0	0.5	711.5	653.4
International Climate Change and Energy Efficiency	305.5	82.4	1.0	0.5	389.4	329.3
Science and Evidence Group	225.1	24.3	1.0	0.5	250.9	238.7
Nuclear Decommissioning Authority	282.0	14.0	–	–	296.0	283.0
Staff engaged in capital projects	1.0	1.0	–	–	2.0	2.0
Total	**2,890.0**	**330.5**	**4.0**	**2.0**	**3,226.5**	**2,911.3**
Of which:						
Core Department	1,225.0	223.6	4.0	2.0	1,454.6	1,305.1
NDPBs	1,665.0	106.9	–	–	1,771.9	1,606.2
Total	**2,890.0**	**330.5**	**4.0**	**2.0**	**3,226.5**	**2,911.3**

1 Includes CNPA, total 1,294 (2011-12: 1,146) as these form part of the Nuclear Securities Group which report via Operations.

* The comparative numbers for core Department have been restated for the Machinery of Government change relating to the removal of Enrichment Holdings Limited as shown in Note 36 which has reduced staff from Operations by 3.1.

Average staff employed – SLCs

The number of SLC staff employed is shown below:

Activity	2012-13 Number Permanent staff	Others	Total	2011-12 Number Permanent staff	Others	Total
Nuclear decommissioning activities	14,163	1,590	15,753	14,232	1,619	15,851

7.3 Exit Packages – Civil Service and other compensation schemes

Comparative data is shown in brackets.

	Core Department			Departmental Group		
Exit package cost band	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band 2012-13**	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band 2012-13**
< £10,000	- (-)	3 (2)	3 (2)	- (1)	3 (3)	3 (4)
£10,000 – £25,000	- (-)	2 (8)	2 (8)	- (1)	2 (9)	2 (10)
£25,000 – £50,000	- (-)	3 (2)	3 (2)	- (-)	3 (2)	3 (2)
£50,000 – £100,000	- (-)	3 (5)	3 (5)	- (-)	4 (6)	4 (6)
£100,000 – £150,000	- (-)	1 (1)	1 (1)	- (-)	1 (1)	1 (1)
£150,000 – £200,000	- (-)	1 (-)	1 (-)	- (-)	1 (–)	1 (–)
£200,000 – £250,000	- (-)	- (-)	- (-)	- (-)	– (–)	– (–)
> £250,000	- (-)	1 (-)	1 (-)	- (-)	1 (–)	1 (–)
Total number of exit packages by type	**- (-)**	**14 (18)**	**14 (18)**	**- (2)**	**15 (21)**	**15 (23)**
Total cost	**£- (£-)**	**£1,172,825 (£694,932)**	**£1,172,825 (£694,932)**	**£- (£19,583)**	**£1,245,634 (£783,015)**	**£1,245,634 (£802,598)**

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

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

8 Other administration costs

	Core Department 2012-13 £'000	Departmental Group 2012-13 £'000	Core Department Restated 2011-12 £'000	Departmental Group Restated 2011-12 £'000
Rentals under operating leases:				
Building leases	–	1,259	–	1,289
Plant and machinery leases	29	70	60	97
Other leases	2	2	16	16
Interest charges	–	16	–	18
PFI service charges	4,568	4,677	3,279	3,381
Research and development expenditure	109	715	5	818
Administration grants	–	–	9,707	9,707
Accommodation	9,320	12,394	8,691	12,670
IT expenditure	3,246	9,992	4,481	12,449
Travel and subsistence	1,718	8,290	1,832	7,361
Training and other non-pay staff costs	3,861	6,260	3,364	5,149
Legal, professional and consultancy	9,625	19,282	8,772	20,074
Other	4,457	10,832	1,574	8,346
	36,935	**73,789**	**41,781**	**81,375**
Non-cash items:				
Depreciation	2,306	4,572	2,167	4,066
Amortisation	146	445	122	323
(Profit)/loss on disposal of property, plant and equipment	–	9	–	57
Revaluation of non-current assets	–	–	–	(7)
Auditor's remuneration	220	220	200	200
Capital grants	–	(321)	–	(114)
Other	(10)	(10)	–	–
Total non-cash	**2,662**	**4,915**	**2,489**	**4,525**
Total other administration costs	**39,597**	**78,704**	**44,270**	**85,900**

Auditor's remuneration represents the cost of the audit of the 2012-13 Group Accounts and Trust Statement. There were no fees in respect of non-audit work.

9 Programme costs

	Core Department 2012-13 £'000	Departmental Group 2012-13 £'000	Core Department Restated 2011-12 £'000	Departmental Group Restated 2011-12 £'000
Grant in Aid to NDPBs				
Nuclear Decommissioning Authority	3,157,000	–	2,698,216	–
Coal Authority	24,000	–	26,250	–
Civil Nuclear Police Authority	818	–	1,764	–
Committee on Climate Change	3,148	–	4,329	–
Grant in Aid to NDPBs	**3,184,966**	**–**	**2,730,559**	**–**
Other grants	419,849	419,849	376,036	376,036
Rentals under operating leases:				
Land leases	–	88	–	257
Building leases	–	79	–	50
Plant and machinery leases	4	114	–	105
PFI service charge	552	552	445	445
Other borrowings – interest paid to the private sector	–	48	–	221
Tax expense	–	9,728	–	13,179
Fees and dividends payable to non-controlling interest	–	76,480	–	86,675
Net (gain)/loss on foreign exchange	2,487	1,461	684	3,395
Research and development expenditure	28,278	32,646	20,093	24,782
Contractor costs	–	243,456	–	343,108
Trading costs	–	56,945	–	49,696
Management and operations contractor fees	–	7,548	–	4,048
Insurance	–	11,631	–	12,786
Skills and socio-economic development programme	–	17,398	–	14,954
IT expenditure	10,890	12,740	12,403	14,576
Professional services	71,762	73,256	32,773	34,341
International subscriptions	30,144	30,144	29,009	29,009
Other	11,290	22,114	15,028	25,130
	575,256	**1,016,277**	**486,471**	**1,032,793**

	Core Department 2012-13 £'000	Departmental Group 2012-13 £'000	Core Department Restated 2011-12 £'000	Departmental Group Restated 2011-12 £'000
Non-cash items:				
Movement in provisions	376,018	6,453,441	179,325	4,417,747
Unwinding of discount on provisions	54,726	1,260,412	56,727	1,173,508
Decrease in value of coal pensions receivables	23,821	23,821	–	–
Top up of payments on account	–	155,817	–	172,380
Depreciation	873	94,078	83	102,679
Amortisation	14	1,201	8	490
Amortisation of recoverable contract costs	–	172,000	–	242,250
Impairment – property, plant and equipment	–	96	–	41,637
Impairment – loans	(217)	(217)	5,196	5,196
(Profit)/loss on disposal of property, plant and equipment	–	(3,197)	–	(25,269)
Revaluation of non-current assets	–	397	–	88
Unrealised (gains)/losses on derivative financial instruments	–	(1,945)	–	(779)
Discount on interest free loans	1,423	1,423	5,010	5,010
Bad debt write off	–	44	–	(31)
Other	–	87,898	–	172,165
Total non-cash	**456,658**	**8,245,269**	**246,349**	**6,307,071**
Total other programme costs	**1,031,914**	**9,261,546**	**732,820**	**7,339,864**
Total Programme Costs	**4,216,880**	**9,261,546**	**3,463,379**	**7,339,864**

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

	Core Department 2012-13 £'000	Core Department Restated 2011-12 £'000
Official Development Assistance[1]	214,583	139,980
Fuel Poverty	82,408	97,841
Green Deal	40,167	4,253
Innovation Programme Delivery	37,641	19,752
Renewable Heat Incentive	30,890	6,532
Smart Meters	19,202	14,264
Renewable Heat Premium Programme	14,188	10,244
Global Threat Reduction Programme	13,192	19,399
Energy Markets and Reform	7,412	–
Nuclear Security	6,944	6,695
Carbon Capture and Storage	5,146	2,722
Collective Switching Scheme	5,007	–
Offshore Environmental Permits	3,854	3,634
Olympic Energy Resilience	3,305	2,854
Office for Nuclear development (OND)	2,751	420
Community Energy Savings Programme (CESP)	2,712	1,728
Carbon Budgets	2,145	31,497
Growing Places Fund	–	25,000
Regional Development Agencies	–	22,500
Energy Saving Trust	–	14,416
Local Energy Assessment Fund	–	10,000
Other Programme spend	22,244	2,509
	513,791	**436,240**

1 This expenditure has been discounted according to the future cash flows of the related promissory notes, the undiscounted expenditure is £233,541,000 (2011-12: £139,980,000).

10 Administration and Programme non-cash costs summary

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

	Note	Core Department 2012-13	Departmental Group 2012-13	Core Department 2011-12	Departmental Group 2011-12 Restated
		£'000	£'000	£'000	£'000
Movement in provisions	22.1, 22.2	376,018	6,453,441	179,325	4,417,747
Unwinding of discount on provisions	22.1, 22.2	54,726	1,260,412	56,727	1,173,508
Amortisation of recoverable contract costs	14.6	–	172,000	–	242,250
Top up of payments on account		–	155,817	–	172,380
Depreciation	12	3,179	98,650	2,250	106,745
Amortisation	13	160	1,646	130	813
Impairment – property, plant and equipment	16	–	96	–	41,637
Impairment – loans	16	(217)	(217)	5,196	5,196
(Profit)/loss on disposal of property, plant and equipment		–	(3,188)	–	(25,212)
Revaluation of non-current assets		–	397	–	81
Decrease in value of coal pensions receivables		23,821	23,821	–	–
Unrealised (gains)/losses on derivative financial instruments		–	(1,945)	–	(779)
Discount on interest free loans	14.1	1,423	1,423	5,010	5,010
Auditor's remuneration		220	220	200	200
Capital grants		–	(321)	–	(114)
Bad debt write off		–	44	–	(31)
Other		(10)	87,888	–	172,165
Total		**459,320**	**8,250,184**	**248,838**	**6,311,596**

11 Income

	Core Department 2012-13 £'000	Departmental Group 2012-13 £'000	Core Department Restated 2011-12 £'000	Departmental Group Restated 2011-12 £'000
Administration income:				
Fees and charges from external customers	856	28,046	1,344	21,310
Fees and charges from other departments	1,276	1,276	1,587	1,587
Other allowable within the Administration cost limit	9	2,612	66	2,037
Total Administration income	**2,141**	**31,934**	**2,997**	**24,934**
Programme income:				
Interest receivable from other entities	513	1,445	–	1,823
Unwinding of discounts on assets	20,869	20,869	17,550	17,550
Increase in value of coal pensions receivables	71,747	71,747	–	–
Reprocessing	–	553,927	–	532,957
Electricity generation	–	163,378	–	288,448
Other	21,287	98,858	18,031	179,791
CFER: NDA Resource income	1,084,930	–	971,504	–
CFER: NDA Capital income	–	–	251,712	–
CFER: Other income	925	925	2,223	2,223
Total Programme income	**1,200,271**	**911,149**	**1,261,020**	**1,022,792**
Total Operating income	**1,202,412**	**943,083**	**1,264,017**	**1,047,726**

12 Property, plant and equipment

Consolidated 2012-13

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

Revaluations

The building at 55 Whitehall which is occupied by the core department and held under a finance lease was last valued by DTZ, external professional valuers, in March 2010 at existing use value. They provided a desktop update as at 31 March 2013.

Land and buildings of the NDA that are located outside the nuclear licensed site boundaries, were revalued at 31 March 2013 on the basis of existing use value or market value, as appropriate, by external qualified valuers. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors Valuation Standards (6th Edition) by Lambert Smith Hampton Chartered Surveyors. The majority of the monetary revaluation adjustment relates to land identified as having potential for alternative use and where there have been subsequent disposals of land assets.

A valuation was undertaken of the Coal Authority's Head Office land and buildings by external Chartered Surveyors (Lambert Smith Hampton), based on existing use value on 31 March 2013 in accordance with RICS guidelines.

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

Consolidated 2011-12	Land £'000	Buildings £'000	Information Technology £'000	Plant and Machinery £'000	Furniture and Fittings £'000	Assets Under Construction £'000	Total £'000
Cost or valuation							
At 1 April 2011	15,247	2,391,812	37,816	4,865,052	27,986	180,206	7,518,119
Additions	166	6,001	1,676	7,204	317	43,822	59,186
Disposals	–	(12,257)	(441)	(69,228)	(188)	(295)	(82,409)
Impairments	–	–	–	–	–	(41,933)	(41,933)
Revaluation	–	3,265	566	(2,406)	(330)	–	1,095
Reclassification	–	(7,158)	1,611	42,243	(578)	(18,815)	17,303
At 31 March 2012	**15,413**	**2,381,663**	**41,228**	**4,842,865**	**27,207**	**162,985**	**7,471,361**
Depreciation							
At 1 April 2011	–	2,257,508	29,745	4,317,088	25,498	–	6,629,839
Charged in year	–	33,405	3,552	69,023	765	–	106,745
Disposals	–	5,568	(395)	(67,774)	(188)	–	(62,789)
Impairments	–	(6,448)	–	6,126	26	–	(296)
Revaluation	–	3,425	–	(5,355)	(289)	–	(2,219)
Reclassification	–	(7,158)	(147)	33,182	(768)	–	25,109
At 31 March 2012	**–**	**2,286,300**	**32,755**	**4,352,290**	**25,044**	**–**	**6,696,389**
Carrying amount at 1 April 2011	**15,247**	**134,304**	**8,071**	**547,964**	**2,488**	**180,206**	**888,280**
Carrying amount at 31 March 2012	**15,413**	**95,363**	**8,473**	**490,575**	**2,163**	**162,985**	**774,972**
Asset financing							
Owned	15,413	89,677	5,500	490,575	2,163	162,985	766,313
Finance leased	–	5,686	–	–	–	–	5,686
On balance sheet PFI contract	–	–	2,973	–	–	–	2,973
Carrying amount at 31 March 2012	**15,413**	**95,363**	**8,473**	**490,575**	**2,163**	**162,985**	**774,972**
Of the total:							
Department	–	5,686	4,936	69	1,092	–	11,783
NDPBs	15,413	89,677	3,537	490,506	1,071	162,985	763,189
Carrying amount at 31 March 2012	**15,413**	**95,363**	**8,473**	**490,575**	**2,163**	**162,985**	**774,972**

13 Intangible assets

Consolidated 2012-13

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

All intangible assets are owned by the Group.

Consolidated 2011-12

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

All intangible assets are owned by the Group.

14 Financial assets

	Note	Core Department 31 March 2013 £'000	Departmental Group 31 March 2013 £'000	Core Department 31 March 2012 £'000	Departmental Group Restated 31 March 2012 £'000	Core Department 1 April 2011 £'000	Departmental Group Restated 1 April 2011 £'000
Energy Efficiency Loans and Recyclable Energy Efficiency Loans	14.1	83,762	83,762	101,396	101,396	130,248	130,248
Green Deal Finance Company Loan	14.2	16,599	16,599	–	–	–	–
Investments in subsidiaries	14.3	–	225,737	–	225,737	–	205,737
Other Investments	14.4	–	–	–	16,502	–	46,124
Derivative Financial Instruments	14.5	–	–	–	–	–	2,124
Recoverable contract costs	14.6	–	2,004,357	–	1,420,342	–	1,279,591
Finance leases receivable	14.7	–	43,164	–	19,446	–	18,788
Defined benefit pension scheme surplus	14.8	–	25,200	–	73,600	–	110,052
Total		**100,361**	**2,398,819**	**101,396**	**1,857,023**	**130,248**	**1,792,664**

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

	Note	Core Department 31 March 2013 £'000	Departmental Group 31 March 2013 £'000	Core Department 31 March 2012 £'000	Departmental Group Restated 31 March 2012 £'000	Core Department 1 April 2011 £'000	Departmental Group Restated 1 April 2011 £'000
Non-current assets							
Energy Efficiency Loans and Recyclable Energy Efficiency Loans	14.1	44,315	44,315	60,527	60,527	86,929	86,929
Green Deal Finance Company Loan	14.2	16,599	16,599	–	–	–	–
Investments in subsidiaries	14.3	–	225,737	–	225,737	–	205,737
Recoverable contract costs	14.6	–	2,004,357	–	1,420,342	–	1,279,591
Finance leases receivable	14.7	–	42,375	–	19,446	–	18,788
Defined benefit pension scheme surplus	14.8	–	25,200	–	73,600	–	110,052
Total non-current assets		**60,914**	**2,358,583**	**60,527**	**1,799,652**	**86,929**	**1,701,097**
Current assets							
Energy Efficiency Loans and Recyclable Energy Efficiency loans	14.1	39,447	39,447	40,869	40,869	43,319	43,319
Other investments	14.4	–	–	–	16,502	–	46,124
Derivative Financial Instruments	14.5	–	–	–	–	–	2,124
Finance Lease receivable	14.7	–	789	–	–	–	–
Total current assets		**39,447**	**40,236**	**40,869**	**57,371**	**43,319**	**91,567**
Total financial Assets		**100,361**	**2,398,819**	**101,396**	**1,857,023**	**130,248**	**1,792,664**

14.1 Energy efficiency and recyclable energy efficiency loans

	Energy Efficiency Loans to Small and Medium sized Enterprises	Energy Efficiency Loans to Public Sector Bodies	Recyclable Energy Efficiency loans to Small and Medium Sized Enterprises	Recyclable Energy Efficiency loans to Public Sector Bodies	Total
	£'000	£'000	£'000	£'000	£'000
Value at 1 April 2011	**53,260**	**39,161**	**37,827**	**–**	**130,248**
Additions	1,031	266	8,122	25,600	35,019
Loans derecognised	(3,240)	(457)	(10,316)	–	(14,013)
Discount charge	(2,031)	(489)	–	(2,490)	(5,010)
Unwinding of discount	2,892	1,399	1,414	–	5,705
Impairment	(1,590)	–	(3,606)	–	(5,196)
Repayments	(18,846)	(12,450)	(14,061)	–	(45,357)
Value at 31 March 2012	**31,476**	**27,430**	**19,380**	**23,110**	**101,396**
Additions	–	17,965	–	–	17,965
Discount charge	–	(1,129)	–	(294)	(1,423)
Unwinding of discount	1,316	952	798	1,514	4,580
(Impairment)/write back*	115	–	102	–	217
Repayments	(16,437)	(11,831)	(10,705)	–	(38,973)
Value at 31 March 2013	**16,470**	**33,387**	**9,575**	**24,330**	**83,762**

* Includes £236k written back that had previously been impaired.

All of the above balances relate to the core Department.

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

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

2011-12	Loans to Small and Medium sized Enterprises	Loans to Public Sector Bodies	Recyclable Energy Efficiency loans to Small and Medium Sized Enterprises	Recyclable Energy Efficiency loans to Public Sector Bodies	Total
	£'000	£'000	£'000	£'000	£'000
Within 1 year	16,424	10,584	10,769	3,092	40,869
Within 2-5 years	15,052	16,846	8,611	20,018	60,527
Total	**31,476**	**27,430**	**19,380**	**23,110**	**101,396**

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

Scheme details

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

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

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

The table below summarises the key elements of each scheme.

	Value of Loans	Loan Term	Scheme opened	Scheme Closed	Scheme Administered by	Loan Type
EE Loans to SMEs	£3,000-£500,000	4 years	2003	2011	Carbon Trust	Repayable
EE Loans to PSBs	De-minimis application value of £5,00: no maximum subject to funding availability.	4 years	2009	2010	Salix Finance	Repayable
Recyclable Loans to SMEs	£3,000 and £500,000 (reducing to £100,000 in 2010-11)	4 years	2005	2011	Carbon Trust	Repayable
Recyclable Loans to PSBs	De-minimis application value of £5,200: no maximum subject to funding availability.	4 years	2011	Scheme open	Salix Finance	Repayable

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

Measurement

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

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

Impairment

Loans to Small and Medium Sized Enterprises (SMEs)

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

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

Impairment Charge

	2012-13 £'000	No of companies	2011-12 £'000	No of companies
EELs	15	3	1,590	75
REELs	5	1	3,606	183
Total	**20**	**4**	**5,196**	**258**

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

The Group has received confirmation from Carbon Trust that 104 companies (2011-12: 79) (EELs) and 88 companies (2011-12: 185 companies) (REELs) in its private sector client base have defaulted on their loan repayments. The total amount of the default is £1,492,000 (2011-12: £1,591,000) (EELs) and £1,183,000 (2011-12: £3,609,000) (REELs) with the debt being on average 8 months (EELs) and 7 months (REELs) overdue.

Loans to Public Sector Bodies (PSBs)

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

For REELs, there were no past due balances at the year end . For EELs, four (2011-12: three) entities under the Salix loan scheme breached their terms and conditions and were required to pay back their loans in full, the loan amounts repaid were £469,000 (2011-12: £668,000).

Risk Management

Loans to Small and Medium Sized Enterprises (SMEs)

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

Loans to Public Sector Bodies (PSBs)

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

Credit risk

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

Loans to Small and Medium Sized Enterprises (SMEs)

The credit risk is borne by the Department which bears the cost of defaults. The credit risk is controlled by procedures managed by the Carbon Trust which include determining whether a business is commercially viable through formal credit checking procedures which incorporate an industry standard credit test as part of the application process. Every application is manually inspected by a Carbon Trust consultant prior to a confirmed offer being made. Carbon Trust uses a professional repayment and collection firm and with them have developed robust processes to minimise instances of default. The Department monitors Carbon Trust's administration of the scheme in accordance with the terms and conditions set out in the relevant grant offer letters.

The loans are unsecured and the Department's maximum exposure to credit risk would be if all of the loan recipients were to default on their repayments. As at 31 March 2013, the maximum undiscounted credit exposure was £18,249,000 (31 March 2012: £33,255,000) (EELs) and £9,847,000 (31 March 2012: £20,450,000) (REELs) based on loans drawn down at that date. At 31 March 2013 the undiscounted value of offers made to applicants under the interest free loans scheme which had not been drawn down by recipients was £Nil (31 March 2012: £Nil) (EELs) and £Nil (31 March 2012: £Nil) (REELs).

Loans to Public Sector Bodies (PSBs)

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

Interest rate risk

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

14.2 Green Deal Finance Company loan

	Green Deal Finance Company loan
	£'000
Value at 31 March 2012	**–**
Additions	16,599
Discount charge	–
Unwinding of discount	–
Impairment	–
Repayments	–
Value at 31 March 2013	**16,599**

All of the above balances relate to the core Department.

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

2012-13	31 March 2013 £'000	31 March 2012 £'000	1 April 2011 £'000
Within 1 year	–	–	–
Within 2-5 years	6,508	–	–
Over 5 years	10,091	–	–
Total	**16,599**	**–**	**–**

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

Loan details

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

The Department has agreed to advance a further tranche of £8.4m under the same terms as the existing loan, this is due to be paid out in financial year 2013-14.

Loan repayments will be made out of any remaining cash flows after the senior debtors are repaid and running costs of the service company are met. Principal repayments are due to start in 2014.

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

Measurement

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

Impairment

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

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

Credit risk

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

The credit risk is controlled by the Department by setting the interest rate at a commercial rate that reflects the risk of loaning funds to a new untested company.

The loan is unsecured and as at 31 March 2013, the maximum undiscounted credit exposure was £16,599,000 (31 March 2012: £Nil).

Interest rate risk

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

14.3 Investments in subsidiaries

	Cost	Impairment	Carrying value
	£'000	£'000	£'000
At 1 April 2011	208,737	(3,000)	205,737
Additions	20,000	–	20,000
At 31 March 2012	**228,737**	**(3,000)**	**225,737**
Additions	–	–	–
At 31 March 2013	**228,737**	**(3,000)**	**225,737**

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

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

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

* Ownership through International Nuclear Services Limited

The NDA is a member of Energus, a company limited by guarantee registered in the UK, providing training facilities in support of the nuclear estate. NDA's liability is limited to £10.

NDA is a member of North Highland Regeneration Fund Limited, a company limited by guarantee registered in Scotland and contributing to socio-economic development in the North Highland region. NDA's liability is limited to £10.

