

DEPARTMENT OF ENERGY AND CLIMATE CHANGE
MAIN ESTIMATE 2014-15
SELECT COMMITTEE MEMORANDUM

Table of Contents

Section	Page
1. Introduction	2
2. Summary of provision sought	2
3. Changes from 2013-14 and Spending Review 2010	4
4. Detailed breakdown of changes in DEL provision	8
5. Budget Exchange	10
6. Provisions and contingent liabilities	11
7. Machinery of Government change	12
8. Nuclear Decommissioning Authority (NDA)	13
9. Annually Managed Expenditure (AME)	15
10. Net Cash Requirement	17
11. DEL and AME Budget comparison to prior and future years	18
Detailed breakdown of Part II table changes from 2013-14	Annex A
Explanation of Key Terms and Glossary of Abbreviations	Annex B

In accordance with the wishes of Treasury Ministers and the Select Committee and as originally set out in the Treasury PES paper (2004) 14 Annex D, we present the following Estimates Memorandum. This memorandum has been prepared with reference to guidance in "Supply Estimates: a guidance manual" provided by HM Treasury, and on the House of Commons Scrutiny Unit website. The information in this memorandum has been approved by Angie Ridgwell, Director-General Finance and Corporate Services, on behalf of Stephen Lovegrove, Permanent Head of Department and Accounting Officer of the Department of Energy and Climate Change.

The final Main Estimate is attached.

1. Introduction

- 1.1. The Department of Energy and Climate Change (DECC) Main Estimate (ME) for 2014-15 seeks the necessary resources and cash to support the continuing functions of the Department.
- 1.2. The purpose of this memorandum is to provide the Select Committee with an explanation of how the resources and cash sought in the Main Estimate will be applied to achieve the department's objectives. This includes information on comparisons with the resources provided in earlier years in Estimates and Departmental Expenditure Limit (DEL) Budgets.
- 1.3. An explanation of key terms used in the memorandum is provided at annex B.
- 1.4. Figures in this Memorandum are shown in millions, rounded to one decimal place. Rounded totals shown at the bottom of some tables may therefore differ slightly from the sum of individual rounded lines.

2. Summary of provision sought

- 2.1. The DECC Main Estimate (ME) for 2014-15 requests total provision for the year of:

Resource DEL	£1,539.6m
Of which:-	
Administration Budget	£182.5m
Depreciation/impairments	£8.0m
Capital DEL	£2,424.4m
Total DEL	£3,964.0m
Resource AME	£29,169.3m
Capital AME	£(120.3)m
Total AME	£29,049.1m
Total Resource Budget	£30,709.0m
Total Capital Budget	£2,304.1m
Net cash requirement	£4,911.4m

DECC Main Estimate 2014-15 Explanatory Memorandum

- 2.2. Most items of departmental expenditure fall within DEL Budgets. Detailed Annually Managed Expenditure (AME) Budgets are set out in Section 9, and relate to Contracts for Difference for funding energy infrastructure investment, nuclear decommissioning provisions, other NDA non-cash items, adjustments to other provisions, and the Renewable Heat Incentive (including Renewable Heat Premium Payments).
- 2.3. Within DECC's DEL Budget provision is ringfenced for:-
- Official Development Assistance (ODA) - £220.0m Capital DEL relating to the International Climate Fund
 - Nuclear Decommissioning Authority - £533.7m Resource DEL and £1,759.0m Capital DEL (see Section 8 – the department has also allocated the NDA an additional £6m from non-ringfenced funds for nuclear security costs).
 - Measures to help bill-payers announced in the Autumn Statement 2013 - £310m Capital DEL funding for a Government Energy Discount scheme and £166m Capital DEL for energy efficiency incentives, schemes for landlords and loans to the public sector.
- 2.4. The Part II table of the Estimate includes Arms Length Body DEL and AME Budgets. In accordance with the Estimates Manual, those lines relating to the Coal Authority, Committee on Climate Change, Civil Nuclear Police Authority, CFD Counterparty Company and Electricity Settlements Company are shown net of income in the gross expenditure column. This reflects the greater level of autonomy for Arms Lengths Bodies with respect to the income they generate. It should also be noted that non-cash items and the use of provisions in the NDPBs are shown in Part II: Resource to cash reconciliation table in the line entitled "Adjustment for NDPBs: Remove voted Resource and Capital."
- 2.5. New sections have been added to the Estimate this year for the two Electricity Market Reform companies established under the Energy Act 2013, the CFD Counterparty Company and Electricity Settlements Company (formerly referred to as the Capacity Markets Settlement Body). The operating costs of both companies will be recovered from the industry through a levy. The rate of the levy, and therefore the gross operating Budget of the companies, will be set through Regulations. The Energy Act 2013 sets out that the Regulations are "affirmative" and will need approval from Parliament before they can come into force and any amendment to them in the future will be consulted on and approved by Parliament. The net amount for each of the two companies within DEL is therefore set at a token £1k. Accounting Officers for each of the bodies will be appointed prior to the expected date of the commencement of operations, which is currently 1st August 2014.

