Department
of Energy &
Climate Change

Annual Report and Accounts
2014-15

Department of Energy & Climate Change

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Any enquiries regarding this publication should be sent to us at
3 Whitehall Place, London, SW1A 2AW
Tel: 0300 060 4000
email: correspondence@decc.gsi.gov.uk

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OUR MAIN ACHIEVEMENTS AT A GLANCE

Since the launch of the domestic Renewable Heat programme over **33,000** installations accredited, helping to decarbonise household heat

The UK took a leading role in the EU's ambitious agreement to reduce emissions by at least **40%** by 2030

The Infrastructure Act 2015 simplified access to underground land, helping us unlock exploration for shale gas and deep geothermal energy

Oil and Gas Authority set up as an executive agency in response to Wood Review to ensure we make the most of the UK's oil and gas resources

The time it takes to switch energy suppliers was **halved** and more than **£38 million** was saved by **130,000** households switching energy supplier in just one month of the 'Power to Switch' campaign

We ran GB's first capacity market auction - securing future energy supply for 2018-19 at the lowest cost for consumers

Over **1 million** homes were improved by the installation of energy efficiency measures between January 2013 and November 2014

More than **1.4 million** of the poorest pensioners received **£140** off their bills

We became the first accredited Living Wage Employer in Whitehall

SECRETARY OF STATE FOREWORD

The objectives of the Department for Energy & Climate Change are to keep the lights on and bring carbon emissions down, whilst ensuring energy bills remain affordable. Balancing the complex demands of these objectives can be difficult, but we have made excellent progress over the last year, with the transition to a secure, low carbon economy picking up pace.

The UK's greenhouse gas emissions continue to fall. Provisional figures for 2014 show UK net carbon dioxide emissions down almost 10% on 2013 with the largest decrease in the energy supply sector with renewables now providing almost a fifth of the UK's electricity. Energy consumption fell by 7%, thanks in part to the Department's energy efficiency drive. In helping to keep bills down, the financial support consumers provide to low carbon energy and energy efficiency will need to be as cost-effective as possible.

Britain remains one of the most energy secure countries in the world. The Energy Bill set out in the Queen's Speech will help us maximise the recovery of oil and gas from the North Sea as we press on with implementing the Wood Review. Electricity margins remain tight, but the new balancing measures put in place by National Grid last year will help see us through the years ahead. The first Capacity Market auctions took place in December, with a lower clearing price than expected, saving money for consumers.

In the supply markets, great strides have been made in driving competition to help keep bills as low as possible, but more can be done. The Competition and Markets Authority report later in the year will provide the evidence we need to make the markets fairer.

I am confident that the determination and commitment shown by the Department over the last year will continue. Securing an ambitious global deal to reduce emissions must be a priority if we are to provide a stable and secure environment for continued investment in the low carbon economy. As Secretary of State, I am proud of the progress we have made, and ambitious for the future.

Amber Rudd
Secretary of State for Energy & Climate Change and Chair of the Departmental Board

Securing an **ambitious global deal** to reduce emissions must be a priority if we are to provide a stable and secure environment for **continued investment** in the **low carbon economy**

REPORT OF THE PERMANENT SECRETARY

The past year has seen the Department continue to deliver strongly on the Government's priorities of supporting investment in the UK's energy infrastructure, helping consumers and keeping energy bills down, and promoting international action on energy security and climate change.

This report underlines the important milestones the Department has achieved this year. We have delivered Electricity Market Reform programmes which will leverage billions of pounds of private sector investment to ensure security of supply and support the development of renewable electricity generation. We have continued to explore innovative ways to help households reduce their energy consumption and switch between energy suppliers, and this year our programmes have surpassed their target of supporting energy efficiency improvements in 1 million homes. On the global stage, the Department played a key leadership role in securing an EU commitment to reduce greenhouse gas emissions by at least 40% by 2030, as well as a positive outcome at the UN negotiations in Lima. We have also announced simplified management arrangements at the Sellafield nuclear site, which will bring greater clarity and focus on achieving progress and value for money for the taxpayer.

This is a broad and challenging agenda, and the Department continues to adapt to support the delivery of its policies and programmes. The creation of the collaborative DECC-FCO International Energy Unit, which has already proved its worth in a turbulent period for oil prices, is an excellent example. We have laid the groundwork for the establishment of important new Arms-Length Bodies such as the Oil and Gas Authority and the Low Carbon Contracts Company. Internally, we launched a change programme to drive improvements towards achieving departmental ambitions of delivering as One DECC, and showing the strongest leadership and professionalism. Our people engagement survey scores remain high and we continue to work towards making the Department a great place to work – this year we became the first accredited Living Wage employer in Whitehall. We have also welcomed a new Director General, Jeremy Pocklington, and two new Non-Executive Directors, Rachel Campbell and Charles Randell to our Departmental Board.

We are pleased to welcome this annual report as a record of our achievements, and look forward to continuing to improve our capability and capacity in order to deliver the challenges of the year ahead.

Stephen Lovegrove
Principal Accounting Officer and
Permanent Secretary


STRATEGIC REPORT

STRUCTURE

ABOUT US

WHO ARE WE?

The Department of Energy & Climate Change (the Department) sets UK energy policy goals and the framework for achieving them. We seek to promote economic growth by delivering affordable, sustainable and secure energy to the UK, while driving ambitious action on climate change at home and internationally. We are:

- helping to keep energy bills as low as possible;
- securing investment to keep the lights on as we transition to a low carbon economy; and
- tackling the threats caused by climate change through pioneering action in the UK and abroad.

WHAT ARE WE AIMING TO ACHIEVE?

The Department's programme in 2014-15 reflected the priorities for energy and climate change agreed by the government at the time. These are set out in Figure 1 below.

Progress against these priorities was published monthly as part of the Structural Reform Plan (SRP) implementation updates[2]. Annex A summarises the Department's performance on actions due in 2014-15. The current government is considering its own priorities which will drive the Department's action in the current Parliament.

Figure 1: Priorities in 2014-15

Promote UK growth through investment in energy infrastructure[1]

Drive ambitious action on climate change at home and abroad

Save energy with the Green Deal and support vulnerable consumers

Manage our energy legacy responsibly and cost effectively

Deliver secure energy on the way to a low-carbon energy future

Deliver the capability that the Department needs to achieve its goals.

1 It is an overarching priority which is achieved through the implementation of the remaining priorities.

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

HOW ARE WE ORGANISED?

The Department is headed by the Secretary of State for Energy & Climate Change, who chairs the departmental board. The ministers, senior civil servants and Non-Executive Directors who make up the board provide the Department with its strategic and corporate leadership by:

- setting corporate strategy;
- agreeing business plans;
- monitoring the Department's performance; and
- overseeing sponsored bodies.

Since June 2012 an Executive Committee chaired by the Permanent Secretary has supported the board by focusing on the Department's operational management. Figure 2 shows the structure of the Department as at June 2015.

We work in partnership with a wide range of organisations to deliver our policies. See annex B for more details about these organisations and annex C for our major projects and programmes.

The Department sponsors seven non-departmental public bodies (NDPBs):

Executive NDPBs:

- the Civil Nuclear Police Authority (CNPA);
- the Coal Authority (CA);
- the Committee on Climate Change (CCC);
- the Nuclear Decommissioning Authority (NDA);

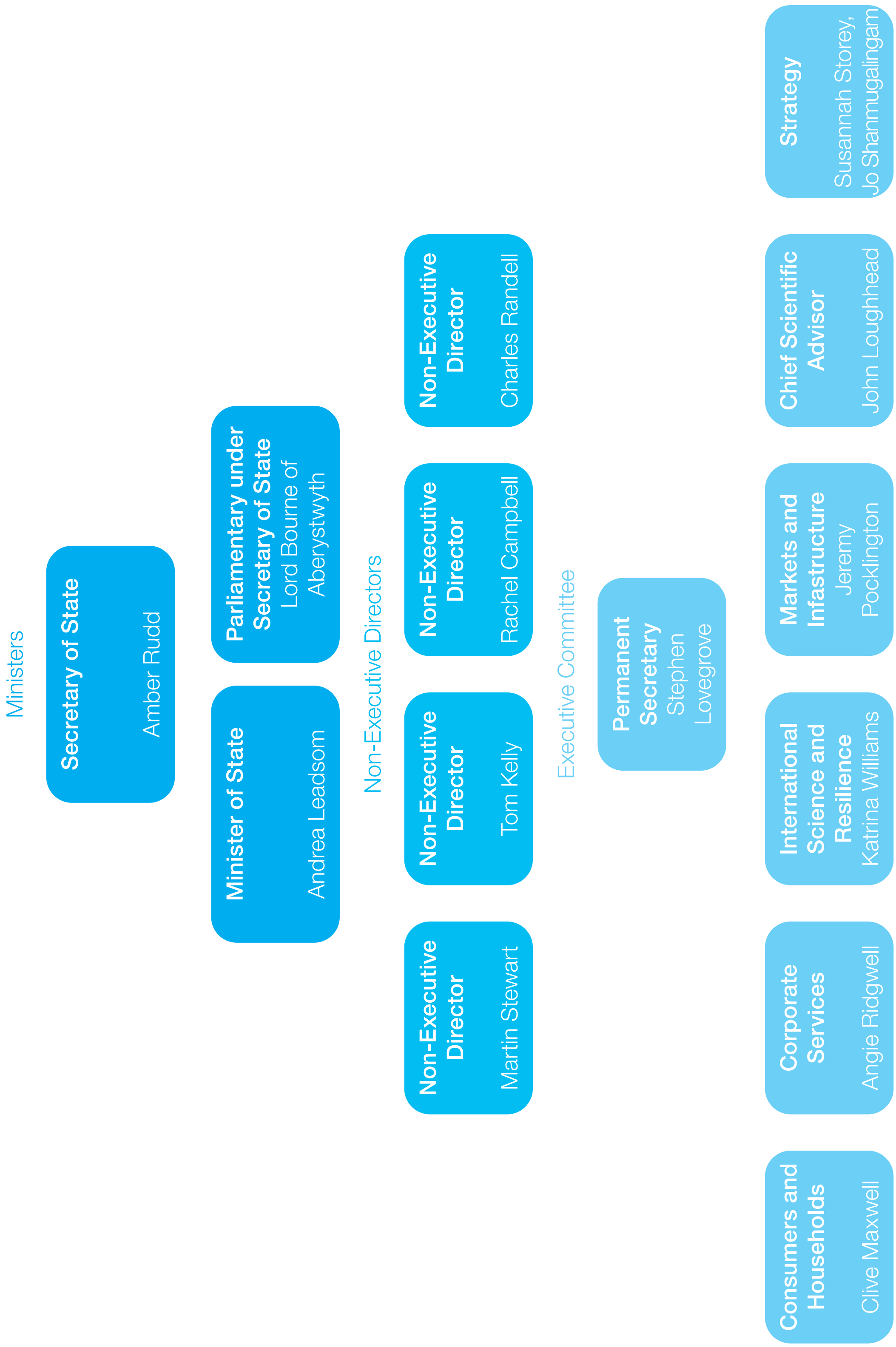
Advisory NDPBs:

- the Committee on Radioactive Waste Management;
- the Fuel Poverty Advisory Group; and
- the Nuclear Liabilities Financing Assurance Board.

We also oversee:

- a non-ministerial department – the Office of Gas and Electricity Markets (Ofgem);
- two public corporations – the National Nuclear Laboratory and the Nuclear Liabilities Fund; and
- two government-owned companies – the Low Carbon Contracts Company and the Electricity Settlements Company.

Figure 2: How the department is organised



WHERE WE SPENT OUR MONEY IN 2014-15

The Department's gross expenditure for the year was £5.7 billion (see Figure 3). Of this 59% (£3.4 billion) related to the Nuclear Decommissioning Authority (NDA). The remaining expenditure was split across:

- grant-in-aid to other arm's length bodies;
- programme costs; and
- internal and other costs.

The NDA raised income of £1.1 billion from its commercial activities which reduced the net cost of funding the Department. This income arose mainly from the sale of reprocessed fuel and from sales of electricity from the Magnox nuclear reactors it owns. The Department also received a one-off payment of £500 million from the British Coal Staff Superannuation Scheme, following an actuarial review of the value of the fund in relation to future commitments.

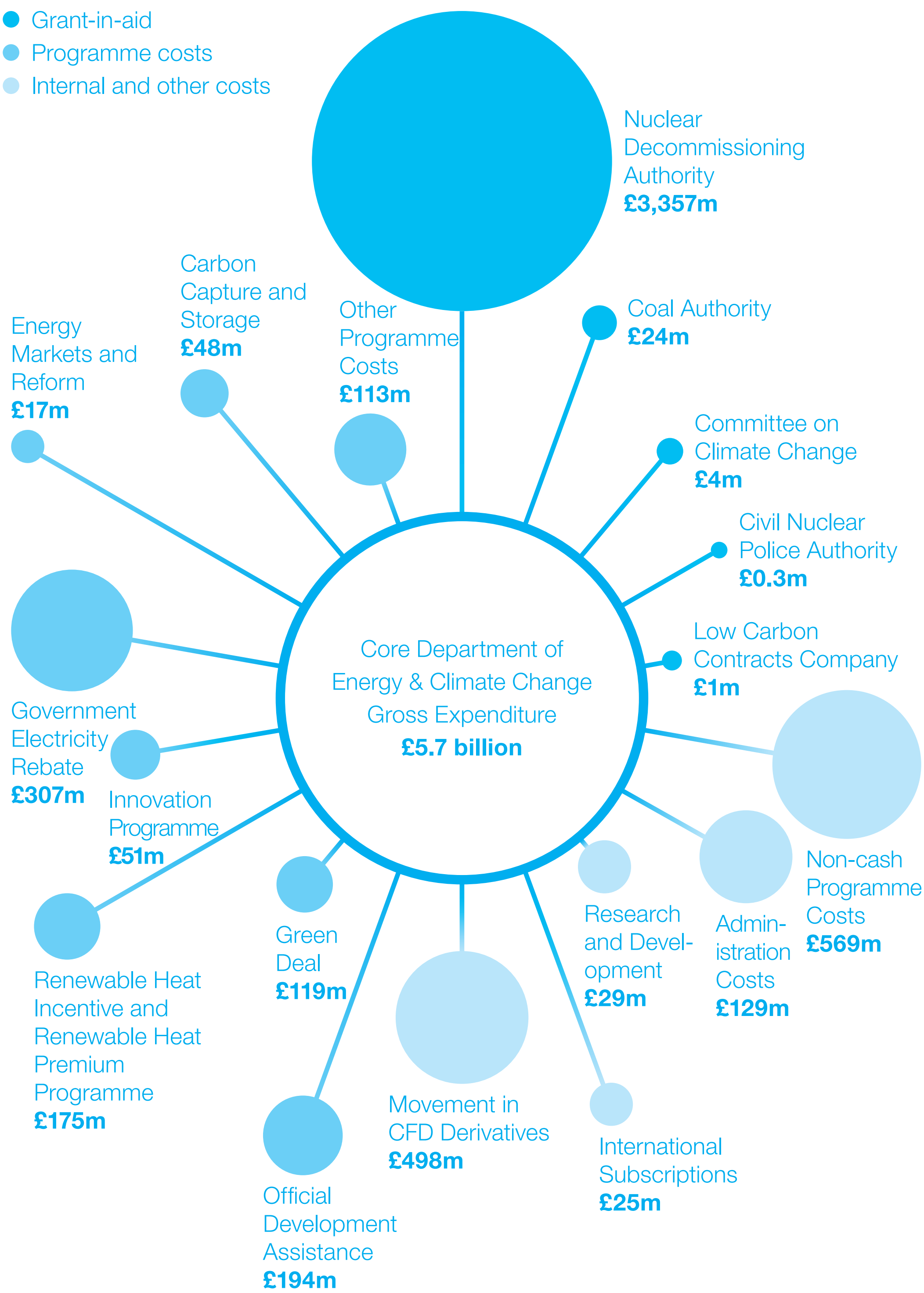
Following the signing of the first Contracts for Difference for the supply of electricity, expenditure of £498 million has been recorded by the core Department, representing the movement in the Fair Value of the Contracts since they were signed. The majority of the Contracts lie with the Low Carbon Contracts Company, where the movement in Fair Value for 2014-15 is £2 billion.