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

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

	Nuclear Liabilities Fund £m		National Nuclear Laboratory Holdings Limited £m	
	2012-13	2011-12 Restated	2012-13	2011-12
Assets	8,800.6	8,664.5	82.5	67.9
Liabilities	8,800.6	8,664.5	(43.9)	(36.1)
Net assets	–	–	38.6	31.8
Turnover	64.0	59.7	86.9	84.0
Surplus/profit for the year	122.3	62.4	6.8	7.3

Nuclear Liabilities Fund (NLF)

The information is extracted from the draft accounts for the year to 31 March 2013; the accounts were prepared in accordance with IFRS. The 2011-12 comparatives have been restated based on the final audited accounts for 2011-12. The assets primarily arise from the sale of the Government's interest in British Energy (BE) and are to be applied to fund the decommissioning costs of BE's eight existing nuclear power stations, together with defueling costs and other qualifying liabilities (as defined in the restructuring agreements between Government and British Energy). The liabilities noted above are those reflected in the Statement of Financial Position of the NLF and represent the Fund's resources available to meet its liability to the Licensee (British Energy Generation Limited) at that date. The liabilities disclosed in Note 28.1 represent the discounted actual estimated liabilities.

National Nuclear Laboratory Holdings Limited

The share of net assets and results disclosed is extracted from the draft group accounts for the year ended 31 March 2013 of National Nuclear Laboratories Holdings Limited, prepared under the historical cost convention and in accordance with IFRS. Included in the net assets shown above for 2012-13 and 2011-12 is £20m cash held by National Nuclear Laboratories Holdings Limited. This is shown as third party assets in Note 32.

14.4 Other investments

	31 March 2013	31 March 2012	1 April 2011
	£'000	£'000	£'000
Bank deposits	–	16,502	46,124

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

The above investments were carried at fair value in previous years and held for purposes other than to meet short-term cash commitments. Bank deposits consisted of funds which were held by the NDA within charge over deposit accounts (CODAs). These represented funds provided by customers which were held in accounts controlled and owned by the NDA, over which the customer had a legal charge until the associated work had been completed. These funds became payable to the NDA once the work was completed and the charge was released in the financial year. Interest on the accounts accrued to the benefit of the NDA.

Membership fund

The Secretary of State for Energy and Climate Change has a share in the membership fund of Carbon Trust. The members' fund at 31 March 2013 was £Nil (31 March 2012: £Nil).

Special shares

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

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

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

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

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

14.5 Derivative Financial Instruments

	Note	31 March 2013 £'000	31 March 2012 £'000	1 April 2011 £'000
Commodity supply contracts – assets		**–**	**–**	**2,124**
Commodity supply contracts – liabilities	**21.1**	**(552)**	**(2,497)**	**(5,400)**

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

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

14.6 Recoverable contract costs

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

Recoverable contract costs relating to Nuclear provisions	31 March 2013 £'000	31 March 2012 £'000	1 April 2011 £'000
Gross recoverable contract costs	5,685,393	4,774,816	4,654,627
Less applicable payments received on account	(3,363,036)	(2,988,566)	(2,780,036)
Less associated contract loss provisions	(318,000)	(365,908)	(595,000)
	2,004,357	**1,420,342**	**1,279,591**

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

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

	Note	2012-13 £'000	2011-12 Restated £'000
Gross recoverable contract costs at 1 April		4,774,816	4,654,627
Increase/(decrease) in year	22.1	1,355,409	688,352
Unwinding of discount	22.1	42,168	36,214
Prior year adjustment		–	(18,997)
Release in year – continuing operations	22.1	(315,000)	(343,130)
Amortisation of recoverable contract costs	10	(172,000)	(242,250)
Gross recoverable contract costs at 31 March		**5,685,393**	**4,774,816**

14.7 Finance lease receivable

	Departmental Group 31 March 2013 £'000	Departmental Group 31 March 2012 £'000	Departmental Group 1 April 2011 £'000
Amounts receivable under finance leases			
Not later than one year	1,521	657	635
Later than one year and not later than five years	6,338	2,869	2,772
Later than five years	178,969	102,974	103,093
	186,828	106,500	106,500
Less unearned finance income	(143,664)	(87,054)	(87,712)
Present value of minimum lease payments	**43,164**	**19,446**	**18,788**
Of which			
Non-current	42,375	19,446	18,788
Current	789	–	–
Total	**43,164**	**19,446**	**18,788**

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

The finance lease receivable relates to:

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

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

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

14.8 Defined benefit pension schemes

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

NDPBs

Closed section of the Combined Nuclear Pension Scheme

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

Nirex Pension Scheme (Nirex section of the CNPP)

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

Actuarial valuations for the defined benefit schemes referred to above have been updated at 31 March 2013 by an independent actuary using assumptions that are consistent with the requirements of IAS 19 and the resultant asset/liability of the two schemes is shown in the table below. Investments have been valued for this purpose at fair value.

		31 March 2013		31March 2012		1 April 2011	
	Note	Nirex	CNPP	Nirex	CNPP	Nirex	CNPP
		£'000	£'000	£'000	£'000	£'000	£'000
Asset recognised in the statement of financial position	14	–	–	–	–	–	6,752
Liability recognised in the statement of financial position	21.1	(4,071)	(5,577)	(2,582)	(1,503)	(433)	–

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

Site Licence Companies

The following assets and liabilities have been recognised in the Statement of Financial Position relating to the site licence companies.

		31 March 2013		31March 2012		1 April 2011	
	Note	**ESPS**	**CNPP**	**ESPS**	**CNPP**	**ESPS**	**CNPP**
		£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Magnox		25,200	–	73,600	–	103,300	–
Asset recognised in the statement of financial position	14	25,200	–	73,600	–	103,300	–
Sellafield[1]		–	(155,967)	–	(20,490)	–	–
LLWR		–	(2,838)	–	(809)	–	(16)
RSRL		–	(6,095)	–	(2,275)	–	(415)
Total liabilities		–	(164,900)	–	(23,574)	–	(431)
Deferred tax asset (RSRL)		–	1,402	–	546	–	108
Liabilities recognised in the statement of financial position	21.1	–	(163,498)	–	(23,028)	–	(323)

1 As at 31 March 2011 the surplus of £30,014,000 (GPS) and £16,396,000 (CNPP) was not recognised on the Sellafield Limited statement of financial position and hence is not recognised in the Group statement of financial position.

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

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

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

	CNPP £'000	GPS section of the CNPP £'000	ESPS £'000
Present value of defined benefit obligation at 31 March 2012	386,415	380,993[1]	2,244,400
Interest cost	21,755	19,133	104,100
Current service cost	87,085	10,023	33,200
Benefits paid	(4,084)	(8,206)	(106,200)
Actuarial gains/(losses)	107,428	66,514	215,300
Past service costs	–	-	13,300
Employee contributions	17,494	1,712	100
Curtailments	442	556	–
Transfers	563	–	–
Present value of defined benefit obligation at 31 March 2013	617,098	470,725	2,504,200
Fair value of asset at 31 March 2012	362,841	387,171[1]	2,318,000
Expected return on plan assets	24,132	22,798	117,000
Employer contributions	73,671	6,301	41,700
Benefits paid	(4,084)	(8,206)	(106,200)
Actuarial gains	8,923	29,607	158,800
Contributions by employees	17,494	1,712	100
Transfers	563	–	–
Fair value of asset at 31 March 2013	483,540	439,383	2,529,400
Defined benefit liability/(asset) at 31 March 2013	133,558	31,342	(25,200)
Defined benefit liability/(asset) at 31 March 2012	23,574	[1](6,178)	(73,600)

1 The GPS surplus at 31 March 2012 was not recognised on the Sellafield Limited statement of financial position and hence is not recognised in the Group statement of financial position.

The actuarial assumptions used at 31 March 2013 have been disclosed in the Site Licence Companies' financial statements. A one percentage point change in the annual discount rate would decrease the liability by £149m, or increase by £197m for CNPP; and decrease the liability by £94m, or increase by £117m for GPS. A change in the discount rate by 0.1% will result in changing the projected benefit obligation by 1.5%for ESPS.

15 Investment property

Fair Value	Land £'000	Buildings £'000	Total £'000
As at 1 April 2011	**1,092**	**134**	**1,226**
Revaluations	(135)	(35)	(170)
Reclassifications	(122)	–	(122)
As at 31 March 2012	**835**	**99**	**934**
Revaluations	(415)	–	(415)
Reclassifications	196	(89)	107
As at 31 March 2013	**616**	**10**	**626**

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

The Group owns all of its investment properties.

16 Impairments

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

	Note	2012-13 £'000	2011-12 £'000
Financial Assets – Energy Efficiency Loans to Small and Medium Sized Enterprises	14.1	(217)	5,196
Property, plant and equipment	12	96	41,637
Total		**(121)**	**46,833**
Analysis of impairments			
Department		(217)	5,196
NDPBs		96	41,637
Total		**(121)**	**46,833**

17 Assets classified as held for sale and discontinued operations

Assets held for sale

	2012-13 £'000	2011-12 £'000
As at 1 April	100,145	277,647
Disposals	(54,955)	(227,007)
Revaluation	5,467	49,383
Reclassification	(107)	122
As at 31 March	**50,550**	**100,145**

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

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

On 29 October 2009, the NDA agreed an option for disposal of land at Sellafield for £51 million. This option expires in October 2014, with a further one year extension possible under certain conditions.

18 Inventories

	Departmental Group 31 March 2013 £'000	Departmental Group 31 March 2012 Restated £'000	Departmental Group 1 April 2011 Restated £'000
Nuclear Fuels	1,134	4,205	14,164
Raw materials and consumables	38,080	36,682	35,788
Work in progress	63,421	38,068	61,121
Other	1,192	1,134	1,177
	103,827	**80,089**	**112,250**

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

19 Trade and other receivables

19.1 Analysis by type

	Core Department 31 March 2013 £'000	Departmental Group 31 March 2013 £'000	Core Department 31 March 2012 £'000	Departmental Group Restated 31 March 2012 £'000	Core Department 1 April 2011 £'000	Departmental Group Restated 1 April 2011 £'000
Amounts falling due within one year:						
Trade receivables	7,527	448,625	3,163	374,561	20,891	413,197
Coal Pensions receivables	86,837	86,837	75,685	75,685	75,685	75,685
Other receivables	73,500	15,960	1,706	12,450	1,035	14,784
H M Revenue Customs and VAT	4,553	72,899	5,074	72,712	8,261	60,030
Amounts due from the Consolidated Fund in respect of supply	72,506	72,506	–	–	13,173	13,173
Prepayments and accrued income	35,378	172,341	41,566	136,272	35,471	98,221
Total current trade and other receivables	**280,301**	**869,168**	**127,194**	**671,680**	**154,516**	**675,090**
Amounts falling due after more than one year:						
Coal Pensions receivables	168,106	168,106	212,043	212,043	277,998	277,998
Other receivables	–	13,001	–	16,947	–	28,702
Prepayments and accrued income	–	30,185	–	–	–	–
Total non-current trade and other receivables	**168,106**	**211,292**	**212,043**	**228,990**	**277,998**	**306,700**
Total trade and other receivables	**448,407**	**1,080,460**	**339,237**	**900,670**	**432,514**	**981,790**

Included within other receivables within one year for the core Department are CFER receivables of £71,190,000 (31 March 2012: £162,000; 1 April 2011: £28,000).

Coal Pensions receivables represent the amounts due to the Government relating to the surplus on the British Coal Staff Superannuation Scheme (BCSSS) and the Mineworkers' Pension Scheme (MPS). These amounts arise from the 1994 Coal Industry Act in which the Government gave a guarantee in relation to the benefits payable to members and beneficiaries of the BCSSS and MPS; as part of the agreement a portion of the surpluses are due to the Government. The future cash flows are determined by recommendations of the Government Actuary's Department (GAD) as a result of their triennial actuarial valuations. The most recent valuations were at 31st March 2012 for BCSSS and 30th September 2011 for MPS. More details can be found at www.bcsss-pension.org.uk and www.mps-pension.org.uk.

The Coal Pensions receivables have been classified as loans and receivables in accordance with IAS39: Financial Instruments: Recognition and Measurement. They are valued at fair value which equates to the cash flows being discounted at a rate of 2.2%, the Treasury's real discount rate. The unwinding of the discount and determination of revised cash flows due to the triennial GAD valuations are reflected in the Statement of Comprehensive Net Expenditure.

Other receivables falling due after more than one year relate to lump sum payments made under early retirement arrangements to individuals who have retired early, or who have accepted early retirement, before 31 March 2013. These payments are refundable to the Group from the appropriate pension scheme at or after the date on which the individual concerned would have reached normal retirement age.

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

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

	Departmental Group 31 March 2013	Departmental Group Restated 31 March 2012	Departmental Group Restated 1 April 2011
	£'000	**£'000**	**£'000**
Neither impaired nor past due	428,723	358,694	371,849
Impaired (net of allowance for doubtful debts)	–	–	–
Not impaired but past due in the following periods:			
within 30 days	6,309	6,635	4,675
31 to 60 days	1,402	321	522
61 to 90 days	496	85	886
91 to 120 days	32	1,675	6,401
over 120 days	2,409	299	95
Total	**439,371**	**367,709**	**384,428**

19.2 Intra-Government balances

Amounts falling due within one year

	Core Department 31 March 2013 £'000	Departmental Group 31 March 2013 £'000	Core Department 31 March 2012 £'000	Departmental Group Restated 31 March 2012 £'000	Core Department 1 April 2011 £'000	Departmental Group Restated 1 April 2011 £'000
Balances with:						
Other Central Government bodies	148,815	197,835	8,768	114,387	30,012	82,668
Local Authorities	–	689	–	550	19	518
NHS bodies	–	13	–	–	–	–
Public Corporations and Trading Funds	21	27	–	713	–	311
Subtotal: Intra-Government balances	***148,836***	***198,564***	***8,768***	***115,650***	***30,031***	***83,497***
Bodies external to Government	131,465	670,604	118,426	556,030	124,485	591,593
Total trade and other receivables	**280,301**	**869,168**	**127,194**	**671,680**	**154,516**	**675,090**

Amounts falling due after more than one year

	Core Department 31 March 2013 £'000	Departmental Group 31 March 2013 £'000	Core Department 31 March 2012 £'000	Departmental Group Restated 31 March 2012 £'000	Core Department 1 April 2011 £'000	Departmental Group Restated 1 April 2011 £'000
Balances with:						
Other Central Government bodies	–	531	–	151	–	151
Local Authorities	–	–	–	–	–	–
NHS bodies	–	–	–	–	–	–
Public Corporations and Trading Funds	–	–	–	–	–	–
Subtotal: Intra-Government balances	***–***	***531***	***–***	***151***	***–***	***151***
Bodies external to Government	168,106	210,761	212,043	228,839	277,998	306,549
Total trade and other receivables	**168,106**	**211,292**	**212,043**	**228,990**	**277,998**	**306,700**

20 Cash and cash equivalents

	Core Department 2012-13 £'000	Departmental Group 2012-13 £'000	Core Department 2011-12 £'000	Departmental Group Restated 2011-12 £'000
Balance as at 1 April	89,614	190,942	59,752	287,504
Net change in cash and cash equivalent balances	10,558	126,687	29,862	(96,562)
Balance at 31 March	**100,172**	**317,629**	**89,614**	**190,942**

	Core Department 31 March 2013 £'000	Departmental Group 31 March 2013 £'000	Core Department 31 March 2012 £'000	Departmental Group Restated 31 March 2012 £'000	Core Department 1 April 2011 £'000	Departmental Group Restated 1 April 2011 £'000
The following balances at 31 March were held at:						
Government Banking service	100,058	290,174	89,614	166,143	59,412	273,891
Cash in hand and commercial banks	114	27,455	–	24,799	340	13,613
	100,172	**317,629**	**89,614**	**190,942**	**59,752**	**287,504**

21 Trade payables and other liabilities

21.1 Analysis by type

	Core Department 31 March 2013 £'000	Departmental Group 31 March 2013 £'000	Core Department Restated 31 March 2012 £'000	Departmental Group Restated 31 March 2012 £'000	Core Department Restated 1 April 2011 £'000	Departmental Group Restated 1 April 2011 £'000
Amounts falling due within one year:						
VAT	–	34,289	–	31,073	–	26,556
Other taxation and social security	3,351	45,081	2,920	43,776	2,378	43,505
Trade payables	20,021	165,279	479	85,315	8,414	75,230
Payments received on account	–	611,347	–	551,003	–	577,773
Other payables	4,187	41,603	4,613	46,794	4,747	51,804
On balance sheet PFI	–	6	–	8	–	21
Accruals and deferred income	210,738	515,490	69,965	584,215	193,326	755,373
Derivative Financial instruments	–	552	–	2,497	–	5,400
Advance from the Contingencies Fund	4,851	4,851	–	–	–	–
Amounts issued from the Consolidated Fund for Supply but not spent at year end	–	–	87,553	87,553	73,214	73,214
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund:						
Receive	167,828	238,758	2,061	2,061	534	534
Receivable	71,190	260	162	162	28	28
Total current trade and other payables	**482,166**	**1,657,516**	**167,753**	**1,434,457**	**282,641**	**1,609,438**
Amounts falling due after more than one year:						
Payments received on account	–	1,931,607	–	1,952,251	–	1,884,522
Accruals and deferred income	341,573	362,808	245,820	250,028	115,214	119,567
On balance sheet PFI		–		39		109
Defined benefit pension scheme deficit	–	173,146	–	27,113	–	756
Other payables	–	22	–	–	–	1,500
Total non-current trade and other payables	**341,573**	**2,467,583**	**245,820**	**2,229,431**	**115,214**	**2,006,454**
Total trade and other payables	**823,739**	**4,125,099**	**413,573**	**3,663,888**	**397,855**	**3,615,892**

Payments received on account

	Note	2012-13 £'000	2011-12 £'000
As at 1 April – current		551,003	577,773
As at 1 April – non-current		1,952,251	1,884,522
		2,503,254	**2,462,295**
Top up of payments on account	10	155,817	172,380
Movement in amount deducted from recoverable contract costs	14.6	(374,470)	(208,530)
Cash received		736,260	687,416
Released to income		(477,907)	(610,307)
As at 31 March		**2,542,954**	**2,503,254**
Of which:			
As at 31 March – current		611,347	551,003
As at 31 March – non-current		1,931,607	1,952,251

Payments received on account are all within the NDA and relate to amounts which customers have paid for the provision of services under long-term contracts. These payments will be recognised as income when the services are provided. Payments received on account are shown net after deduction of any applicable recoverable contract costs (see Note 14.6).

21.2 Intra-Government balances

	Amounts falling due within one year					
	Core Department 31 March 2013 £'000	Departmental Group 31 March 2013 £'000	Core Department 31 March 2012 £'000	Departmental Group Restated 31 March 2012 £'000	Core Department 1 April 2011 £'000	Departmental Group Restated 1 April 2011 £'000
Balances with:						
Other Central Government bodies	256,624	352,542	104,188	215,956	102,245	194,514
Local Authorities	642	744	556	701	2,591	2,855
NHS bodies	–	40	–	–	–	–
Public Corporations and Trading Funds	3,482	3,484	1,596	1,608	1,258	1,288
Subtotal: Intra-Government balances	***260,748***	***356,810***	***106,340***	***218,265***	***106,094***	***198,657***
Bodies external to Government	221,418	1,300,706	61,413	1,216,192	176,547	1,410,781
Total trade and other payables	**482,166**	**1,657,516**	**167,753**	**1,434,457**	**282,641**	**1,609,438**

	Amounts falling due after more than one year					
	Core Department 31 March 2013 £'000	Departmental Group 31 March 2013 £'000	Core Department 31 March 2012 £'000	Departmental Group Restated 31 March 2012 £'000	Core Department 1 April 2011 £'000	Departmental Group Restated 1 April 2011 £'000
Balances with:						
Other Central Government bodies	–	22	–	39	–	109
Local Authorities	–	–	–	–	–	–
NHS bodies	–	–	–	–	–	–
Public Corporations and Trading Funds	–	–	–	–	–	–
Subtotal: Intra-Government balances	***–***	***22***	***–***	***39***	***–***	***109***
Bodies external to Government	341,573	2,467,561	245,820	2,229,392	115,214	2,006,345
Total trade and other payables	**341,573**	**2,467,583**	**245,820**	**2,229,431**	**115,214**	**2,006,454**

22 Provisions for liabilities and charges

	Note	Core Department 31 March 2013 £'000	Departmental Group 31 March 2013 £'000	Core Department 31 March 2012 £'000	Departmental Group Restated 31 March 2012 £'000	Core Department 1 April 2011 £'000	Departmental Group Restated 1 April 2011 £'000
Nuclear	22.1	1,976,876	62,631,739	1,887,462	56,679,942	2,008,649	52,953,328
Other	22.2	621,013	1,798,778	600,080	1,617,805	569,855	1,603,125
Total		**2,597,889**	**64,430,517**	**2,487,542**	**58,297,747**	**2,578,504**	**54,556,453**

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

	Note	Core Department 31 March 2013 £'000	Departmental Group 31 March 2013 £'000	Core Department 31 March 2012 £'000	Departmental Group Restated 31 March 2012 £'000	Core Department 1 April 2011 £'000	Departmental Group Restated 1 April 2011 £'000
Current liabilities							
Nuclear	22.1	246,048	3,097,274	233,523	2,612,109	225,474	2,301,674
Other	22.2	88,637	124,627	85,367	121,646	98,819	147,294
Total current		**334,685**	**3,221,901**	**318,890**	**2,733,755**	**324,293**	**2,448,968**
Non-current liabilities							
Nuclear	22.1	1,730,828	59,534,465	1,653,939	54,067,833	1,783,175	50,651,654
Other	22.2	532,376	1,674,151	514,713	1,496,159	471,036	1,455,831
Total non-current		**2,263,204**	**61,208,616**	**2,168,652**	**55,563,992**	**2,254,211**	**52,107,485**
Total		**2,597,889**	**64,430,517**	**2,487,542**	**58,297,747**	**2,578,504**	**54,556,453**

See Note 1.36 for details of key sensitivities and accounting judgements relating to the above provisions.

22.1 Nuclear

	Note	Core Department British Energy £'000	Decommissioning Restated £'000	Contract loss £'000	Departmental Group Restated £'000
At 1 April 2011		**2,008,649**	**49,085,807**	**1,858,872**	**52,953,328**
Unwinding of discount		44,190	1,043,067	53,415	1,140,672
Unwinding of discount – recoverable contract costs	14.6	–	36,214	–	36,214
Increase in provision		67,311	4,170,898	70,340	4,308,549
Increase in recoverable contract costs provision	14.6	–	688,352	–	688,352
Movements in amounts deducted from recoverable contract costs		–	–	229,092	229,092
Recoverable contract costs – release in year	14.6	–	(343,130)	–	(343,130)
Provision changes offset by reclassification		–	81,883	–	81,883
Utilised in year		(232,688)	(1,936,213)	(246,117)	(2,415,018)
At 31 March 2012		**1,887,462**	**52,826,878**	**1,965,602**	**56,679,942**
Unwinding of discount		41,524	1,134,178	50,416	1,226,118
Unwinding of discount – recoverable contract costs	14.6	–	42,168	–	42,168
Increase in provision		287,767	5,841,409	61,684	6,190,860
Increase in recoverable contract costs provision	14.6	–	1,355,409	–	1,355,409
Movements in amounts deducted from recoverable contract costs		–	–	47,908	47,908
Amounts written back		–	(189)	–	(189)
Recoverable contract costs – release in year	14.6	–	(315,000)	–	(315,000)
Utilised in year		(239,877)	(2,116,067)	(239,533)	(2,595,477)
At 31 March 2013		**1,976,876**	**58,768,786**	**1,886,077**	**62,631,739**

Cash Flow Timings

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

	Core Department 31 March 2013	Departmental Group 31 March 2013	Core Department 31 March 2012	Departmental Group 31 March 2012	Core Department 1 April 2011	Departmental Group 1 April 2011
	£'000	£'000	£'000	£'000	£'000	£'000
Not later than one year	246,048	3,097,274	233,523	2,612,109	225,474	2,301,674
Later than one year and not later than five years	844,505	12,584,038	791,805	10,434,706	809,781	7,342,627
Later than five years	886,323	46,950,427	862,134	43,633,127	973,394	43,309,027
Balance at 31 March	**1,976,876**	**62,631,739**	**1,887,462**	**56,679,942**	**2,008,649**	**52,953,328**

Core Department

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

Group

Decommissioning

The NDA has commercial agreements in place under which a portion of the expenditure required to settle certain elements of the Decommissioning provision are recoverable from third parties. Changes in the future cost estimates of discharging the Decommissioning provision are therefore matched by a change in recoverable contract costs. In accordance with IAS 37, these recoverable amounts are not offset against the Decommissioning provision but are treated as a separate asset. The amount recoverable at 31 March 2013 (NDA Group and Authority) is £5,685 million (2012: £4,775 million), see Note 14.6.

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

Contract loss provisions have been recognised to cover the anticipated shortfall between total income and total expenditure on long term reprocessing contracts. The above balances are shown net after deduction from any applicable recoverable contract costs (see Note 14.6). The amount provided in the year for the contract loss provision relates to changes in estimates of the costs of existing contracts.