3. Explanation of changes from Spending Review and 2013-14

Changes from 2010 Spending Review

3.1. The following table compares the provision requested in the Main Estimate with the 2010 Spending Review (SR):-

Table S3.1

£m	2014-15 ME	2014-15 at SR	Change since SR
Resource DEL	1,539.6	1,045.0	494.6
Of which Administration	182.5	175.0	7.5
Capital DEL	2,424.4	2,711.0	(286.6)
Resource AME	29,169.3	(52.0)	29,221.3
Capital AME	(120.3)	(78.0)	(42.3)

3.2. The changes to Resource and Capital DEL are summarised in the table below:-

Table S3.2

£m	RDEL	CDEL
Core DECC Budget Exchange - includes £5.0m Administration	12.9	11.5
NDA Budget Exchange/special flexibilities – see table S5.1	130.9	25.0
Additional funding for Green Deal (2013 Autumn Statement) – includes £4.0m Administration	10.0	166.0
Additional funding for Government Energy Discount (2013 Autumn Statement) – to reduce the impact of DECC policies on energy bills	310.0	-
Additional funding for CCS (Carbon Capture and Storage) Innovation	-	61.0
Additional funding for Concessionary Fuel UK Coal cohort	2.0	-
Additional funding for Wood Review implementation – towards set up cost of agency to maximise North Sea oil and gas revenues	2.0	-

DECC Main Estimate 2014-15 Explanatory Memorandum

£m	RDEL	CDEL
Contribution to 2012 Autumn Statement savings	(6.0)	-
Contribution to Budget 2013 savings	(10.9)	-
Contribution to 2013 Autumn Statement savings	(12.0)	-
Pay restraint – 2011 Autumn Statement	(3.0)	-
Transfers to/from OGD's ***	(2.5)	8.8
CCS re-profiling	-	(500.0)
CCS CDEL to RDEL switch - to reflect the type of expenditure involved in the FEED (Front End Engineering and Design) studies	58.9	(58.9)
Machinery of Government transfer from Defra – for Energy Using Products (including £0.2m Administration) – see section 7	2.3	-
Total DEL changes since 2010 Spending Review	494.6	(286.6)

*** RDEL: a) The transfer made at the time of the 2011-12 ME to the Department for Communities and Local Government of £0.5m Resource DEL for the Ordnance Survey Public Sector Mapping Agreement, which centralises the costs to the public sector of OS data making it free at the point of delivery; b) the transfer to BIS of £1.4m ring fenced budget for the RDA wind-up costs made at the time of the 2011-12 SE; and c) a transfer of £0.6m to UK Trade & Investment towards the costs of the Milan Expo 2015. CDEL: a) £0.9m transfer from BIS reflecting DECC's share of surplus budget following the winding up of the Regional Development Agencies (RDA) made at the time of the 2011-12 Supplementary Estimate (SE); and b) a £7.9m transfer from Security and Intelligence Agencies (SIA) from the Critical Capabilities Pool for Global Threat Reduction Programme (GTRP) and Nuclear Safeguards Programme (NSP).

- 3.3. Within Resource DEL, £2.2m has moved from Administration to Programme due to the reclassification of spend in relation to the services provided to the department by Ofgem.
- 3.4. AME Budgets for 2014-15 largely reflect the latest forecasts provided to the Office for Budget Responsibility in January. Further details are set out in Section 9.

- 3.5. Resource AME includes a new item from 2014-15 for a provision for the fair value of liabilities incurred for Contracts for Difference expected to be signed under the Electricity Market Reform programme. Contracts for Difference support investment in low carbon generation by providing a guaranteed price to generators (“the strike price”). This will usually be a top-up to the market price but at times of high market prices, generators will be required to pay back the difference between the market price and the strike price. Differences between the market price and strike price are met by suppliers via electricity consumers. A government counterparty company manages payments between generators and suppliers. Although there will in practice be no net liability to government, accounting rules mean that the estimated net present value of future payments to generators has to be recognised as a provision by the government counterparty company. The take up of the provision requires resource AME budget cover. As the matching receipts from electricity suppliers are classified as future taxation they cannot be recognised as an offsetting asset in the accounts. The fair lifetime value of all contracts which may be entered into during 2014-15, including contracts under the Final Investment Decision Enabling programmes for both renewables and nuclear energy, and capacity market auctions, is £28.8bn.
- 3.6. Other significant movements within Resource AME since the 2010 Spending Review are due to forecast increases to inflation for the British Energy liabilities provision (£56.7m) and the Concessionary Fuel provision (£21.9m), together with increases for the unwinding of the discount on the British Energy liabilities provision (£5.0m) Coal Health provisions (£3.0m) and the Concessionary Fuel provision (£2.5m).

Changes from 2013-14 Supplementary Estimate

- 3.7. The following table compares the provision requested in the Main Estimate with the 2013-14 Supplementary Estimate.