The Directors' Report on pages 73 to 82 provides further details on resource utilisation.

Note

1. Figure 3 shows gross expenditure. Total income amounted to £1,601million and the net operating expenditure of funding the Department after income was £4,059 million. The main components of income comprised £1,060 million of cash receipts from NDA's commercial activities and £500 million in a cash payment from the Mineworkers Pension Scheme.
2. The Department's arm's length bodies were funded through cash grant-in-aid from the core Department[3]. This is shown on page 138 in Note 5 in the accounts.
3. Funding for the:
    - Coal Authority is for capitals spend and running costs.
    - Committee on Climate Change is for running costs, some of which are funded by Defra and the Devolved Administrations.
    - Civil Nuclear Police Authority is for capital spend and redundancy costs only.
    - Low Carbon Contracts Company is for capital spend only; running costs are recovered from the electricity industry.

Figure 3: Where the core Department spent its money in 2014-15



4. Other programme costs include expenditure on a number of smaller schemes and on staff costs that fall within programme.
5. Non-cash programme costs relate mainly to increases in provisions, largely for the costs of the Government Electricity Rebate in 2015-16 (£313 million) and for future costs under the Concessionary Fuel Scheme (£73 million).

3 Other tables and diagrams in the Annual Report and Accounts reflect the arm's length bodies' own expenditure on a consolidated basis.

The **Green Deal** and the **Energy Company Obligation** goal was achieved

FOUR

months early, with the Department improving

1.2m

homes by the target date of March 2015

The **Green Deal Home Improvement Fund** enabled

18,677

households to benefit from a range of energy efficiency improvements up to the end of March 2015

Green Deal Communities is providing

£85m

to local authorities

OUR PERFORMANCE IN 2014-15

SIGNIFICANT ACHIEVEMENTS

Our main drivers in 2014-15 were:

- the 2008 Climate Change Act, which requires the UK to meet challenging targets for reducing greenhouse gas emissions;
- EU targets for renewable generation, energy efficiency and emissions reductions;
- energy security requirements; and
- concerns about the impact of energy policy costs on consumer bills.

2014-15 was a significant year of delivery for the Department; below are noteworthy achievements. The list is not exhaustive and, as an account of past performance, is organised by the priorities set out in Figure 1.

Save energy with the Green Deal and support vulnerable consumers

Green Deal and the Energy Company Obligation
During 2014-15, the Department reached its goal of improving the energy efficiency of 1 million homes through the Energy Company Obligation and the Green Deal. The goal was achieved four months early, with the Department improving 1.2 million homes by the target date of March 2015.

The Green Deal Home Improvement Fund enabled 18,677 households to benefit from a range of energy efficiency improvements up to the end of March 2015, with 43,866 active applications in the system, amounting to a value of £180 million. The scheme demonstrates that, with support, there is consumer demand to improve the energy efficiency of homes through newer technologies such as solid wall insulation.

Green Deal Communities is providing £85 million to Local Authorities to invest in a variety of delivery models to test the public health and well-being benefits of taking action on energy efficiency, by delivering:

- energy efficiency measures on a street by street/area basis;
- better local supply chains;
- early compliance with the Private Rental Sector regulations; and
- training for installers.

Green Deal Communities provides evidence on the importance of local activity and the role of local authorities in driving demand for improved energy efficiency, enabling others to learn from successful approaches.

Fuel Poverty
In December 2014, Parliament set a new target for tackling fuel poverty to ensure that as many fuel poor homes as is reasonably practicable achieve a minimum energy efficiency standard of Band C by 2030. A complementary Fuel Poverty Strategy – Cutting the Cost of Keeping Warm – was published in March 2015 outlining some of the challenges and actions needed to meet the new target.

During 2014-15, we supported low income and vulnerable households with a range of policies, including:

- in winter 2014 over 2 million low income and vulnerable households received £140 off their bills under the Warm Home Discount, including 1.4 million of the poorest pensioners; and
- the Central Heating Fund will support the installation of first-time heating systems in the homes of those at risk of fuel poverty off the gas grid; £25 million was announced for the fund in March 2015.

Heat

Heating homes and businesses is the single biggest component of energy use and is responsible for around a third of the UK's greenhouse gas emissions.

The Department implemented the **Renewable Heat Incentive** to support the transition to a lower carbon economy. The domestic scheme was launched in April 2014 and builds upon the non-domestic scheme launched in November 2011. It provides a subsidy for renewable heating systems such as heat pumps, biomass boilers and solar thermal panels. In 2014-15, there was an additional uptake of 5,184 installations accredited onto the non-domestic scheme and over 33,000 onto the domestic scheme.

The Heat Networks Delivery Unit (HNDU) works with local authorities to help overcome barriers to establishing heat networks. In 2014-15, the Unit supported 180 projects across 115 local authorities. Nearly £9.7 million of grant funding was awarded. With match funding, the Department expects this to result in over £14 million of investment in heat network exploration. The January 2015 Networks Energy Investment Report projected a capital investment opportunity of up to £800 million over the next 10 years for DECC supported heat network projects alone.

Big Energy Saving Network/Week

The Department works to help consumers move to a cheaper tariff. The Big Energy Saving Network (BESN) in partnership with community and voluntary groups throughout Britain helps vulnerable consumers take action to switch tariff and reduce their costs throughout winter. The Big Energy Saving Week campaign, run in partnership with Citizens Advice Bureau and the Energy Savings Trust, is designed to raise consumer awareness of, supplier switching and energy-efficiency offers ahead of winter. In 2014-15, the Department provided £1 million funding to the Network, with 173 grants awarded to local groups who were able to reach out to around 130,000 consumers.

'Power to Switch' Campaign

The Department's campaign encouraged people to switch and save by visiting **www.BeAnEnergyShopper.com**. Within one month, more than £38 million was saved by 130,000 households, equivalent to an average saving of £312 for dual fuel switches.

Switching activity is supported by energy market changes that have:

5,184

installations accredited onto the **non-domestic RHI scheme** and over

33,000

onto the **domestic** scheme

173

grants were awarded to local groups through **Big Energy Saving** who were able to reach out to over

130,000

consumers

Within **one month**, more than

£38m

was saved by

130,000

households thanks to the **Power to Switch** campaign, equivalent to an average saving of

£312

for **dual fuel switches**

- halved energy switching times to 17 days attract new suppliers into the market – there are now 21 independent suppliers;
- forced energy companies to make energy bills clearer; and
- provided better information for customers about how to switch suppliers.

The Big Energy Saving Network:
'Maz' from Dudley, is a council worker whose daughter is bed-bound and reliant upon electrical equipment at home, leading to expensive energy bills. After talking to a BESN advisor at a local event, Maz found he could save £761 a year by switching to a more suitable tariff.

Big Energy Saving Week:
At an Energy Outreach roadshow at Asda Wythenshawe, the local Citizens Advice Bureau helped over 250 consumers successfully apply for an estimated £35,980 in Warm Homes Discounts.

Deliver secure energy on the way to a low carbon energy future

Electricity Market Reform (EMR)

The EMR programme was designed to encourage investment in low carbon electricity and in flexible capacity to ensure secure supply of electricity. It introduced two key mechanisms to provide incentives for investors in our energy infrastructure:

- Contracts for Difference; and
- the Capacity Market.

Contracts for Difference (CfDs):
CfDs are long-term contracts that enable lower cost investment by guaranteeing the price low carbon generators will receive for the electricity they produce.

The first CfD allocation round was completed in March 2015 with 25 contracts being signed by renewable electricity projects including:

- onshore wind;
- offshore wind;
- solar PV;
- Advanced Conversion Technologies; and
- energy from waste.

These contracts were allocated competitively. The Department estimates that this meant that the generating capacity was secured for over £100 million per year less than would have been the case without competition.

The capacity purchased through the CfD auction will build on the 24.2GW of renewable electricity capacity already installed[4].

Final Investment Decision Enabling for Renewables (FIDeR):
In April 2014, eight projects were awarded Investment Contracts (early Contracts for Difference) through the Final Investment Decision (FID) Enabling for Renewables process. These projects include biomass conversions, a dedicated biomass plant with combined heat and power and offshore wind. The eight projects will provide up to £12 billion

4 As at end-2014 [Source: Energy Trends, DECC (March 2015)]

of private sector investment and support 8,500 jobs. The contracts will bring forward:

- up to 15 TWh of generation per year – enough to power 1.6 million homes;
- approximately 4.5GW of renewables capacity – about 14% of the UK's 2020 renewable energy target; and
- a reduction of about 10MT of CO_2 emissions from the UK power sector per year compared to fossil fuel generation.

Capacity Market:
Capacity Market offers financial incentives to qualifying electricity generators to ensure supply at times of peak demand. The first Capacity Market auction held in December 2014 secured 49.3GW of capacity at a clearing price of £19.40/kW. This will help ensure the agreed reliability standard will be met in 2018-19 and will contribute to security of supply in subsequent years.

Interconnectors:
The Department's policies were also important in ensuring Final Investment Decisions were taken for two new interconnector projects which will allow more electricity to be imported from the continent. This delivers against each aspect of the energy 'trilemma' by reducing consumer bills; giving us access to additional electricity when needed; and facilitating the balancing of our electricity network which includes increasing levels of intermittent renewable generation.
The two interconnectors are:

- Project Nemo, a 1GW interconnector with Belgium due in 2018-19; and
- NSN, a 1.4GW interconnector to Norway due in 2020-21.

Carbon Capture and Storage Commercialisation Programme (CCS)
CCS involves capturing carbon dioxide emissions and storing them permanently underground. The Department is seeking to bring forward the first CCS-equipped power projects through the CCS Commercialisation Programme; £1 billion of capital grant funding, in addition to operational support via a CfD is being made available. Around £100 million of the £1 billion has been allocated to Front End Engineering and Design Studies. The developers for the White Rose and Peterhead CCS Projects, Capture Power Limited (CPL) and Shell respectively, are using the grant, alongside their own investment, to:

- mature their engineering design;
- increase technical understanding; and
- engage with potential suppliers and investors.

New Nuclear
2014-15 saw continued progress on new nuclear. The industry plans to develop 16GW of new capacity at five sites by 2030. Hinkley Point C is planned to be the first new plant, pending finalisation of an agreement between the government and New Nuclear Build Generation Company (NNBG) – a subsidiary of EDF.
The Somerset site would produce enough electricity to power nearly 6 million homes, bring 900 permanent jobs to the area and create some 25,000 jobs during construction.

£100m
of the £1bn has now been allocated to Front End Engineering and Design Studies

The **Somerset New Nuclear** site will produce enough electricity to power nearly **6m homes**, bring
900
permanent jobs to the area and create some
25,000
jobs during construction

North Sea oil could contribute up to

4bn

barrels of **oil** and **gas** to the British economy over

20 years

EU Emissions Trading Scheme (EU ETS) auction income in 2014-15 was

£308m

and **Carbon Reduction Commitment (CRC) Scheme** allowance sales in 2014-15 totalled

£874m

Tidal Lagoon Technology

The technology could theoretically contribute up to 25TWh/year of predictable and low carbon electricity. In the March 2015 Budget, the previous Government announced it was entering into the first phase of negotiations for a Contract for Difference (CfD) to determine whether the Swansea Bay tidal lagoon project could be considered affordable and value for money for consumers.

Oil and Gas

UK North Sea production has been falling by around 8% a year since 2000, and declining in cost-efficiency. However, a government-commissioned independent review by Sir Ian Wood, published in February 2014, suggested North Sea oil could contribute up to 4 billion barrels of North Sea oil and gas to the British economy over 20 years. The government accepted Sir Ian's recommendations, including the establishment of the Oil and Gas Authority (OGA), which became an executive agency of the Department on 1 April 2015.

Drive Ambitious action on climate change at home and abroad

The Department is responsible for the collection and allocation of receipts from:

- **EU Emissions Trading System (EU ETS):** Designed to reduce greenhouse gas (GHG) emissions cost-effectively, and help ensure the EU will meet emission reduction targets. Auction income in 2014-15 was £308 million.
- **CRC Energy Efficiency Scheme:** Designed to incentivise large public and private sector organisations to take up cost-effective energy efficiency opportunities. Allowance sales in 2014-15 totalled £874 million.

The Energy Savings Opportunity Scheme (ESOS) requires qualifying organisations to measure their total energy consumption and carry out audits of the energy used by their buildings, industrial processes and transport to identify cost-effective energy saving. The Department estimates that ESOS would deliver a net benefit to the UK of £1.6 billion and help to achieve our 20% energy consumption reduction target by reducing consumption by 3TWh each year, with businesses saving over £250 million each year on their energy bills.

Internationally, the Department made significant progress in driving ambitious action on climate change. In September 2014, we published the government's vision for an ambitious and fair global deal: 'Paris 2015: Securing our prosperity through a global climate change agreement'. The publication recognises that a global climate agreement is within reach and sets out its intended contents.

The Prime Minister, the Secretary of State for Energy & Climate Change and the Parliamentary Under Secretary of State for Climate Change attended the UN Secretary General's Leaders' Summit in September 2014. There was a strong endorsement of the New York Declaration on

Forests, which includes a collective commitment to halve natural forest loss by 2020 and halt it by 2030, and actions which could reduce emissions by 4.5 billion to 8.8 billion tonnes per year by 2030.

The UK also committed additional funding for projects to tackle deforestation. This included £45 million for the Forest and Carbon Partnership Facility Carbon Fund and additional support of £84 million for the Forest Governance, Markets and Climate Programme. £60 million for a new Investment in Forests and Sustainable Land Use programme was committed to support public-private partnerships and smallholder farms.

On 24 October 2014, the EU agreed an EU domestic GHG emissions reduction target of "at least" 40% by 2030 compared to 1990 levels. This agreement sets an ambitious but cost-effective single target for all EU Member States on the path to its long term emissions objectives, whilst maintaining energy security and affordability for commercial and domestic customers. Following this, on 12 November, the US and China jointly announced their post 2020 climate change targets which helped build momentum by encouraging other major economies to come forward with targets.

In November 2014, the UK pledged up to £720 million to the Green Climate Fund (GCF). This innovative fund will help developing countries adapt to climate change and limit or reduce greenhouse gas emissions. More than $10 billion has been pledged so far, making the GCF the largest dedicated climate fund to date. The UK is working closely with other Board members to bring the Fund to full operation.

In December 2014 at Conference of the Parties (COP) 20 in Peru, countries reached an agreement on the Lima Call for Climate Action, which keeps us on track for a global deal on tackling climate change to be agreed in Paris in December 2015. A process for countries to bring forward their proposed post-2020 targets in the new deal, 'Intended Nationally Determined Contribution' (INDCs) was also agreed. In March 2015, the EU Presidency submitted the EU INDC to the United Nations Framework Convention on Climate Change (UNFCCC).

Manage our energy legacy responsibly and cost-effectively

Coal Legacy

In 2014-15 we managed the delivery of concessionary fuel to around 63,000 former coal industry employees. We also announced the government's intention to take on further liability for the remaining employees of UK Coal, amounting to an expected £28 million over the next 20-30 years.

We agreed with coal staff pension trustees changes to the terms of the Government guarantee to their scheme, delivering benefit improvements for members while unlocking value and affording greater protection for tax-payers.