22.2 Other provisions

	Legacy ailments	Health administration	Concessionary fuel	Site restoration	Core Department	Coal Authority	Early departure costs and restructuring	Other Restated	Departmental Group Total Restated
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2011	**31,097**	**59,701**	**451,134**	**27,923**	**569,855**	**915,000**	**99,180**	**19,090**	**1,603,125**
Unwinding of discount	684	1,314	9,925	614	**12,537**	18,701	1,598	–	**32,836**
Increase in provision	115,923	6,405	558	–	**122,886**	8,138	2,187	403	**133,614**
Amounts written back	(446)	–	(10,420)	(6)	**(10,872)**	(13,047)	–	(497)	**(24,416)**
Utilised in year	(9,943)	(6,700)	(54,642)	(23,041)	**(94,326)**	(17,792)	(9,531)	(5,705)	**(127,354)**
At 31 March 2012	**137,315**	**60,720**	**396,555**	**5,490**	**600,080**	**911,000**	**93,434**	**13,291**	**1,617,805**
Unwinding of discount	3,021	1,336	8,724	121	**13,202**	18,611	2,481	–	**34,294**
Increase in provision	3,215	–	94,917	82	**98,214**	161,084	17,866	67	**277,231**
Amounts written back	(7,932)	(2,031)	–	–	**(9,963)**	(3,970)	–	(528)	**(14,461)**
Utilised in year	(17,856)	(4,560)	(58,104)	–	**(80,520)**	(19,725)	(15,483)	(363)	**(116,091)**
At 31 March 2013	**117,763**	**55,465**	**442,092**	**5,693**	**621,013**	**1,067,000**	**98,298**	**12,467**	**1,798,778**

Cash Flow Timings

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

	Core Department 31 March 2013	Departmental Group 31 March 2013	Core Department 31 March 2012	Departmental Group 31 March 2012	Core Department 1 April 2011	Departmental Group Restated 1 April 2011
	£'000	£'000	£'000	£'000	£'000	£'000
Not later than one year	88,637	124,627	85,367	121,646	98,819	147,294
Later than one year and not later than five years	258,422	421,191	266,371	413,679	211,500	390,675
Later than five years	273,954	1,252,960	248,342	1,082,480	259,536	1,065,156
Balance at 31 March	**621,013**	**1,798,778**	**600,080**	**1,617,805**	**569,855**	**1,603,125**

Core Department

Legacy ailments

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

The liabilities concern compensation claims relating to injuries and ailments including noise induced hearing loss, mesothelioma, pneumoconiosis, pleural thickening, asbestos related conditions. The provisions are based on the forecasts of the settlements of future claims.

Health administration

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

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

Concessionary fuel

The provision covers the cost of the Department's responsibility to provide either solid fuel or a cash alternative to ex-miners and their dependants formerly employed by British Coal, including the administration of the scheme. Of the total 67,500 beneficiaries, around 56,700 have opted for the cash alternative at an average of around £550 per annum; for the remainder, the average annual solid fuel cost to the Department is around £1,400 per beneficiary (this includes the cost of distribution and VAT). The provision is based on standard female mortality rates and includes an assumption of beneficiaries continuing to switch their entitlement from solid fuel to cash in line with rates observed in the recent past.

Group

Coal Authority

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

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

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

Early departure costs and restructuring

The majority of the restructuring provision relates to the NDA and has been recognised to cover continuing annual payments to be made under early retirement arrangements to individuals working for Site Licence Companies who retired early, or had accepted early retirement, before 31 March 2013. These payments continue at least until the date at which the individual would have reached normal retirement age. Lump sums paid to individuals on retirement are held as receivables, since they are refundable to the NDA from the appropriate pension scheme at or after the date on which the individual concerned would have reached normal retirement age.

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

23. Non-controlling interest

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

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

	Departmental Group 2012-13 £'000	Departmental Group 2011-12 £'000
Balance at 1 April	**27,786**	**28,648**
Change in equity of non-controlling interest during the year	14,301	(862)
Balance at 31 March	**42,087**	**27,786**

24. Capital commitments

Contracted capital commitments as at 31 March 2013, not otherwise included in these financial statements, are property, plant and equipment of £177,753,000 (31 March 2012: £162,486,000) and intangibles of £165,000 (31 March 2012: £871,000), all of which relate to the Group's NDPBs.

25. Commitments under leases

25.1 Operating leases – Department as a lessee

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

	Core Department 31 March 2013 £'000	Departmental Group 31 March 2013 £'000	Core Department 31 March 2012 £'000	Departmental Group Restated 31 March 2012 £'000
Obligations under operating leases for the following periods comprise				
Land				
Not later than one year	–	391	–	378
Later than one year and not later than five years	–	1,506	–	1,457
Later than five years	–	11,079	–	11,230
Total	**–**	**12,976**	**–**	**13,065**
Buildings				
Not later than one year	–	3,819	–	3,451
Later than one year and not later than five years	–	7,101	–	6,849
Later than five years	–	4,027	–	3,643
Total	**–**	**14,947**	**–**	**13,943**
Other				
Not later than one year	6	2,566	7	1,439
Later than one year and not later than five years	13	3,874	16	1,844
Later than five years	–	271	–	35
Total	**19**	**6,711**	**23**	**3,318**

The Departmental Group balances for 31 March 2012 have been restated to include the operating leases of the Site Licence Companies as described in Notes 1.37 and 36.

25.2 Operating leases – Department as a lessor

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

	Departmental Group 31 March 2013 £'000	Departmental Group Restated 31 March 2012 £'000
Obligations under operating leases for the following periods comprise		
Buildings		
Not later than 1 year	2,835	2,798
Later than one year and not later than 5 years	4,908	6,236
Later than 5 years	19,528	27,681
Total	**27,271**	**36,715**

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

The Departmental Group balances for 31 March 2012 have been restated to include the operating leases of the Site Licence Companies as described in Notes 1.37 and 36.

25.3 Finance leases – Department as a lessee

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

25.4 Service concessions

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

The contract payments relating to the core Department's infrastructure assets were all made in the first year of the contract and consequently there is no lease commitment or liability at 31 March 2013.

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

	Departmental Group 31 March 2013	Departmental Group 31 March 2012
	£'000	**£'000**
Not later than 1 year	7	9
Later than 1 year but not later than 5 years	27	41
Later than 5 years	–	12
	34	**62**
Less: interest element	(6)	(15)
	28	**47**
Present value of the above obligations comprise:		
Not later than 1 year	6	8
Later than 1 year but not later than 5 years	22	32
Later than 5 years	–	7
Total present value of obligations	**28**	**47**

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

The total amount charged to the Statement of Comprehensive Net Expenditure in respect of the service element of the on-balance sheet service concession arrangements was £4,735,000 (2011-12: £3,396,000), interest payments in respect of the service concession arrangement were £3,590 (2011-12: £6,558); and the payments to which the Group is committed is as follows:

	Core Department 31 March 2013	Departmental Group 31 March 2013	Core Department 31 March 2012	Departmental Group 31 March 2012
	£'000	**£'000**	**£'000**	**£'000**
Not later than 1 year	3,020	3,206	2,472	2,607
Later than 1 year but not later than 5 years	–	692	–	508
Later than 5 years	–	–	–	100
	3,020	**3,898**	**2,472**	**3,215**

As part of the BIS ELGAR contract, the Department's office in Aberdeen has been provided with specialist IT equipment. This arrangement expires in March 2014, the total cost expensed during 2012-13 was £495,000 (2011-12:£429,000) as PFI service charges and the commitment as at 31 March 2013 was £536,000, all within one year (31 March 2012: £589, 000, all within one year).

26. Other financial commitments

The Departmental Group has entered into non-cancellable contracts (which are not leases or PFI contracts) for which details are given below. The total payments to which the Group is committed at 31 March 2013, analysed by the period during which the payments are made, are given in the table below.

International subscriptions	Note	Core Department 31 March 2013 £'000	Departmental Group 31 March 2013 £'000	Core Department 31 March 2012 £'000	Departmental Group 31 March 2012 £'000
Annual commitments expiring within 1 year	26.1	569	569	–	–
Annual commitments expiring within 2 years	26.1	–	–	554	554
Annual indefinite commitments	26.1	27,540	27,540	29,161	29,161
Total		**28,109**	**28,109**	**29,715**	**29,715**
Other					
Due within 1 year	26.2	3,757	4,540	5,825	6,514
Due within 2 to 5 years	26.2	1,608	4,463	2,024	4,217
Due thereafter	26.2	–	2,106	–	2,396
Total		**5,365**	**11,109**	**7,849**	**13,127**

26.1 Annual subscriptions

All amounts are paid by the Department.

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

Commitments for International subscriptions as at 31 March 2012

Organisation	Note	Expiry within 1 Year £'000	Expiry within 2 to 5 Years £'000	Expiry over 5 years £'000	Total £'000
United Nations Framework Convention on Climate Change	a	–	–	1,346	1,346
International Atomic Energy Agency	b	–	–	21,521	21,521
Organisation for the Prohibition of Chemical Weapons	c	–	–	3,680	3,680
International Energy Agency	d	–	–	1,197	1,197
Nuclear Energy Agency	e	–	554	–	554
European Energy Charter	f	–	–	427	427
International Energy Forum Secretariat	g	–	–	51	51
International Renewable Energy Agency	h	–	–	939	939
Total		**–**	**554**	**29,161**	**29,715**

Notes:

a) The UK's financial contributions to international work on climate change include two annual mandatory subscriptions to the United Nations Framework on Climate Change and related funds initiatives. Payments are made to the core budget of the Climate Change Convention and support the Kyoto Protocol – which are calculated for all ratifying parties on the basis of the UN scale.

b) The International Atomic Energy Agency (IAEA) is the world's centre of co-operation in the nuclear field. It was established in 1957 as an independent international organisation under the United Nations (UN) and, as of February 2013, the IAEA has 159 Member States. It is the UN's nuclear watchdog and is the verification authority for the Treaty on the Non-Proliferation of Nuclear Weapons (NPT).

c) The Chemical Weapons Convention (CWC), which came into force on 29 April 1997, is the first arms control treaty which seeks to introduce a verifiable ban on an entire class of weapons of mass destruction. It is administered by the Organisation for the Prohibition of Chemical Weapons (OPCW), which is based in The Hague.

d) The International Energy Agency (IEA) is the preeminent energy consumer organisation and an internationally recognised centre of excellence. It provides world leading energy and climate policy analysis, oversees the global emergency oil response mechanism and supports the development of low-carbon and energy efficient technologies. Our subscription is mandatory for us to be members of the IEA.

e) DECC pays the UK's annual contribution to the Nuclear Energy Agency (NEA) on behalf of a number of Departments and Agencies that participate in the NEA's work. The NEA is an agency within the OECD providing a forum for sharing information and experience and promoting international co-operation on technical, scientific, legal and economic issues affecting the peaceful use of nuclear energy globally.

f) DECC is responsible for the UK's subscription to the European Energy Charter Treaty. The Energy Charter Treaty provides a unique legally-binding multilateral instrument to encourage international investment in energy and ensure its secure transit. The main aim of the Treaty is to liberalise energy trade, transit and investment within and between its (mainly Eurasian) signatory countries.

g) DECC is responsible for paying the UK's contribution to the International Energy Forum (IEF). The IEF's role is to enhance and support the global dialogue between energy producers and consumers. All members are required to pay an annual subscription.

h) DECC is responsible for paying the UK's contribution to the International Renewable Energy Agency (IRENA). IRENA is the first truly global organization devoted solely to renewable energy technologies and has a mission to promote the widespread and sustainable use of all forms of renewable energy.

26.2 Other financial commitments

		As at 31 March 2013				As at 31 March 2012			
		Due within 1 Year	Due within 2 to 5 Years	Due over 5 years	Total	Due within 1 Year	Due within 2 to 5 Years	Due over 5 years	Total
Organisation		**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Warmfront ASV	a	2,415	200	–	2,615	5,395	2,024	–	7,419
Combined Heat and Power Quality Assurance Programme	b	1,342	1,408	–	2,750	430	–	–	430
Total Core Department		**3,757**	**1,608**	**–**	**5,365**	**5,825**	**2,024**	**–**	**7,849**
Airwave Solutions Limited	c	783	2,855	2,106	**5,744**	689	2,193	2,396	**5,278**
Total Group		**4,540**	**4,463**	**2,106**	**11,109**	**6,514**	**4,217**	**2,396**	**13,127**

a) The Warmfront contract with Carillion Energy Services Limited agreed that all new and replacement gas central heating would receive a two year aftercare package; this includes two annual service visits (ASVs) and 24 hour access to a helpline. As part of the contract extension negotiations covering 2011-2013, it was agreed that for all heating jobs accepted during this period there will be one year of aftercare and one annual service visit offered. The aftercare service is important for the vulnerable client group who benefit from the scheme and who need additional support understanding how their system works and providing maintenance to it during the first year after it has been installed. The Annual Service Visit (part of the aftercare service) is necessary to ensure that the two year boiler manufacturer guarantee remains valid; the terms state that if the heating system is not serviced in the first year after it has been installed then the guarantee will not be honoured.

b) The Combined Heat and Power Quality Assurance programme (CHPQA) is the means by which DECC assesses and certifies the efficiency of CHP plants in the UK. CHP is the generation of heat and electricity (or mechanical power) as part of the same process. CHP is a key technology in meeting DECC's carbon budgets, which Government supports under a range of incentives including exemption from the Climate Change Levy and Carbon Price Floor, eligibility for Enhanced Capital Allowances and preferential treatment under the business rates.

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

27. Financial instruments

27.1 Classification and categorisation of financial instruments

	Note	Core Department 31 March 2013 £'000	Departmental Group 31 March 2013 £'000	Core Department Restated 31 March 2012 £'000	Departmental Group Restated 31 March 2012 £'000	Core Department Restated 1 April 2011 £'000	Departmental Group Restated 1 April 2011 £'000
Financial assets							
Loans and receivables:							
Energy Efficiency Loans and Recyclable Energy Efficiency Loans	14.1	83,762	83,762	101,396	101,396	130,248	130,248
Green Deal Finance Company Loan	14.2	16,599	16,599	–	–	–	–
Finance lease receivable	14.7	–	43,164	–	19,446	–	18,788
Trade and other receivables	19.1	448,407	1,080,460	339,237	900,670	432,514	981,790
Cash at bank and in hand	20	100,172	317,629	89,614	190,942	59,752	287,504
Total loans and receivables		**648,940**	**1,541,614**	**530,247**	**1,212,454**	**622,514**	**1,418,330**
Available-for-sale assets:							
Investment in subsidiaries	14.3	–	225,737	–	225,737	–	205,737
Total Available-for-sale assets		**–**	**225,737**	**–**	**225,737**	**–**	**205,737**
Fair value through profit and loss							
Other Investments	14.4	–	–	–	16,502	–	46,124
Derivative financial assets	14.5	–	–	–	–	–	2,124
Total fair value through profit and loss		**–**	**–**	**–**	**16,502**	**–**	**48,248**
Financial liabilities							
Fair value through profit and loss (FVTPL)							
Derivative financial liabilities	21.1	–	(552)	–	(2,497)	–	(5,400)
Total fair value through profit and loss (FVTPL)		**–**	**(552)**	**–**	**(2,497)**	**–**	**(5,400)**
Other financial liabilities:							
Trade and other payables	21.1	(823,739)	(4,124,547)	(413,573)	(3,661,391)	(397,855)	(3,610,492)
Total other financial liabilities		**(823,739)**	**(4,124,547)**	**(413,573)**	**(3,661,391)**	**(397,855)**	**(3,610,492)**

27.2 Measurement of financial instruments

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

The carrying values of other financial assets and financial liabilities do not differ from fair values in these accounts at either 31 March 2013, 31 March 2012 or 1 April 2011.

27.3 Significance of financial instruments to financial performance and position

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

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

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

27.4 Risk exposure from financial instruments

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

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

Commodity Price risk

Commodity price risk is the risk or uncertainty arising from possible price movements and their impact on the commercial income and therefore ultimately on the funding requirements of the Group. The primary risk is that electricity prices will move adversely affecting commercial income between the time that the Group's funding requirements are set and the time when revenues are recognised. Details are shown in Note 14.5.

Credit risk

Credit risk for loans is described in Notes 14.1 to 14.2. Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

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

Foreign currency risk

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

Interest rate risk

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

Liquidity risk

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

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

28.1 Core Department

<table>
<tr><th>Basis of recognition</th><th>Description</th></tr>
<tr><td>Coal Industry Act 1994</td><td>Responsibility for compensation claims relating to personal injuries suffered by former British Coal mineworkers transferred to the Department on 1 January 1998 by a restructuring scheme under the Coal Industry Act 1994. The timing and amounts of any liability are uncertain, depending on the nature of any injury and whether the courts decide that compensation is due.</td></tr>
<tr><td>Nuclear Liabilities Fund (British Energy)</td><td>The then Secretary of State for Trade and Industry created a constructive obligation due to her announcement in 2002 to the House regarding British Energy (BE) restructuring, stating that the Government would underwrite the Nuclear Liabilities Fund (NLF) in respect of BE's uncontracted and decommissioning liabilities to the extent that the assets of the Fund fall short. The restructuring was successfully completed on 14 January 2005, and as such the Department has assumed responsibility for these liabilities to the extent that the NLF is insufficient to meet liabilities as they fall due (further details are given in Note 26).

There is a high level of uncertainty relating to possible future cash flows which the Department might need to make for a prolonged period of time. This is dependent on BE's estimates for the costs of meeting their decommissioning and uncontracted liabilities and the timescales over which they will be discharged, which may be revised year-on-year, and on the contributions from BE. As such, it is difficult to quantify whether this represents a contingent liability or asset. On the basis of the Department's current estimate of the assets available to the NLF to meet its liabilities, £9.0 billion (2012: £8.9 billion), and BE's unaudited estimate for decommissioning and uncontracted liabilities, £5.4 billion (2012: £5.5 billion), there is a contingent asset of £3.6 billion (2012: £3.4 billion). The liabilities figure is subject to review by the Nuclear Decommissioning Authority, the results of which had not been received by the time of finalising these accounts.</td></tr>
<tr><td>Deed Relating to the British Coal Staff Superannuation Scheme (BCSSS) under Paragraph 2(9) of Schedule 5 to the Coal Industry Act 1994

Deed Relating to the Mineworkers' Pension Scheme (MPS) under Paragraph 2(9) of Schedule 5 to the Coal Industry Act 1994</td><td>Government Guarantees were put in place on 31 October 1994, the day the Schemes were changed to reflect the impact of the privatisation of the coal industry. They are legally binding contracts between the Trustees and the Secretary of State for Energy and Climate Change.

The Guarantees ensure that the benefits earned by Scheme members during their employment with British Coal, and any benefit improvements from surpluses which were awarded prior to 31 October 1994, will always be paid and will be increased each year in line with the Retail Prices Index.

The 1994 arrangements provided for the following notional sub-funds to be established within each overall fund:
• Guaranteed Fund;
• Bonus Augmentation Fund;
• Guarantor's Fund; and
• Investment Reserve.

Further details regarding the Schemes and the notional sub-funds can be found in Note 19.1. If at any periodic valuation the assets of the Guaranteed Fund were to be insufficient to meet its liabilities, the assets must be increased to bring the Fund back into balance. This might necessitate one or more of the following steps:
• transfer of assets from the Investment Reserve;
• equal transfers from the Guarantor's Fund and the Bonus Augmentation Fund;
• payments from the Government under the terms of the Guarantees.

This is a long term contingent liability dependent on the performance of the schemes' investments and their mortality experience.</td></tr>
</table>

Basis of recognition	Description
Site restoration liabilities inherited from British Coal	The Department has inherited liabilities from British Coal to reimburse certain third parties with the costs necessary to meet statutory environmental standards in the restoration of particular coal-related sites. In addition to specific claims provided for (see Note 22.2) it remains possible that the Department will be held responsible for further environmental liabilities. The timing and amounts of any liability are uncertain.
Feed in Tariffs	DECC faces damages claims estimated at £180m plus costs from solar energy and construction companies affected by changes to Feed in Tariffs. The claims are being defended and the hearing is not expected before 2014.
VAT	An under-declaration of VAT during the year has been identified for which HMRC has been notified and the VAT of £3.9m included within the Department's liabilities; it is possible that penalties and interest up to £1.4m may be imposed by HMRC.
Other	There are potential liabilities to the Department in respect of claims from suppliers, employees and/or third parties which depend on actual or potential proceedings. The timing and amounts of any liabilities are uncertain.

28.2 Departmental NDPBs

Category	Description
Inventories	At 31 March 2013 the NDA held inventories of reprocessed uranic material. These materials are currently held at nil value, due to uncertainty over their future use.
Pension Schemes – Deficits	Whilst not the lead employer, the NDA is the lead organisation and has ultimate responsibility for certain nuclear industry pension schemes, including the Combined Nuclear Pension Plan, the Magnox section of the ESPS, and the GPS pension scheme. Provisions for known deficits are included within Nuclear Provisions (Note 22), however, movements in financial markets may adversely impact the actuarial valuations of the schemes, resulting in an increase in scheme deficits
Subsidence damage liabilities	Licensees of mining operations are required to provide security to the Authority to cover the future costs of settling subsidence damage liabilities within their Areas of Responsibility. Outside the Areas of Responsibility of the holders of licences under Part II of the 1994 Act, the Authority is responsible for making good subsidence damage. Where an Area of Responsibility is extinguished the Authority would become responsible for the discharge of outstanding subsidence liabilities. The Authority also has an ongoing liability to secure and keep secured most abandoned coal mines. In all cases the liability for operating collieries is the responsibility of the licensees/lessees and security is held to address those liabilities. Both of the above liabilities have been provided for within the Coal Authority provision (Note 22.2) based on analysis of trends and claims experience. However it is possible that significant, unexpected events outside of this provision may materialise. It is expected that any deficit will be covered by future allocations of grant in aid. Where liabilities transferred under the various Coal Authority Restructuring Schemes (CARS) have crystallised due to planning conditions, agreements, claims etc, provision has been made in these financial statements. It has not, however, been possible to quantify contingent liabilities that may arise in the future. It is expected that any costs will be covered by future allocations of grant in aid. The Coal Authority is subject to various claims and legal actions in the ordinary course of its activities, for which provision is made in the accounts, where appropriate, on the basis of information available. The Coal Authority does not expect that the outcome of the above issues will materially affect its financial position.

Category	Description
	In addition to the contingent liabilities outlined above the following should be noted: *UK Coal Operation Ltd* The Daw Mill Colliery, operated by UK Coal Operations Ltd, has been closed following a fire that broke out during February 2013. A security fund is in place that includes an amount to cover future cost arising from associated subsidence liability should the Coal Authority be asked to determine the lease and revoke the licence in respect of Daw Mill. This is expected to be adequate to cover such costs. *Wentworth Woodhouse* Damage Notices have been submitted to the Coal Authority in respect of subsidence damage "in excess of £100 million" to Wentworth Woodhouse, a Grade 1 listed Country House. The Coal Authority has rejected these notices. Lands Tribunal Proceedings are ongoing and the Coal Authority will continue to strongly defend its case.
Restructuring Scheme	Where liabilities transferred under the various Coal Authority Restructuring Schemes (CARS) have crystallised due to planning conditions, agreements, claims etc, provision has been made in these financial statements. It has not, however, been possible to quantify contingent liabilities that may arise out of indemnities or warranties that may materialise in the future. It is expected that any costs will be covered by future allocations of grant in aid.
Legal claims	The Coal Authority is subject to various claims and legal actions in the ordinary course of its activities, for which provision is made in the accounts, where appropriate, on the basis of information available. The Authority does not expect that the outcome of the above issues will materially affect its financial position. The CNPA has a number of potential liabilities in respect of claims from employees, which depend on actual or potential proceedings. The timing and amounts of any payment are uncertain. These liabilities have not been provided for as CNPA believes that the claims are unlikely to be successful and unlikely to lead to a transfer of economic benefit.

28.3 Contingent Assets

Departmental NDPBs

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

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

29.1 Unquantifiable

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

Core Department

Statutory Indemnities

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

Indemnities to Directors

- Nuclear Liabilities Fund – Secretary of State Trustee Indemnities. Indemnities have been given to the three Trustees of the NLF appointed by the Secretary of State. These indemnities are against personal liability following any legal action against the Fund.
- Nuclear Liabilities Fund – British Energy Trustee Back Up Indemnities. Given to the two BE appointed Trustees of the Nuclear Liabilities Fund. These indemnities are against personal liability following any legal action against the Fund. These indemnities can only be used following failed recourse to an indemnity given by British Energy.