Table S3.3

£m	2014-15 ME	2013-14 SE	Change since 2013-14 SE
Voted resource DEL	2,411.6	2,131.4	280.2
Non-voted resource DEL	(872.0)	(947.9)	75.9
Resource DEL	1,539.6	1,183.5	356.1
Voted capital DEL	2,425.4	2,274.5	150.9
Non-voted capital DEL	(1.0)	(2.0)	1.0
Capital DEL	2,424.4	2,272.5	151.9

£m	2014-15 ME	2013-14 SE	Change since 2013-14 SE
Resource AME	29,169.3	5,523.8	23,645.5
Capital AME	(120.3)	(458.9)	338.6
Net cash requirement	4,911.4	4,267.1	644.3

3.8. Explanations for changes from 2013-14 are shown by Estimate Line in **Annex A**.

3.9. Changes in the Net Cash Requirement are discussed at Section 10.

Changes to the Estimate Ambit

3.10. The Main Estimate includes three additions to the Ambit:

- “CFD Counterparty Company” and “Electricity Settlements Company” have been added under both “Departmental Expenditure Limit: Expenditure” and “Annually Managed Expenditure: Expenditure” to provide cover for the expenditure of these two new bodies.
- “Payments to energy companies to reduce the impact of DECC policies on bills” has been added under “Departmental Expenditure Limit: Expenditure”. This relates to the Government Energy Discount.
- “Efficient discharge of liabilities relating to contracts for difference for the supply of electricity” has been added to “Annually Managed Expenditure: Expenditure” to provide cover for the provision noted in Section 3.9 above.

3.11. References to “energy levy funded expenditure” and “levy income” have been removed from the Ambit (see below).

Levy funded expenditure

3.12. Previous Main Estimates from 2011-12 to 2013-14 included income and expenditure relating to the levy schemes (Renewables Obligation, Feed-In Tariffs and Warm Home Discount), which were subsequently removed in Supplementary Estimates following a derogation from the Treasury, as the Comptroller and Auditor General has advised that including spending on levies in the Department’s Accounts would not meet International Accounting Standards, and it is possible our Accounts would be qualified if this were the case. As a result, these lines will no longer be included within Estimates, however, the Department will be publishing details of consumer-funded policies in a separate publication when the information becomes available.

4. Detailed breakdown of changes in DEL provision

4.1 Net changes in DEL Budgets between the 2013-14 SE and this Estimate are shown in **Annex A** along with explanations of changes over 10%.

Administration Budget

4.2. The Administration Budget for 2014-15 (with 2013-14 shown for comparison) is broken down as follows:-

Table S4.1

£m	2014-15	2013-14
Wages and Salaries	85.4	88.1
Purchase of Goods and Services	42.5	35.9
Purchase of Consultancy Services	*	3.5
Other Expenses	*	5.4
Contract and Agency staff	*	1.1
Depreciation	0.3	1.1
Notional audit fee	*	0.2
Recovery of secondee costs	0.0	(1.7)
Sales of Goods and Services	(0.9)	(1.0)
Income from OGD's for Committee on Climate Change	(1.3)	(1.4)
Total Core Department Admin	126.0	131.2
Nuclear Decommissioning Authority	49.0	45.0
Coal Authority	3.9	4.4
Committee on Climate Change	3.6	3.7
Total Arms Length Body Admin	56.5	53.2
Total Administration Budget	182.5	184.4

* The figure for Purchase of Goods and Services includes amounts for Consultancy, Other Expenses, Contract and Agency staff and notional audit fee. The breakdown will be confirmed following detailed budget loading at the end of April/beginning of May. Secondee recoveries are netted off under Wages and Salaries.

Breakdown of Line C

- 4.3. In agreeing the Estimate structure for DECC in the 2011-12 Main Estimate, the Committee asked for a breakdown of the provision under “Drive ambitious action on climate change at home and abroad”. This is shown in the table below:-

Table S4.2

Gross Programme DEL expenditure	£8.5m
Of which:	
International Climate Change (including UNFCCC subscription)	£2.7m
International Energy Agency (IEA) subscription	£1.3m
Carbon Reduction Commitment enforcement costs (Environment Agency)	£0.7m
International & EU Energy & Security	£1.9m
International Renewable Energy Agency (IRENA) subscription	£0.9m
EU Emissions Trading administration & set up costs (including Environment Agency)	£1.1m
Gross Capital DEL expenditure	£220m
Of which:	
International Climate Fund	£220m

5. Budget Exchange

- 5.1. As agreed with HMT in the 2013-14 Supplementary Estimate the department carried forward £8.0m Resource DEL (of which £3.0m is within Administration) and £11.5m Capital DEL. None of the underspend or carry forward related to ringfenced Budgets.
- 5.2. HMT agreed in addition that the Department could carry forward £3.0m from Resource Budgets (of which £2.0m is within Administration) from 2013-14 to 2014-15 for promoting energy developments in local communities and to provide support to the shale industry, and an additional £1.9m Resource Budget for City Deals.
- 5.3. The NDA's 2014-15 budgets include £130.9m Resource DEL and £25m Capital DEL carried over from the previous two years.
- 5.4. In the 2012-13 Supplementary Estimate NDA reduced their Resource DEL by £42.9m in 2012-13 and increased Resource DEL by £42.9m in 2014-15 in line with the agreement reached with HMT at the time of the 2010 Spending Review on arrangements for NDA funding. In addition, HMT agreed that NDA could carry forward a further £20m Resource DEL and £25m Capital DEL from 2012-13 to 2014-15 based on revised expenditure profiles. As agreed in the 2013-14 Supplementary Estimate, a further £68m for the NDA was surrendered from 2013-14 Budgets and carried forward to 2014-15, as shown in the table below:

Table S5.1

£m	2012-13	2013-14	2014-15
Core DECC Resource DEL		(12.9)	12.9
Core DECC Capital DEL		(11.5)	11.5
NDA Resource DEL	(62.9)	(68.0)	130.9
NDA Capital DEL	(25.0)		25.0
TOTAL	(87.9)	(92.4)	180.3

6. Provisions and Contingent Liabilities

- 6.1. The Main Estimate includes resource AME budget of £28,884.5m in relation to provisions, including £29,174.9m for new provisions and increases to provisions, notably £28,822.0m relating to provision for the fair value of liabilities expected to be incurred for Contracts for Difference under the Electricity Market Reform programme (see Section 3.9). Other charges relate to £50.1m payments against the provision for coal health (£46.8m) and coal privatisation (£3.3m) which, unlike other payments against provisions, are charged to AME not DEL.

Table S6.1

£m	Core department	NDPBs	TOTAL
New provisions/change to the value of existing provisions	28,900.6	274.3	29,174.9
AME payments for coal health and coal privatisation	50.1	-	50.1
Unwinding of discount	10.5	11.3	21.8
Utilisation of provisions	(340.1)	(22.2)	(362.3)
AME budget	28,621.1	263.4	28,884.5

- 6.2. Also included in the Main Estimate is a £362.3m for cash utilisation of provisions. This is matched by charges to DEL budgets or AME budgets in the case of coal health and coal privatisation payments. A breakdown of provisions within the AME Budget, including those in the NDPBs, is shown in Section 9 below.
- 6.3. Full details of the Department's Provisions as at 31 March 2013 are contained within pages 187 to 192 of the 2012-13 Annual Report and Accounts (HC 18).
- 6.4. The list of Contingent Liabilities remains as at the 2013-14 Supplementary Estimate and will be updated at the 2014-15 Supplementary Estimate to reflect those in the 2013-14 Consolidated Annual Report and Resource Accounts.

7. Machinery of Government change

- 7.1. As announced by the Prime Minister on 3rd March 2014¹, policy responsibility for energy-using products has transferred from the Department for Environment, Food and Rural Affairs (Defra) to DECC. This responsibility includes, but is not limited to, the UK's interests in the International Energy Agency implementing agreement on energy-efficient end-use equipment (4E) and the super-efficient deployment initiative (SEAD); the eco-design directive (2009/1125/EC) and energy labelling directive (2010/30/EU), and the UK regulations which transpose them (SI 2010/2617 and SI 2011/1524, both as amended), and associated market surveillance activities; and the UK's role as project co-ordinator for the European ecopliant project. This work on energy savings and reducing bill impacts is now seen as having a better fit with DECC's objectives than Defra's.
- 7.2. The effect of this change on DEL Budgets in 2014-15 is an increase of £0.2m Administration and £2.1m Programme DEL; and in 2015-16 an increase of £0.1m Administration and £1.6m Programme DEL, which will be added to the Department's baseline for future Spending Reviews.

¹<http://www.publications.parliament.uk/pa/cm201314/cmhansrd/cm140303/wmstext/140303m0001.htm#1403032000003>

8. Nuclear Decommissioning Authority (NDA)

8.1. Following updates in this Main Estimate NDA DEL Budgets are as follows for 2014-15 and 2015-16 (with 2013-14 shown for comparison):-

Table S8.1

£m	2013-14	2014-15	2015-16
Resource DEL expenditure	1,450.3	1,405.7	1,461.0
Resource DEL income	(943.0)	(872.0)	(1,106.0)
Net Resource DEL	507.3	533.7	355.0
of which Admin	45.0	49.0	47.0
Capital DEL expenditure	1,700.0	1,766.0	1,835.0
Capital DEL income	(2.0)	(1.0)	(101.0)
Net Capital DEL	1,698.0	1,765.0	1,734.0
Total Net DEL	2,205.3	2,298.7	2,089.0

8.2. As noted in Section 5, in the 2012-13 Supplementary Estimate the NDA carried forward Resource DEL of £62.9m and Capital DEL of £25.0m from 2012-13 to 2014-15, and in the 2013-14 Supplementary Estimate, a further £68m Resource DEL for the NDA was surrendered from 2013-14 Budgets and carried forward to 2014-15.

8.3. In 2012 the Department allocated an additional £75m over the remainder of the Spending Review period (£48m/£21m/£6m) from non-ringfenced funds to support the security enhancement programme.

8.4. The NDA contribution towards the Resource DEL savings announced in the 2013 Autumn Statement is £5.2m in 2014-15 and £4.0m in 2015-16 (all within Programme DEL).