Collective commitment to halve natural forest loss by 2020 and halt it by 2030, and actions which could reduce emissions by 4.5 billion to 8.8 billion tonnes per year by 2030

On 24 October 2014, the EU agreed an EU domestic GHG emissions reduction target of "at least" 40% by 2030 compared to 1990 levels

At **Wylfa**, extended generation after gaining permission to continue operating for an additional **five years** until December 2015 which has contributed to the **NDA's** commercial income of

£1bn

A Department that:

- Delivers as One DECC
- Works in a Professional Way
- Has Strong Leadership and Management

Nuclear Legacy

In 2014-15 the NDA and its Site Licence Companies delivered both operational activities and specific programmes, including:

- at Sellafield - removing waste from a key legacy fuel pond for the first time since the 1990s, and significant progress at the Magnox Swarf Storage Silos facility including completion and testing of retrieval machines and removal of effluent to reduce radioactivity in the facility;
- at Sizewell - completion of defuelling ahead of target;
- at Wylfa - extended generation after gaining permission to continue operating for an additional five years until December 2015 which has contributed to the NDA's commercial income of £1 billion; and
- at Dounreay – completion of two new underground waste vaults, and the final shipment of foreign waste from Dounreay to Belgium.

In January 2015, the Department's ministers accepted a recommendation from the NDA to simplify the model used to manage decommissioning at Sellafield. This change, which will require careful implementation during 2015-16, will enhance flexibility and allow the NDA and the Site Licensing Company at Sellafield to attract the diverse skills needed at this complex site as the decommissioning work progresses.

Oil and Gas Legacy

UK Continental Shelf's decommissioning liability in oil and gas is currently estimated at around £35-40 billion. The liability lies with the operators and partners in the individual developments.

The Department undertook an exercise to reassess the finances of all the high risk companies. We will work through the OGA to ensure there is a well-established decommissioning supply chain market which is able to take economic advantage of the oil and gas decommissioning legacy.

Deliver the capability that the Department needs to achieve its goals

Internal Change Programme

The Department continues with its internal change programme, DECC Works, to improve how it works and ensure it has the right skills and capabilities to meet its future challenges.

The programme has three main strands that are focused on creating a Department that:

- Delivers as One DECC
- Works in a Professional Way
- Has Strong Leadership and Management.

Our people are at the centre of this transformation and they will continue to be involved in shaping and delivering change in the Department; whether that be:

- improving our ways of working,
- developing our professional capability; or
- delivering policy that works for the people we serve.

This is why Diversity and Inclusion underpin our ambition. The improvements we make in the Department are all about our people and ensuring that our talents, skills and capabilities are right for the work ahead but also that our experiences and unique characteristics enhance the Department and the work we do - delivering the best outcome for consumers.

Better Regulation
'One-in, Two-out' (OITO): The Department ended the last parliament with the second largest reduction in regulatory burdens on business – £718 million. This was largely due to the amendments to the Energy Companies Obligation which gave a £604 million 'OUT'.

Over the course of the parliament, the Department submitted 107 Impact Assessments to the Regulatory Policy Committee, with 25 submitted in 2014. Across the parliament, the Department had the second highest proportion of 'fit for purpose' ratings for our impact assessments from the independent RPC, with 85% being judged fit for purpose on first submission. For 2014, our average was 80%, meeting our departmental target.

PRINCIPAL RISKS

As with many organisations the Department faces significant risks to the delivery of its objectives. This reflects the Department's ambitious agenda to ensure that the UK has secure, clean, affordable energy supplies and promotes international action to mitigate climate change. The risks the Department is exposed to also reflect the size, complexity and novel nature of many of its aims. Additionally, there are a range of external factors outside of the Department's direct control which have the potential to affect policy delivery, such as international markets, geopolitical events and the need to influence stakeholder behaviours.

The Department has an established risk management policy and framework to manage risks at all levels of the organisation and further information on this is provided in the Governance Section ('Approach to Risk Management').

A summary of the principal risks the Department has been exposed to and has managed during the year is provided below. While mitigating actions have been deployed to reduce these risks, significant challenges still remain in the areas concerned reflecting the scale and long term focus of the Department's agenda.

The Department does not anticipate mitigating its risks entirely. Instead, the aim is to manage risks down to an acceptable level balancing the cost of doing so with the potential impacts if they materialised.

The Department ended the last parliament with the second largest reduction in regulatory burdens on business –

£718m

Save energy with the Green Deal and support vulnerable consumers

Delivery of this objective is exposed to the risk that the support and incentives the Department offers, such as the **Green Deal** and **Renewable Heat Incentive**, does not stimulate sufficient consumer demand for energy saving measures and low carbon products resulting in energy consumption not falling as far or as fast as expected.

During the year the Department actively managed these threats through mitigations, such as the Green Deal Home Improvement Fund, which has helped to drive and sustain consumer demand for energy saving measures and reduce household energy consumption. The Department also launched the new Domestic Renewable Heat Incentive Scheme and through applying a range of mitigations, such as targeted road shows, this is exceeding its forecast low carbon heat generation.

The Department has continued to manage risks in relation to **fuel poverty** both in terms of how this affects people and how the Department should frame its policy approach. For those in fuel poverty, effects can range from increased general hardship to health problems, notably for the very young and elderly. Risk mitigations deployed this year have included providing support worth more than £1 billion to reduce energy bills and installing energy saving measures (as described elsewhere in the report).

In terms of framing a policy approach to this issue, the Department has successfully managed the challenges arising from establishing a new legally binding fuel poverty target and a new fuel poverty strategy. Both of these are now in place, providing an improved legal and overarching policy framework to tackle fuel poverty. Overall challenges ahead include making sure that mitigating actions remain cost effective and work effectively on the ground as well as considering how well targeted policy support is.

Deliver secure energy and a low carbon future

This objective is exposed to the risk that the Department is unable to secure the investment needed to develop a diverse, sustainable, low carbon energy infrastructure. This could lead to the UK relying too heavily on certain types of energy generation, with potential impacts on security of supply, and/or a continued reliance on fossil fuels.

This risk continues to be managed through a range of key programmes, such as **Electricity Market Reform** (EMR). During the year the EMR programme was due to deliver new mechanisms to incentivise investment to a challenging timetable. Active risk management enabled the programme to avoid delays and resulted in the successful delivery of the first Contracts for Difference & Capacity Mechanism auctions and allocations with outcomes exceeding expectations and bringing forward a range of technologies, including offshore wind, energy from waste as well as securing additional capacity over the winter periods.

The Department continues to work to facilitate investment and manage the challenges in other policy areas & technologies, such as **new nuclear**, as well as managing risks to the achievement of a range of overarching **low carbon targets**. The Department also continues to ensure that response measures are in place for external event risks which could disrupt **existing energy infrastructure**. This latter risk will remain challenging given the scale/nature of disruptive events can be unique and unpredictable.

Drive ambitious action on climate change at home and abroad

The Department continues to work with EU Member States and other countries to help secure ambitious action on climate change and avoid potentially catastrophic and wide ranging impacts on the environment, economies and the health and wellbeing of the global population.

During the year the Department was exposed to the risk that the EU 2030 Energy and Climate Framework agreed in October 2014 might not support the UK's climate change ambitions. This risk was mitigated by the Department (with the support of other Member States) and resulted in the new EU framework including an ambitious commitment on emissions cuts.

On a global scale the Department has and will continue to manage the risk that its international climate change strategy may not be sufficiently complemented by similar strategies abroad to deliver international action that keeps the 2°C goal within reach. Progress has included announcements on targets by the US, China and the EU, at the UNFCCC Conference of the Parties in Lima and the submission of the first few 'Intended Nationally Determined Contributions' which put us on track to agree a global climate change deal in Paris in December. However, at present it does not look likely that countries' collective contributions will put us onto a cost effective trajectory for a high likelihood of achieving 2°C. The Department will therefore need to continue negotiations to help keep this goal within reach.

Manage our energy legacy responsibly and cost–effectively

The Department continues to manage risks to the UK's energy infrastructure, such as safety and cost effectiveness. During the year the Department has worked with partners to ensure that security, emergency planning & safety arrangements at legacy sites are robust and maintain the principle of continuous improvement.

Nuclear decommissioning & waste management is and will continue to be an area of particular uncertainty and risk given the long term nature of the UK's decommissioning and waste management programmes and the complexities and significant costs involved: the Annual Accounts include a discounted provision of £70 billion for the estimated future costs of the nuclear decommissioning programme which is not due to be completed for 125 years. This provision is the best current estimate of costs within a possible range of £61-£109.4 billion.

The Nuclear Decommission Authority and its contractors continue to actively manage decommissioning risks on behalf of the Department with risk exposure and mitigation activities in 2014-15, including the first movements of sludge from the First Generation Magnox storage pond at Sellafield, the reduction of a significant hazard via the removal of 2 million litres of liquid from the Magnox Swarf Storage Silo and the defueling of Magnox sites (notably this year, Sizewell A)

Other legacy areas also present continuing risks, such as the **UK's coal legacy**. Risks arising from this include the physical impacts of mining on the environment and public safety which are managed through the Coal Authority by mitigations, such as mine water treatment schemes, providing a 24 hour emergency response service and pro-actively inspecting mine entries. A significant element of this work is reactive making it hard to predict expenditure in any given year. The Authority re-assesses its budget requirements on a regular basis during the year and is able to access the Department's central contingency if necessary.

Deliver the capability that the Department needs to achieve its goals

The Department is managing a range of cross cutting corporate risks to the management of the organisation and its resources. During 2014-15 these risks included the threat that current and future staff **skills and capability** gaps could have an adverse impact on policy development and delivery. This particular risk was mitigated during the year following a successfully recruitment campaign for commercial specialists (an area of particular concern).

Challenges remain regarding risks relating to **corporate infrastructure** such as IT systems, for which solutions are being centrally managed externally to the Department. Progress is, however, expected during 2015-16.

The Department has been exposed to and will continue to manage a range of **financial risks**, such as the costs arising from the UK's energy legacy (referred to above) and from Contracts for Difference. Expenditure risks arising from uncertainty about demand levels or market size are also being managed, such as financial support provided to the Green Deal Finance Company for which a lower return is anticipated because growth has been slower than originally projected (mitigations to stimulate demand are referred to earlier under 'Save Energy with the Green Deal').

The Department is also managing financial risks in relation to the Levy Control Framework (LCF). The LCF sets a limit on the levies on consumer bills resulting from the implementation of the Department's low carbon policies by energy suppliers. Budgets have been set by the Treasury through to 2020-21 but because of the high degree of uncertainty attached to future expenditure, LCF limits are subject to 20% headroom in a given year. If this headroom is exceeded, the Department is required to rapidly agree with the Treasury a plan for bringing spending back down to the agreed profile.

As a whole the Department will continue to be exposed to the risk that it exceeds its financial envelop in any given delivery year. This reflects the fact that the Department's policies often rely on a range of assumptions, some of which are volatile, such as price changes, the rate of technology development and prevailing weather conditions. This makes it difficult to forecast the cost of longer term commitments in relation to policies and financial instruments with high degrees of certainty. A range of financial controls remain in place to manage this, such as financial monitoring processes, maintenance of contingency funds to meet unexpected pressures and re-allocation of budgets in response to forecasts and risk assessments.

We will work with the **European Commission** and Member States to agree the effort share to achieve

40%

GHG reduction on 1990 levels by **2030**

OTHER RISKS

Fraud

The Department has a counter-fraud policy, supported by preventative measures and a response plan. During 2014-15 the Department commissioned a fraud risk self-assessment by all business units, which will inform a refresh of the policy and further awareness-raising activities. The exercise was also used to select two expenditure areas for random sample testing. No irregularities were identified.

The Department continues to remain vigilant to potential fraud by external parties in relation to the schemes and incentives it offers to help deliver its policy objectives. Towards the end of 2014-15, the Department commissioned an investigation by the Green Deal Ombudsman in relation to potential non-compliance with the Green Deal code of practice. This investigation has yet to complete and the outcome, and any potential impacts, is unknown and remains an area of uncertainty and risk that will continue to be closely monitored.

Quality assurance

The Department has a systematic multidisciplinary quality assurance process for all evidence and analytical outputs (including developing and using models) with clear roles and responsibilities for individuals and boards.
Risks related to evidence are logged, managed and escalated appropriately. In 2014-15, internal audit reviews found the model quality assurance framework (governance, risk management and control) to be effective.

LOOKING AHEAD

Major events and activities in the year ahead:

Energy Security

- We will work towards a significant expansion in new nuclear and gas, backing good-value green energy and pushing for more new investment in UK energy sources.
- We will continue to support the safe development of shale gas and North Sea oil and gas.
- We will continue to manage the UK's energy legacy safely, securely and cost effectively.

Ambitious international commitments…

- The UNFCCC COP 21 will take place in Paris in December 2015. Throughout the year we will push for a strong deal that keeps the goal of limiting global warming to two-degrees firmly within reach.
- We will work with others to introduce legislation to implement the EU's commitment to reduce its emissions by at least 40% by 2030.

…supported by domestic action on climate

- We will continue to support the Climate Change Act and the Carbon Budget system, cutting emissions as cost-effectively as possible.
- We will continue to make progress on the deployment of renewable energy in electricity and heat.

Keep costs down

- We will continue to put consumers at the heart of what we do, delivering a fair and affordable energy system that empowers consumers to take control of their energy bills.
- We will implement the recommendations of the Competition and Markets Authority energy market investigation when it reports in 2015.
- We will support low cost measures on Energy Efficiency, with a goal of insulating 1 million more homes over the next 5 years, supporting our commitment to tackle fuel poverty.
- We will ensure every home and business has a Smart Meter by 2020 as cost effectively as possible.

Clean Growth

- We will provide start-up funding for promising new renewable technologies and research.

The Department's **People Survey** response rate was

91%

3 points up from the previous year, the **highest** for its size

OUR PEOPLE

PEOPLE SURVEY

The Department takes part in the annual Civil Service People Survey. In 2014-15, our engagement index increased by one point to 59%, which ranked the Department 47th out of 102 Civil Service organisations surveyed. The Department's response rate was 91%; 3 points up from the previous year, the highest for its size.

Our Executive Committee agreed five areas of focus for improvement in response to the survey results:

- Leading and Managing Change;
- My Manager;
- Diversity and Inclusion;
- Resources and Workload; and
- A single joined up organisation.

In addition, team leaders have been working with their teams to identify areas for improvement.

BUILDING CAPABILITY

Even in a challenging environment, the Department continued to invest in its people to give the best development opportunities. The focus has been on driving capability in the four main priority areas for the Civil Service: Leading and Managing Change, Commercial, Project Delivery and Digital.

In the area of Leadership and Managing Change, our People Survey score remains constant at 44% which is 1% higher than the Civil Service average, but 6% lower than high performers. In response we have:

- delivered a Change Leaders programme during 2014-15;
- launched a new organisation wide Induction programme;
- set clear expectations of our managers;
- launched the Civil Service Leadership Statement; and
- focused efforts on improving the way we manage performance.

We have driven efforts to increase our commercial capability through the recruitment of 23 specialists. In addition to providing cross-department expertise, these specialists have been leading the delivery of our internal commercial awareness programme. On Digital, our awareness levels have increased from 55% to 86% through targeted communications.

In the area of project delivery, 21 of our project leaders have completed or are currently attending the Major Projects Leadership Academy (MPLA) programme.

In addition, the Department continues to support the development of fast streamers, apprentices, diversity internships and most recently supported the Movement to Work scheme. We also offer a small number of both inward and outward secondments to increase our understanding of industry, and to develop our talent pipeline.

DIVERSITY

We are committed to promoting equality and valuing diversity, but we recognise that despite action taken our progress remains slow. Our representation of black and minority ethnic, and those with disabilities in senior grades are too low. As at 30th January 2015, the Department had 105 Senior Civil Servants (SCS), 40% of whom were female, 2% had declared that they have a disability, and 1% had declared they are from a black and minority ethnic (BME) background.

In recent months we have:

- developed a new vision for diversity for the Department;
- committed to achieve specific ambitions to address low representation rates;
- created a new action plan for the 2015-16 financial year;
- signed the Social Mobility Business Compact;
- signed the Public Health Responsibility Deal pledge on Domestic Violence in November;
- increased mentoring for under-represented groups; and
- launched a “Parents and Carers toolkit”.