Other

- Statutory liability for third party claims in excess of the operator's liability in the event of a nuclear accident in the UK.
- Liability for non-compliance with the Cogeneration Directive (2004/8/EC), in the event that contractors for DECC incorrectly certify combined heat and power plants
- High Activity Sealed Sources (HASS) Directive: Council Directive 2003/122/EURATOM on the control of high-activity sealed radioactive sources and orphan sources. Liability for costs of retrieving and disposing of sealed radioactive sources in the event that a company keeping such sources becomes insolvent.
- Radioactive contaminated land remediation: under section 9 of The Radioactive Contaminated Land (Modification of Enactments) (England) (Amendment) Regulations 2007 SI 2007/3245 the Secretary of State is deemed to be the appropriate person to bear responsibility for remediation of land contaminated by a nuclear occurrence under the part 2A contaminated land regime.
- Energy Research Partnership: an indemnity for loss or damage caused to other Parties to the consortium agreement.

- EU Emissions Trading Scheme: Member States are required to appoint a Single Auction Monitor to oversee the auctioning of allowances in Phase III. The Joint Procurement Agreement for the Single Auction Monitor (JPA) provides for Member States to indemnify the Commission should the Commission be required to compensate a third party or another Member State for damages which arise in connection with the JPA eg as a result of failure to comply or if a challenge were brought in response to a decision taken by one of the Committees formed under the Agreement.
- Green Deal – Contingent Capital Fund. There may be a need for additional government funding to replenish junior capital, if there is high repayment default under the scheme. Maximum exposure is £30m but modelling indicates that this is highly unlikely to be called on.
- DECC has undertaken to support Ofgem's costs for administering the Renewables Obligation scheme. Where there is insufficient money in both the buyout fund and late payment fund the remaining costs will be met by DECC for England and Wales.

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

Departmental NDPBs

Indemnities

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

30 Losses and special payments

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

30.1 Losses statement

Total losses during the year were as follows:

Type of loss	Core Department 2012-13 Total £	Core Department 2012-13 Number of cases	Departmental Group 2012-13 Total £	Departmental Group 2012-13 Number of cases	Core Department 2011-12 Total £	Core Department 2011-12 Number of cases	Departmental Group 2011-12 Total £	Departmental Group 2011-12 Number of cases
Cash losses	–	–	253	1	–	–	–	–
Stores losses	–	–	–	–	–	–	590	100+
Constructive losses	–	–	–	–	–	–	36,085	3
Losses of pay, allowances and superannuation	–	–	6,900	3	–	–	13,732	1
Fruitless payments	–	–	782,015	1	–	–	2,106,755	61
Claims waived or abandoned	35,669	554	43,223	589	346,724	557	433,465	560
Book-keeping losses	–	–	–	–	86,610	1	89,331	48
Exchange rate fluctuation losses	1,806	5	1,806	5	683,960	145	1,095,263	200+
Bad Debts	19,546	4	19,546	4	5,196,006	259	5,201,798	260
Total	**57,021**	**563**	**853,743**	**603**	**6,313,300**	**962**	**8,977,019**	**1,233+**

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

30.2 Special payments

Special payments during the year were as follows:

Type of special payments	Core Department 2012-13 Total £	Core Department 2012-13 Number of cases	Departmental Group 2012-13 Total £	Departmental Group 2012-13 Number of cases	Core Department 2011-12 Total £	Core Department 2011-12 Number of cases	Departmental Group 2011-12 Total £	Departmental Group 2011-12 Number of cases
Compensation payments	6,750	1	48,750	2	–	–	–	–
Extra-contractual	108,232	2	113,232	3	13,300	4	13,300	4
Total	**114,982**	**3**	**161,982**	**5**	**13,300**	**4**	**13,300**	**4**

31 Related-party transactions

The Department is the sponsor of the four executive NDPBs as listed in Note 34, it also consolidates five Site Licence companies into its Group accounts. The NDPBs and SLCs are regarded as related parties and the Department has had various material transactions with the NDPBs and the SLCs via its NDPB the NDA. The related parties of the NDPBs and Site Licence companies are disclosed in their respective accounts.

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

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

32 Third-party assets

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

Bank Balances	Core Department £'000	Departmental Group £'000
At 1 April 2012 – restated*	20,000	20,000
Gross inflows	–	–
Gross outflows	–	–
At 31 March 2013	**20,000**	**20,000**

* The balance at 1 April 2012 has been restated to remove £31,717 held in a GBS (Government banking Service) account on behalf of Enrichment Holdings Limited. This GBS account transferred to the Department for Business Innovation and Skills as part of the Machinery of Government (MoG) transfer detailed in Notes 1.37 and 36.

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

33 Events after the reporting period

There were no significant events after the reporting period that require disclosure other than as follows.

Aardvark TMC Ltd (trading as ATH Resources) ("ATH")

ATH Resources entered administration in May 2013. There are certain leases and other liabilities including those involving mine water that may return to HMG.

The Coal Authority holds security in the form of bonds worth £470,000 against ATH and its subsidiaries for costs arising covering liabilities under the Coal Authority licences and leases granted to the company. This bonding is expected to be adequate to cover such costs should leases held by ATH or its subsidiaries be disclaimed and licences revoked.

Subject to an appropriate cost benefit analysis, the Coal Authority has agreed to bring into its portfolio the cost of a mine water treatment scheme at Muir Dean. This is likely to cost between £1.5 million to £2.5 million to build and up to £100,000 per annum to operate thereafter.

In the short term, it is possible that the Coal Authority, along with other interested parties will need to finance pumping costs. It is expected that this will be for a period of three months pending finalisation of restoration plans. The cost to the Coal Authority may be up to £90,000.

Scottish Coal Company Ltd

The Scottish Coal Company went into liquidation during April 2013. The liquidators have applied to the courts to disclaim certain Coal Authority leases. The Coal Authority holds security in the form of bonds to the value of £1.374m covering liabilities under the Coal Authority licences and leases granted to the company. This bonding is expected to be adequate to cover such costs.

Date accounts authorised for issue

The Accounting Officer of the Department has authorised these accounts to be issued on 25 June 2013.

34 Entities within the Departmental boundary

The entities within the boundary during 2012-13 were those entities listed in the Designation and Amendment Orders presented to Parliament. These were as follows:

- the core Department itself;

Executive NDPBs

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

Other entities

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

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

35 New IFRSs in issue but not yet effective and FReM changes 2013-14

New IFRSs that have an effective date after 31 March 2013 and which have an impact on the Group's future Accounts together with major FReM changes for 2013-14 are set out below giving details of the potential impact (if known) and date at which the Group plans to apply the changes. No new IFRSs were early adopted by the FReM.

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

IFRS 9: Financial Instruments

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

Applying this standard will lead to reclassifying:

- the Energy Efficiency Loans, Recyclable Energy Efficiency Loans and the Green Deal Finance Company Loan from "Loans and receivables" to "Amortised cost" as the business model objective is to collect the contractual cash flows and the contractual cash flows represent solely payment of principal.

The subsequent measurement is not expected to change as Energy Efficiency Loans and Recyclable Energy Efficiency Loans will continue to be measured at amortised costs.

The standard is effective for accounting periods beginning on or after 1 January 2015. The Department will apply the standard in its Accounts when formally adopted in the FReM.

IFRS 10 Consolidated Financial Statements

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

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

IFRS 12: Disclosure of Interests in Other Entities

The main objective of the new standard is to require information that helps users of their financial statements evaluate the nature of and risks associated with interests in other entities, as well as the effects of those interests on financial statements

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

IFRS13: Fair Value Measurement

This standard defines fair value, provides a framework for measuring fair value and sets out the disclosure requirements for fair value measurements. The effective date is for periods commencing on or after 1 January 2013.

The Group does not expect that the adoption of these Standards and Interpretations in future periods will have a material impact in its financial statements.

IAS 19: Post-employment benefits:

The amended IAS 19 introduces a number of changes including:

- Recognition – the elimination of the option to defer the recognition of gains and losses resulting from defined benefit plans (the 'corridor approach');
- Presentation – the elimination of options for the presentation of gains and losses relating to those plans; and
- Disclosures – the improvement of disclosure requirements that will better show the characteristics of defined benefit plans and the risks arising from those plans.
- It also modifies accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment and affect the recognition and measurement of termination benefits.

The effective date is for periods commencing on or after 1 January 2013. The Department does not anticipate any significant impact on its accounts as a result of the changes described above.

35.2 FReM changes 2013-14

Changes in FReM 2013-14 include:

- A distinct Parliamentary Accountability section to include the Statement of Parliamentary Supply with its own accounting policies and notes;
- A distinct section reporting the results of the entity under IFRS standards.

The Departmental Group will apply the above and report accordingly in line with the FReM requirement in future years.

- Initial recognition of assets and liabilities in new PFI/PPP arrangements where the grantor controls the services the operator provides and the grantor has beneficial entitlement in residual interest in the infrastructure at the end of the term of arrangement.

The impact of the above on the Departmental Accounts is not known for future accounting periods.

36 Prior year comparatives

As stated in the accounting policies note the Departmental Group consolidated five Site Licence Companies (SLCs) into the group accounts for the first time in 2012-13. The comparative data has therefore been restated to reflect the results of the SLCs for previous financial years.

In addition the core Department underwent a Machinery of Government (MoG) transfer on 17 January 2013 which transferred the shares in Enrichment Holdings Limited and consequently the Government's stake in the uranium enrichment company Urenco to the Department for Business Innovation and Skills. Machinery of Government changes, which involve the merger or the transfer of functions or responsibility of one part of the public service sector to another, are accounted for using merger accounting in accordance with the FReM. This requires the restatement of the Primary Statements and associated Notes to the Accounts.

The core Department also reclassified the payable relating to certain un-cashed promissory notes from a current liability to non-current liability. The comparative data has been restated to reflect the position.

The following note sets out how the 2011-12 published figures for the Departmental Group accounts have been affected by the changes described above.

Statement of Parliamentary Supply

	Previously reported 2011-12 £'000	Transfer of Enrichment Holdings Limited £'000	Restated 2011-12 £'000
Resource DEL	1,158,505	(1,511)	1,156,994
Resource AME	3,716,197	26,141	3,742,338
Capital DEL	1,454,315	–	1,454,315
Capital AME	(57,635)	–	(57,635)
Total Budget	**6,271,382**	**24,630**	**6,296,012**

All of the above restatements are within the Voted Outturn.

Administration Costs

	Previously reported 2011-12 £'000	Transfer of Enrichment Holdings Limited £'000	Restated 2011-12 £'000
Administration costs	157,522	(20)	157,502

Statement of Comprehensive Net Expenditure

	Previously reported 2011-12 £'000	Inclusion of Site Licence Companies £'000	Transfer of Enrichment Holdings Limited £'000	Restated 2011-12 £'000
Administrative costs				
Staff costs	150,366	–	(13)	150,353
Other administrative costs	85,907	–	(7)	85,900
Operating income	(78,889)	53,955	–	(24,934)
Programme costs				
Staff costs	16,938	–	(232)	16,706
Programme costs	7,394,995	(53,872)	(1,259)	7,339,864
Income	(1,048,850)	(83)	26,141	(1,022,792)
Net operating cost	**6,520,467**	**–**	**24,630**	**6,545,097**

Statement of Financial Position

	Previously reported 31 March 2012 £'000	Inclusion of Site Licence Companies £'000	Enrichment Holdings Limited transfer £'000	Promissory note restatement £'000	Restated 31 March 2012 £'000	Previously reported 1 April 2011 £'000	Inclusion of Site Licence Companies £'000	Enrichment Holdings Limited transfer £'000	Promissory note restatement £'000	Restated 1 April 2011 £'000
Non-current assets										
Property, plant and equipment	774,972	–	–	–	774,972	888,280	–	–	–	888,280
Intangible assets	7,218	–	–	–	7,218	6,648	–	–	–	6,648
Financial assets	1,726,052	73,600	–	–	1,799,652	1,597,797	103,300	–	–	1,701,097
Investment property	934	–	–	–	934	1,226	–	–	–	1,226
Trade and other receivables	225,262	3,728	–	–	228,990	294,300	12,400	–	–	306,700
Total non-current assets	**2,734,438**	**77,328**	**–**	**–**	**2,811,766**	**2,788,251**	**115,700**	**–**	**–**	**2,903,951**
Current assets										
Assets classified as held for sale	100,145	–	–	–	100,145	277,647	–	–	–	277,647
Inventories	80,051	38	–	–	80,089	111,857	393	–	–	112,250
Trade and other receivables	673,628	(1,948)	–	–	671,680	665,403	9,687	–	–	675,090
Financial assets	57,371	–	–	–	57,371	91,567	–	–	–	91,567
Cash and cash equivalents	187,000	3,942	–	–	190,942	282,324	5,180	–	–	287,504
Total current assets	**1,098,195**	**2,032**	**–**	**–**	**1,100,227**	**1,428,798**	**15,260**	**–**	**–**	**1,444,058**
Total assets	**3,832,633**	**79,360**	**–**	**–**	**3,911,993**	**4,217,049**	**130,960**	**–**	**–**	**4,348,009**
Current liabilities										
Trade and other payables	(1,650,460)	(28,956)	175	244,784	(1,434,457)	(1,627,790)	(95,570)	59	113,863	(1,609,438)
Provisions	(2,733,755)	–	–	–	(2,733,755)	(2,443,817)	(5,151)	–	–	(2,448,968)
Total current liabilities	**(4,384,215)**	**(28,956)**	**175**	**244,784**	**(4,168,212)**	**(4,071,607)**	**(100,721)**	**59**	**113,863**	**(4,058,406)**
Non-current assets plus/less net current assets/liabilities	**(551,582)**	**50,404**	**175**	**244,784**	**(256,219)**	**145,442**	**30,239**	**59**	**113,863**	**289,603**
Non-current liabilities										
Trade and other payables	(1,962,029)	(22,618)	–	(244,784)	(2,229,431)	(1,891,000)	(1,591)	–	(113,863)	(2,006,454)
Provisions	(55,563,992)	–	–	–	(55,563,992)	(52,107,485)	–	–	–	(52,107,485)
Total non-current liabilities	**(57,526,021)**	**(22,618)**	**–**	**(244,784)**	**(57,793,423)**	**(53,998,485)**	**(1,591)**	**–**	**(113,863)**	**(54,113,939)**
Total assets less liabilities	**(58,077,603)**	**27,786**	**175**	**–**	**(58,049,642)**	**(53,853,043)**	**28,648**	**59**	**–**	**(53,824,336)**
Taxpayers' equity and other reserves										
General fund	(58,411,818)	–	175	–	(58,411,643)	(54,155,980)	–	59	–	(54,155,921)
Revaluation reserve	334,215	–	–	–	334,215	302,937	–	–	–	302,937
Non-controlling interest	–	27,786	–	–	27,786	–	28,648	–	–	28,648
Total equity	**(58,077,603)**	**27,786**	**175**	**–**	**(58,049,642)**	**(53,853,043)**	**28,648**	**59**	**–**	**(53,824,336)**

Statement of Cash Flows

	Previously reported 2011-12	Inclusion of Site Licence Companies	Enrichment Holdings Limited transfer	Restated 2011-12
	£'000	**£'000**	**£'000**	**£'000**
Cash flows from operating activities				
Net operating cost	(6,520,467)	–	(24,630)	(6,545,097)
MoG transfer adjustment*	–	–	24,630	24,630
Adjustments for non-cash transactions	6,311,960	(364)	–	6,311,596
(Increase)/decrease in trade and other receivables	60,813	20,307	–	81,120
(Increase)/decrease in finance lease receivables	–	(658)	–	(658)
(Increase)/decrease in inventories	31,806	355	–	32,161
(Increase)/decrease in derivative financial instruments assets	2,124	–	–	2,124
Movement on recoverable contract costs	(140,751)	–	–	(140,751)
Movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure	26,782	30,358	–	57,140
Increase/(decrease) in trade and other payables	93,699	(45,587)	(116)	47,996
Movements in payables relating to items not passing through the Statement of Comprehensive Expenditure	49,586	(862)	116	48,840
Use of provisions	(2,537,585)	(4,787)	–	(2,542,372)
Net cash outflow from operating activities	**(2,622,033)**	**(1,238)**	**–**	**(2,623,271)**
Cash flows from investing activities				
Purchase of property, plant and equipment	(53,083)	–	–	(53,083)
Purchase of intangibles	(1,293)	–	–	(1,293)
Purchase of investments	(20,000)	–	–	(20,000)
Proceeds on disposal of property, plant and equipment	242,482	–	–	242,482
Proceeds on disposal of investments	29,622	–	–	29,622
Energy Efficiency Loans advanced to other bodies	(22,536)	–	–	(22,536)
Repayments from other bodies	45,357	–	–	45,357
Net cash outflow from investing activities	**220,549**	**–**	**–**	**220,549**
Cash flows from financing activities				
From the Consolidated Fund (Supply) – current year	3,590,000	–	–	3,590,000
From the Consolidated Fund (Supply) – prior year	13,173	–	–	13,173
Amounts remitted to the Consolidated Fund (Offset against Parliamentary Supply)	(73,214)	–	–	(73,214)
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	(21)	–	–	(21)
Net financing	**3,529,938**	**–**	**–**	**3,529,938**
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund	**1,128,454**	**(1,238)**	**–**	**1,127,216**
Payments of amounts due to the Consolidated Fund	(1,223,778)	–	–	(1,223,778)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund	**(95,324)**	**(1,238)**	**–**	**(96,562)**
Cash and cash equivalents at the beginning of the period	**282,324**	**5,180**	**–**	**287,504**
Cash and cash equivalents at the end of the period	**187,000**	**3,942**	**–**	**190,942**

***** Dividend income and staff costs

Chapter 6

Remuneration Report

Remuneration policy

6.1 The remuneration policy for senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

6.2 The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

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

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

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

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

Performance and reward

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

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

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

SCS Pay Committee

6.9 The remuneration of the senior civil servants who are not members of the Departmental Board is determined by the SCS Pay Committee, an advisory sub-committee to the Pay and Performance Sub-Committee (of the Board). The Members of the SCS Pay Committee are:

Stephen Lovegrove	Permanent Secretary
Simon Virley	Director General, Energy Markets and Infrastructure
Phil Wynn Owen	Director General, International Climate Change and Energy Efficiency
Vanessa Nicholls	Chief Operating Officer (acting)
David MacKay	Chief Scientific Adviser
Rod Davis	Human Resources Director

6.10 The Terms of Reference of the SCS Pay Committee are to:

- determine and publish the Department's Senior Civil Service (SCS) pay strategy;
- assess the relative contribution of its SCS members;
- authorise decisions on individual pay decisions;
- ensure the average cost increases are within centrally determined budgets;
- monitor pay outcomes and identify SCS members needing extra help and support;
- improve performance;
- ensure that line managers receive feedback on final pay decisions; and
- comment on the quality of managers' evidence and recommendations.

Service contracts

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

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

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

- David MacKay, whose services are provided by a third party via a secondment contract which runs to 30 September 2014.

Salary and pension entitlements for Ministers of the Department

6.14 The remainder of this Remuneration Report contains audited information. The remuneration of Ministers is determined in accordance with the provisions of the Ministerial and Other Salaries Act 1975 (as amended by the Ministerial and Other Salaries Order 1996) and the Ministerial and Other Pensions and Salaries Act 1991. The salary and pension entitlements of the Ministers of the Department of Energy and Climate Change for the year ending 31 March 2013 were as follows:

	Ministerial salary received 2012-13 £	Ministerial salary received 2011-12 £	Accrued pension at 65 at 31/03/13 £'000	Real increase in pension at age 65 £'000	CETV at 31/03/13[1] £'000	CETV at 31/03/12[1] £'000	Real increase in CETV £'000
Secretary of State							
Rt Hon Ed Davey (from 4 February 2012)	68,827	9,107 (full year equivalent 68,827)	0-5	0-2.5	39	17	11
Rt Hon Chris Huhne (to 3 February 2012	–	57,949 (full year equivalent 68,827)	–	–	–	–	–
Ministers of State							
Gregory Barker MP	33,002	33,002	0-5	0-2.5	31	21	5
Michael Fallon MP[2] (from 28 March 2013)	–	–	–	–	–	–	–
John Hayes MP (from 5 September 2012 to 27 March 2013)	18,530 (full year equivalent 33,002)	–	0-5	0-2.5	43	36	4
Charles Hendry MP (to 4 September 2012)	14,118 (full year equivalent 33,002)	33,002	0-5	0-2.5	30	25	3
Parliamentary Under Secretary of State							
Baroness Verma (from 6 September 2012)	59,835 (full year equivalent 105,076)	–	0-5	0-2.5	64	51	7
Lord Marland[3] (to 4 September 2012)	–	–	–	–	–	–	–

1 The CETV at 31/03/13 for members leaving the Department is at the date they left the Department; the CETV at 31/03/12 for members joining the Department is at the date they joined the Department.
2 Joint Minister with Department for Business, Innovation & Skills (BIS) from 28 March 2013, details of the Ministerial salary received in 2012-13 and pension details can be found in the 2012-13 BIS Annual Report and Accounts.
3 Unpaid Minister of the Department.

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

Salary and pension entitlements for the members of the Departmental Board

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

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

	Salary 2012-13 £'000	Bonus Payments 2012-13 £'000	Salary 2011-12 £'000	Bonus Payments 2011-12 restated £'000	Accrued pension at pension age at 31/03/13 and related lump sum £'000	Real increase in pension and related lump sum at pension age[2] £'000	CETV at 31/03/13[1] £'000	CETV at 31/03/12[1,] £'000	Real increase in CETV £'000
Stephen Lovegrove (from 4 February 2013)	25-30 (full year equivalent 165-170)	–	–	–	15-20	0-2.5	240	235	2
Phil Wynn Owen[2]	145-150	–	140-145	10-15	55-60 plus lump sum 170-175	2.5-5 plus lump sum of 7.5-10	1,060	963	46
Moira Wallace[3] (to 26 October 2012)	95-100 (full year equivalent 165-170)	–	165-170	–	55-60 plus lump sum 170-175	0-2.5 plus lump sum of 0-2.5	1,014	963	8
Simon Virley	140-145	10-15	140-145	–	40-45 plus lump sum 55-60	2.5-5 plus lump sum of 0-2.5	562	490	39
Vanessa Howlison[4]	120-125	–	120-125	0-5	50-55	2.5-5	693	613	41
Vanessa Nicholls[5] (from 21 December 2012)	25-30 (full year equivalent 100-105)	10-15	–	–	20-25	0-2.5	255	251	1
Paul Hollinshead[6] (from 29 October 2012 to 1 February 2013)	25-30 (full year equivalent 100-105)	–	–	–	25-30 plus lump sum 85-90	0-2.5 plus lump sum of 5-7.5	501	468	27

	Salary 2012-13 £'000	Bonus Payments 2012-13 £'000	Salary 2011-12 £'000	Bonus Payments 2011-12 restated £'000	Accrued pension at pension age at 31/03/13 and related lump sum £'000	Real increase in pension and related lump sum at pension age[2] £'000	CETV at 31/03/13[1] £'000	CETV at 31/03/12[1,] £'000	Real increase in CETV £'000
Wendy Barnes[7] (from 13 September 2011 to 21 December 2012)	–	–	–	–	–	–	–	–	–
Edmund Hosker (to 11 September 2011)	-	-	55-60 (full year equivalent 120-125)	-	-	-	-	-	-

1 The CETV at 31/03/13 for members leaving the Department is at the date they left the Department; the CETV at 31/03/12 for members joining the Department is at the date they joined the Department.
2 Phil Wynn Owen was acting Permanent Secretary between 29 October 2012 and 1 February 2013; being International and Climate Change Director General outside this period.
3 An amount of £7,122 was paid to HM Revenue and Customs during 2011-12 on Moira's Wallace's behalf to settle a previous year's personal tax liability relating to the use of a vehicle from 3 October 2008 to 27 May 2009, this being borne by the Department under her previous employment terms.
4 Vanessa Howlison joined the Departmental Board 1 May 2012, being previously on the Executive Committee.
5 Vanessa Nicholls was acting Chief Operating Officer from 21 December 2012.
6 Paul Hollinshead was acting International and Climate Change Director General between 29 October 2013 and 1 February 2013.
7 The services of Wendy Barnes, Chief Operating Officer, were provided via an agency contract. During the period from 1 April 2012 to 21 December 2012 the Department was charged £129,754 (2011-12: £99,980 for the period from 13 September 2011 to 31 March 2012), inclusive of VAT, by the third party for her services under contract. Wendy Barnes was also paid £5,500 from 1 April 2011 to 12 September 2011 for being a member of the Audit Committee and of the Approvals Committee.