8.5. In line with the decision by the Office for National Statistics to classify the Site Licence Companies (SLCs) that are responsible for the majority of the work on the NDA sites to the Central Government sector, a breakdown of the spend between the NDA and the SLCs is given in Part III: Note E of the Main Estimate.

8.6. The latest NDA forecasts for AME for the remainder of the Spending Review period are shown in the table overleaf:-

Table S8.2

£m	2013-14	2014-15	2015-16
Depreciation	96.0	74.0	61.5
Movement in Provisions	5,383.0	262.5	617.5
Total AME	5,479.0	336.5	679.0

8.7. The change in provision movement reflects the combination of expenditure to discharge the provision offset by the effects of unwinding of the discount and inflation, and any identified addition to or deletion from the scope of work necessary to deliver the NDA mission. The significant increase in 2013-14 is largely driven by an increase of £5.0bn from changes in cost estimates across the NDA estate and cover for some additional risks. The next comprehensive review of the provision will be made in November 2014.

8.8. For comparison purposes, the NDA DEL and AME Budget outturn for 2010-11, 2011-12 and 2012-13 is shown in the table below:-

Table S8.3

£m	2010-11	2011-12	2012-13
Resource DEL expenditure	1,515.4	1,531.3	1,259.0
Resource DEL income	(1,071.5)	(971.5)	(784.1)
Net Resource DEL	443.9	559.8	475.0
of which Admin DEL	44.4	36.3	36.4
Capital DEL expenditure	1,312.0	1,429.7	1,776.3
Capital DEL income	(18.2)	(251.7)	(54.9)
Net Capital DEL	1,293.8	1,178.0	1,721.4
Total Net DEL	1,737.7	1,737.8	2,196.4
AME Depreciation	117.5	99.7	90.5
AME Impairment	56.1	41.6	0.1
AME Movement in provisions	5,090.9	3,646.1	5,037.2
AME Movement in fair value of financial instruments	15.2	(3.1)	(1.9)
AME revaluations	-	-	5.5
AME deficit/(surplus) on pension valuation	(5.2)	12.0	6.3
AME income	-	-	(0.7)
Total AME	5,274.4	3,796.3	5,136.9

9. Annually Managed Expenditure (AME)

- 9.1. AME budgets comprise movements in provisions, utilisation of coal health and privatisation provisions and movements in coal pension scheme investments, plus cash expenditure through the Renewable Heat Incentive. The forecasts in the table on the following page for 2014-15 to 2019-20 largely reflect those provided to the Office for Budget Responsibility (OBR) in January for the March 2014 economic and fiscal outlook to coincide with the Budget, and will be reviewed during Autumn 2014 for the Supplementary Estimate.
- 9.2. Resource AME includes a new item for a provision for the fair value of liabilities incurred for Contracts for Difference expected to be signed under the Electricity Market Reform programme. These liabilities will be funded by electricity consumers so there will in practice be no net liability to government but as the asset is classified as future taxation it cannot be recognised in the accounts.
- 9.3. The contracts which may be concluded during 2014-15 include contracts under the Final Investment Decision Enabling programmes for both Renewables and Nuclear energy, and contracts under the Contracts for Difference programme. The fair lifetime value of all of these contracts, which range from 15 years to 35 years in the case of Hinkley Point C, is £28.8bn.
- 9.4. The provision will be kept under review in future years to reflect utilisation of the provision and any changes in assumptions and in the number of the contracts.

DECC Main Estimate 2014-15 Explanatory Memorandum

Table S9.1

Item £m	2012-13 Outturn	2013-14 Forecast	2014-15 Forecast	2015-16 Forecast	2016-17 Forecast	2017-18 Forecast	2018-19 Forecast	2019-20 Forecast
British Energy Liabilities								
Release of provision	(239.9)	(247.0)	(236.3)	(222.8)	(210.8)	(198.5)	(185.6)	(169.0)
Movements in provision	287.8	22.2	56.7	45.8	45.5	44.0	21.0	12.0
Unwinding of discount	41.5	43.5	5.0	5.0	5.0	5.0	3.0	3.0
Coal Pensions								
Revaluation of Pension scheme investments/ unwinding discount	(64.2)Res 64.2 Cap	(296.7)Res 296.7 Cap	(9.2) Res 9.2 Cap	(6.6) Res 6.6 Cap	(4.5) Res 4.5 Cap	(4.0) Res 4.0 Cap	(3.4) Res 3.4 Cap	(2.8) Res 2.8 Cap
Refund of Pension Surpluses (Capital)	(97.0)	(787.4)	(129.5)	(129.5)	(30.1)	(30.1)	(30.1)	(30.1)
Coal Health liabilities								
Release of provision	(22.3)	(33.7)	(46.8)	(27.9)	(19.5)	(17.8)	(15.8)	(12.2)
Movements in provision	(6.7)	111.9	-	-	-	-	-	-
Payment of provisions	22.3	33.7	46.8	27.9	19.5	17.8	15.8	12.2
Unwinding of discount	4.4	3.8	3.0	3.0	2.5	2.5	2.0	1.5
Coal Privatisation								
Release of provision	-	-	(3.3)	(2.3)	-	-	-	-
Movements in provision	0.1	(0.1)	-	-	-	-	-	-
Payment of provisions	-	-	3.3	2.3	-	-	-	-
Unwinding of discount	0.1	0.1	-	-	-	-	-	-
Income	(0.4)	-	-	-	-	-	-	-
Concessionary Fuel								
Movements in provision	94.9	63.1	21.9	19.5	17.3	15.3	13.5	11.9
Release of provision	(58.2)	(55.2)	(53.8)	(47.0)	(42.0)	(38.0)	(34.2)	(31.0)
Unwinding of discount	8.7	9.7	2.5	2.5	2.5	2.3	2.0	1.5