In addition we continue to actively encourage our people declare their diversity status and to monitor and publish our workforce diversity data. Our annual equality data is published in January and available on our external website[5].

The Department is committed to ensuring equality of opportunity for all disabled staff. As part of the Department’s job application process candidates who have a disability who apply for a post in the Department (under the Guaranteed Interview Scheme) will automatically be put forward to the interview stage provided they satisfy the minimum criteria. The Department makes this clear in its job adverts and application forms. The Department promotes external vacancies in a range of diversity media.

The Department uses an independent, confidential occupational health service. Individuals are asked for their consent to a referral to the Department’s medical adviser for an assessment of individual fitness for work or to help the Department consider reasonable adjustments to support them in the workplace in accordance with our duty under the Equality Act 2010. In addition, to help ensure that staff have the best opportunity to continue their employment the Department also provides a dedicated information and counselling support service through our Employee Assistance Programme.

All staff are encouraged to consider doing additional training on disability awareness to ensure that there is greater overall awareness and support within the Department.

We encourage our staff with disabilities to apply to the cross-civil

A detailed breakdown[6] of our people is as follows[7]:

Gender

- 53% Female
- 47% Male

Ethnicity

- 62% White
- 25% Unknown
- 10% BME
- 3% Prefer not to say

Sexual Orientation

- 61% Heterosexual
- 28% Unknown
- 6% Prefer not to say
- 5% LGBT

Disability

- 71% Does not have a disability
- 21% Unknown
- 5% Has a disability
- 3% Prefer not to say

5 **https://www.gov.uk/government/publications/decc-equality-information-2015**

6 Data provided is correct as at 31st March 2015

7 Data provided is based on declaration rates of 75% ethnicity, 79% disability and 71% sexual orientation as at 30th January 2015

service positive action development pathway 'Levelling the Playing Field'. The pathway specifically targets staff with disabilities below Senior Civil Service level and aims to equip participants with the skills and confidence to achieve career progression and to realise their full potential.

COMMUNICATION

The Department continues to use the full range of its internal communications channels, both face to face and digital, to engage systematically with staff and promote key information on matters of concern to them. This includes regular formal and informal meetings with Departmental Trade Union Side, creating a positive employee relations environment. Key areas during 2014-15 were:

- distributing simpler, clearer performance guidance and running objective setting workshops for line managers and for staff;
- consulting with Trade Union Side and informing staff of changes to terms and conditions for new staff as part of Civil Service Reform; and
- raising awareness of Civil Service Reform and its focus on priority capability areas through activities such as Learning at Work Week.

HEALTH AND SAFETY

We have a strong record in providing a safe and supportive work environment. Our accident rates have remained low with two RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013) reportable, and there were no enforcement actions against the Department.

Health and Safety is monitored quarterly by the Health and Safety Committee.

SICKNESS ABSENCE

The Department is committed to supporting the physical and mental health of its people. There is a comprehensive attendance management policy in place, which has been refreshed and an updated version will be published on 20 July. We have an occupational health provision and employee assistance provider in place. The average number of days lost due to sickness was below 2.5 days for 2014-15.

Stephen Lovegrove
Principal Accounting Officer and Permanent Secretary

14 July 2015

GOVERNANCE

STRUCTURE

INTRODUCTION

This Governance Statement sets out the governance, risk management and internal control arrangements for the Department of Energy & Climate Change (DECC). It applies to the financial year 1 April 2014 to 31 March 2015 and up to the date of approval of the Annual Report and Accounts, and accords with HM Treasury Guidance. It also integrates information about the Department's non-departmental public bodies (NDPBs) included in the Group consolidated Accounts.

The Department's goals are long-term, highly interdependent and complex, and affect every household and business throughout the UK. Many of the Department's programmes are innovative and aim to deliver objectives in new ways. It has been necessary for the governance, structures, staffing and systems to evolve as the Department focuses on developing and implementing policy and delivering major programmes and projects.

REPORT OF THE LEAD NON-EXECUTIVE DIRECTOR

The new Board, chaired by **Amber Rudd** as **Secretary of State**, met for the first time in June 2015 with clear impetus to enhance the governance of the Department over the next five years. The Non-Executive team was enhanced during the year with the appointments of **Charles Randell** and **Rachel Campbell**

The Department's mandate to deliver clean and affordable energy supplies is now supported by established governance structures, risk framework and internal control processes. These structures, though now embedded, remain subject to continuous review and improvement.

The new Board, chaired by Amber Rudd as Secretary of State, met for the first time in June 2015 with clear impetus to further improve the governance of the Department over the next five years. The Non-Executive team was enhanced during the year with the appointments of Charles Randell and Rachel Campbell. In addition to sitting on the Departmental Board, Charles chairs the Audit and Risk Committee and Rachel the re-formed Nominations Committee. Charles' and Rachel's expertise bring an added dimension to the work of the Board. With the full complement of four Non-Executives now in place, and their broad combination of skills, this has extended our ability to support particular areas of the Department's work.

Beneath the Board, we have been pleased to see the Department's committee structure now firmly established within the business. The Governance Statement sets out in more detail the structure and composition of the Board and Committees.

Project Management is the corner stone of the Department's work. The Department continues to review its capability in this field, looking to enhance skills and supporting staff with initiatives such as the Project Delivery Toolkit, launched in January 2015. The Department has a number of staff that have either completed or are taking part in the Major Projects Leadership Academy, which has been developed and run in partnership with the Saïd Oxford Business School and Deloitte.

While there has been good progress during the year the Department remains committed to continuous improvement and will be looking to review areas identified by the National Audit Office and others for development.

Overall I am confident that the Non-Executive team are receiving a strong level of engagement, and high quality information, that enable us to make robust challenges, monitor performance, and provide the Permanent Secretary with the assurance he needs in his role as Departmental Accounting Officer.

Martin Stewart
Lead Non-Executive Director

DEPARTMENTAL BOARD AND LEADERSHIP TEAM

Key to committee membership:

- Departmental Board
- Nominations
- Audit and Risk Committee
- Executive Committee
- Finance and Business Committee
- Investment Committee
- Operations and People Committee

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1 Amber Rudd
Secretary of State for Energy & Climate Change and Chair of the Departmental Board

Amber Rudd MP was appointed Secretary of State for Energy & Climate Change on 11 May 2015.

Elected as Conservative MP for Hastings & Rye in 2010, in the last Parliament she served as Parliamentary Private Secretary to the Chancellor of the Exchequer and subsequently Parliamentary Under Secretary of State for Energy & Climate Change.

Before entering Parliament Amber Rudd worked in investment banking in the City of London and New York, before moving into venture capital.

2 Andrea Leadsom
Minister of State

Andrea Leadsom was appointed Minister of State at DECC on 11 May 2015. Member of Parliament for South Northamptonshire, she was previously Economic Secretary to the Treasury from 2014, before serving on the Treasury Select Committee from 2010.

Andrea worked in the banking and finance industry for 25 years, including as Head of Corporate Governance and Senior Investment Officer at Invesco Perpetual, one of the UK's largest retail fund managers.

She is married to Ben and has three children.

3 Lord Bourne of Aberystwyth
Parliamentary under Secretary of State

Lord Bourne was appointed Parliamentary Under Secretary of State for DECC and the Wales Office in May 2015, and is also a Lord in Waiting. He was Assembly Member for Mid & West Wales from 1999 to 2011 and Leader of the Opposition in the National Assembly for Wales between 2007 and 2011. He has taught law at Hong Kong University, the London School of Economics and at Cambridge University and was Professor of Law at Swansea Law School. He was educated at University College of Wales, Aberystwyth and at Trinity College, Cambridge, where he read law.

4 Martin Stewart
Lead Non-Executive Director and Deputy Chair of the Departmental Board

Martin Stewart is a Non-Executive Director and Chair of the Audit Committee on London 2017 Limited, Non-Executive Director and Chair of the Audit Committee of SIS Limited and a member of the Board of Orbit Showtime Network in Dubai.

He was previously the CEO of Eurotaxglass Ltd, CFO and Board Member at BskyB plc, CFO and Board Member at EMI plc. He was also a Director General at Cableuropa, a member of LOCOG's Board of Directors, Chair of the Audit Committee and member of the Remuneration Committee.


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5 Tom Kelly
Non-Executive Director

Tom Kelly is a Strategic Communications Adviser at HS2. He was previously at Network Rail where he was Corporate Communications Director until the end of March 2014.

He previously spent sixteen years with the BBC working in Belfast and London, and nearly a decade in government, first as Director of Communications at the Northern Ireland Office, and then from 2001 to 2007, as the Prime Minister's official spokesperson.

Following Downing Street, Mr Kelly moved to BAA then the FSA, before Network Rail.

6 Charles Randell
Non-Executive Director

Charles Randell is an independent director of the Bank of England's Prudential Regulation Authority, which supervises UK banks, insurance companies and large investment firms.

Until 2013 he was a partner in Slaughter and May. He worked on the electricity and gas privatisations, the strategic review of BNFL, the restructuring of British Energy, and extensive global financial crisis work for HM Treasury. Private sector clients included major energy companies.

Charles is a Visiting Fellow at Queen Mary University of London.

7 Rachel Campbell
Non-Executive Director

Rachel Campbell is the Global Head of People, Performance and Culture for KPMG International. She is accountable for the firm's global people strategy and communications. Previously she was the UK Head of People (and of Europe LLP) and was a Board Member of both the UK and Europe LLP firms.

Rachel is a Chartered Accountant and has operated as an audit partner for the Firm working predominantly with global FMCG clients. She is a Fellow of the Chartered Institute of Personnel Development.

8 Caroline Mawhood
Non-Executive Member

Caroline Mawhood has been a prominent figure in auditing for more than 30 years. She was Assistant Auditor General at the National Audit Office until 2009 and President of the Chartered Institute of Public Finance and Accountancy. She is also a Non-Executive member of the Audit Committees of the Debt Management Office; Corporation of London and the Audit Progress Committee of the European Commission. She is also the Honorary Treasurer of Breakthrough Breast Cancer and a trustee of the Wimbledon Guild.

9 Jayne Scott
Non-Executive Member

Jayne Scott has extensive experience as a Non-Executive Director, currently holding appointments with the Marine Management Organisation and the Professional Standards Authority. She was previously a Non-Executive Director and Audit Committee Chair of Ofgem, and Deputy Chair of ENTRUST.

She is a qualified Chartered Accountant, having worked for Price Waterhouse Coopers, Lothian Health Board and Fife Health Board. She won the Scottish Finance Director of the Year Award for the public sector in 1998. She now has her own consultancy company, the Scott Ross Partnership, which focuses on the health and education sectors.

10 Barry Rourke
Non-Executive Member

Barry Rourke is a Chartered Accountant and was for many years a partner with PricewaterhouseCoopers, until early retirement in 2001. Whilst there, Barry specialised in audit and advisory work in the oil and gas and mining industries.

He is currently Chair of 3Legs Resources plc and a Non-Executive Director of New World Resources NV, Croydon Economic Development Company and Surrey and Borders Partnership NHS Foundation Trust.

11 Stephen Lovegrove
Permanent Secretary

Stephen Lovegove became DECC Permanent Secretary in February 2013. Prior to this, he spent 9 years at the Shareholder Executive and was appointed Chief Executive in June 2007. Before that he spent ten years at Deutsche Bank, where he was the head of the European media team. Stephen also sat on the board of LOCOG (the London Organising Committee of the Olympic Games and Paralympic Games) and is a trustee of the Charities Aid Foundation.

12 Clive Maxwell
Executive Member

Clive Maxwell is Director General, Consumers & Households Group. Previously, Clive was Chief Executive at the Office of Fair Trading from July 2012 to February 2014, after being on its board as an Executive Director and working as Senior Director, Services Sector.

Prior to joining the OFT, Clive worked in a wide range of roles for HM Treasury from 1992-2009.

13 Angie Ridgwell
Executive Member

Angie Ridgwell joined the Department for Energy & Climate Change as Director General for Corporate Services in October 2013. Prior to this, Angie was Strategic Director for Corporate Services and Strategic Director of Organisational Design for Bristol City Council. She has a career spanning some 30 years working with a range of local authorities, government agencies and in the private sector.

14 Katrina Williams
Executive Member

Katrina Williams is the Director General (DG) for International, Science & Resilience Group in DECC. Prior to this Katrina was DG for Strategy, Evidence and Customers in Defra, advising Ministers on the Department's strategic focus and overseeing its International and EU work. Before that she was DG for Food and Farming in Defra. Throughout her career she has had a range of roles in DTI and Cabinet Office as well as MAFF and Defra and has twice served in HM Diplomatic Service in the UK's Permanent Representation to the EU in Brussels.

15 Jeremy Pocklington
Executive Member

Jeremy Pocklington is Director General of the Markets and Infrastructure Group. Prior to this he was Director of the Enterprise and Growth Unit at HM Treasury, responsible for policies on growth, business and infrastructure and for advising on public spending for BIS, DfT, DECC and Defra. From 2009 to 2012 he was Director of the Economic and Domestic secretariat at the Cabinet Office. Jeremy joined the Treasury in 1997 where he held a range of posts on financial regulation, tax and fiscal policy.

16 John Loughhead
Executive Member

Professor John Loughhead OBE FREng FTSE was appointed Chief Scientific Advisor for Department of Energy & Climate Change in October 2014. Prior to joining DECC, John was Executive Director of the UK Energy Research Centre.

John has been active in energy systems research for over 30 years, developing new generation, conversion and system technologies, and has extensive interactions with UK and international Government bodies on energy policy and technology development. John is a Chartered Engineer, graduating in Mechanical Engineering from Imperial College, London.


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17 Susannah Storey
Executive Member

Susannah Storey joined the Department in March 2013 and became Strategy Director in September 2013. Susannah was previously at the Department of Business, Innovation & Skills where she was Director of Royal Mail and Postal Services team in the Shareholder Executive and sat on the Board of the Post Office as a Non-Executive Director. She joined the Shareholder Executive in 2006 and was Director for a variety of portfolio companies, was Chief Operating Officer and a member of the Executive Committee. Prior to the Shareholder Executive she worked in UK Corporate Finance at Schroders and then Citigroup.

18 Jo Shanmugalingam
Executive Member

Jo Shanmugalingam joined the Department in April 2013 and became Strategy Director in September 2013. Prior to that, Jo worked at the Department for Business, Innovation & Skills where roles included responsibility for the Heseltine Review of growth policy, and the UK's corporate governance framework. From 2005-2011 Jo worked in the Shareholder Executive in a number of different roles including responsibility for the 2011 Postal Services Act and the Government's policy and shareholder interests in Post Office Ltd.

GOVERNANCE STRUCTURES

During 2014-15, the benefits of governance structure improvements have begun to show. While it is recognised that continuous improvement is needed, the Department now has clearer structures to deliver transparent and effective decision-making, and an improved control and risk environment.

The **Departmental Board,** attended by ministers, Non-Executive Directors and the Executive Team, provides collective strategic leadership for the Department with responsibilities for performance, risk and delivery including appropriate oversight of NDPBs.

The Board has been supported in its work by the Audit and Risk Committee, the Nominations and Governance Committee and the Executive Committee, the Chairs of which are drawn from the board. The Board has been strengthened during the year with the appointment of two new Non-Executive Directors (NEDs) – Rachel Campbell and Charles Randell – giving the Department a full complement of four NEDs for the first time. Full membership of the committees is provided on page 48.

The Departmental Board held four meetings in 2014-15. These were supplemented by four meetings between the Executive team and Non-Executive Directors. At each meeting the Board received reports from the Permanent Secretary, and reviewed the departmental performance report and risk register.

The Departmental Board conducted a light-touch evaluation of its effectiveness in February 2015, to follow-up the in-depth independent review led by Defra's Lead NED in April 2014. This 2015 review confirmed that the Board has effective mechanisms for understanding, and an appropriate focus on, departmental performance and that it is has a good understanding of key departmental risks.