Compensation for loss of Office

6.18 Moira Wallace, the former Permanent Secretary and Accounting Officer left the department on 31 October 2012. There being no other suitable posts free at that level, she left the Civil Service as a voluntary exit. In accordance with the terms of the Civil Service Compensation Scheme there was a compensation payment of £471,968 which comprised two elements: a voluntary severance payment of £262,185 based on her salary and length of service, capped at a maximum of twenty-one months salary; and an additional discretionary payment of £209,783 to buy out the full actuarial reductions in her pension and lump sum. Both elements of the compensation payment were paid directly to the Civil Service Superannuation Scheme which allowed her to draw down her full pension when she left the department rather than at the age of 60.

Non-Executive Directors

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

	End date of service contract	Fees 2012-13 £'000	Fees 2011-12 £'000
Paul Walsh[1]	15 February 2014	15	20
Claire Thomas[2]	31 December 2013	20	5 (20 full year equivalent)
Terry Morgan[3] (from 1 July 2012)	30 June 2015	13 (20 full year equivalent)	–
Rob Whiteman[4] (to 11 February 2013)	–	–	8
Richard Reed[5] (to 31 December 2011)	–	–	–

1 Paul Walsh waived his fee from 1 January 2013.
2 Claire Thomas is also Chair of the Nominations and Governance Committee.
3 Terry Morgan was also Chair of the Audit and Risk Committee from 11 February 2013. Terry Morgan was paid £15,000 a year for his role as a non-executive Member and £5,000 year as the Chair of the Audit and Risk Committee.
4 Rob Whiteman was also Chair of the Audit and Risk Committee to 11 February 2013. As a civil servant Rob Whiteman was not entitled to receive a fee in respect of his non–executive work from 1 October 2011.
5 Richard Reed waived his fee for the year 2011-12, according to his contract this would have been £12,000 per annum.

Salary and pension entitlements for other senior management

6.20 The Departmental Board is supported by the Executive Committee (which replaced the Management and Change Committee and the Strategic Development Committee in June 2012). The Executive Committee's responsibility is to ensure the smooth and efficient running of the Department.

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

	Salary 2012-13 £'000	Bonus Payments 2012-13 £'000	Salary 2011-12 £'000	Bonus Payments 2011-12 restated £'000	Accrued pension at pension age at 31/03/13 and related lump sum £'000	Real increase in pension and related lump sum at pension age[2] £'000	CETV at 31/03/13[1] £'000	CETV at 31/03/12[1,] £'000	Real increase in CETV £'000
Ravi Gurumurthy	80-85	–	80-85	10-15	10-15 plus lump sum 40-45	0-2.5 plus lump sum of 0-2.5	160	144	7
David MacKay[3]	–	–	–	–	–	–	–	–	–
Steven Fries (from 1 September 2011)	130-135	–	75-80 (full year equivalent 130-135)	-	5-10	2.5-5	90	45	34
Scott Milligan (from 6 November 2012)	45-50 (full year equivalent 120-125)	0-5	–	–	55-60 plus lump sum 165-170	0-2.5 plus lump sum of 0-2.5	1,255	1,241	2
Rod Davis (from 14 January 2013)	25-30 (full year equivalent 115-120)	–	–	–	0-5	0-2.5	5	-	4
Anna Jenkins (from 15 October 2012 to 11 January 2013)	20-25 (full year equivalent 75-80)	5-10	–	–	20-25	0-2.5	278	273	2
Alison Rumsey (to 12 October 2012)	50-55 (full year equivalent 95-100)	–	95-100	–	10-15	0-2.5	167	147	16
Simeon Thornton (to 31 July 2011)	–	–	25-30 (full year equivalent 80-85)	–	–	–	–	–	–

1 The CETV at 31/03/13 for members leaving the Department is at the date they left the Department; the CETV at 31/03/12 for members joining the Department is at the date they joined the Department.
2 The actuarial factors used to calculate CETVs were changed in 2012-13. The CETVs at 31/03/12 and 31/03/13 have both been calculated using the new factors for consistency. The CETV at 31/03/12 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.
3 The services of David MacKay, Chief Scientific Adviser, were provided by a third party via a secondment contract. During the period from 1 April 2012 to 31 March 2013 the Department was charged £143,055 (2011-12: £143,055), exempt of VAT, by the third party for his services under a contract which runs until 30 September 2014.

Notes

- The information relates only to the most senior managers of the core department. Similar information relating to the Chief Executives and most senior managers of the bodies within the DECC family is given in the separate accounts of those bodies.
- 'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.
- Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2012-13 relate to performance in 2012-13 and the comparative bonuses relate to performance in 2011-12.
- Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce. The highest paid director for the Department was Moira Wallace for 2012-13 and for 2011-12, the mid-point of her banded remuneration is £167,500 (2011-12: £167,500) this was 3.5 times (2011-12: 3.6 times) the median remuneration of the workforce, which was £47,445 (2011-12: £46,975).
- No Ministers, Board members or other senior management were in receipt of benefits in kind for the financial years 2012-13 or 2011-12.

Ministerial pensions

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

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

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

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

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

Civil Service pensions

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

6.28 Employee contributions are salary-related and range between 1.5% and 3.9% of pensionable earnings for classic and 3.5% and 5.9% for premium, classic plus and nuvos. Increases to employee contributions will apply from 1 April 2013. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on the pensionable earnings during the period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3 % of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase Legislation. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

6.29 The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement). There were no employer contributions for the most senior managers to partnership pension accounts during the year.

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

6.31 Further details about the Civil Service pension arrangements can be found at the website http://www.civilservice.gov.uk/my-civil-service/pensions

The Cash Equivalent Transfer Value

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

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

Real increase in CETV

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

Stephen Lovegrove
Accounting Officer and Permanent Secretary

24 June 2013

Chapter 7

Trust Statement

Accounting Officer's Foreword to the Trust Statement

Scope

7.1 The Department of Energy and Climate Change (the Department) is responsible for collection and allocation of the receipts from the EU Emissions Trading Scheme (EU ETS), the Petroleum Licensing Regime and the CRC Scheme. The Department is also responsible for the expenses incurred in the collection of these receipts; the revenue income and expenditure; and the cash flows for the year then ended.

7.2 The Trust Statement reports the:

- Revenues, expenditure, assets and liabilities relating to proceeds received from the UK auctions of European Allowances under Phase II and III of the EU ETS for the financial year 2012-13. These amounts are collected by the Department for payment into the Consolidated Fund.
- Revenues, expenditure, assets and liabilities relating to the receipts of Petroleum Licences under The Petroleum Act 1998 for the financial year 2012-13. These amounts are collected by the Department for payment to the Consolidated Fund.
- Revenues and assets relating to the receipts of CRC Allowances under the CRC Efficiency Scheme Order (2010) for the financial year 2012-13. These amounts are collected by the Department for payment to the Consolidated Fund.
- Civil penalties levied against participants in the EU ETS and CRC Schemes. These amounts are collected by the Department for payment to the Consolidated Fund.

7.3 This statement is also prepared so as to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.

Background

EU ETS

7.4 The EU Emissions Trading Scheme is designed to reduce greenhouse gas (GHG) emissions at least cost to the European economy. It also aims to provide greater certainty that the UK and the EU will meet emission reduction targets.

7.5 The EU ETS includes more than 11,000 power stations and industrial plants across the EU. Around 1,000 of these are sited in the UK and comprise power stations, oil refineries, the offshore platforms and industries that produce iron and steel, cement and lime, paper, glass, ceramics and chemicals.

7.6 Other organisations may also be covered by the EU ETS, including universities and hospitals. Furthermore, aviation operators flying into or from a European airport are also covered by the EU ETS.

7.7 The EU ETS works on a 'cap and trade' basis, so there is a 'cap' or limit set on the total greenhouse gas emissions allowed by all participants covered by the Scheme and this cap is converted into tradable emission allowances.

7.8 Tradable emission allowances are allocated to participants in the market; in the EU ETS this is done via a mixture of free allocation and auctions. One allowance gives the holder the right to emit one tonne of CO_2 (or its equivalent). Participants covered by the EU ETS must monitor and report their emissions each year and surrender enough allowances to cover their annual emissions.

7.9 Participants who are likely to emit more than their allocation have a choice between taking measures to reduce their emissions or buying additional allowances, either from companies who will emit less, from the secondary carbon market or from Member State held auctions .

7.10 The carbon price signifies the amount participants in the EU ETS are willing to pay per EU allowance (EUA) given demand and supply. In addition, EU Aviation allowances (EUAAs) have been created to be used for compliance by airline operators.

7.11 The first phase of the EU ETS ran from 2005 to 2007 and the second phase ran from 2008 to 2012 to coincide with the first Kyoto Commitment Period. The current phase of the EU ETS builds upon the previous two phases and is significantly revised to make a greater contribution to tackling climate change.

7.12 In the current phase (Phase III) there will be a single EU-wide cap. Each Member State was required to submit a list (called the NIMs) of all the participants that will be included in Phase III, setting out its proposed levels of free allocation in accordance with the revised ETS Directive.

7.13 For Phase III at least 50% of allowances will be auctioned across the EU. This includes full auctioning for the power generation sector in the UK and most Member States and for all Member States by 2020.

7.14 The UK appointed ICE Futures Europe to conduct auctions of EU ETS Phase III EUAs and EUAAs on behalf of DECC from November 2012. The full schedule for Phase III EUA and EUAA auctions is available on the ICE emissions auctions web pages at www.theice.com/emissionsauctions.jhtml.

Petroleum Licences

7.15 The Petroleum Act 1998 vests in the Crown all rights to the nation's petroleum resources. The Act gives the Secretary of State powers to grant licences that confer exclusive rights to "search and bore for and get" petroleum. Each of these licences confers such rights over a limited area and for a limited period.

7.16 The Department is therefore responsible for issuing and administering these licences. This process is carried out with a view to realising the full benefit to the UK of its petroleum resources in a way which balances the interests of potential developers with the interests of the nation as the owner of the resource.

7.17 Licences are awarded in periodic "rounds" subject to a requirement that the holder will make annual payments (known as 'Licence Rental Fees') to the Department, which remits them to the Consolidated Fund. These payments are calculated on the basis of the area under licence, and incorporate an escalating scale of pre-determined rates per square kilometre. This is to encourage licensee companies to relinquish acreage not undergoing productive activity, thus making it available for relicensing to other potential interested applicants.

7.18 The amount collected in recent financial years in respect of licence rental fees has been £70m in 2012-13 and £67m in 2011-12. The vast majority of this comes from offshore licensing.

CRC

7.19 The CRC Energy Efficiency Scheme (CRC) is a mandatory UK-wide trading scheme that was brought into law via the CRC Energy Efficiency Scheme Order 2010 (SI 2010/768) (the 'CRC Order'). The scheme is designed to incentivise large public and private sector organisations to take up cost-effective energy efficiency opportunities through the application of a range of drivers and thereby drive down the carbon emissions throughout the UK. The CRC Scheme is designed to tackle the four main barriers to the take up of energy efficiency highlighted by the Carbon Trust report in 2005, namely insufficient financial incentives to reduce emissions, uncertain reputational benefits of demonstrating leadership, split incentives between landlord and tenants and organisational inertia.

7.20 The CRC is designed to improve energy efficiency and thereby reduce emissions primarily from large non-energy intensive organisations in the private and public sectors. The sectors being targeted include large retail organisations, banks, large offices, universities, large hospitals, large local authorities and central government departments.

7.21 The Environment Agency in its role of UK Scheme Administrator, administers the scheme on behalf of DECC and the Devolved Administrations. It maintains a UK Registry that is used to administer the scheme. Participants use it to, amongst other things, report annually their energy supply data and purchase and surrender allowances as required each compliance year. The Environment Agency along with the devolved scheme administrators, namely Scottish Environment Protection Agency, Northern Ireland Environment Agency and Natural Resources Wales, are responsible for the audit and enforcement of the scheme, including the issue of Civil Penalties as required. The Environment Agency report to DECC who are responsible for the overall monitoring and reporting of CRC, ensuring that the figures recorded in the Trust Statement are complete and correct.

7.22 The scheme started in April 2010 with a four year introductory phase. There are over 2000 participants in the scheme. The CRC tackles the barriers to energy efficiency in three ways. Firstly, the CRC has standardised and structured reporting requirements which require participants to monitor and report their emissions; secondly it has a reputational driver through the publication of data[44]; and thirdly its financial element which requires participants to buy allowances for the carbon they emit. This brings energy efficiency to the attention of finance directors and makes it a boardroom issue.

Future developments

EU ETS

7.23 The Department has published a schedule of Phase III general allowance auctions through to December 2013 and will announce further Phase III auctions, including aviation allowance auctions, in due course.

Petroleum Licences

7.24 The Department's 27th Seaward Oil and Gas Licensing Round closed on 1st May 2012 and a record breaking 224 applications were received for 418 blocks or part blocks.

7.25 To comply with obligations under the Offshore Petroleum Activities (Conservation of Habitats) Regulations 2001 (as amended) (OPAR 2001), a screening assessment was undertaken to determine whether the award of any of the licences applied for would be likely to lead to a significant effect on a relevant European conservation site, either individually or in combination with other plans or projects.

7.26 The screening assessment identified 61 whole or part blocks as requiring further assessment (Appropriate Assessments) prior to decisions being made on whether to award licences. A partial award for some of the whole or part blocks that were screened out as not requiring further assessment was made in October 2012 and we are currently offering licences to successful applicants for these blocks.

7.27 A public consultation on the recommendations of these draft Appropriate Assessments was held between 18th March and 19th April 2013. Following consideration of the consultation responses, the Department will make a decision

44 Formerly, the Performance League Table. The league table was removed following the Chancellor's Autumn Statement in December 2012, with the final table being published in February 2013. In future the Environment Agency will publish participants' aggregated energy use and emissions data, annually.

whether to offer licenses for the remaining blocks. Decisions are anticipated later in 2013.

7.28 The Department plans to conduct further onshore and offshore licensing rounds; these are unlikely to be launched until 2014-15.

CRC

7.29 Following a broader simplification review and engagement and consultation with stakeholders, the Department is implementing proposals for a simplified CRC. This will create a new, leaner, simplified and refocused CRC. The simplified CRC will deliver its energy efficiency and carbon reduction objectives whilst making compliance easier and less burdensome for participants. In summary, the simplification measures will:

- provide greater business certainty by introducing two fixed price sales of allowances a year (one forecast and one retrospective);
- allow for greater flexibility for organisations to participate in 'natural business units';
- reduce the reporting burden in particular by reducing the number of the fuels reported from 29 to 2; using only electricity measured by settled half hourly meters for qualification purposes; ending the requirement for footprint reports; and other practical measures such as reduced requirements on maintaining records;
- reduce scheme complexity by removing the residual percentage rule ('90% rule') and CCA exemption rules, but aiming to achieve broadly the same outcomes;
- reducing overlap with other schemes so that organisations covered entirely by CCAs do not need to register; no longer requiring EU ETS installations to purchase allowances for electricity supplies.

7.30 Government has made and laid an Order before Parliament, the Scottish Parliament, National Assembly for Wales and the Northern Ireland Assembly via the affirmative resolution process, with the Order coming into force on 13th May 2013.

Financial Review

EU ETS

7.31 The UK held 13 auctions during 2012-13 that yielded income of £278m (2011-12: £239m) as shown in Note 2 to the Trust Statement. All the auctions were wholly competitive auctions.

7.32 For each auction the total amount received was passed to the Consolidated Fund within a few days of the auction. The timing of the revenues in euros and onward transfer in sterling gave rise to exchange differences in the case of each auction totalling £449,000 (2011-12: £120,000). These exchange differences are recognised in the Statement of Revenue, Other Income and Expenditure. There were no civil penalties levied against companies in the EU ETS scheme for the year under review (2011-12: Eight civil penalties totalling £2.2m)

7.33 The costs associated with administering the scheme were borne by the Department as shown in Note 3 and included within the Department's Accounts.

Petroleum Licences

7.34 Fees received in respect of Petroleum licences amounted to £70m (2011-12: £67m). Under Section 2 of the Miscellaneous Financial Provisions Act 1968, the Northern Ireland Government is entitled to a share of the proceeds received under the regime, totalling £1,634,000 (2011-12: £1,600,000). These payments are recognised in the Statement of Revenue, Other Income and Expenditure.

7.35 The costs associated with administering the licensing regime were borne by the Department as shown in Note 3 and included within the Department's Accounts.

CRC

7.36 Allowance sales under the CRC Scheme took place for the first time in the financial year under review. The allowance sales generated £674m (2011-12: £Nil). There were no civil penalties levied against companies participating in the CRC Scheme in the financial year under review (2011-12: Nineteen civil penalties totalling £386,000).

7.37 The costs incurred by DECC in administering the CRC Scheme were borne by the Department as shown in Note 3 and included within the Department's Accounts.

Auditors

7.38 These financial statements have been audited, under the Government Resources and Accounts Act 2000, by the Comptroller and Auditor General (C&AG), who is appointed under statute and reports to Parliament. The audit opinion is on page 10. The auditor's notional remuneration is included within the Department's Accounts. There were no fees in respect of non-audit work.

Basis for preparation

7.39 The HM Treasury Accounts Direction, issued under section 7(2) of the Government Resources and Accounts Act 2000, requires the Department to prepare the Trust Statement to give a true and fair view of the state of affairs relating to the collection and allocation of the carbon allowance auction receipts for the EU Emissions Trading Schemes, the receipts from the Petroleum Licences regime, together with the revenue income, expenditure and cash flows for the financial year, and the allowance sales and civil penalties receivable under the CRC Scheme. Regard is given to all relevant accounting and disclosure requirements given in Managing Public Money and other guidance issued by HM Treasury.

Accounting judgements

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

7.41 All the transactions within the Trust Statement reflect transactions that have taken place in the financial year and consequently do not require accounting judgements to be made.

Events after the reporting period

7.42 Details of events after the reporting period are given in Note 11 to the Trust Statement.

Stephen Lovegrove
Accounting Officer and Permanent Secretary

24 June 2013

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

7.43 Under section 7 of the Government Resources and Accounts Act 2000, HM Treasury has directed the Department of Energy and Climate Change to prepare for each financial year a Trust Statement in the form and on the basis set out in the Accounts Direction.

7.44 HM Treasury has appointed the Permanent Secretary as Accounting Officer of the Department of Energy and Climate Change with overall responsibility for preparing the Trust Statement and for transmitting it to the Comptroller and Auditor General.

7.45 The Accounting Officer is responsible for ensuring that there is a high standard of financial management, including a sound system of internal control; that financial systems and procedures promote the efficient and economical conduct of business and safeguard financial propriety and regularity; that financial considerations are fully taken into account in decisions on policy proposals; and that risk is considered in relation to assessing value for money.

7.46 The Accounting Officer is responsible for the fair and efficient administration of the EU Emissions Trading Scheme (EU ETS) including conducting the auction of EU Allowances in the UK for Phase II and III of the Scheme, collection of the proceeds and onward transmission of the funds in their entirety to the Consolidated Fund. The Accounting Officer is also responsible for the collection of Petroleum Licences receipts for onward transmission to the Consolidated Fund, the collection of CRC Allowances for onward transmission to the Consolidated Fund and, the collection of civil penalties levied under the CRC and EU ETS scheme for onward transmission to the Consolidated Fund.

7.47 The responsibilities of the Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out in the Accounting Officers' Memorandum issued by HM Treasury and published in Managing Public Money.

7.48 The Trust Statement must give a true and fair view of:

- the state of affairs of the EU ETS Scheme and Petroleum Licensing regime, and penalties issued under the EU ETS and CRC Schemes. These streams of income are recognised on an accruals basis;
- the state of affairs of the CRC Allowance Scheme sales which are recognised on a cash received basis; and
- the revenue collected and expenditure incurred together with the net amounts surrendered to the Consolidated Fund.

7.49 In preparing the Trust Statement, the Accounting Officer is required to comply with the requirements of the Government Financial manual and in particular to:

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

Governance Statement

7.50 The Department's Governance Statement, covering both the Accounts and the Trust Statement, is included in chapter 5 of this report.

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

I certify that I have audited the financial statements of the Department of Energy and Climate Change Trust Statement for the year ended 31 March 2013 under the Government Resources and Accounts Act 2000. The financial statements comprise the Statement of Revenue, Other Income and Expenditure, the Statement of Financial Position, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the Department of Energy and Climate Change Trust Statement gives a true and fair view of the state of affairs of balances stemming from the collection of EU Emissions Trading Scheme auction receipts, Carbon Reduction Commitment Energy Efficiency Scheme allowance sales, Petroleum Licence receipts, and EU Emissions Trading Scheme and CRC Scheme civil penalty receipts as at 31 March 2013 and of the net revenue for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the information given in the Accounting Officer's Foreword to the Trust Statement, the Statement of the Accounting Officer's Responsibilities in Respect of the Trust Statement, and the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

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

25 June 2013

Statement of Revenue, Other Income and Expenditure

for the year ended 31 March 2013

	Note	2012-13 £'000	2011-12 £'000
Revenue			
Licence fees and taxes			
Carbon Reduction Commitment allowance sales	2.1	673,525	–
EU Emissions Trading Scheme auction income	2.2	277,750	239,087
Petroleum licences	2.3	69,514	67,081
Total		1,020,789	306,168
Fines and penalties			
Civil penalties – EU Emissions Trading scheme	2.4	(1,071)	2,220
Civil penalties – CRC Scheme	2.4	(222)	386
Total		(1,293)	2,606
Total revenue and other income		1,019,496	308,774
Expenditure			
EU Emissions Trading Scheme costs	3.1	(449)	(120)
Total		(449)	(120)
Disbursements			
Northern Ireland Government payments	3.2	(1,634)	(1,600)
Total		(1,634)	(1,600)
Total expenditure and disbursements		(2,083)	(1,720)
Net revenue for the Consolidated Fund		**1,017,413**	**307,054**

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

The notes on pages 243 to 250 form part of this statement.

Statement of Financial Position

as at 31 March 2013

	Note	31 March 2013 £'000	31 March 2012 £'000
Current assets			
Receivables and accrued fees	4	5,919	11,049
Cash and cash equivalents	5	50,996	14,162
Total current assets		56,915	25,211
Current liabilities			
Payables	6	(1,603)	(1,600)
Deferred revenue	7	(502)	(3,907)
Total current liabilities		(2,105)	(5,507)
Net current assets		54,810	19,704
Total net assets		**54,810**	**19,704**
Represented by:			
Balance on Consolidated Fund Account	8	**54,810**	**19,704**

Stephen Lovegrove
Accounting Officer and Permanent Secretary

24 June 2013

The notes on pages 243 to 250 form part of this statement.

Statement of Cash Flows

for the year ended 31 March 2013

	Note	2012-13 £'000	2011-12 £'000
Net cash flows from revenue activities	A	**1,019,141**	**305,548**
Cash paid to the Consolidated Fund	8	(982,307)	(324,474)
Increase/(decrease) in cash in this period	B	**36,834**	**(18,926)**

Notes to the Statement of Cash Flows

	Note	2012-13 £'000	2011-12 £'000
A: Reconciliation of Net Cash Flow to Movement in Net Funds			
Net Revenue for the Consolidated Fund		1,017,413	307,054
(Increase)/decrease in receivables and accrued income	4	5,130	(5,387)
Increase/(decrease) in payables and deferred income	6, 7	(3,402)	3,881
Net cash flows from revenue activities		**1,019,141**	**305,548**
B: Analysis in changes in Net Funds			
Increase/(decrease) in cash in this period		36,834	(18,926)
Net Funds as at 1 April (net cash at bank)	5	14,162	33,088
Net Funds as at 31 March (closing balance)	5	**50,996**	**14,162**

The notes on pages 243 to 250 form part of this statement.

Notes to the Trust Statement

1 Statement of accounting policies

1.1 Basis of Accounting

The Trust Statement is prepared in accordance with the accounts direction issued by HM Treasury under section 7(2) of the Government Resources and Accounts Act 2000. The Trust Statement is prepared in accordance with the accounting policies detailed below. These have been agreed between the Department of Energy and Climate Change (the Department) and HM Treasury and have been developed with reference to International Financial Reporting Standards (IFRS) and other relevant guidance. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

The income and associated expenditure contained in the Trust Statement are those flows of funds which the Department handles on behalf of the Consolidated Fund and where it is acting as agent rather than as principal.

The financial information in the Trust Statement is rounded to the nearest £'000.

The Trust Statement is presented in pounds sterling, which is the functional currency of the Department.

1.2 Accounting convention

The Trust Statement has been prepared in accordance with the historical cost convention.

1.3 Revenue recognition

Revenue is recognised when it can be measured reliably and it is probable that the economic benefits will flow to the Exchequer. It is measured at the fair value of amounts received or receivable, net of repayments.