DECC Main Estimate 2014-15 Explanatory Memorandum

Item £m	2012-13 Outturn	2013-14 Forecast	2014-15 Forecast	2015-16 Forecast	2016-17 Forecast	2017-18 Forecast	2018-19 Forecast	2019-20 Forecast
Energy Efficiency Loans								
Write off of bad debt	(0.2)	3.0	-	-	-	-	-	-
Unwinding discount	(4.6)	(1.4)	-	-	-	-	-	-
CfD liabilities								
Movements in provision	-	-	28,822.0	-	-	-	-	-
International Climate Fund promissory notes								
Discount movements	-	(0.0)	-	-	-	-	-	-
Renewable Heat Incentive								
Subsidy	27.4	90.0	211.0	365.0	531.0	736.0	1,010.0	1,371.0
Capital Grants	12.7	20.0	-	-	-	-	-	-
Total core Department	70.6	(723.7)	28,702.5	41.5	320.9	538.5	801.6	1,170.8
Nuclear Decommissioning Authority								
Depreciation	90.5	96.0	74.0	61.5	59.8	63.7	52.0	47.9
Impairment	0.1	-	-	-	-	-	-	-
Deficit on pension valuation	6.3	-	-	-	-	-	-	-
Movement in provisions	5,037.2	5,383.0	262.5	617.5	810.6	983.6	1,131.4	1,076.7
Revaluations	5.5	-	-	-	-	-	-	-
FRS26 Changes in Fair Value	(1.9)	-	-	-	-	-	-	-
Income	(0.7)	-	-	-	-	-	-	-
Civil Nuclear Police Authority								
Movements in provision	4.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Release of provision	(0.1)	(2.2)	(0.3)	(0.3)	(0.3)	(0.3)	(0.2)	(0.2)
Coal Authority								
Movements in provision	157.1	11.7	11.7	11.7	11.7	11.7	11.7	11.7
Release of provision	(19.7)	(22.0)	(22.0)	(22.0)	(22.0)	(22.0)	(22.0)	(22.0)
Unwinding of discount	18.6	11.2	11.2	11.2	11.2	11.2	11.2	11.2
TOTAL AME	5,367.6	5,064.9	29,039.7	721.2	1,192.0	1,586.5	1,985.8	2,296.4

10. Net Cash Requirement

- 10.1. The Net Cash Requirement (NCR) in the Main Estimate is £4,911.4m.
- 10.2. The breakdown of the NCR is shown in the following table, with final 2013-14 numbers for comparison:

Table S10.1

£m	2014-15	2013-14
Non-NDPB Resource DEL excl. non-cash items	966.6	640.7
Non-NDPB Capital DEL	650.8	570.3
AME Cash use of provisions	50.1	33.7
AME Renewable Heat Incentive	211.0	110.0
AME Coal Pension movements	(120.3)	(478.9)
Contingency Fund repayment	-	4.9
TOTAL non-grant-in-aid	1,758.2	880.7
Grant-in-aid to NDPBs	3,153.2	3,388.8
TOTAL NCR	4,911.4	4,269.4

- 10.3. The large increase in Non-NDPB Resource DEL excluding non-cash items is driven by the additional £310.0m funding for the Government Energy Discount. The reduction in AME Coal Pension movement credits is due to the additional one-off surplus received in 2013-14.
- 10.4. Of the £3,153.2m grant-in-aid, £873.0m reflects NDA income which is now paid over to the Consolidated Fund, necessitating an offsetting increase in grant-in-aid.

11. DEL and AME Budget comparison to prior and future years

11.1. The following table shows DEL and AME Budgets for the SR period and 2015-16 (and outturn for 2011-12, 2012-13 and forecast outturn for 2013-14) split by Resource and Capital (and showing Administration within Resource).