The **Audit and Risk Committee** provided assurance on the quality of the Department's Resource Accounts and the Trust Statement, the effectiveness of governance, risk management and internal control arrangements.

The **Nominations Committee** met once in 2014-15. The appointment of Rachel Campbell as a NED provided the Department with a Chair for this Committee with relevant expertise to lead this Committee and it is now expected to meet quarterly.

The Departmental Board delegates certain responsibilities to the **Executive Committee** (ExCo) whose remit is to ensure the operational management of the Department is effective in delivering its strategy. The Committee has focused on improving the way the Department operates and ensuring the Department is better equipped to deliver its agenda.

The new Committee structure implemented in October 2013 (through which the Executive Committee delegates some of its

During **2014-15**, the **benefits** of governance structure **improvements** have begun to show

Nominations
(chaired by a Non-Executive Director)
Advises on effective leadership and succession planning.

Departmental Board
(chaired by Secretary of State)
Sets DECC's vision and strategy.

Audit and Risk Committee
(chaired by a Non-Executive Director)
Advises on effectiveness of control, risk, financials and governance.

Executive Committee
(chaired by the Permanent Secretary)
Oversees the delivery of DECC's strategy, supported by three committees.

Finance and Business Committee
(chaired by the Director General for Corporate Services)

Responsible for:
Business planning, budgets, risk monitoring and our annual report.

Frequency of meetings: monthly.

The Committee's remit is to monitor departmental performance, finance and risks and development of the Departmental business plans and annual report and accounts.

Investment Committee
(chaired by the Director General for International, Science & Resilience)

Responsible for:
Approval of new projects and programmes and assessments of performance of existing activity at major milestones.

Frequency of meetings: Twice a month, depending on volume of business.

Its role is to consider whether planned investments, programmes and policies are strategically important, affordable and offer value for money to the Department, and are supported by a sound business case, aligned with the Department's strategy.

Operations and People Committee
(chaired by the Director General for Consumer and Households Group)

Responsible for:
Ensuring we have the right people with the right skills, in the right working environment and with the right tools.

Frequency of meetings: monthly.

The Committee is responsible for ensuring the Department has the staff capability, buildings and IT services to deliver its objectives. It also overseas operational matters to ensure the Department complies with Cabinet Office and legal requirements including information management, transparency, digital strategies, security management and shared service needs.

responsibility to three Committees constituted from senior civil servants from across the Department) has become established and is providing effective support to the Executive Committee, escalating issues as appropriate. Each Committee provides a monthly written report to the Executive Committee.

Compliance with the Corporate Governance Code

The Department has complied with the Cabinet Office 'Corporate Governance in Central Government departments: Code of Good Practice' with the following exceptions:

- The Nominations Committee has not met as frequently as expected as the role of Chair was vacant until the appointment of Rachel Campbell. To mitigate any impact, the Permanent Secretary met with the NEDs to evaluate the performance of the Director-Generals and to discuss the SCS pay award.
- Until September 2014 the Audit and Risk Committee was without a second Board NED as a member. This was resolved with the appointment of Rachel Campbell to the Committee on 25 September 2014 and until that point it was mitigated by a full quorum of independent members.

Board Appointments

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.

All Board members are required to declare any personal or business interest which may influence their judgement in performing their functions or obligations (or which may be perceived to do so by a reasonable member of the public). 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 member. The Department collects this information twice a year from Executive and Non-Executive Board members, and on the appointment of new members. Where a Board member has a specific conflict of interest, he or she will not take part if any related discussion at Board or other meetings.

Two conflicts of interest were raised this year and were managed in line with the relevant procedures.

PROJECT MANAGEMENT

The Department addresses a range of policy issues: helping consumers take control of their energy bills and keeping costs down; unlocking investment in the UK's energy infrastructure to drive economic growth; driving international action on climate change; and effectively managing the UK's energy legacy and resilience. The Department looks to continuously improve how these issues are managed by

An **Improved Project Delivery Toolkit** was approved by the **Finance and Business Committee** in **December 2014** and made available to staff in **January 2015**

Board/Committee member	Departmental Board	Audit and Risk Committee	Nominations Committee	Executive Committee
Number of meetings: 1 April 2014 - 31 March 2015	4	5	1	22
Ed Davey	4/4			
Greg Barker	1/2			
Michael Fallon	1/2			
Baroness Verma	3/4			
Matt Hancock	0/2			
Amber Rudd	1/2			
Martin Stewart	3/4		1/1	
Terry Morgan[8]	2/2	2/2		
Tom Kelly[9]	3/4			
Charles Randell[10]	1/2	1/1		
Rachel Campbell[11]	2/2	1/2	1/1	
Caroline Mawhood		5/5		
Jayne Scott		5/5		
Barry Rourke		5/5		
Stephen Lovegrove	4/4		1/1	20/22
Simon Virley[12]	3/3			11/13
Clive Maxwell	4/4			22/22
Angie Ridgwell	4/4	5/5		22/22
Katrina Williams	4/4			21/22
Hugh McNeal[13]	1/1			6/7
Jeremy Pocklington[14]				3/3
David MacKay[15]	1/2			7/10
John Loughhead[16]	1/1			10/10
Susannah Storey/ Jo Shanmugalingam				21/22

Ministers

Non-Executive Directors DECC

Non-Executive Directors Audit & Risk Committee

Executive Management

8 Left role as NED on 29 August 2014

9 Joined the Department on 3 February 2014

10 Joined the Department on 16 October 2014

11 Joined the Department on 25 September 2014

12 Stood down as Director General Markets & Infrastructure on 31 October 2014 and left the Department on 31 January 2015

13 Acting DG Markets & Infrastructure from 1 November 2014 – 13 February 2015

14 Joined the Department on 16 February 2015

15 Left the Department on 31 July 2014

16 Joined the Department on 22 October 2014

providing specialist training and development opportunities, tools and support.

An Improved Project Delivery Toolkit was approved by the Finance and Business Committee in December 2014 and made available to staff in January 2015. This includes clear guidance to help project and programme teams to improve delivery and provide the necessary level of management documentation.

The Department has also continued to develop the Project Delivery capabilities of its staff. In addition to generic project management training and qualifications for staff at all levels, and involvement in the Project Leadership Programme Pilot, the Department has 16 members who have either completed or are taking part in the Major Projects Leadership Academy.

A departmental performance report is produced each month for scrutiny, first by the Finance and Business Committee, which summarises and identifies risks ahead of the Executive Committee review. The Department's Portfolio has been more fully defined and a comprehensive set of performance indicators is now relied upon to prioritise senior interventions. We continue to engage closely with the Government's Major Project Authority on our most high profile initiatives.

APPROACH TO RISK MANAGEMENT

The Department has an established risk-management policy and framework, which is supported by a central risk advisor, designated risk champions in each business group and cross-departmental training.

The Department maintains a Departmental Risk Register (DRC) comprising its top risks. During 2014-15 it has been refined to capture both the top risks to policy and programme delivery and the key corporate threats to the management and health of the Department.

The DRC includes risks identified and escalated by the business or included directly by the Executive Team or one of its committees. All risks in the DRC have mitigation measures in place to reduce them to a target level by an agreed date. Key changes to the risks, including any new or escalated threats, are reviewed each month by the Finance and Business Committee.

The Finance and Business Committee updates the Executive Committee each month on any significant changes to the departmental risks as part of a broader report also covering departmental performance, financial management and human resources. The Departmental Board receives an update on the Department's strategic risk profile each quarter.

The Departmental Risk Register is supported by underlying risk registers maintained at programme, project and business levels. Key risks are reported each month using a standard highlight report template.

The Department has **16 members** who have either completed or are taking part in the **Major Projects Leadership Academy**

The Department has provided **grants to local authorities** totalling

£14m

during the year under Section 31 of the Local Government Act 2003

The Department requires each major programme to define its overall risk appetite and all individual risks are required to have target reduction levels to reflect the level of exposure that can be tolerated/accepted.

The effectiveness of the Department's risk management arrangements continues to be reviewed by the Audit and Risk Committee. Additionally, an independent review of the Department's portfolio, programme and project management maturity (including risk management) is undertaken each year using a model developed by the Cabinet Office. Findings from 2014-15 review show that risk management is the most mature of the Department's programme and project management processes. The Department's principal risks are described in the Strategic Report on pages 24 to 26.

OTHER KEY GOVERNANCE ACTIVITIES

Machinery of Government Changes

There have been no machinery of government changes in this financial year.

Levy Control Framework

One of Government's priorities is to bring about the transition to low carbon generation as cost effectively and securely as possible and the Levy Control Framework is one of the tools to help achieve this. As a matter of routine, consumer impacts are kept under review as policies are developed and implemented, and through routine updates to our modelling.

Local Government

The Department has provided grants to local authorities totalling £14.0m during the year under Section 31 of the Local Government Act 2003.

Ministerial Directions

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

GOVERNANCE OF NON-DEPARTMENTAL PUBLIC BODIES

Sponsorship of NDPBs

The Department sponsors seven NDPBs[17]. It is also associated with a number of other bodies for delivery purposes. Each NDPB is overseen by a sponsor team, which agrees the body's remit and monitors performance. The sponsor teams work with their NDPBs to support their high-level aims. The Department also ensures that its NDPBs have robust governance structures in place to complement the Department's structures and ensure clear accountability for finance, risk and performance. This involves regular reporting of performance against delivery plans.

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

17 Executive NDPBs: Civil Nuclear Police Authority; Coal Authority; Nuclear Decommissioning Authority; Committee on Climate Change. Advisory NDPBs: Committee on Radioactive Waste Management; Fuel Poverty Advisory Group; Nuclear Liabilities Financing Assurance Board.

Nuclear Decommissioning Authority
The Nuclear Decommissioning Authority (NDA) is the largest of the Department's NDPBs. Funded through a mixture of direct grant and commercial income, it currently accounts for two thirds of our annual budget. The Department has continued to utilise the expertise of the Shareholder Executive (ShEx) to provide oversight and governance of the NDA.

For these purposes, ShEx is an integral part of the Department, providing advice via the Director General for International, Science & Resilience to the Accounting Officer and Ministers on all matters relating to the performance of the NDA. The detailed arrangements are set out in a Framework Document.

The NDA publishes a five-year Strategy and an Annual Business Plan (both of which are subject to full public consultation and both the Department and Scottish Government ministerial agreement) setting out its long and short-term delivery milestones.

Triennial Reviews
The Department has a planned programme of detailed reviews for each of its non-departmental bodies. The 2015-16 cycle of triennial reviews starts with the Nuclear Decommissioning Authority.

GOVERNANCE OF GOVERNMENT-OWNED COMPANIES

Low Carbon Contracts Company (LCCC) and Electricity Settlements Company (ESC)
The Low Carbon Contracts Company (LCCC) and Electricity Settlements Company (ESC) are two new Government-owned companies that became operational on 1 August 2014 and have been established to deliver key elements of Government's Electricity Market Reform (EMR) Programme.

The operational of the companies are funded via a levy on electricity suppliers. These costs are publicly consulted on annually by the Department in advance of Ministerial approval for Regulations to be amended to provide the required income.

The Department has put in place a team to provide oversight and governance of the LCCC and ESC with support from the Shareholder Executive (ShEx). The team provides advice to the Accounting Officer and Ministers on all matters relating to the performance of LCCC and ESC. The relationship between the companies and the Department is principally set out in a Shareholder Framework Document, which is publicly available on the companies' websites. In line with the UK Corporate Governance Code, the companies will publish their annual reports and accounts. The companies' accounts are consolidated into the Department's accounts.

The LCCC and ESC will present on their activities to the Departmental Board annually. The Department has two shareholder representative directors (from DECC and ShEx) on the Boards of LCCC and ESC. A shareholder representative director sits on the companies' Audit and Risk Committee and on the Remuneration Committee.

REVIEW OF EFFECTIVENESS OF THE SYSTEM OF GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL

An annual review of the effectiveness of the system of governance, risk management and internal control has been informed by officials, Internal Audit and comments made by the NAO. The Audit and Risk Committee also provides further assurance. The review has provided assurance that the system continued to improve during 2014-15.

Group statements on Governance, Risk Management and Internal Control

Directors General provide a statement to Internal Audit on the effectiveness of the system in-year and at the year-end for their Group, plus an action plan for improvements. The Head of Internal Audit and the Chair of the Audit and Risk Committee review each statement with the relevant Director General and discuss the key findings with the Permanent Secretary.

These discussions have confirmed that risk management has become better embedded in the organisation and that governance in the Department has improved over the past couple of years. To develop this further over the coming year, there will be a focus on improving the profile of the Departmental Board within the Department.

The discussions also confirmed that the Investment Committee is considered to be effective and has helped provide robust challenge to business cases. Work is underway to more clearly define and apply criteria and thresholds for sending cases to this Committee, and also to clarify the route of escalation for issues from programme boards to the Committees of ExCo and the Audit and Risk Committee.

Assurance statements from NDPBs

The Department's executive NDPBs each conduct a review of the effectiveness of governance, risk management and internal control in the Governance Statements for their annual accounts. The respective Governance Statements conclude as follows:

Nuclear Decommissioning Authority

No significant control issues have arisen in the year. Overall, the NDA's system of internal control is assessed as being generally sound and appropriate to meet the Authority's objectives. In addition, there is an adequate and effective control environment operating across the wider NDA estate, which includes the NDA subsidiary organisations and the Site Licence Companies that it contracts with.

Coal Authority

No significant control issues have arisen in the year. Actions are ongoing to manage its risks, including high-level and emerging risks.The Authority's arrangements are proportionate, fit for purpose and working as intended.

Civil Nuclear Police Authority
There were no significant weaknesses in the CNPA's internal controls in 2014-15 that affected the achievement of the CNPA's key policies, aims and objectives.

Committee on Climate Change
The Committee has had no significant control issues during 2014-15 and has no significant weaknesses to address.

Five private Site Licence Companies (SLCs)[18] which operate sites under contract on behalf of the NDA, are also consolidated into the Department's Group Accounts. No government organisation controls their governance or operational arrangements.

Transactional Processing
The majority of the Department's financial and HR processes are provided by Shared Services Connected Limited (SSCL) and are therefore not directly governed or controlled by the Department. For the period covered by this statement, the Department has placed reliance on assurances provided by the Cabinet Office under the terms of its Framework Agreement with SSCL. The following independent assurance reports were provided by SSCL to the Cabinet Office during 2014-15 and were subsequently shared with the Department:

- a report on the operating effectiveness of controls in accordance with the International Standard on Assurance Engagement (ISAE3402); and
- internal audit reports in respect of the 2014-15 annual audit plan.

The opinion provided in the ISAE 3402 report confirms that the controls applied by SSCL were reasonable and operated effectively during the course of 2014-15. In respect of the Internal audit reports, limited opinions were provided in some assurance areas reviewed by Internal Audit. However, the assurance and audit information obtained in accordance with the Framework agreement does not indicate any significant weaknesses in SSCL's control arrangements during 2014-15 which would need to be disclosed in the Governance Statement.

The Department has appropriate representation within the SSCL governance structure and works closely with the Defra Intelligent Customer Functions. We also remain in regular contact with SSCL in order to maintain oversight of their performance in delivering the service to the Department.

Internal Audit Annual Report
The Head of Internal Audit provides an annual report on the system of governance, risk management and control operating in DECC based on the audit work undertaken during the year, the outcome of the annual review of corporate governance, knowledge of the business environment, known instances of fraud and the work of others such as the National Audit Office.

18 Sellafield Limited, Magnox Limited, Dounreay Site Restoration Limited, Research Sites Restoration Limited and Low Level Waste Repository Limited.