EU Emissions Trading Scheme receipts represent proceeds from the auction of carbon allowances under Phase II and Phase III of the EU Emissions Trading Scheme. Revenue is recognised at the close of each competitive auction, when the revenue can be measured reliably.

Revenue income in respect of petroleum licence fees is recognised when it falls due, which is on the anniversary date of each existing licence.

Revenue in respect of civil penalties is recognised when the penalty is imposed.

Revenue in respect of CRC allowance sales is recognised on cash received basis.

1.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Department becomes a party to the contractual provisions of an instrument.

1.5 Financial assets

The Department classifies financial assets into the following categories:

- Loans and receivables; and
- Cash and cash equivalents.

Loans and receivables comprise:

- for EU ETS the amounts due from Primary Participants in respect of established auction liabilities for which, at the financial year end, payments had not been received; the amounts due are measured at fair value calculated at the close of each auction and have a maturity of less than three months;
- for Petroleum licences the amounts due from companies for the licence fees invoiced which have not been received at the financial year end together with accrued amounts receivable which have not been invoiced at the year-end: and
- civil penalties levied against participants in the EU ETS and CRC Schemes amounts which have not been received at the financial year end.

The carrying amount of these assets approximates to their fair value.

Cash and cash equivalents comprise cash in hand and current balances with banks and other financial institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less. The carrying amount of these assets approximates to their fair value.

1.6 Financial Liabilities

The Department classifies financial liabilities into the following two categories:

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

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

For the purposes of this Trust Statement the Department holds financial liabilities in the following category:

- Other financial liabilities.

Other financial liabilities comprise:

- Payables in the Statement of Financial Position; Payables are amounts established as due at the balance sheet date, but where payment is made subsequently; and
- Deferred revenue which represents petroleum licences income invoiced and received in advance relating to a future financial year.

Since these balances are expected to be settled within twelve months of the reporting date there is no material difference between fair value, amortised cost and historical cost.

1.7 Foreign currency

Transactions that are denominated in a foreign currency are translated into sterling at the rate of exchange ruling on the date of each transaction. Monetary assets and liabilities denominated in foreign currency at the year-end are translated at the rates ruling at that date unless a forward rate has been fixed with the Bank of England. All translation differences are included in the Statement of Revenue, Other Income and Expenditure for the period.

2 Revenue

2.1 Carbon Reduction Commitment Allowance sales

	2012-13 £'000	2011-12 £'000
Allowance sales	673,525	–
Total	**673,525**	**–**

2.2 EU Emissions Trading Scheme auction income

Auction date	Auction type	Allowances auctioned	2012-13 £'000	2011-12 £'000
9 June 2011	Competitive	3,499,575	-	50,792
7 July 2011	Competitive	3,500,000	-	41,262
8 September 2011	Competitive	3,499,000	-	37,930
6 October 2011	Competitive	3,500,000	-	31,379
10 November 2011	Competitive	3,499,500	-	29,022
9 February 2012	Competitive	3,499,950	-	23,730
8 March 2012	Competitive	3,499,450	-	24,972
10 May 2012	Competitive	4,000,000	21,414	-
5 July 2012	Competitive	3,999,600	25,985	-
6 September 2012	Competitive	3,999,900	25,687	-
27 September 2012	Competitive	4,000,000	23,717	-
25 October 2012	Competitive	4,319,000	25,980	-
21 November 2012	Competitive	6,500,000	34,560	-
5 December 2012	Competitive	5,758,000	26,579	-
16 January 2013	Competitive	4,134,000	19,896	-
30 January 2013	Competitive	4,134,000	13,209	-
13 February 2013	Competitive	4,134,000	16,267	-
27 February 2013	Competitive	4,134,000	15,139	-
13 March 2013	Competitive	4,134,000	12,948	-
27 March 2013	Competitive	4,134,000	16,369	-
Total			**277,750**	**239,087**

Auctions under Phase II of the scheme were held until October 2012, Phase III auctions were held from November 2012, for further details see the foreword.

Subsequent dates for the carbon allowances auctions under Phase III of the EU ETS, along with the number of units to be auctioned on each date are given below. The dates and volumes may be subject to change and further information is available on the Intercontinental Exchange website on the auction calendar link at https://www.theice.com/emissionsauctions.jhtml.

Auction Date	Allowances for auction
10 April 2013	4,134,000
24 April 2013	4,134,000
8 May 2013	4,134,000
22 May 2013	4,134,000
5 June 2013	4,134,000
19 June 2013	4,134,000
3 July 2013	4,134,000
17 July 2013	4,134,000
31 July 2013	4,134,000
14 August 2013	2,075,000
28 August 2013	2,075,000
11 September 2013	4,134,000
25 September 2013	4,134,000
9 October 2013	4,134,000
23 October 2013	4,134,000
6 November 2013	4,134,000
20 November 2013	4,134,000
4 December 2013	4,134,000

2.3 Petroleum licence income

	2012-13 £'000	2011-12 £'000
Fees receivable	69,514	67,081
Total	**69,514**	**67,081**

2.4 Civil penalties

	2012-13 £'000	2011-12 £'000
Levied under EU ETS Scheme	(1,071)	2,220
Levied under CRC Scheme	(222)	386
Total	**(1,293)**	**2,606**

Penalties under the EU ETS and CRC scheme have not been levied in the period.

An EU ETS penalty of £1,071,000 and CRC penalties of £222,000, which were shown as receivables at the previous year-end, were derecognised in the period as these penalties were successfully appealed by the companies on which they were levied.

3 Expenditure and disbursements

3.1 Costs incurred in the collection of receipts

	2012-13	2011-12
	£'000	£'000
Foreign currency translation costs (EU ETS)	449	120
Total	**449**	**120**

3.2 Disbursements

	2012-13	2011-12
	£'000	£'000
Payments to Northern Ireland Government	1,634	1,600
Total	**1,634**	**1,600**

Payments to the Northern Ireland Government reflect their share of the proceeds received by the Department under the Petroleum Licensing Regime. These payments are made under Section 2 of the Miscellaneous Financial Provisions Act 1968. The amounts outstanding at the year end are disclosed under Payables (Note 6).

In addition to the costs and disbursements above the Department incurred expenditure of £1,403,000 (2011-12: £1,657,000) in administering EU ETS, £2,881,000 (2011-12: £3,915,000) in respect of the Petroleum Licensing Regime and £1,560,000 (2011-12: £679,000) in respect of the CRC Scheme. This expenditure is included in the Department's Accounts because there is no express statutory provision for these costs to be deducted from the revenue collected and paid over to the Consolidated Fund.

4 Receivables and accrued fees

	31 March 2013	31 March 2012
	£'000	£'000
Petroleum licence fees and civil penalties receivable	3,166	10,261
Accrued petroleum licences receivable	2,753	788
Total	**5,919**	**11,049**

Petroleum licence fees and civil penalties receivable represent the amounts due from the licensees where invoices for payment have been issued but not paid for at the year end. Accrued petroleum licences receivable represents the amount of revenue from licences which relate to the financial year but for which invoices had not been issued at the reporting date.

5 Cash and cash equivalents

	2012-13 £'000	2011-12 £'000
Balance as at 1 April	14,162	33,088
Net change in cash and cash equivalent balances	36,834	(18,926)
Balance at 31 March	**50,996**	**14,162**
The following balances at 31 March were held at:		
Government Banking Service	50,996	14,162
Total	**50,996**	**14,162**

6. Payables

	31 March 2013 £'000	31 March 2012 £'000
Trade payables	1,600	1,600
Other	3	–
Total	**1,603**	**1,600**

7. Deferred revenue

	31 March 2013 £'000	31 March 2012 £'000
Deferred revenue	502	3,907
Total	**502**	**3,907**

Deferred revenue represents licence fees received in the current year that relate to future financial periods.

8. Balance on the Consolidated Fund Account

	2012-13 £'000	2011-12 £'000
Balance on the Consolidated Fund as at 1 April	19,704	37,124
Net revenue for the Consolidated Fund	1,017,413	307,054
Adjustment for amounts reported in prior year Accounts	–	–
Less amounts paid to the Consolidated Fund	(982,307)	(324,474)
Balance on the Consolidated Fund as at 31 March	**54,810**	**19,704**

9 Financial instruments

9.1 Classification and categorisation of financial instruments

	Note	31 March 2013 £'000	31 March 2012 £'000
Financial assets:			
Cash	5	50,996	14,162
Petroleum licence fees and civil penalties receivable	4	3,166	10,261
Accrued petroleum licence fees receivable	4	2,753	788
Total loans and receivables		**56,915**	**25,211**

	Note	31 March 2013 £'000	31 March 2012 £'000
Financial liabilities:			
Trade payables	6	(1,600)	(1,600)
Other payables	6	(3)	–
Deferred revenue	7	(502)	(3,907)
Total other financial liabilities		**(2,105)**	**(5,507)**

9.2 Risk exposure to financial instruments

EU Emissions Trading Scheme

The EU Emissions Trading Scheme is exposed to foreign currency risk due to the timing difference in recognising the proceeds at the auction exchange rate and the date at which the proceeds are converted into sterling, which is one day after the close of the auction; this results in either an exchange loss or gain. As shown in Note 3 there was an exchange loss incurred this financial year of £449,000 (2011-12: £120,000). The scheme is not exposed to interest rate or liquidity risk and its exposure to market risk is limited due to there being a current demand for carbon allowances.

The civil penalties imposed under the EU ETS scheme are subject to credit risk, but this risk is assessed by management as minimal due to the nature of the participants in the scheme.

Petroleum Licensing Regime

The fees receivable under the Petroleum Licensing Regime are subject to credit risk, but this risk is assessed by management as minimal which has been demonstrated by the fact that in the running of this scheme bad debts have been immaterial and there have been none in the last two years. There is no foreign exchange risk as all the fees under this regime are receivable in sterling. The market risk is limited due to there being a constant demand for licences and this is borne out by uptake of the new licences issued each year in the annual licensing round.

CRC Scheme

The allowance sales under the Carbon Reduction Commitment are subject to credit risk, but this risk is assessed by management as low. This is borne out in the results of the first year allowance sales where two companies out of 2,052 participants are yet to pay for their allowances.

The civil penalties imposed under the CRC scheme are subject to credit risk, but this risk is assessed by management as minimal due to the nature of the participants in the scheme.

Information which will allow Trust Statement users to evaluate the significance of financial instruments on the Department's financial performance and position and the nature and extent of the Department's exposure to other risks arising from financial instruments can be found in Note 27 to the Department's Accounts.

10 Contingent Liability

A contingent liability exists for refunds DECC may have to pay to participants in the CRC Energy Efficiency Scheme who have over-surrendered allowances. This is as a result of new legislation included in the CRC order 2013, which came into force in May 2013. The refunds are contingent upon participants being able to prove that the over-surrender was due to a reporting error and must be agreed by the Secretary of State. DECC is unable to quantify the amount of future refunds, but based on the most recent information available from the scheme administrators, the refunds are not expected to be significant. Future refunds will be paid as and when they fall due out of future scheme receipts.

The Department will be issuing guidance to participants detailing the refund process in the coming months.

11 Events after the reporting period

There were no significant events after the reporting period that require disclosure.
Date Trust Statement authorised for issue

The Accounting Officer has authorised this Trust Statement to be issued on 25 June 2013.

Annex D

Accounts direction given by HM Treasury in accordance with Section 7(2) of the Government Resources and Accounts Act 2000

1. This direction applies to those government departments listed in appendix 2.

2. The Department shall prepare a Trust Statement ("the Statement") for the financial year ended 31 March 2013 for the revenue and other income, as directed by the Treasury, collected by the department as an agent for others, in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual by HM Treasury ("FReM") which is in force for 2012-13.

3. The Statement shall be prepared, as prescribed in appendix 1, so as to give a true and fair view of (a) the state of affairs relating to the collection and allocation of taxes, licence fees, fines and penalties and other income by the Department as agent and of the expenses incurred in the collection of those taxes, licence fees, fines and penalties insofar as they can properly be met from that revenue and other income; (b) the revenue and expenditure; and (c) the cash flows for the year then ended.

4. The statement shall also be prepared so as to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.

5. When preparing the Statement, the Department shall comply with the guidance given in the FReM (Chapter 13). The Department shall also agree with HM Treasury the format of the Accounting Officer's Foreword to the Statement, and the supporting notes, and the accounting policies to be adopted, particularly in relation to revenue recognition. Regard shall also be given to all relevant accounting and disclosure requirements in Managing Public Money and other guidance issued by HM Treasury, and to the principles underlying International Financial Reporting Standards.

5\. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with HM Treasury.

6. The Statement shall be transmitted to the Comptroller and Auditor General for the purpose of his examination and report by a date agreed with the Comptroller and Auditor General and HM Treasury to enable compliance with the administrative deadline for laying the audited accounts before Parliament before the Summer Recess.

7. The Trust Statement, together with this direction (but with the exception of the related appendices) and the Report produced by the Comptroller and Auditor General under section 7(2) of the Government Resources and Accounts Act 2000 shall be laid before Parliament at the same time as the Department's Resource Accounts for the year unless the Treasury have agreed that the Trust Statement may be laid at a later date.

Karen Sanderson
Deputy Director, Government Financial Reporting
Her Majesty's Treasury

17 December 2012

Appendix 1 to Annex D

Trust Statement for the year ended 31 March 2013

1. The Trust Statement shall include:

   - a Foreword by the Accounting Officer;
   - a Statement of the Accounting Officer's Responsibilities;
   - a Governance Statement;
   - a Statement of Revenue, Other Income and Expenditure;
   - a Statement of Financial Position;
   - a Cash Flow Statement; and
   - such notes as may be necessary to present a true and fair view.

2. The Notes shall include among other items:

   - the accounting policies, including the policy for revenue recognition and estimation techniques and forecasting techniques together with statements explaining any significant uncertainty surrounding estimates and forecasts;
   - a breakdown of material items within the accounts;
   - any assets, including intangible assets and contingent liabilities;
   - summaries of losses, write-offs and remissions;
   - post balance sheet events; and
   - any other notes agreed with HM Treasury and the National Audit Office

Appendix 2 to Annex D (extract)

No	Sponsoring Department	Income stream	Responsible Entity
02	DECC	Petroleum licenses	DECC
02	DECC	EU Emissions Allowance	DECC
02	DECC	Fines and Penalties	DECC
02	DECC	CRC Allowances	DECC

Chapter 8

Financial Core Tables

Table 1: Total departmental spending, 2008-09 to 2014-15

	2008-09 Outturn	**2009-10 Outturn**	**2010-11 Outturn**	**2011-12 Outturn**	**2012-13 Outturn**	**2013-14 Plans**	**2014-15 Plans**
							£'000
Resource DEL							
Save energy with the Green Deal and support vulnerable consumers	62,056	127,313	112,772	100,372	67,203	60,848	44,024
Deliver secure energy on the way to a low carbon energy future	95,078	62,929	82,125	4,662	48,496	68,805	30,267
Drive ambitious action on climate change at home and abroad	45,498	12,102	13,748	14,718	35,975	8,420	12,880
Manage our energy legacy responsibly and cost-effectively	323,142	333,449	353,697	321,719	340,708	334,295	315,302
Deliver the capability DECC needs to achieve its goals	88,169	128,800	116,848	126,685	126,950	154,421	183,325
NDA and SLC expenditure (NDPB)	-354,199	529,864	443,923	1,531,264	1,259,039	1,456,263	1,342,885
Coal Authority (NDPB) (net)	30,939	29,668	25,357	25,296	27,684	31,335	26,736
Civil Nuclear Police Authority (NDPB) (net)	23	176	24	-60	-655	–	–
Committee on Climate Change (NDPB) (net)	1,070	3,667	4,257	3,842	3,427	3,588	2,741
Nuclear Decommissioning Authority Income (CFER)	–	–	–	-971,504	-784,055	-729,000	-872,000
Electricity Market Reform	–	–	–	–	3,823	-4,851	–
Total Resource DEL	**291,776**	**1,227,968**	**1,152,751**	**1,156,994**	**1,128,595**	**1,384,124**	**1,086,160**
Of which:							

	2008-09 Outturn	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Outturn	2013-14 Plans	£'000 2014-15 Plans
Staff costs	154,343	165,658	179,292	165,424	193,397	111,486	97,353
Purchase of goods and services	2,021,537	2,167,020	1,926,408	1,905,394	1,595,486	1,914,245	1,778,964
Income from sales of goods and services	-2,021,248	-1,320,573	-1,150,943	-1,060,261	-893,511	-742,707	-886,497
Current grants to local government (net)	–	–	2,192	–	13,693	3,053	200
Current grants to persons and non-profit bodies (net)	48,214	120,793	95,547	94,532	69,411	60,553	58,827
Current grants abroad (net)	65,271	56,478	73,495	46,346	60,461	32,367	31,364
Rentals	135	448	183	97	-89	366	382
Depreciation[1]	3,933	12,412	7,152	12,916	11,577	9,000	8,000
Change in pension scheme liabilities	–	–	–	173	–	–	–
Other resource	19,591	25,732	19,425	-7,627	78,170	-4,239	-2,433
Resource AME							
Manage our energy legacy responsibly and cost-effectively	81,974	-2,440	-76,168	-51,280	68,415	-232,293	-232,286
Nuclear Decommissioning Authority (NDPB)	2,350,254	760,510	5,274,448	3,796,310	5,137,651	597,000	698,000
Coal Authority (NDPB) (net)	2,683	-1,420	42,446	-4,000	156,000	5,972	5,972
Civil Nuclear Police Authority (NDPB) (net)	136	-176	-24	-106	4,042	63	63
Renewable Heat Incentive	–	–	–	1,919	27,416	126,000	274,000
Committee on Climate Change (NDPB) (net)	–	–	106	4	–	–	–
Save energy with the Green Deal and support vulnerable consumers	–	–	90	-509	-4,797	–	–
Deliver the capability DECC needs to achieve its goals	51	–	–	–	–	–	–
Nuclear Decommissioning Authority Income (CFER)	–	–	–	–	-711	–	–
Total Resource AME	**2,435,098**	**756,474**	**5,240,898**	**3,742,338**	**5,388,016**	**496,742**	**745,749**
Of which:							
Purchase of goods and services	52,171	1,660	31,005	23,041	–	2,300	–
Income from sales of goods and services	–	-566	-1,011	–	-711	–	–
Current grants to persons and non-profit bodies (net)	299,410	155,602	35,027	16,642	22,329	43,910	33,618

	2008-09 Outturn	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Outturn	2013-14 Plans	2014-15 Plans
							£'000
Subsidies to private sector companies	–	–	–	1,919	–	3,310,000	4,144,000
Depreciation[1]	448,903	236,390	188,716	138,269	117,979	79,000	50,000
Take up of provisions	2,247,591	812,951	5,354,692	3,895,955	5,647,808	607,928	722,595
Release of provision	-613,030	-449,563	-362,424	-344,939	-340,214	-362,396	-334,464
Change in pension scheme liabilities[2]	–	–	-5,197	11,960	6,287	–	–
Other resource	53	–	90	-509	-65,462	-3,184,000	-3,870,000
Total Resource Budget	**2,726,874**	**1,984,442**	**6,393,649**	**4,899,332**	**6,516,611**	**1,880,866**	**1,831,909**
Of which:							
Depreciation[1]	452,836	248,802	195,868	151,185	129,556	88,000	58,000
Capital DEL							
Save energy with the Green Deal and support vulnerable consumers	410,094	640,904	371,116	106,248	86,404	140,000	-9,300
Deliver secure energy on the way to a low carbon energy future	41,123	24,675	61,001	327	30,146	77,345	200,000
Drive ambitious action on climate change at home and abroad	75,362	104,512	275,000	132,895	189,430	400,000	220,000
Manage our energy legacy responsibly and cost-effectively	204	8	–	7,239	6,815	6,225	–
Deliver the capability DECC needs to achieve its goals	–	5,189	1,113	17,510	771	7,695	52,680
NDA and SLC expenditure (NDPB)	1,128,098	1,020,100	1,293,847	1,429,712	1,776,295	1,601,000	1,766,000
Coal Authority (NDPB) (net)	10,128	8,484	9,737	9,800	2,133	7,700	8,550
Civil Nuclear Police Authority (NDPB) (net)	1,281	1,792	2,350	2,272	1,310	–	–
Committee on Climate Change (NDPB) (net)	64	149	165	24	2	–	–
Nuclear Decommissioning Authority Income (CFER)	–	–	–	-251,712	-54,866	-55,000	-1,000
Total Capital DEL	**1,666,354**	**1,805,813**	**2,014,329**	**1,454,315**	**2,038,440**	**2,184,965**	**2,236,930**
Of which:							
Capital support for local government (net)	–	47,038	-4,039	37,959	47,882	-11,822	-5,911
Capital grants to persons & non-profit bodies (net)	418,251	557,686	371,516	120,578	62,068	176,000	1,500

	2008-09 Outturn	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Outturn	2013-14 Plans	£'000 2014-15 Plans
Capital grants to private sector companies (net)	48,332	-10,215	47,612	2,433	1,387	78,545	43,775
Capital grants abroad (net)	50,000	100,000	275,000	140,134	208,481	405,025	220,000
Purchase of assets	1,140,321	1,196,918	1,325,555	1,443,533	1,785,582	1,616,395	1,983,455
Income from sales of assets	-750	-161,204	-18,343	-252,132	-55,737	-55,000	-1,000
Net lending to the private sector and abroad	–	54,098	40,514	-37,310	-10,543	-24,178	-4,889
Other capital	10,200	21,492	-23,486	-880	-680	–	–
Capital AME							
Manage our energy legacy responsibly and cost-effectively	-279,000	-337,300	-77,800	-65,955	-33,189	-50,000	-50,000
Renewable Heat Incentive	–	–	–	9,320	12,731	5,000	–
Manage our energy legacy responsibly and cost-effectively (CFER)	–	–	–	-1,000	–	–	–
Total Capital AME	**-279,000**	**-337,300**	**-77,800**	**-57,635**	**-20,458**	**-45,000**	**-50,000**
Of which:							
Capital grants to persons & non-profit bodies (net)	–	–	–	9,320	12,731	5,000	–
Capital grants to private sector companies (net)	–	–	–	-1,000	-403	–	–
Net lending to the private sector and abroad	-279,000	-337,300	-77,800	-65,955	-97,000	-50,000	-50,000
Other capital	–	–	–	–	64,214	–	–
Total Capital Budget	**1,387,354**	**1,468,513**	**1,936,529**	**1,396,680**	**2,017,982**	**2,139,965**	**2,186,930**
Total departmental spending[3]	3,661,392	3,204,153	8,134,310	6,144,827	8,405,037	3,932,831	3,960,839
Of which:							
Total DEL	1,954,197	3,021,369	3,159,928	2,598,393	3,155,458	3,560,089	3,315,090
Total AME	1,707,195	182,784	4,974,382	3,546,434	5,249,579	372,742	645,749

1 Includes impairments

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

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

Notes:

Changes in the classification of NDA income affect the NDA sections in both Capital and Resource DEL. From 2008-09 to 2010-11 NDA income is netted off under NDA and SLC Expenditure, whilst from 2011-12 onwards NDA income is shown as CFER (Consolidated Fund Extra Receipts).

The drop in spend in 2011-12 on Deliver secure energy on the way to a low carbon energy future Resource DEL is due primarily to a reduction in spending on Carbon Capture and Storage. The subsequent increase is due to increased expenditure on Science and Innovation.

Resource DEL expenditure for Electricity Market Reform is shown separately in 2012-13 as this expenditure was funded through a Contingencies Fund advance, pending passage of the Energy Bill through Parliament. Repayment of that advance in 2013-14 will be made against Deliver secure energy on the way to a low carbon energy future Resource DEL, offset by the credit shown against Electricity Market Reform in 2013-14.

The movements across years on Nuclear Decommissioning Authority Resource AME are due to movements in the nuclear decommissioning provision; further details are shown in the notes to the accounts.

The movements across years on Deliver secure energy on the way to a low carbon energy future Capital DEL are due to reductions in Capital Grants in this area, primarily under Environmental Transformation Funds, which is partly offset by increased Energy Innovation grants in 2012-13 and 2013-14. 2014-15 plans relates to Carbon Capture and Storage.