Table S11.1

£m	2011-12	2011-12	2011-12	2012-13	2012-13	2012-13	2013-14	2013-14	2013-14	2014-15	2015-16
	Plans	Outturn	Variance %	Plans	Outturn	Variance %	Plans	Forecast Outturn	Variance %	Plans	Plans
Resource DEL	1,393.8	1,158.5	16.8%	1,191.7	1,128.6	5.3%	1,183.5	1,166.7	1.4%	1,539.6	1,277.1
Of which Administration	198.0	157.5	20.5%	175.5	161.8	7.8%	184.4	177.6	3.7%	182.5	184.9
Capital DEL	1,485.4	1,454.3	2.1%	2,096.9	2,038.4	2.8%	2,272.5	2,221.2	2.3%	2,424.4	2,513.0
Total DEL	2,879.2	2,612.8	9.3%	3,288.6	3,167.0	3.7%	3,456.0	3,387.9	2.0%	3,964.0	3,790.1
Resource AME	4,917.5	3,742.3	23.9%	8,182.9	5,388.0	34.2%	5,523.8	5,497.9	0.5%	29,169.3	844.2
Capital AME	(62.8)	(57.6)	8.2%	91.5	(20.5)	122.4%	(458.9)	(470.3)	2.5%	(120.3)	(122.9)
Total AME	4,854.7	3,684.7	24.1%	8,274.4	5,367.6	35.1%	5,064.9	5,027.7	0.7%	29,049.1	721.2

Annex A Net changes in DEL Budgets between the 2013-14 SE and this Estimate and explanations of changes over 10%.

Detail Line shown in Part II of the Estimate	Increase / (decrease) in Resource compared to 2013-14 Supplementary Estimate (£m)	Increase / (decrease) in Capital compared to 2013-14 Supplementary Estimate (£m)
A – Save energy with the Green Deal and support vulnerable consumers (DEL)	312.3	20.6
	Increases in expenditure of £310.0m for reducing the impact of DECC policies on electricity bills, together with increases in National Energy Efficiency (£3.0m), Heat Strategy (£2.4m), Fuel Poverty (£2.0m) and Green Deal (£0.7m), partially offset by reductions in Smart Meters (£5.4m) and National Carbon Markets (£0.4m).	Increase in Green Deal (£17.8m), together with reduction in Energy Efficiency loan repayments (£25.3m), partially offset by reductions in Fuel Poverty (£22.5m),

DECC Main Estimate 2014-15 Explanatory Memorandum

B – Deliver secure energy on the way to a low carbon energy future (DEL)	50.9	204.2
	Increases in Carbon Capture and Storage (£46.4m), Renewable Energy (£3.1m), Oil & Gas (£1.8m), Energy Market Reform (£1.4m), and Science and Innovation (£0.3m), partially offset by reduction in New Nuclear (£2.0m).	Increase in Carbon Capture and Storage (£107.6m), Innovation (£57.6m), Renewable Energy (£29.5m) and Energy Market Reform (£9.9m), partially offset by reduction in New Nuclear (£0.4m).
C – Drive ambitious action on climate change at home and abroad (DEL)	(11.9)	(150.3)
	Reduction of £11.7m reflecting International Climate Fund scored as Resource in 2013-14, plus a number of smaller adjustments netting to a decrease of £0.3m.	Decrease reflects reduction in International Climate Fund expenditure as set out in 2010 Spending Review.
D – Manage our energy legacy responsibly and cost-effectively (DEL)	(17.6)	(0.4)
	Reductions in British Energy provision utilisation (£10.7m), Non Proliferation (£3.3m), Global Threat Reduction (£2.2m), and Concessionary Fuel (£1.4m) provision utilisation.	-

DECC Main Estimate 2014-15 Explanatory Memorandum

<p>E – Deliver the capability DECC needs to achieve its goals (DEL)</p>	<p>(14.3)</p>	<p>6.5</p>
	<p>£5.6m decrease in Administration. £8.7m decrease in Programme.</p>	<p>£6.5m increase in contingency held at the centre</p>
<p>F – Nuclear Decommissioning Authority (DEL)</p>	<p>(44.6)</p>	<p>66.0</p>
	<p>Decrease of £44.6m gross expenditure together with £75.9m reduction in income shown on Line J giving net increase of £31.3m, reflecting Spending Review settlement plus £62.9m carried over from 12-13 and £68m from 13-14 as agreed with HMT, and £5.2m reduction as NDA's contribution to Resource DEL savings announced in 2013 Autumn Statement.</p>	<p>Increase of £66m gross expenditure plus £1m reduction in income shown on Line J giving net increase of £67m, reflecting Spending Review settlement plus additional £6m allocated for NDA from non-ringfenced funds and £25m carried over from 12-13 as agreed with HMT.</p>

DECC Main Estimate 2014-15 Explanatory Memorandum

G – Coal Authority (DEL)	6.1	4.4
	<p>Coal Authority traditionally hold significant levels of contingency as a surety against significant one-off settlement claims for subsidence. These contingencies are surrendered to the core department at mid-year if review suggests there are no particular claims arising, as was the case in 13-14. 14-15 Budget currently includes contingencies of c£6m, both to cover one-off settlements and previously estimated costs of Daw Mill remediation. Following review, these contingencies will be surrendered to central DECC, with the department carrying any ongoing risk.</p>	<p>Net Capital expenditure reduced in 2013-14 due to disposals and clawback.</p>
H - Civil Nuclear Police Authority (DEL)	(2.8)	-
	<p>Decrease in expenditure reflecting decrease in provisions utilisation for redundancies</p>	<p>-</p>
I – Committee on Climate Change (DEL)	(0.1)	-
	<p>-</p>	<p>-</p>