This work concluded in an opinion of 'moderate', reflecting that some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

Overall the Internal Audit Report revealed a general improvement in the overall level of control being applied across the organisation with less inconsistency found than in previous years. The report also acknowledged that the significant changes made last year to the Department's structure and governance arrangements, which included the establishment of the Finance and Business Committee, the Investment Committee and the Operations and People Committee are now embedded in the organisation and have enabled the Department to improve the transparency and effectiveness of its decision making. While the Department remains committed to making further improvement in this area, the current governance arrangements have helped the organisation become more corporate and consistent in its approach.

The report also acknowledged that there have been some control issues over the year, most notably around the implementation of a new IT system, but that the Department has procedures in place to ensure that lessons learned are applied more widely. It also recommended that, in light of the significant resource pressures the Department is likely to face following the forthcoming Spending Review, the Department should consider what improvements it should make to enhance the maturity of Portfolio Management within the organisation so that it is able to prioritise effectively.

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 strengthen the framework of internal control and risk management; with plans in place to ensure continuous improvement into 2015-16.

Stephen Lovegrove
Principal Accounting Officer and Permanent Secretary

14 July 2015

REMUNERATION REPORT

The remuneration policy for senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries. 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.

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.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at **www.ome.uk.com**.

1. Performance and reward

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. 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.

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**

2. Nominations Sub-Committee

The remuneration approach for senior civil servants who are not members of the Departmental Board is reviewed by the Nominations Sub-Committee (of the Board). The Members of the Nominations Sub-Committee are:

Rachel Campbell	Non-Executive Director (Chair)
Stephen Lovegrove	Permanent Secretary
Christina Duncan	Human Resources Director
Standing Attendees:	
Angie Ridgwell	Director General of Corporate Services
Martin Stewart	Lead Non-Executive Director

The Terms of Reference of the Nominations Sub-Committee are:

- scrutinising systems for identifying and developing leadership and high potential;
- scrutinising plans for orderly succession of appointments to the Board and of senior management, in order to maintain an appropriate balance of skills and experience;
- scrutinising incentives and rewards for executive board members and senior officials, and advising on the extent to which these arrangements are effective at improving performance; and
- determining and publishing the Department's Senior Civil Service Pay Strategy.

3. Civil Service contracts

The Constitutional Reform and Governance Act 2010 require 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 Commission can be found at **www.civilservicecommission.org**

Early termination other than misconduct would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

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 were provided by a third party via a secondment contract which ran until 31 July 2014.

4. Salary and pension entitlements for Ministers of the Department

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 & Climate Change for the year ending 31 March 2015 were as follows:

Single total figure of remuneration

	Ministerial salary received 2014-15	Ministerial salary received 2013-14	Pension benefits 2014-15[1]	Pension benefits 2013-14	Total 2014-15	Total 2013-14	Accrued pension at 65 at 31/03/15	Real increase in pension at age 65	CETV at 31/03/15[2]	CETV at 31/03/14[2]	Real increase in CETV
	£	£	(to nearest £1000)	(to nearest £1000)	(to nearest £1000)	(to nearest £1000)	£'000	£'000	£'000	£'000	£'000
Secretary of State Rt Hon Ed Davey	67,505	68,169	22,000	25,000	90,000	93,000	5 - 10	0 – 2.5	85	61	9
Ministers of State											
Gregory Barker MP (to 14 July 2014)	9,112 (full time equivalent 31,680)	32,344	4,000	12,000	13,000	44,000	0 - 5	0 – 2.5	46	43	2
Michael Fallon MP[3] (to 14 July 2014)	-	-	-	-	-	-	-	-	-	-	-
Matt Hancock MP[4] (from 15 July 2014)	-	-	-	-	-	-	-	-	-	-	-
Parliamentary Under Secretary of State											
Baroness Verma	105,076	105,076	24,000	25,000	129,000	130,000	5 - 10	0 – 2.5	118	91	14
Amber Rudd (from 15 July 2014)	15,939 (full time equivalent 22,375)	-	6,000	-	22,000	-	0 - 5	0 – 2.5	10	5	3

1 The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

2 The CETV at 31/03/15 for members leaving the Department is at the date they left the Department; the CETV at 31/03/14 for members joining the Department is at the date they joined the Department.

3 Joint Minister with Department for Business, Innovation & Skills (BIS) from 28 March 2013 to 14 July 2014, details of the Ministerial salary and pension details can be found in the 2014-15 and 2013-14 BIS Annual Report and Accounts.

4 Joint Minister with Department for Business, Innovation & Skills (BIS) from 14 July 2014, details of the Ministerial salary and pension details can be found in the 2014-15 and 2013-14 BIS Annual Report and Accounts.

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 (£66,396 from 1 April 2013, £67,060 from 1 April 2014) 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

The Departmental Board constitutes Ministers reported in the table above, executive members and Non-Executive Directors, all of whom are reported in the tables below.

The salary and pension entitlements of the executive members of the Departmental Board were as follows:

Single total figure of remuneration

	Salary 2014-15	Bonus Payments 2014-15[1]	Salary 2013-14	Bonus Payments 2013-14	Pension benefits 2014-15[2]	Pension benefits 2013-14	Total 2014-15	Total 2013-14	Accrued pension at pension age at 31/03/15 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/15[3]	CETV at 31/03/14[3]	Real increase in CETV
	£'000	£'000	£'000	£'000	(to nearest £1000)	(to nearest £1000)	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Stephen Lovegrove	165-170	-	165-170	-	45,000	35,000	210-215	200-205	20-25	2.5-5	337	285	27
Simon Virley (to 31 Oct 2014)	80-85 (full time equivalent 140-145)	10-15	140-145	10-15	48,000	35,000	145-150	185-190	45-50 plus lump sum 60-65	2.5-5 plus lump sum 0-2.5	680	623	28
Clive Maxwell	140-145	15-20	10-15 (full year equivalent 140-145)	-	51,000	5,000	205-210	15-20	40-45 plus lump sum 120-125	2.5-5 plus lump sum 7.5-10	571	512	28
Katrina Williams	120-125	-	50-55 (full year equivalent 115-120)	-	23,000	13,000	140-145	65-70	45-50 plus lump sum 140-145	0-2.5 plus lump sum 2.5-5	857	798	17
Angie Ridgwell	140-145	-	45-50 (full year equivalent 135-140)	-	52,000	19,000	190-195	65-70	0-5	2.5-5	52	13	26
Vanessa Howlison[4] (to 22 November 2013)	-	-	80-85 (full year equivalent 125-130)	0-5	-	17,000	-	105-110	-	-		748	-

Vanessa Nicholls[5] (from 21 December 2012 to 26 September 2013)	-	-	50-55 (full year equivalent 100-105)	10-15	-	10,000	-	70-75	-	-		277	-
Stephen Speed (from 1 August 2013 to 23 February 2014)	-	-	60-65 (full year equivalent 105-110)	-	-	52,000	-	110-115	-	-		704	-
Phil Wynn Owen[6] (to 17 July 2013)	-	-	40-45 (full year equivalent 140-145)	-	-	-	-	40-45	-	-		1,105	-
Hugh McNeal7 (from 1 Nov 2014 to 15 Feb 2015)	30-35 (full year equivalent pro-rata 100-105)	-	-	-	24,000	-	50-55	-	20-25	0-2.5	269	244	14
Jeremy Pocklington (from 16 Feb 2015)	10-15 (full year equivalent 110-115)	-	-	-	7,000	-	20-25	-	25-30 plus lump sum 15-20	0-2.5 plus lump sum 0-2.5	299	294	4

1 The bonus figures disclosed are the actual bonuses for 2013-14 which were paid in 2014-15. The 2014-15 bonuses have yet to be approved and communicated to the individuals concerned.

2 The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

3 The CETV at 31/03/15 for members leaving the Department is at the date they left the Department; the CETV at 31/03/14 for members joining the Department is at the date they joined the Department.

4 Vanessa Howlison joined the Departmental Board 1 May 2012, being previously on the Executive Committee and was acting Finance and Corporate Services Director General between 27 September and 22 November 2013; being Finance Director outside this period.

5 Vanessa Nicholls was acting Chief Operating Officer from 21 December 2012.

6 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.

7 Hugh McNeal joined the Department Board as acting Director General of Markets and Infrastructure between 1 November 2014 and 15 February 2015.

Compensation for loss of Office

No senior managers have received compensation for loss of office in the financial year 2014-15.

Non-Executive Directors

The details of the service contracts, fees, and benefits in kind paid during the year were as follows:

	End date of service contract	Fees 2014-15	Fees 2013-14
		£'000	£'000
Martin Stewart[1]	31 May 2016	20 (20 full year equivalent)	17 (20 full year equivalent)
Terry Morgan[2] (resigned on 31 August 2014)	-	8 (20 full year equivalent)	20 (20 full year equivalent)
Tom Kelly	2 February 2017	15 (15 full year equivalent)	2 (15 full year equivalent)
Rachel Campbell[3] (from 25 September 2014)	24 September 2017	12 (24 full year equivalent)	-
Charles Randell[4] (from 16 Oct 2014)	15 October 2017	8 (20 full year equivalent)	-
Claire Thomas[5] (to 31 December 2013)	-	-	15 (20 full year equivalent)

5. Salary and pension entitlements for other senior management

The Departmental Board is supported by the Executive Committee. The Executive Committee brings together the senior leadership team as corporate leaders to support the Permanent Secretary in leading the Department, and as Accounting Officer.

The salary and pension entitlements of the members of the Executive Committee were as follows:

Notes

1 Martin Stewart is also the Deputy Chair of the Departmental Board.

2 Terry Morgan was also Chair of the Audit and Risk Committee from 11 February 2013 to 31 August 2014. 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.

3 Rachel Campbell was appointed Chair of the Nominations Sub-Committee and member of Audit and Risk Committee from 25 September 2014.

4 Charles Randell was appointed Chair of the Audit and Risk Committee from 1 February 2015. Charles Randell is paid £15,000 a year for his role as a Non-Executive Member and £5,000 a year as the Chair of the Audit and Risk Committee.

5 Claire Thomas was also Chair of the Nominations and Sub-Committee until 31 December 2013.

Single total figure of remuneration

	Salary 2014-15	Bonus Payments 2014-15[1]	Salary 2013-14	Bonus Payments 2013-14	Pension benefits 2014-15[2]	Pension benefits 2013-14	Total 2014-15	Total 2013-14	Accrued pension at pension age at 31/03/15 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/15[3]	CETV at 31/03/14[3]	Real increase in CETV
	£'000	£'000	£'000	£'000	(to nearest £1000)	(to nearest £1000)	£'000	£'000	£'000	£'000	£'000	£'000	£'000
David MacKay[4] (to 31 July 2014)	-	-	-	-	-	-	-	-	-	-	-	-	-
Susannah Storey	65-70	10-15	65-70	-	26,000	24,000	105-110	90-95	15-20	0-2.5	142	123	9
Jo Shanmugalingam	55-60	10-15	50-55	-	16,000	76,000	85-90	125-130	10-15 plus lump sum 40-45	0-2.5 plus lump sum 2.5-5	156	140	6
Ravi Gurumurthy (to 21 August 2013)	-	-	30-35 (full year equivalent 80-85	-	-	2,000	-	30-35	-	-	-	170	-
Steven Fries (to 30 April 2013)	-	-	10-15 (full year equivalent 135-140)	-	-	56,000	-	65-70	-	-`	-	191	-
Scott Milligan (from 6 November 2012 to 30 April 2013)	-	-	5-10 (full year equivalent 95-100)	0-5	-	-	-	10-15	-	-	-	1,258	-
Rod Davis (from 14 January 2013 to 30 April 2013)	-	-	5-10 (full year equivalent 115-120)	-	-	53,000	-	60-65	-	-	-	29	-

Single total figure of remuneration

	Salary 2014-15	Bonus Payments 2014-15[1]	Salary 2013-14	Bonus Payments 2013-14	Pension benefits 2014-15[2]	Pension benefits 2013-14	Total 2014-15	Total 2013-14	Accrued pension at pension age at 31/03/15 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/15[3]	CETV at 31/03/14[3]	Real increase in CETV
	£'000	£'000	£'000	£'000	(to nearest £1000)	(to nearest £1000)	£'000	£'000	£'000	£'000	£'000	£'000	£'000
John Loughhead (from 22 October 2014)	55-60 (full year equivalent 125-130)	-	-	-	21,000	-	75-80	-	0-5	0-2.5	23	-	18

1 The bonus figures disclosed are the actual bonuses for 2013-14 which were paid in 2014-15. The 2014-15 bonuses have yet to be approved and communicated to the individuals concerned.

2 The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

3 The CETV at 31/03/15 for members leaving the Department is at the date they left the Department; the CETV at 31/03/14 for members joining the Department is at the date they joined the Department.

4 The services of David MacKay, Chief Scientific Adviser, were provided by a third party via a secondment contract. During the period from 1 April 2014 to 31 July 2014 the Department was charged £47,685 (2013-14: £143,055) excluding VAT, by the third party for his services under a contract which ran until 31 July 2014.

6. 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 2014-15 are the 2013-14 bonuses as the 2014-15 bonuses have yet to be approved and communicated to the individuals concerned.

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 banded remuneration of the highest paid director for the Department in the financial year 2014-15 was £165-170,000 (2013-14: £165-£170,000), this was 3.5 times (2013-14: 3.5 times) the median remuneration of the workforce, which was £48,578 (2013-14: £47,920). In 2014-15, 7 (2013-14: 3) employees received remuneration in excess of the banded remuneration of the highest-paid director. Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

No Ministers, Board members or other senior management were in receipt of benefits in kind for the financial years 2014-15 or 2013-14.

Ministerial pensions

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).

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.

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 Pensions Increase Legislation. From 1 April 2014 members paid contributions between 8.4% and 17.9% depending on their level of seniority and chosen accrual rate.

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.

In line with reforms to the public service pension schemes, it is intended to reform the Ministerial Pensions Scheme in 2015. The new scheme will be a Career Average pension scheme, have an accrual rate of 1.775%, revaluation based on the change in prices, a Normal Pension age equal to State Pension age and a member contribution rate of 11.1%.

The Cash Equivalent Transfer Value
This 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 arrangements when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. 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 a Minister. CETVs are calculated in accordance with The Occupational Pension Scheme (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.

The real increase in the value of the CETV
This is the element of the increase in accrued pension funded by the Exchequer. It excludes increase due to inflation and contribution paid by the Minister. It is worked out using common market valuation factors for the start and end of the period.

Civil Service pensions
Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (classic, premium or classic plus); or a whole career scheme (nuvos). 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).

Employee contributions are salary-related and range between 1.5% and 6.85% of pensionable earnings for classic and 3.5% and 8.85% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on the pensionable earnings during the period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3 % of their pensionable earnings in that scheme year and the accrued pension is 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.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution).

Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

Further details about the Civil Service pension arrangements can be found at the website **http://www.civilservice.gov.uk/pensions**

New Career Average pension arrangements will be introduced from 1st April 2015 and the majority of classic, premium, classic plus and nuvos members will join the new scheme. Further details of this new scheme are available at **http://www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/**

The Cash Equivalent Transfer Value

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

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service Pension arrangements. They also include any additional pension benefit accrued to the member as a result of their 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

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

7. Spend on consultancy and temporary staff

	2014-15			2013-14		
	Core Department	NDPBs	Total	Core Department	NDPBs	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Consultancy	5,485	4,155	9,640	6,378	1,862	8,240
Temporary staff	6,245	3,594	9,839	6,877	3,294	10,171
Total	11,730	7,749	19,479	13,255	5,156	18,411

The increase in consultancy costs is predominantly due to legal consultancy services required by the Nuclear Decommissioning Authority; the costs related to:

- the option with NuGeneration Ltd to lease land adjacent to Sellafield for new nuclear construction;
- the challenge from Energy Solutions EU Ltd to the outcome of the competition for the Magnox/RSRL contract;
- the set-up of the National Nuclear Archive; and
- general Legal Panel advice previously approved in-house

8. Review of tax arrangements of public sector appointees

The Department implemented new tax assurance arrangements following the HM Treasury's review of tax arrangements of public sector appointees. A model payment of tax clauses were incorporated into our standard terms and conditions. The Department confirmed with Government Procurement Service (now Crown Commercial Service) that their resourcing frameworks, from which we source the majority of our contractors, met the new tax requirements.