Table 2: Outturn year, 2012-13

£'000

	2012-13 Original Plans		2012-13 Adjusted Plans†		2012-13 Final Plans		2012-13 Outturn	
	Resource	Capital	Resource	Capital	Resource	Capital	Resource	Capital
Spending in Departmental Expenditure Limits (DEL)								
Voted expenditure	**2,135,623**	**1,956,721**	**2,127,552**	**1,956,721**	**2,026,682**	**2,153,894**	**1,908,827**	**2,093,306**
Of which:								
Save energy with the Green Deal and support vulnerable consumers	63,385	94,000	63,385	94,000	75,370	89,273	67,203	86,404
Deliver secure energy on the way to a low carbon energy future	31,031	–	31,031	–	59,586	48,275	48,496	30,146
Drive ambitious action on climate change at home and abroad	11,890	215,000	11,890	215,000	36,015	190,000	35,975	189,430
Manage our energy legacy responsibly and cost-effectively	349,691	2,700	341,640	2,700	338,628	6,600	340,708	6,815
Deliver the capability DECC needs to achieve its goals	170,487	80,971	170,467	80,971	129,889	31,696	126,950	771
NDA and SLC expenditure (NDPB)	1,474,540	1,556,000	1,474,540	1,556,000	1,353,621	1,784,000	1,259,039	1,776,295
Coal Authority (NDPB) (net)	31,937	7,550	31,937	7,550	30,164	3,550	27,684	2,133
Civil Nuclear Police Authority (NDPB) (net)	–	500	–	500	–	500	-655	1,310
Committee on Climate Change (NDPB) (net)	2,662	–	2,662	–	3,409	–	3,427	2
Non-voted expenditure	**-691,000**	**-6,000**	**-691,000**	**-6,000**	**-835,000**	**-57,000**	**-780,232**	**-54,866**
Of which:								
Nuclear Decommissioning Authority Income (CFER)	-691,000	-6,000	-691,000	-6,000	-835,000	-57,000	-784,055	-54,866
Electricity Market Reform	–	–	–	–	–	–	3,823	–
Total Spending in DEL	**1,444,623**	**1,950,721**	**1,436,552**	**1,950,721**	**1,191,682**	**2,096,894**	**1,128,595**	**2,038,440**

£'000

	2012-13 Original Plans		2012-13 Adjusted Plans†		2012-13 Final Plans		2012-13 Outturn	
	Resource	Capital	Resource	Capital	Resource	Capital	Resource	Capital
Spending in Annually Managed Expenditure (AME)								
Voted expenditure	**434,002**	**-77,800**	**434,002**	**-77,800**	**8,182,927**	**91,462**	**5,388,727**	**-20,458**
Of which:								
Manage our energy legacy responsibly and cost-effectively	-178,535	-77,800	-178,535	-77,800	1,065,351	33,462	68,415	-33,189
Nuclear Decommissioning Authority (NDPB)	486,475	–	486,475	–	6,834,000	–	5,137,651	–
Coal Authority (NDPB) (net)	-7,000	–	-7,000	–	174,000	–	156,000	–
Civil Nuclear Police Authority (NDPB) (net)	62	–	62	–	62	–	4,042	–
Renewable Heat Incentive	133,000	–	133,000	–	108,000	25,000	27,416	12,731
Save energy with the Green Deal and support vulnerable consumers	–	–	–	–	1,514	33,000	-4,797	–
Non-voted expenditure	**–**	**–**	**–**	**–**	**–**	**–**	**-711**	**–**
Of which:								
Nuclear Decommissioning Authority Income (CFER)	–	–	–	–	–	–	-711	–
Total Spending in AME	**434,002**	**-77,800**	**434,002**	**-77,800**	**8,182,927**	**91,462**	**5,388,016**	**-20,458**
Total	**1,878,625**	**1,872,921**	**1,870,554**	**1,872,921**	**9,374,609**	**2,188,356**	**6,516,611**	**2,017,982**
Of which:								
Voted expenditure	2,569,625	1,878,921	2,561,554	1,878,921	10,209,609	2,245,356	7,297,554	2,072,848
Non-voted expenditure	-691,000	-6,000	-691,000	-6,000	-835,000	-57,000	-780,943	-54,866

† Figures for Adjusted Plans have been adjusted for machinery of government changes effected during 2012 to reflect the Final Plans structure where applicable

Note: Explanation of significant variances between Final Plans and Outturn are contained in Chapter 4: Financial Overview.

Table 3: Capital employed

	2008-09 outturn £'000	2009-10 outturn £'000	2010-11 outturn £'000	2011-12 outturn £'000	2012-13 outturn £'000	2013-14 plans £'000	2014-15 plans £'000
Assets and liabilities on the Statement of Financial Position at end of year:							
Assets							
Non-current assets							
Intangible assets	0	0	431	541	508	364	220
Tangible assets	4,711	8,426	7,146	11,783	9,674	6,722	6,112
of which:							
Buildings	0	0	0	5,687	5,951	5,794	5,638
Information technology	4,572	6,825	5,771	4,936	2,974	598	236
Scientific equipment	130	0	0	0	0	0	0
Plant and machinery	0	0	90	69	64	52	40
Office machinery and equipment	9	1	0	0	0	0	0
Furniture, fixtures and fittings	0	1,600	1,285	1,091	685	278	198
Financial assets	469,580	74,446	86,929	60,527	60,914	29,337	25,000
Trade and other receivables	0	341,723	277,998	212,043	168,106	84,967	86,836
	474,291	**424,595**	**372,504**	**284,894**	**239,202**	**121,390**	**118,168**
Current assets	1,273,733	476,051	257,587	257,677	419,920	419,919	297,442
Liabilities							
Payables (< 1 year)	(984,307)	(616,945)	(282,641)	(167,753)	(482,166)	(482,166)	(482,166)
Payables (> 1 year)	0	(264)	(115,214)	(245,820)	(341,573)	(341,573)	(341,573)
Provisions	(2,878,829)	(2,719,693)	(2,578,504)	(2,487,542)	(2,597,889)	(2,268,703)	(1,978,723)
	(3,863,136)	**(3,336,902)**	**(2,976,359)**	**(2,901,115)**	**(3,421,628)**	**(3,092,442)**	**(2,802,462)**
Capital employed within main Department	**(2,115,112)**	**(2,436,256)**	**(2,346,268)**	**(2,358,544)**	**(2,762,506)**	**(2,551,133)**	**(2,386,852)**
NDPB net assets	**(45,415,367)**	**(46,099,293)**	**(51,478,068)**	**(55,691,098)**	**(61,118,769)**	**(61,960,856)**	**(62,860,856)**
Total capital employed in Departmental Group	**(47,530,479)**	**(48,535,549)**	**(53,824,336)**	**(58,049,642)**	**(63,881,275)**	**(64,511,989)**	**(65,247,708)**

Table 4: Administration budget, 2008-09 to 2014-15

£'000

	2008-09 Outturn	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Outturn	2013-14 Plans	2014-15 Plans
Resource DEL							
Save energy with the Green Deal and support vulnerable consumers	33,056	33,747	45,321	9,707	–	–	–
Deliver secure energy on the way to a low carbon energy future	1,264	1,303	1,343	–	–	–	–
Manage our energy legacy responsibly and cost-effectively	514	504	550	402	–	–	–
Deliver the capability DECC needs to achieve its goals	87,978	98,990	95,515	102,018	117,505	133,730	118,533
NDA and SLC expenditure (NDPB)	67,785	57,288	44,432	37,732	38,752	48,000	49,000
Coal Authority (NDPB) (net)	6,455	6,104	6,527	5,295	5,058	4,442	3,226
Civil Nuclear Police Authority (NDPB) (net)	23	176	24	-60	-655	–	–
Committee on Climate Change (NDPB) (net)	1,070	3,667	4,257	3,842	3,427	3,588	2,741
Nuclear Decommissioning Authority Income (CFER)	–	–	–	-1,434	-2,321	–	–
Electricity Market Reform	–	–	–	-	-	-200	–
Total administration budget	**198,145**	**201,779**	**197,969**	**157,502**	**161,766**	**189,560**	**173,500**
Of which:							
Staff costs	147,322	160,102	170,844	151,243	171,062	99,309	94,036
Purchase of goods and services	112,279	112,113	98,096	79,845	70,425	90,170	79,460
Income from sales of goods and services	-64,742	-73,042	-73,665	-78,314	-82,458	-1,076	-936
Current grants abroad (net)	–	–	–	–	20	–	–
Rentals	135	448	183	97	-370	366	382
Depreciation	2,949	3,206	3,706	4,382	5,017	2,000	1,000
Other resource	202	-1,048	-1,195	249	-1,930	-1,209	-442

Notes:

Expenditure on Save energy with the Green Deal and support vulnerable consumers relates to the Carbon Trust and Energy Saving Trust.

Income for 2013-14 to 2014-15 is lower than the 2008-09 to 2012-13 as plans data for future years is set at a net level for NDPB's.

Table 5 Staff in post

	2010-11 Actual	2011-12 Actual	2012-13 Actual
Full time employees	2464.1	2566.6	2890.0
Others	260.3	344.7	336.5
Total	2724.4	2911.3	3226.5

Note

All years above exclude staff employed by the Site Licence Companies, these being employed by private companies and are not civil servants.

Table 6 Total identifiable expenditure on services by country and region, 2007-08 to 2011-12

					£ million
					National Statistics
Department of Energy and Climate Change	**2007-08 outturn**	**2008-09 outturn**	**2009-10 outturn**	**2010-11 outturn**	**2011-12 outturn**
North East	189	137	108	74	47
North West	860	740	1,147	1,223	1,165
Yorkshire and the Humber	304	213	188	133	80
East Midlands	176	157	126	118	80
West Midlands	150	149	135	105	59
East	142	109	120	114	76
London	92	110	99	89	45
South East	300	222	280	290	234
South West	237	197	278	292	263
Total England	**2,448**	**2,036**	**2,482**	**2,437**	**2,048**
Scotland	332	243	319	345	343
Wales	124	105	107	92	89
Northern Ireland	2	1	3	2	2
UK identifiable expenditure	**2,906**	**2,386**	**2,910**	**2,876**	**2,482**
Outside UK	51	51	42	53	29
Total identifiable expenditure	**2,958**	**2,437**	**2,952**	**2,929**	**2,512**
Non-identifiable expenditure	50	123	121	297	158
Total expenditure on services	**3,008**	**2,559**	**3,074**	**3,226**	**2,669**

Table 7 Total identifiable expenditure on services by country and region, per head 2007-08 to 2011-12

£ per head

National Statistics

Department of Energy and Climate Change	**2007-08 outturn**	**2008-09 outturn**	**2009-10 outturn**	**2010-11 outturn**	**2011-12 outturn**
North East	73	53	42	29	18
North West	124	106	164	174	165
Yorkshire and the Humber	59	41	36	25	15
East Midlands	40	35	28	26	18
West Midlands	27	27	24	19	11
East	25	19	21	20	13
London	12	14	12	11	5
South East	36	26	33	34	27
South West	46	38	53	55	50
England	**47**	**39**	**47**	**46**	**39**
Scotland	65	47	61	66	65
Wales	41	35	35	30	29
Northern Ireland	1	1	1	1	1
UK identifiable expenditure	**47**	**38**	**47**	**46**	**39**

Table 8 Total identifiable expenditure on services by function, country and region, for 2011-12

Data in this table are National Statistics £ million

Department of Energy and Climate Change	North East	North West	Yorkshire and The Humber	East Midlands	West Midlands	East	London	South East	South West	**England**	Scotland	Wales	Northern Ireland	**UK Identifiable expenditure**	OUTSIDE UK	**Total Identifiable expenditure**	Not Identifiable	**Totals**
General public services																		
Executive and legislative organs, financial and fiscal affairs, external affairs	1	1	1	1	1	1	2	2	1	11	1	1	0	13	27	40	5	45
Total general public services	**1**	**1**	**1**	**1**	**1**	**1**	**2**	**2**	**1**	**11**	**1**	**1**	**0**	**13**	**27**	**40**	**5**	**45**
Public order and safety																		
Police services	-	0	-	-	-	0	-	0	0	1	0	-	-	1	-	1	-	1
of which: other police services	-	*0*	-	-	-	*0*	-	*0*	*0*	*1*	*0*	-	-	*1*	-	*1*	-	*1*
Total public order and safety	**-**	**0**	**-**	**-**	**-**	**0**	**-**	**0**	**0**	**1**	**0**	**-**	**-**	**1**	**-**	**1**	**-**	**1**
Economic affairs																		
General economic, commercial and labour affairs	1	3	2	2	2	3	3	4	2	23	0	0	0	23	-	23	-	23
Fuel and energy	30	48	34	20	20	13	16	34	27	243	48	25	0	316	0	316	-	316
R&D economic affairs	1	19	2	2	1	3	3	7	5	42	6	2	0	50	0	51	-	51
Economic affairs n.e.c	2	49	3	3	2	3	2	10	11	86	14	4	0	104	1	105	-	105
Total economic affairs	**34**	**119**	**41**	**27**	**26**	**22**	**24**	**54**	**45**	**393**	**69**	**30**	**0**	**492**	**2**	**494**	**-**	**494**
Environment protection																		
Waste management	0	1,009	0	0	0	39	0	156	203	1,408	270	52	-	1,731	-	1,731	2	1,733

Data in this table are National Statistics — **£ million**

Department of Energy and Climate Change	North East	North West	Yorkshire and The Humber	East Midlands	West Midlands	East	London	South East	South West	**England**	Scotland	Wales	Northern Ireland	**UK Identifiable expenditure**	OUTSIDE UK	**Total Identifiable expenditure**	Not Identifiable	**Totals**
Pollution abatement	4	10	8	7	8	8	12	12	8	77	3	2	1	83	-	83	11	94
Protection of biodiversity and landscape	1	-	15	37	9	-	-	-	-	62	-	4	-	66	-	66	-	66
Environment protection n.e.c	7	24	16	7	15	5	7	10	7	98	-	-	-	98	-	98	140	238
Total environment protection	**12**	**1,044**	**38**	**51**	**32**	**53**	**19**	**178**	**217**	**1,644**	**274**	**58**	**1**	**1,977**	**-**	**1,977**	**153**	**2,130**
Social protection																		
Old age	0	0	0	0	0	0	0	0	0	-1	0	0	0	-1	-	-1	-	-1
of which: pensions	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*-1*	*0*	*0*	*0*	*-1*	-	*-1*	-	*-1*
Total social protection	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-1**	**0**	**0**	**0**	**-1**	**-**	**-1**	**-**	**-1**
TOTAL DEPARTMENT OF ENERGY AND CLIMATE CHANGE	**47**	**1,165**	**80**	**80**	**59**	**76**	**45**	**234**	**263**	**2,048**	**343**	**89**	**2**	**2,482**	**29**	**2,512**	**158**	**2,669**

Notes:

[1] Tables 6, 7 and 8 show analyses of the department's spending by country and region, and by function. The data presented in these tables are consistent with the country and regional analyses (CRA) published by HM Treasury in October 2012 as part of the National Statistics release. The figures were taken from the HM Treasury public spending database in summer 2012 and the regional distributions were completed by the following autumn. Therefore the tables may not show the latest position and are not consistent with other tables in the Departmental Report. Please note that totals may not sum due to rounding.

[2] The analyses are set within the overall framework of Total Expenditure on Services (TES). TES broadly represents the current and capital expenditure of the public sector, with some differences from the national accounts measure Total Managed Expenditure. The tables show the central government and public corporation elements of TES. They include current and capital spending by the department and its NDPBs, and public corporations' capital expenditure, but do not include capital finance to public corporations. They do not include payments to local authorities or local authorities own expenditure.

[3] TES is a cash equivalent measure of public spending. The tables do not include depreciation, cost of capital charges, or movements in provisions that are in departmental budgets. They do include pay, procurement, capital expenditure, and grants and subsidies to individuals and private sector enterprises. Further information on TES can be found in Appendix E of PESA 2012.

[4] The data are based on a subset of spending – identifiable expenditure on services – which is capable of being analysed as being for the benefit of individual countries and regions. Expenditure that is incurred for the benefit of the UK as a whole is excluded.

[5] Across government, most expenditure is not planned or allocated on a regional basis. Social security payments, for example, are paid to eligible individuals irrespective of where they live. Expenditure on other programmes is allocated by looking at how all the projects across the department's area of responsibility, usually England, compare. So the analyses show the regional outcome of spending decisions that on the whole have not been made primarily on a regional basis.

[6] The functional analyses of spending in Table 8 are based on the United Nations Classification of the Functions of Government (COFOG), the international standard. The presentations of spending by function are consistent with those used in Chapter A of the CRA October 2012 release. These are not the same as the strategic priorities shown elsewhere in the report.

Annex A

Structural Reform Plan

Priorities

Save energy with the Green Deal and support vulnerable consumers

- Reduce energy use by households, businesses and the public sector, and help to protect the fuel poor.

Deliver secure energy on the way to a low carbon energy future

- Reform the energy market to ensure that the UK has a diverse, safe, secure and affordable energy system and incentivise low carbon investment and deployment.

Drive ambitious action on climate change at home and abroad

- Work for international action to tackle climate change, and work with other government departments to ensure that we meet UK carbon budgets efficiently and effectively.

Manage our energy legacy responsibly and cost-effectively

- Ensure public safety and value for money in the way we manage our nuclear, coal and other energy liabilities.

Actions missed due to reasons outside the department's control[45]:

Action	Reason for delay
1.2(ii) Amend energy suppliers' licenses to require them to complete the roll-out by 2019, and to facilitate early developments.	Rollout License conditions laid in Parliament on 18.09.12 due to time required for Programme to receive RPC clearance. Supplier licenses amended by 30.11.12.

Actions missed due to reasons inside the department's control:

Action	Reason for delay
1.4(i) Monitor progress of DECC and its non-departmental public bodies that fall within the scope of the Greening Government Commitments and report the results in the departmental Annual Report and Accounts	Progress of the department and its non-departmental public bodies has been monitored with relation to the Greening Government Commitments and the results noted. Therefore, work is substantively complete. However, as the Annual Report and Accounts is not due to be published until July 11th 2012, there is a slight delay to this action.
2.5(i) Publish, with OfGem and wider stakeholders through the Smart Grid Forum, a report identifying actions to overcome current and future barriers to smarter network deployment	See below – this action is an annex to the report at action 2.5(ii)
2.5(ii) Publish initial electricity system policy paper	Both reports 2.5(i) and (ii) were scheduled to be published on 16 July following Cabinet clearance. The required summary was submitted to Cabinet Office in July but the full clearance process has not yet completed. Clearance for publication of the summary report is not expected until the end of the w/c 30/07/12. This will mean July's deadline will be missed.
2.4(i) Identify projects, to receive government financial support, that will contribute to the achievement of cost competitive carbon capture and storage technology and operation in the UK	The CCS Competition was launched in April 2012. Four bidders have been shortlisted from eight bids received after a thorough evaluation process that considered project deliverability, value for money and the Government's timetable to deliver a cost-competitive CCS industry in the 2020s. A short intensive phase of negotiations is underway before decisions on which projects to support further are taken early next year.
2.4(ii) Award contract(s) for activities that reduce the risk and cost of Carbon Capture and Storage	This action cannot commence until 2.4i) has completed early next year. The Bid Improvement Phase is planned to complete in March 2013. Contracts will be awarded as soon as possible once decisions have been made, though are dependent on the outcome of detailed negotiations between the Authority (DECC) and CCS Developers.

45 The practice of assigning action delays to external factors began in June 2011.

Annex B

Delivery Partners

This Annex lists our formal partners during the 2012-13 financial year. At the beginning of the financial year the 'Departmental family' contained seven non-departmental public bodies (NDPBs). DECC is also responsible for overseeing one non-ministerial department and two public corporations, and over the financial year has been associated with a number of other bodies.

Where the Department is responsible for appointments to the boards of our delivery partners, it is committed to basing appointments on merit. Public appointments to the boards of the NDPBs and agencies are made by Ministers in accordance with the Code of Practice of the Office of the Commissioner for Public Appointments.

Each NDPB is overseen by a sponsor team in DECC which agrees the body's remit and monitors performance. The sponsor teams work with their NDPBs to support their high-level aims. Sponsor teams also challenge NDPBs to ensure rules of regularity and propriety are adhered to, and to provide budgetary control.

Executive NDPBs publish their own annual reports and accounts. These describe the targets and the performance of the organisation and provide financial information. They can be obtained from their websites or from The Stationery Office. Following the introduction of the Clear Line of Sight reporting requirements during the year, the Department's Accounts are now prepared on a Group basis which fully consolidates the core Department and the four executive NDPBs.

Executive non-departmental public bodies

Civil Nuclear Police Authority www.cnpa.police.uk

Coal Authority www.coal.gov.uk

Nuclear Decommissioning Authority www.nda.gov.uk

Committee on Climate Change www.theccc.org.uk

Advisory non-departmental public bodies

Committee on Radioactive Waste Management www.corwm.org.uk

Fuel Poverty Advisory Group www.decc.gov.uk/en/content/cms/what_we_do/consumers/fuel_poverty/fpag

Nuclear Liabilities Financing Assurance Board www.decc.gov.uk/en/content/cms/what_we_do/uk_supply/energy_mix/nuclear/new/waste_costs/nlfab/nlfab.aspx

Non-ministerial department

Gas and Electricity Markets Authority [Ofgem] www.ofgem.gov.uk

Public corporation

National Nuclear Laboratory www.nnl.co.uk

Sponsored partners

The Carbon Trust www.carbontrust.co.uk

Energy Saving Trust www.energysavingtrust.co.uk

National non-Food Crops Centre www.nnfcc.co.uk

Nuclear Liabilities Fund www.nlf.uk.net

Ad-hoc groups

Pilot Task Force for Oil and Gas www.pilottaskforce.co.uk

UK Coal Forum www.decc.gov.uk/en/content/cms/what_we_do/uk_supply/energy_mix/coal/uk_forum/uk_forum.aspx

Carbon Capture and Storage Development Forum www.decc.gov.uk/en/content/cms/what_we_do/uk_supply/energy_mix/ccs/stakeholder

Annex C

Complaints to the Parliamentary Ombudsman

Background:

In the financial year 2012-13, five complaints about DECC were accepted for investigation by the Parliamentary Ombudsman. This is an increase on the previous year when no complaints were investigated. Of the five confirmed investigations- two were related to FITs and the rest are Warm Front. One FITs complaint was not upheld and one Warm Front case was upheld. The others are still pending. There are other cases currently being considered that we have provided comments and papers for but they fall under this financial year.

The Parliamentary Ombudsman wrote to all Permanent Secretaries in March 2013 to explain that there would be many more complaints investigated from April 2013 onwards. They spoke of 'investigating thousands rather than hundreds' of cases and their estimate for 2013 to 2014 is 5000 across the NHS and other public organisations. They are doing this by cutting a lot of the preliminary work they have historically done before accepting a case for investigation. Once a case meets some basic tests, they will generally now investigate it. They will publish an annual report as usual but will be explicit that their change of process is a reason for the significant increase in the number of investigations undertaken in 2013-14.

The comments relating specifically to DECC Ombudsman complaints said that they have concerns about some of the issues raised in a number of complaints where people had had boilers and heating systems installed under the Warm Front scheme and neither the Department nor the contractor had taken steps to put things right. Since that time the Ombudsman upheld one such complaint and DECC paid £1000 ex gratia award to the complainant, in addition to work being done and £2500 paid from Carillion.

Complaint process:

Anyone who has a complaint about the way in which DECC or an individual within the Department has provided a service, the standards of that service or how a policy has been implemented, should contact the member of staff they have already been dealing with. They can do this via telephone, by email or in writing. If the complainant feels that this is not the right way to resolve their complaint or they are dissatisfied with the outcome, they should make a formal complaint to the Head of the Team they have been dealing with, which will provide a full written response, if possible within 15 working days.

If a complainant remains dissatisfied with the Head of Team's response they can write to DECC's independent complaints co-ordinator who will investigate the complaint and where possible reply to the complainant within 15 working days. If the complainant is dissatisfied with the complaints co-ordinator's response, they can write to their MP who will refer the complaint to the Parliamentary and Health Service Ombudsman.

Annex D

DECC Sustainability Report

DECC Group Consolidated Sustainability Report for the year ended 31 March 2013

Purpose:

This report shows the Department's consolidated sustainability performance, alongside related financial information, as required by HM Treasury's Financial Reporting Manual (FreM), including the performance of those NDPBs required to report under the Greening Government Commitments (GGCs). It is also part of the effort to improve transparency on sustainability performance under the GGCs.

Scope:

The scope of this report is the scope of the GGCs, except where specified (for example, we have chosen to report International travel emissions for completeness). The consolidated report includes DECC and one of its Non-Departmental Public Bodies (NDPBs) – the core Nuclear Decommissioning Authority (NDA) (excluding its subsidiaries and Site Licenced Companies that work under contracts for the NDA). For details of the NDA's individual performance, can be found in the Annual and Sustainability Reports on the NDA's web site[46]. DECC's other NDPBs are exempt from the Greening Government Commitments and are therefore outside the scope of this report. However, the Civil Nuclear Police Authority, Coal Authority and Committee on Climate Change will provide DECC with details of their Greenhouse Gas emissions from the 2012-13 financial year and DECC and its NDPBs meet regularly to discuss and share experience on sustainability performance.