DECC Main Estimate 2014-15 Explanatory Memorandum

J – CFD Counterparty Company (DEL)	0.0	-
	New token line of £1k for levy funded operational costs.	-
K – Electricity Settlements Company (DEL)	0.0	-
	New token line of £1k for levy funded operational costs.	-
L - Nuclear Decommissioning Authority Income (CFER) (DEL)	75.9	1.0
	Reductions in forecast NDA commercial income due to lower electricity generation, and the non-recurrence of one-off commercial transactions.	-
Electricity Market Reform (DEL)	4.9	-
	Line only required in 2013-14 to show repayment of Contingency Fund advance received in 2012-13 (offset by £4.8m decrease on line B).	-

DECC Main Estimate 2014-15 Explanatory Memorandum

M - Manage our energy legacy responsibly and cost-effectively (AME)	(155.3)	358.6
	Reduction of £165.2m in movement in provisions and £2.3m reduction in movement in coal pensions investments, partially offset by £12.2m increase arising from reduction in provisions utilisation credit - see section 9 for further details of AME.	Reduction in movement in coal pensions investments - see section 9 for further details of AME.
N - Nuclear Decommissioning Authority (AME)	(5,142.5)	-
	Forecast reduction in increase in nuclear provision compared to 13-14. See Section 8 for further details.	-
O – Coal Authority (AME)	-	-
	No change	-
P – Civil Nuclear Police Authority (AME)	1.9	-
	Decrease in credit arising from provisions utilisation for redundancies.	-

DECC Main Estimate 2014-15 Explanatory Memorandum

Q – Renewable Heat Incentive (AME)	121.0	(20.0)
	Increase in Renewable Heat Incentive budget reflecting expected uptake in this new scheme.	Renewable Heat Premium Payment – scheme closed in 2013-14.
R – Deliver secure energy on the way to a low carbon energy future (AME)	28,822.0	
	New line for provision for the fair value of liabilities expected to be incurred for Contracts for Difference under the Electricity Market Reform programme - see Section 9.	
Drive ambitious action on climate change at home and abroad (AME)	-	(0.0)
	-	-
Save energy with the Green Deal and support vulnerable consumers (AME)	(1.7)	-
	13-14 numbers reflect provision for write offs of Energy Efficiency Loans – requirement for 14-15 to be reviewed ahead of Supplementary Estimate.	

Annex B

Explanation of Key Terms and Glossary of Abbreviations

Departmental Expenditure Limit (DEL)

This is spending that is within the Department's control and can therefore be planned over an extended period. It is a Treasury budgetary control that is set for three or four-year periods. Examples include administration costs, payments for goods and services, grant scheme payments and non-cash costs such as depreciation.

Annually Managed Expenditure (AME)

This is spending that is generally less predictable and controllable than expenditure in DEL. It is a Treasury budgetary control that is reviewed twice a year with Departments via the Main and Supplementary Estimates.

Virement

The use of savings on one or more sections or subheads to meet excesses on another section or subhead within the same Request for Resources (RfR) of an Estimate.

Departmental Unallocated Provision (DUP)

Part of a Department's total DEL that is not allocated to particular spending, but held back by the Department to meet unforeseen pressures.

Administration Budget

A Treasury control on the resources consumed directly by departments and agencies in providing those services which are not directly associated with frontline service delivery. Includes such things as: pay, resource expenditure on accommodation, utilities and services.

Non-cash

Costs where there is no cash transaction but which are included in a body's accounts to establish the true cost of all the resources consumed e.g. depreciation.

Comprehensive Spending Review (CSR)

A cross-government review of departmental aims and objectives and analysis of all spending programmes. Results in the allocation of three or four-year Departmental Expenditure Limits.

OSCAR

OSCAR (Online System for Central Accounting and Reporting) is a Treasury database holding departmental public expenditure data (outturn and plans) for a run of years and is the replacement for COINS (Combined Online Information System).

Non Departmental Public Body (NDPB)

Public bodies which are outside of Departments but usually funded by a Department through the mechanism of grant-in-aid e.g. the Nuclear Decommissioning Authority and the Committee on Climate Change. Under Clear Line of Sight NDPB DEL and AME Budgets are now within the Estimate.

Clear Line of Sight Project (CLOs)

HMT led project to align Supply Estimates, Resource Accounts and Budgets, completed for Estimates and Budgets with the 2011-12 Annual Report and Accounts.

Other Abbreviations

BIS	Department for Business, Innovation and Skills
CA	Coal Authority
CCC	Committee on Climate Change
CNPA	Civil Nuclear Police Authority
DEFRA	Department for Environment, Food and Rural Affairs
DFID	Department for International Development
FITs	Feed-In Tariffs
IAEA	International Atomic Energy Agency
ME	Main Estimate
NDA	Nuclear Decommissioning Authority
OBR	Office for Budget Responsibility
RHI	Renewable Heat Incentive
RHPP	Renewable Heat Premium Payment
RO	Renewables Obligation
SE	Supplementary Estimate
UNFCCC	United Nations Framework Convention on Climate Change
WHD	Warm Home Discount scheme