In 2014-15, the Department applied a two-stage approach to tax assurance:

- contractors were required to sign a letter of assurance to confirm they are aware of the payment of tax clauses in the contracts and to confirm they are tax compliant; and
- risk based more in-depth review of tax assurance was undertaken for certain individuals based upon the cost, length and nature of the contract.

We engaged with our NDPBs to promote awareness of this issue and the need for them to have similar tax assurances arrangements in place.

The information below provides data on off-payroll engagements covering both the Core Department and its arm's length bodies.

Table 1: For all off-payroll engagements as of 31 March 2015, for more than £220 per day and that last for longer than six months

	Core Department	CA	CNPA	NDA	LCCC	CCC
No. of existing engagements as of 31 March 2015	47	7	-	18	5	-
Of which:						
No. that have existed for less than one year at time of reporting.	8	2	-	9	5	-
No. that have existed for between one and two years at time of reporting.	22	3	-	6	-	-
No. that have existed for between two and three years at time of reporting.	11	1	-	1	-	-
No. that have existed for between three and four years at time of reporting.	5	1	-	2	-	-
No. that have existed for four or more years at time of reporting.	1	-	-	-	-	-

Table 2: For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2014 and 31 March 2015, for more than £220 per day and that last for longer than six months.

	Core Department	CA	CNPA	NDA	LCCC	CCC
No. of new engagements, or those that reached six months in duration, between 1 April 2014 and 31 March 2015	10	-	-	-	5	-
No. of the above which include contractual clauses giving the Department the right to request assurance in relation to income tax and National Insurance obligations	10	-	-	-	5	-
No. for whom assurance has been requested	10	-	-	-	5	-
Of which:						
No. for whom assurance has been received	10	-	-	-	5	-
No. for whom assurance has not been received	-	-	-	-	-	-
No. that have been terminated as a result of assurance not being received.	-	-	-	-	-	-

There were no off-payroll engagements of board members and/or senior officials with significant financial responsibility between 1 April 2014 and 31 March 2015.

Stephen Lovegrove
Principal Accounting Officer and Permanent Secretary

14 July 2015

RESOURCE ACCOUNTS

STRUCTURE

DIRECTORS' REPORT

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

FINANCIAL STATEMENTS

DIRECTORS' REPORT

In 2014-15, the Department's consolidated spend was £11.5 billion delivering its objectives for a safe, secure and clean energy system and ambitious action on climate change. The Department made notable progress across its portfolio delivery, including:

- **Electricity Market Reform:** entering into contracts through the Contract for Difference (CfD) auctions have had a material impact on our Statement of Financial Position.
- **Oil and Gas Authority:** paving the way for the new agency which was established on 1 April 2015.
- **The Energy Company Obligation and Green Deal:** implementing a new £180 million Green Deal Home Improvement Fund to incentivise consumers to invest in energy efficiency and reaching the Department's goal of improving the energy efficiency of 1 million homes.
- **Decommissioning at Sellafield:** simplifying the operating model used to manage the decommissioning at Sellafield which will enhance flexibility and allow the Nuclear Decommissioning Authority (NDA) and the Site Licensing Company at Sellafield to attract the diverse skills needed as the work progresses.

Resources allocated (Estimate) and utilised (Outturn)

In 2014-15, the Department's budget was £39 billion to deliver its ambitions and it utilised £11.5 billion.

Resource allocation

The budget was split between:

- 62 % Low Carbon Contracts Company (LCCC) - £24.4 billion which was predominantly for Contracts for Difference (see Box 2);
- 21 % NDA – £8.1 billion which was for the decommissioning and cleaning of nuclear sites (see Box 3);
- 17 % Core - £6.5 billion which consisted of £4.5 billion for CfD contracts and £2 billion to support the remaining objectives (see Figure 4)

The NDA and LCCC funding could only be used for the specific designated purpose. The Department funded three smaller arms' length bodies from the core budget:

- the Coal Authority (£(2) million - £27 million expenditure and a credit of £29 million for non-cash movements), which manages the effects of former coal mines.
- the Committee on Climate Change (£4 million), which provides independent advice to Government and Parliament.
- the Civil Nuclear Police Authority, whose costs are generally recovered from industry.

In 2014-15, the Department's consolidated spend was

£11.5 billion

delivering its objectives for a safe, secure and clean energy system and to deliver ambitious action on climate change

HM Treasury classifies budget as: Departmental Expenditure Limit (DEL) or Annual Managed Expenditure (AME).

DEL budgets are firm, planned budgets set for multi-year periods in Spending Reviews. They are linked to the Department's objectives and their limits may not be exceeded. The DEL budget is split into Resource DEL and Capital DEL. £1.5 billion of 2014-15 core budget was within DEL.

Resource DEL is spent on either:

- programme - largely the delivery of the Department's frontline objectives, including funding for many partner organisations; or
- administration - running costs of the Department and its partner organisations, including back office staff, accommodation and IT.

Capital DEL is for spending on assets and investment. By having a separate total for Capital DEL, funding for capital investment is both protected and controlled.

AME budgets are volatile or demand-led in a way that the Department cannot control. £5.0 billion of net expenditure in 2014-15 was within AME. Examples of AME budgets for the Department are:

- renewable heat incentive; and
- liabilities and provisions.

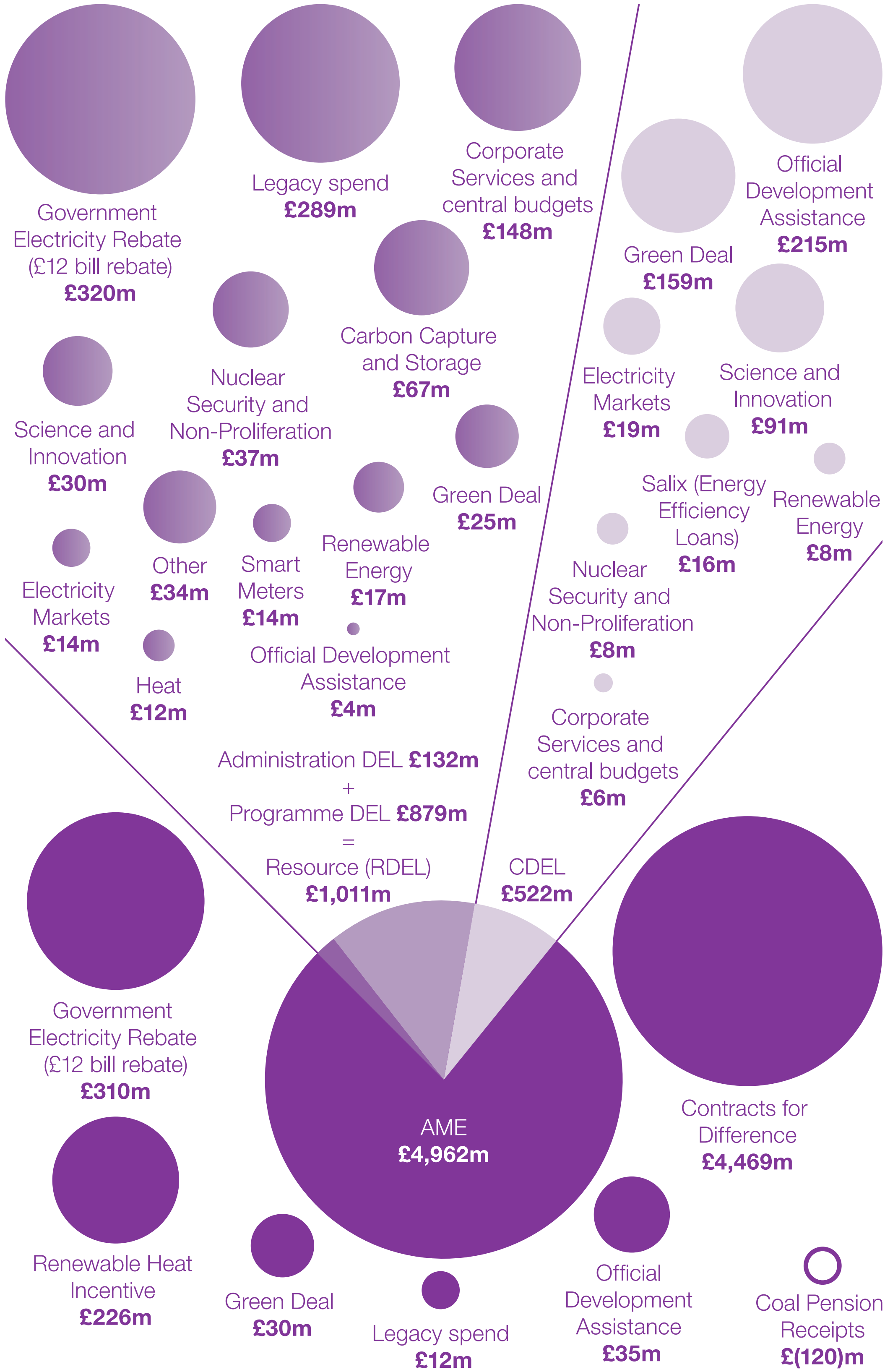
The **£6.5 billion** 2014-15 core budget was split into DEL

£1.5 billion

and AME

£5.0 billion

Figure 4: The £6.5 billion 2014-15 core budget was split into DEL £1.5 billion and AME £5.0 billion



Parliament sets the control totals and departments must keep their spending within the control totals. The Department remained within its budgetary control totals as well as the Net Cash Requirement as set by Parliament.

The Department's final outturn compared to its Supplementary Estimate is set out in the table below. The main variance was an underspend within Resource AME of £21.4 billion. This underspend was caused predominantly by Contracts for Difference. The Department took out £28.8 billion of Estimate cover for these contracts, which included Hinkley Point C and for which we had to prudently assume would be 100% on the Statement of Financial Position. In practice, the Hinkley contract was not signed in 2014-15, and in applying International Accounting Standards, we have deferred most of the whole-life cost of the contracts. There was also a large underspend against AME Capital due the recognition of £500 million receipt from the British Coal Staff Superannuation Scheme (BCSSS), following an actuarial review of the value of the fund. Box 1 provides further explanation of the reasons for the underspend by each control total category.

The Department remained within its budgetary control totals as well as the Net Cash Requirement as set by Parliament

	Estimate	Outturn	Variance	
Control Total	£m	£m	£m	%
DEL – Resource	1,468	1,405	63	4%
DEL – Capital	2,342	2,241	101	4%
AME – Resource	35,285	8,473	26,812	76%
AME – Capital	(98)	(601)	503	513%
Total	**38,997**	**11,518**	**27,479**	

Resource utilisation

The cost of delivering the Department's programme was £11.5 billion, compared to a total of £7.9 billion in 2013-14, and £8.5 billion in 2012-13.

Key net spend

The table below shows the key net spend across the three financial years:

The cost of delivering the Department's programme was

£11.5 billion

Key net spend	14-15 £'000	13-14 £'000	12-13 £'000
Nuclear Decommissioning Authority	7,910	7,527	7,333
Contracts for Difference	2,485	-	-
Government Electricity Rebate	308	-	-
Renewable Heat Incentive	161	66	40
Official Development Assistance	195	382	217
Green Deal	132	109	55
Other	327	(228)	890
Total	**11,518**	**7,856**	**8,535**

Over the course of 2014-15, the Department generated

£1.7 billion

of income and handed over a further

£1.25 billion

of receipts to the Exchequer

Over the course of 2014-15, the Department recognised £1.7 billion of income and handed over a further £1.25 billion of receipts to the Exchequer through the operation of revenue raising programmes such as the Carbon Reduction Commitment Scheme and the EU Emission Trading Scheme (please see page 237 of the Trust Statements).

Trend analysis

Figure 5 below shows the Department's expenditure in nominal terms over the last three financial years.

Resource DEL

Resource DEL spend has been steady up to and including 2013-14, representing a real term reduction in spending. The peak in expenditure in 2014-15 is due to the one-off Government Energy Rebate scheme (£308 million).

Capital DEL

The Department has an uneven profile for capital expenditure due to the profile of the budget allocated for ring-fenced areas in the 2010 Spending Review and subsequent increases in the 2013 and 2014 Autumn Statements:

- Official Development Assistance - £191 million;
- Green Deal - £120 million mostly related to the Green Deal Home Improvement Fund; and
- Nuclear Decommissioning Authority - £1,843 million.

Resource AME

AME is inherently unstable and fluctuates from year to year. The reduction in 2013-14 was due to Coal Pension revaluation. The increase in 2014-15 was due mainly to CfD liability and NDA provision.

Capital AME

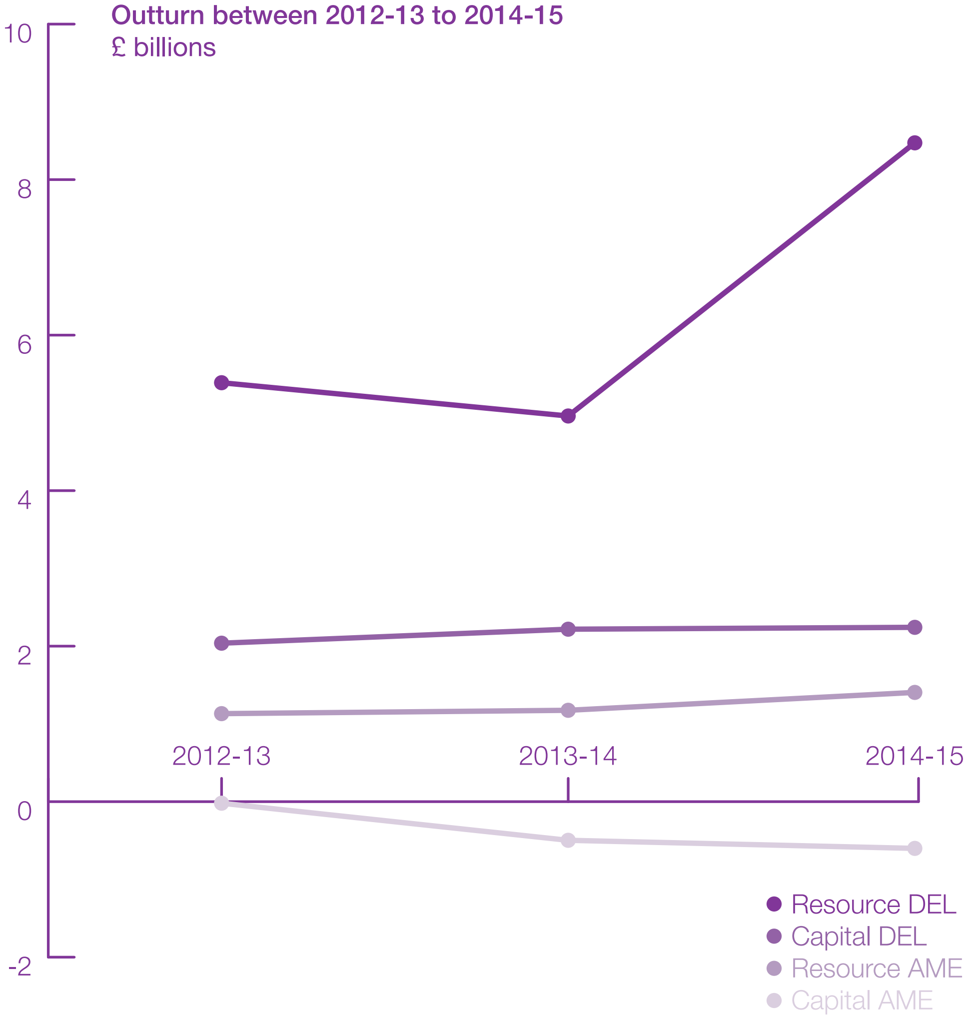
The decrease in trend spends for Capital AME was due to increased income in the last two financial years due to one-off releases of income from Coal Pension Surpluses of:

- £700 million from the Mineworkers' Pension Scheme in 2013-14; and
- £500 million from the BCSSS in 2014-15.