Background:

Since its creation on 3 October 2008, core DECC has been committed to reducing its energy consumption and improve its overall sustainability performance. The main focus of this has been on our headquarters building in London, 3 Whitehall Place. Energy use in the building is currently down 59% and emissions down by 51% compared to 2008-09. The Display Energy Certificate (DEC) rating for the building has been improved from a G (score of 165) in October 2008 to a C by July 2012. We have also reduced energy and

46 www.nda.gov.uk

emissions from our other London building, 55 Whitehall, improving the DEC rating from a D when we took over the building in April 2011 to a B by January 2012.

Core DECC has also committed to range of improvements to the sustainable procurement and management of IT. DECC has already achieved a rating of 3.2 (out of 5) on the Government's Green ICT Maturity Model, putting DECC 18 months ahead of central government targets. Sustainability principles are embedded in the iTECC Program, which seeks to replace DECC's core ICT services by April 2014, and DECC's own Green ICT strategy has set a target for the department to score at least 4/5 on the Government's Green ICT Maturity Model before the end of 2014.

Core DECC and NDA together report their performance against Government-wide sustainability commitments, the Greening Government Commitments, which include targets for reducing greenhouse gas emissions, water use and waste.

Core DECC has produced a Carbon Management Plan[47] covering the period 1 April 2010 to 31 March 2015 which aims to cut carbon emissions from the core department's estate and business travel (including international travel) by 25% by 2014-15 compared to 2009-10. Core DECC has also produced waste and water management plans.

The NDA has produced a delivery plan which sets out the actions to be taken to meet the GGCs. This flows from the continuous improvement obligation required by the NDA's ISO 14001 certificated Environmental Management System. The plan has the aim of optimising the internal environmental management arrangements in a way that delivers cost savings to NDA, as well as delivering against the Government's sustainability commitments.

Summary of Performance:

We continue to make progress towards the GGC targets.

GHG Emissions

Target: Reduce greenhouse gas emissions by 25% from a 09/10 baseline from the whole estate and business-related transport.

Our greenhouse gas emissions within the GGC scope have been reduced by 24% and energy use has been reduced by 26% compared to 2009-10. Within this, travel emissions have been reduced significantly, with a reduction in emissions from travel of 50%. The number of domestic flights has also been reduced from 2193 to 1214 – a cut of 45%. Although we are close to achieving the target to reduce GHG emissions by 25% by 2014-15, recently emissions from buildings on the core DECC estate have begun to rise due to a number of factors, including faulty equipment, colder weather and measures to improve thermal comfort. The scope for further energy and carbon savings in core DECC is limited as we have already made substantial improvements and have exhausted all the 'low hanging fruit'. Maintaining our previous good performance will be a significant challenge for DECC.

47 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/43471/5927-decc-carbon-management-plan.pdf

Water

Target: Reduce water consumption from a 2009-10 baseline, and report on office water use against best practice benchmarks:

a. ≥6 m^3 water consumption per FTE – poor practice

b. $4m^3$ to $6m^3$ per FTE – good practice

≤$4m^3$ per FTE – best practice

Water use has increased 3% overall from the baseline year but has fallen 2% from last year. The figure per Full Time Equivalent (FTE) employee has fallen from 6.9 m^3 to $6.5m^3$ since the baseline. However, only two of our 7 buildings currently meet the best practice benchmark so we have further improvements to make. The department has a Water Management Plan which sets out our projects to reduce water consumption further. Probably the most significant of these projects is the proposal to install a rainwater harvesting system at 3 Whitehall Place. Reducing water use, including the possibility of rainwater harvesting, will be considered as part of DECC's participation in the Mayor of London's RE:FIT Programme.

Waste

Target: Reduce the amount of waste we generate by 25% from a 2009-10 baseline.

Our reported figures for total waste show a reduction of 14% compared to the 2009-10 baseline and so we are on track to meet the waste target. Much of this reduction is as a result of work by the NDA, which undertook a number of waste reduction projects and estate rationalisation projects, which has reduced their total waste generated by 37% compared to 2009-10. Core DECC has produced a Waste Management Plan to set out our plans to reduce the amount of waste generated. The replacement of paper hand towels with energy efficient hand driers in March 2013 is expected to reduce 2013-14 waste figures by a further 8 tonnes.

Performance against the GGC targets

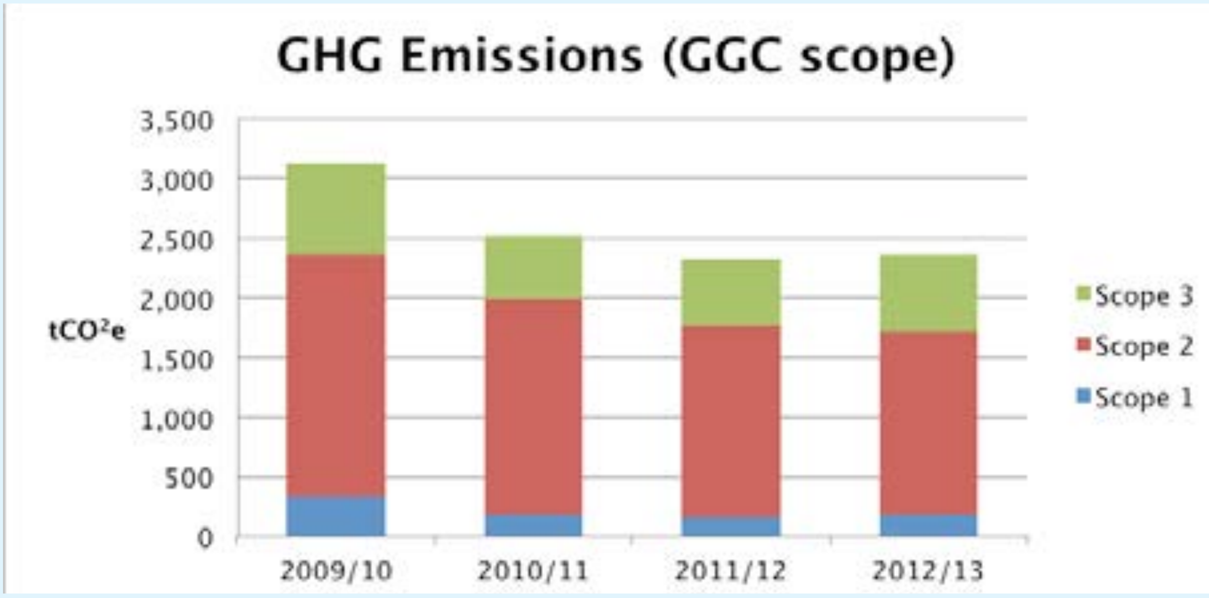
Target	Baseline (2009-10)	Target	2012-13	% change against baseline in 2012-13
GHG Emissions (tonnes)	3,131	2,348	2,364	-24%
Number of domestic flights	2,193	1,754	1,214	-45%
Water consumption (m^3)	11,108	11,107	11,405	3%
Water consumption (m^3/FTE)	6.9	Good practice benchmark (see above)	6.5	N/A
Waste (tonnes)	228[48]	171	196	-14%
Paper (A4 reams)	7,193	6,474	3,997	-44%

48 The waste data was rebaselined in August 2012 from 196 tonnes to 228 tonnes to take account of missing data streams not available in the baseline year.

GREENHOUSE GAS EMISSIONS			Baseline (2009-10)	2010-11	2011-12	2012-13
Non-Financial Indicators (tCO2e)	GGC Scope	Scope 1 emissions	311	188	156	184
		Scope 2 emissions	2,028	1,807	1,615	1,532
		Scope 3 emissions (domestic)[49]	772	533	548	649
		Total emissions (GGC scope)	3,131	2,529	2,319	2,364
		Emissions per FTE (GGC scope)	1.95	1.60	1.43	1.35
		% emissions reduction against 2009-10 baseline	N/A	-19.2%	-26%	-24%
	Total	Scope 3 Total (inc international)	3,236	1,980	2,036	1,633
		Total Gross Emissions	5,596	3,976	3,807	3,349
		Total Offsets (GCOF)	1,006	1,031	1,420	1,576
		Total Net Emissions	4,590	2,945	2,387	1,773
Other non-financial indicators	Full Time Equivalents (FTEs)		1,608	1,585	1,623.6	1,755.7
	Number of Domestic Flights		2,193	1,389	1,171	1,214
Financial Indicators (£k)	CRC Gross Expenditure[50] (2011-12 onwards)		N/A	N/A	1,850	1,779[51]
	Total expenditure on business travel (inc international)		3,154	2,185	2,210	2,400[52]
	Expenditure on accredited offsets (e.g. GCOF) (excl.VAT)		11.7	10.7	8.3	1.0

49 Emissions from DECC's taxi travel are not included, as mileage data is not available for this. Also excluded are any DECC air and rail journeys not booked through one of the department's travel providers.
50 The scope of the CRC Energy Efficiency Scheme is not the same as the scope of the Greening Government Commitments.
51 CRC costs for 2012-13 are forecast figures
52 Core DECC travel expenditure is provisional.

Graphical Analysis



Targets and Commentary

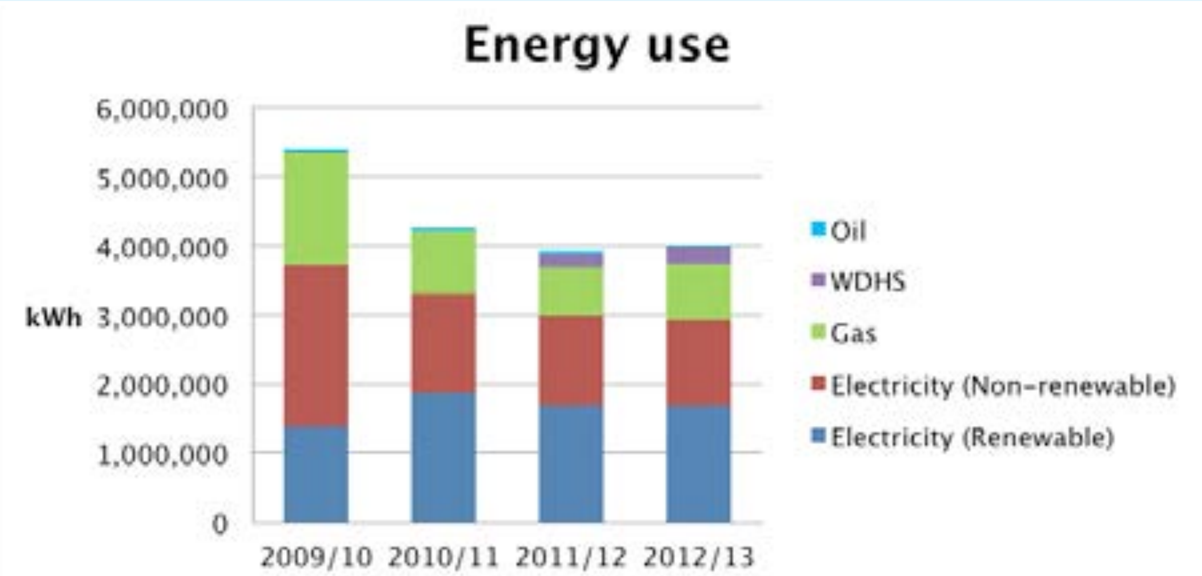
The Greening Government Commitments include a target to reduce our UK GHG emissions by 25% by 2014-15 from a 2009-10 baseline. The DECC Carbon Management Plan sets out how we intend to deliver these savings in the core Department, and the NDA Delivery Plan sets out how we intend to achieve these in the NDA. We have achieved a 24% reduction from the baseline year which puts us close to achieving the target. However, recently emissions from our buildings have begun to rise and this trend must be addressed if DECC is to meet the 25% target. Core DECC has signed up to the Mayor of London's RE:FIT Programme and this is one option which may be used to help identify and take forward both water and carbon saving projects in 2013-14.

While international travel is not covered by the GGC target, it is an important area for core DECC. We have set an additional carbon reduction target for core DECC which includes international business travel. The DECC Carbon Management Plan aims to reduce our carbon emissions from estates and both domestic and international business travel by 25% by 2014-15 compared to 2009-10. Core DECC has reduced international air travel emissions 62% compared to the baseline.

The impact of domestic travel is an important issue for the NDA – their own objectives include a target to reduce travel by vehicles both for environmental and risk reasons with a reduction in business mileage by 25% on the baseline year.

FINITE RESOURCE CONSUMPTION – ENERGY		2009-10 (Baseline)	2010-11	2011-12	2012-13
Non-Financial Indicators (kWh)	Electricity: Standard Tariff	2,330,841	1,450,056	1,291,017	1,256,499
	Electricity: Green Tariff	1,395,833	1,864,070	1,690,667	1,674,457
	Electricity Total	3,726,674	3,314,126	2,981,684	2,930,956
	Gas	1,639,127	911,372	714,834	807,686
	Whitehall District Heating System	n/a	n/a	190,125	225,391
	Oil	35,108	29,004	44,966	36,963
	Total Energy	5,400,909	4,254,502	3,931,609	4,000,995
	Total energy per FTE	3,359	2,684	2,422	2,279
Financial Indicators (£k)	Total Energy Expenditure	476	388	390	363

Graphical Analysis



Targets and Narrative

Energy use is one of the main contributors to our GHG emissions, and reducing it is therefore a significant part of the target to reduce emissions by 25%.

In 2012-13 we achieved a reduction in electricity consumption of 21% and a reduction in gas use of 51%, compared to the baseline. Total energy use has been reduced by 26% and energy use per FTE reduced by 32%. Overall energy use rose slightly in 2012-13, partly due to the cold weather conditions but energy use per FYE has continued to fall. DECC's Carbon Management Plan and the NDA delivery plan set out how we plan to reduce energy use even further over the next few years. The inclusion of the Whitehall District Heating System is due to the acquisition by core DECC of 55 Whitehall in April 2011.

WASTE			2009-10 (Baseline)	2010-11	2011-12	2012-13
Non-Financial Indicators (t)	Total Waste		228	229	221	196
	Waste per FTE (kg)		142	145	136	112
	Non-Hazardous Waste	Landfill	29	32	24	19
		Recycled[53]	176	165	157	129
		Incinerated (with energy recovery)	23	32	40	49
	Paper use (A4 reams equivalent)[54]		7,193	5,044	3,731	3,997
Financial Indicators (£k)	Total disposal cost[55]		68	67	73	51

Graphical analysis

Targets and Narrative

Our main target is the Greening Government Commitment to reduce waste by 25%. Our reported figures show a 14% reduction in waste arising compared to the 2009-10 baseline. The amount of waste per FTE has fallen 27% from the baseline year. However, the amount of waste recycled has fallen in percentage terms both from 2011-12 when it stood at 71% and from the baseline when it was 77%, to 66%.

Core DECC has produced a Waste Management Plan to set out our plans to reduce the amount of waste generated. One of the main projects in this Plan, the replacement of paper hand towels with energy efficient hand driers, was completed in March 2013 and is expected to reduce 2013-14 waste figures by a further 8 tonnes.

All the core Department's and NDA's direct waste is from our office estate. The majority of this waste is recycled or incinerated with energy recovery. With new waste treatment facilities in Cumbria becoming available, NDA is seeking to utilise these to reduce the amount of waste sent to landfill.

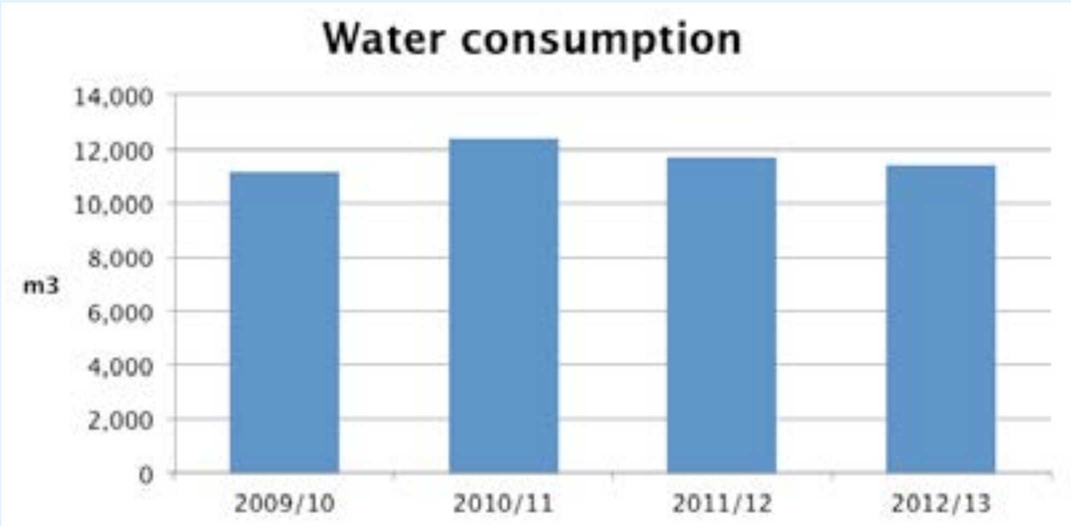
53 Figures re-baselined in 2012-13 to include confidential waste, toner cartridges or used cooking oil– we did not have ways of collecting this data until 2011-12. Data for ICT recycling are not included as we do not have this data.

54 Paper use figures are for the NDA only. Data on paper use in core DECC is not available prior to 2011.

55 Waste disposal costs are not available separately, as they are part of wider arrangements with landlords or facilities management companies. These figures are therefore estimates.

FINITE RESOURCE CONSUMPTION – WATER		Baseline	2010-11	2011-12	2012-13
Non-Financial Indicators	Water Consumption (m^3)	11,108	12,358	11,678	11,405
	Water consumption (m^3/FTE)	6.9	7.8	7.2	6.5
Financial Indicators (£k)	Water Supply Costs	41	34	77[56]	51

Graphical analysis



Performance Commentary (including Targets)

The Greening Government Commitments target is to reduce water consumption by 2014-15 compared to a baseline of 2009-10. We will also be reporting against the following benchmarks for water consumption per FTE per annum:

More than $6m^3$ = poor practice

Between $4m^3$ and $6m^3$ = good practice

Less than $4m^3$= best practice

Water use has decreased by 2% overall and water per FTE has improved slightly during 2012-13. This is partly due to the relinquishment of some poor performing buildings on the NDA estate – they are undertaking estate rationalisation as well as a range of water reduction actions. THE NDA achieved a 3% decrease over the year despite a major weak leak in one of the buildings in which it is a minority tenant. Core DECC produced a Water Management Plan during 2011-12 which aims to bring water use down into the good practice range by 2014-15. This has already been achieved for core DECC's two main London buildings.

56 DECC was informed in 2011 that we had been under-charged for water in our HQ building in previous years, and paid a back-payment to settle this. This has resulted in artificially low costs for 2009-10 and 2010-11, and artificially high costs for 2011-12.

Other Targets and Milestones

Paper Use

DECC has no baseline data for paper use, so our figures for this target only cover the NDA, who have reduced paper use from the equivalent of 7193 reams of A4 in 2009-10 to 3997 reams in 2012-13 – a reduction of 44%.

Closed loop paper

The majority of copier paper purchased by core DECC is closed loop. All of our confidential waste paper from our London estate feeds into the closed loop process.

NDA are in the process of moving to the Government's closed loop paper contract for supply and disposal.

Sustainable Procurement

In 2012 core DECC introduced a number of measures to embed sustainability into its procurement processes. Sustainability considerations were incorporated into business cases for procurements over £20,000 from September 2012. This requires staff to outline the main economic, social and environmental impacts of the project/purchase, both positive and negative, and the steps they have taken to mitigate negative impacts. Guidance to staff on how to identify and assess sustainability impacts was published in Spring 2012, whilst specific guidance on sustainable procurement was published on the intranet in September 2012.

DECC undertook an exercise to identify its supply chain impacts with regard to Greenhouse Gas emissions for the first time in 2012 using the CAESER methodology. 60 of our suppliers, representing over half of our spend on the supply of goods and services, completed the on-line self-assessment questionnaire. We used this information to draw up a Supplier Engagement Plan for 2013, with the aim of reducing our supply chain impacts.

Core DECC is mandated to use Government Procurement Service frameworks where a suitable framework exists for the procurement of goods and services. As an alternative, DECC may utilise other government department or other viable enabled frameworks. When DECC procures directly, we have standard sustainable procurement terms and conditions that apply to suppliers and contractors. These are currently being strengthened to incorporate the Government Buying Standards. Guidance to staff on using the Government Buying Standards is included in the intranet guidance on sustainable procurement.

The NDA considers sustainability in its procurement processes and assessments and seeks to achieve the best possible value for money having due regard to propriety and regularity, meeting legal requirements, demonstrating high ethical standards and ensuring compliance with the NDA's safety, quality, security and environmental standards. The NDA has regard to the Office of Government Commerce policy standards and guidance on best practice in procurement, including sustainability.

Other Transparency Commitments

Climate Change Adaptation

Core DECC has a very small estate, mainly comprising two buildings in central London and the main climate change risk to these is from flooding, as both are close to the Thames. Core DECC has a robust Business Continuity Plan to ensure that we can continue to deliver in the face of various interruptions including those presented by environmental incidents. NDA have implemented a Business Continuity Management System to ensure that critical business functions and key resources are identified, and measures put in place to recover them within an acceptable time frame should a disruptive event or events occur, such as from adverse weather conditions.

Biodiversity and Natural Environment

We have no significant direct impact on biodiversity. Neither DECC nor the NDA require a Biodiversity Action Plan as our estate is all office-based.

However the NDA encourage tenants on their (non-designated) land to participate in environmental stewardship programmes where appropriate. It is also a contractual requirement for the Site Licence Companies managing the NDA's nuclear sites to have in place suitable Biodiversity Action Plans.

Procurement of food and catering services

Core DECC uses Defra's catering contract as a shared service. This contract was awarded on 16 May 2011 and fully complies with the Government Buying Standards for Food and Catering.

The NDA catering services provider has a sustainability policy which includes a 'green purchasing policy', incorporating an active effort to find sustainable and responsible suppliers for the sourcing of organic, Fair Trade and sustainable products.

Sustainable Construction

Not applicable. There have been no new builds or major renovations in DECC in 2012-13.

When the NDA is involved in small refurbishment works it has regard to relevant government standards and guidance for building works (e.g. from Defra's Sustainable Development Unit).

People

DECC takes the wellbeing of its staff seriously. Core DECC provides a 24-hour confidential counselling and advice service. It has established a cycle to work scheme and operates its own gym for staff and has several clubs and societies. We introduced flu jabs for staff in 2012 and ran a number of health and wellbeing initiatives including a health kiosk that provided information on key health indicators.

One of the ways DECC is helping to realise the Government's vision of a Big Society is by offering staff the opportunity to enhance their skills and use them in the community by volunteering. DECC's volunteering policy allows staff to undertake up to two days volunteering activity per year. In 2012 DECC introduced an innovative new scheme to support Oxfam in its vital work enabling workplace collections of clothing, books, music and more. Staff also regularly raise money for other charities including Comic Relief, Mencap, Refuge and Children in Need.

NDA have been promoting the health and wellbeing of their staff as they are one of its critical resources. It has established Health Promotion Campaigns which will be delivered on a quarterly basis promoting health and wellbeing on a variety of topics. Further information can be found in NDA's Annual Report and Accounts. It has also arranged for an Employee Assistance Programme (EAP), which is intended to help employees deal with personal problems that might adversely impact their work performance, health, and wellbeing.

NOTES:

1. The above report has been prepared in accordance with guidelines laid down by HM Treasury in 'Public Sector Sustainability Reporting' published at www.financial-reporting.gov.uk.
2. Detailed Departmental policies for sustainability accounting within DECC, in support of HMT Guidance, can be found on our website at https://www.gov.uk/making-the-department-of-energy-climate-change-sustainable. Detailed policies for emissions accounting within the NDA can be found on their website www.nda.gov.uk. Defra conversion rates have been used to account for greenhouse gas emissions. Emissions data has not been weather-corrected.
3. The FTE figures used in this Annex are those calculated in our Greening Government Commitments return, though it may differ from other figures provided in this report due to different methodologies.
4. International Air Travel emissions include an uplift factor of 1.9 to account for radiative forcing, in accordance with GCOF rules.
5. Details of the Greening Government Commitments can be found at http://sd.defra.gov.uk/gov/green-government/commitments/
6. NDA has not reported components where these are not separately identified in tenant service contract charges i.e. some water and waste disposal charges which are not separately billed for.

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ISBN 978-0-10-298523-8

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