Figure 5: Trend Analysis per Control Total Category

Outturn between 2012-13 to 2014-15

£ billions



Levy control framework budget

In addition to the budget allocated by Parliament, the Department has a budget set by HM Treasury. Levies are officially classed as government spend, but are collected indirectly through industry, which passes the costs on to consumers. The Department is one of a handful of departments which have a levy budget. The total cost of the Department's levies is governed by the Levy Control Framework.

Resource DEL spend has been steady up to and including 2013-14, representing a real term reduction in spending

The Department is one of a handful of departments which have a levy budget. The total cost of the Department's levies is governed by the Levy Control Framework

The Department has committed to find
£70 million
of savings

STATEMENT OF FINANCIAL POSITION (SOFP)

Overall total assets less total liabilities were £(77.3) billion, compared to £(69.2) billion in 2013-14 and £(63.9) billion in 2012-13.

The significant development in terms of the SoFP is the inclusion, for the first time, in the Department's Annual Accounts, a liability arising from signed CfDs (see Box 2) amounting to £2.5 billion of the change to the Department's Financial Position.

The remaining increase is driven by changes to the value of the provision we have made for the costs of decommissioning the NDA's estate (see Box 3).

LOOKING AHEAD

The Government has made clear that it is committed to continuing reduction of the deficit. Like the rest of Whitehall, the Department is expecting to make a significant contribution to meeting that objective, which will be agreed through the expected Spending Review in Summer 2015.

Ahead of the Spending Review, the Government announced on 4 June 2015 its intention to deliver savings of £4.5 billion across all Government entities from its 2015-16 budget. The Department has committed to find £70 million of savings in three areas:

- £10 million will be realised by driving out underspends from existing contracts, for example because inflation is now lower than when costs were forecast;
- £20 million will be found through underspends in the Department's Arms Lengths Bodies; and
- £40 million will be saved from our programme of energy-efficiency subsidy while we consider the right long-term framework for the home-energy-efficiency market.

In addition to realising these savings, the Department will be focused on delivering a broad and complex policy portfolio, including:

- supporting Ministers to reach a strong deal on global emissions at the UNFCCC COP 21, which takes place in Paris in December 2015;
- responding to the recommendations of the Competition and Markets Authority investigation into energy markets; and
- continuing to support the safe development of shale gas and working through the Oil and Gas Authority as well as improving the overall competitiveness of the UK Continental Shelf.

These challenges are set against a backdrop of a number of financial and policy risks that are set out on pages 25 to 30; managing these risks remains a key focus of the Department's management and Board.

Box 1: Reasons for outturn and supplementary estimate variances

Net departmental expenditure is split between Departmental Expenditure Limit (DEL) and Annually Managed Expenditure (AME).

Net Resource DEL
The Department underspent by £63 million (4%) against the control total in the Supplementary Estimate. This is largely due to underspending on:

- Carbon Capture and Storage - £18 million (re-phasing of two Front End Engineering Design Studies into 2015-16);
- Government Electricity Rebate - £12 million (the non-redemption of prepayment meter vouchers); and
- Nuclear Decommissioning Authority - £8 million (small net underspend of under 2% on £1.4 billion gross expenditure).

The budget for these items was "ring-fenced" which means that underspends could not be used to finance other activities.

Net Capital DEL
The Department underspent by £101 million (4%) against the Supplementary Estimate control total. This is due to:

- Carbon Capture and Storage Innovation - £46 million (due to ring-fenced budget no longer required);
- Household Energy Efficiency measures - £39 million (lower than budgeted levels of redemption of Green Deal Home Improvement Fund vouchers); and
- International, Science & Resilience Group - £24 million (recommended change in accounting for some investment policies).

Net Resource AME
Resource AME is underspent by £26,812 million (76%) largely due to:

- Contracts for Difference - £26,347 million (less liability was required than that anticipated at the time of the Supplementary Estimate);
- Nuclear Decommissioning Authority - £246 million (smaller increase in Nuclear Provision than that anticipated at the time of the Supplementary Estimate); and
- Renewable Heat Incentive (RHI) - £65 million (lower than expected spend on biomethane as fewer plants came online than expected)

Net Capital AME
Capital AME is underspent by £503 million (513%); this arose from the recognition of a one-off payment of £500 million from the BCSSS.

Net Cash Requirement
The underspend against the net cash requirement of £522 million is due to the underspends against DEL outlined above, the underspend on RHI AME, and movements in working capital.

In 2014-15, **41** new “Contracts for Difference” (CfD) were awarded to energy suppliers. These contracts are designed to encourage investment in new low carbon power plants to help meet our decarbonisation targets and also improve security of supply by increasing the range of electricity sources available

Box 2: Contracts for Difference (CfD)

In 2014-15, 41 new “Contracts for Difference” (CfD) were awarded to energy suppliers. These contracts are designed to encourage investment in new low carbon power plants to help meet our decarbonisation targets and also improve security of supply by increasing the range of electricity sources available. The CfD contracts are 12 to 15 years in duration and guarantees the price that the supplier will receive for the electricity generated; this enables them to invest upfront in the necessary infrastructure.

Strike Prices

The price agreed with each supplier for the electricity generated, the “strike price”, was negotiated in the first tranche of CfD contracts through the “Final Investment Decision (FID) Enabling for Renewables”. Subsequent contracts were awarded through an auction to ensure the most competitive rates were achieved. As the low carbon electricity is generated in the future and sold into the market, the supplier will be paid the shortfall between the money they get on the open market and the strike price. If the selling price is higher than the strike price they must repay the surplus.

Fair Value

The Fair Value of the future CfDs payments let in 2014-15 is estimated at £21.6 billion. This figure is calculated using a complex model which forecasts the rate of generation, demand for electricity and electricity prices over the term of the contract.

Sensitivity Analysis

The figures in the accounts reflect management’s best estimate within a range of scenarios. This will inevitably be subject to change over time and while a single figure has been disclosed in the accounts, in the interest of public accountability and transparency the figure is sensitive to future electricity prices, future electricity generated and when the projects start generating electricity. On the basis of a 10% change in forecast electricity prices, or a 10% change in electricity generated, or a 12 month delay in the start of electricity generation, the Fair Value could be £4.6 billion higher, or £5.1 billion lower.

Low Carbon Contracts Company

The income to pay for these costs will be met by licensed energy suppliers. The Government has established the Low Carbon Contracts Company to manage these contracts and settle the accounts with the generators.

Accounting Treatment for the Liability

As the Government does not show future income from taxes or levies, the initial Fair Value of £19.1 billion has been deferred in accordance with accounting standards. Subsequent movements in Fair Value of £2.5 billion have been charged to the costs. Further details about the CfDs can be found in Note 17.1.

Box 3: Nuclear Decommissioning Provision

The Nuclear Decommissioning Authority (NDA) is responsible for the decommissioning and clean-up of the 17 designated nuclear sites within its estate. The Department's Statement of Financial Position includes a provision of £70 billion as at March 2015 relating to the liability for decommissioning NDA's estate; of which £53 billion relates to Sellafield.

Lifetime cost of decommissioning Sellafield

Sellafield has always been the largest component of the provision, with the greatest level of complexity and uncertainty. NDA's estimate of the lifetime cost of decommissioning at Sellafield has increased sharply in recent years. The Sellafield's discounted provision component as at 31 March 2015 is £53 billion; this is an increase of £5 billion (10.4%) from 2013-14. The estimated provision for the rest of NDA's sites has remained relatively stable (see Figure 6 below).

Sellafield is the UK's largest and most hazardous nuclear site. It includes two operational nuclear fuel reprocessing plants, and waste treatment and storage plants. Between 2010-11 and 2014-15 the nuclear provision for Sellafield has increased by more than £21 billion (£28 billion increases less £7 billion expenditure); the increases are attributable broadly as follows:

- £15 billion - increases in estimates of the cost of work required to complete decommissioning and clean up across the site, as NDA developed a better understanding of the nature of the hazards.
- £3 billion - relates to the removal of previously assumed efficiencies that had been built into the performance plan but which NDA now deems to be unachievable.
- £7 billion – increases due to the impact of inflation and the unwinding of discount.
- £3 billion - increases from the step change in discount rates applied by HM Treasury in 2012-13.

Sellafield Performance Plan 2014 (PP14)

Under the contractual arrangements in place until 2015, NDA's contractors were required to periodically prepare and comprehensively revise a lifetime plan for Sellafield. This lifetime plan is the basis for management's best estimate of the future cost of nuclear decommissioning at the site at each year end. PP14 was the first comprehensive revision since 2011, and resulted in increased costs (on a discounted basis) of approximately £5 billion.

Uncertainty in the Estimate

The range of uncertainty is calculated based on methodology derived from HM Treasury's Green Book; the estimate for undiscounted future costs is £118 billion ranging from £95 billion to £218 billion. The NDA's financial statements set out further detail about key assumptions and uncertainties across all sites.

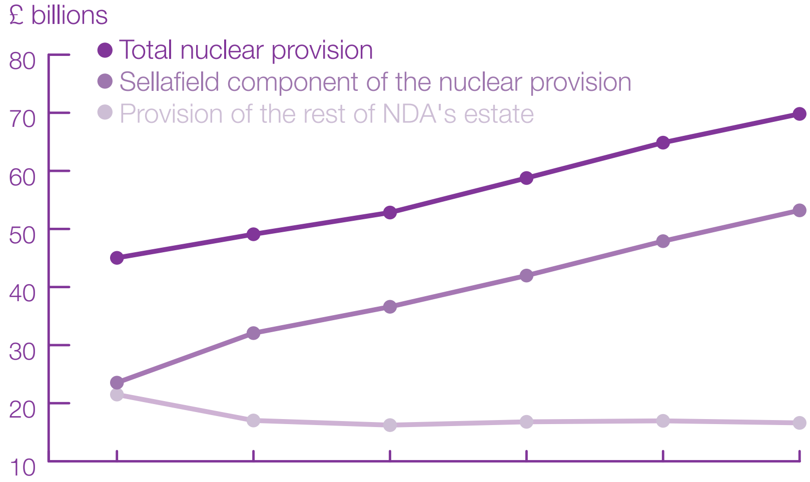
Conclusion

The estimate of future nuclear decommissioning costs is inevitably subject to considerable uncertainty, given the nature of the hazard and inherent complexity of the task, a programme of work that extends over 100 years, and the associated technological and programme uncertainties this brings.

The estimate of future nuclear decommissioning costs is inevitably subject to considerable uncertainty, given the nature of the hazard and inherent complexity of the task, a programme of work that extends over **100 years**

The estimated provision for the rest of NDA's sites has remained relatively stable

Figure 6: The estimated provisions for NDA's sites have remained constant except for Sellafield



Other Information

Reporting entities

A description of the reporting entities within the departmental accounting boundary can be found in Note 30 to the Annual Accounts.

Events after the reporting period

Details of events after the reporting period are given in Note 29 to the Accounts Accounts.

Pension liabilities

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. 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 Statement of Financial Position. Further details can be found in Note 3 to the Annual Accounts.

Payment of suppliers

The Department is an Approved Signatory to the Better Payment Practice Code (**http://payontime.co.uk**) and has seen an improvement year on year. The Department also monitored payments against a ten working days target, in recognition of the government's commitment to pay suppliers, where 99.37 per cent of payments were made within five working days in 2014-15 compared to 94.6 per cent in 2013-14.

Disclosure of audit information

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

Stephen Lovegrove
Principal Accounting Officer and Permanent Secretary
14 July 2015

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed the Department of Energy & 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 2014 no 531 as amended by Statutory Instrument 2014 no 3314 (together known as the 'Departmental Group', consisting of the Department and sponsored bodies listed at Note 30 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 & Climate Change.

The Accounting Officer of the Department has also appointed the Chief Executives of its sponsored non-departmental and other arm's length 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.

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 & Climate Change and of its Departmental Group for the year ended 31 March 2015 under the Government Resources and Accounts Act 2000. The Department consists of the core Department and its agencies. 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 2014. 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. 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 2015 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 2015 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 – Provisions for nuclear decommissioning and coal liabilities

Without qualifying my opinion, I draw attention to the disclosures made in notes 1.35 and 18 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 sections within the Annual Report and Accounts entitled Strategic Report, Governance, Directors' Report and Annex E 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.

Sir Amyas C E Morse
14 July 2015
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

STATEMENT OF PARLIAMENTARY SUPPLY

Summary of Resource and Capital Outturn 2014-15

								2014-15	2013-14 Restated
								£'000	£'000
				Estimate			Outturn		Outturn
	SOPS Note	Voted	Non- Voted	Total	Voted	Non-Voted	Total	Voted Outturn compared with Estimate: saving/ (excess)	Total
Departmental Expenditure Limit									
Resource	2.1	2,584,425	(1,116,000)	1,468,425	2,414,047	(1,008,787)	1,405,260	170,378	1,172,733
Capital	2.2	2,343,821	(2,000)	2,341,821	2,244,013	(2,916)	2,241,097	99,808	2,217,689
Annually Managed Expenditure									
Resource	2.1	35,284,537	-	35,284,537	8,472,770	-	8,472,770	26,811,767	4,960,436
Capital	2.2	(98,394)	-	(98,394)	(601,184)	-	(601,184)	502,790	(496,660)
Total budget		**40,114,389**	**(1,118,000)**	**38,996,389**	**12,529,646**	**(1,011,703)**	**11,517,943**	**27,584,743**	**7,854,198**
Non budget									
Resource	3	5,588	-	5,588	2,588	-	2,588	3,000	-
Total		**40,119,977**	**(1,118,000)**	**39,001,977**	**12,532,234**	**(1,011,703)**	**11,520,531**	**27,587,743**	**7,854,198**
Total Resource		37,874,550	(1,116,000)	36,758,550	10,889,405	(1,008,787)	9,880,618	26,985,145	6,133,169
Total Capital		2,245,427	(2,000)	2,243,427	1,642,829	(2,916)	1,639,913	602,598	1,721,029
Total		**40,119,977**	**(1,118,000)**	**39,001,977**	**12,532,234**	**(1,011,703)**	**11,520,531**	**27,587,743**	**7,854,198**

Net cash requirement 2014-15

	SOPS note	2014-15 Estimate		2014-15	2013-14
		£'000		£'000	£'000
			Outturn	Outturn compared with Estimate: saving/ (excess)	Outturn
Net cash requirement	4	**5,106,326**	**4,584,222**	522,104	3,372,991

Administration Costs 2014-15

£'000	SOPS note	2014-15 Estimate		2014-15	2013-14
		£'000		£'000	£'000
			Outturn		**Outturn**
Administration Costs	3.2	182,578	171,854		175,000

Figures in the areas outlined in bold are voted totals subject to Parliamentary control. In addition, although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

Explanations of variances between Estimate and outturn are given in SOPS Note 2 and in the Directors' Report.

The Department has a Prior Period Adjustment (PPA) resulting from a change in accounting policy for the Coal Authority relating to the treatment of mine water schemes and subsidence pumping stations. It is proper for the Department to seek Parliamentary authority for the provision that should have been sought previously. In 2014-15, the following PPA has been made, which has been included within voted Supply in the Estimate:

Notes 1.37 and 32 provide further details on the restatement.

The Notes on pages 109 to 220 form part of these Accounts.

NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS (STATEMENT OF PARLIAMENTARY SUPPLY)

SOPS 1 Statement of accounting policies

The Statement of Parliamentary Supply and supporting notes have been prepared in accordance with the 2014-15 Government Financial Reporting Manual (FReM) issued by HM Treasury. The Statement of Parliamentary Supply accounting policies contained in the FReM are consistent with the requirements set out in the 2014-15 Consolidated Budgeting Guidance and Supply Estimates Guidance Manual.

SOPS 1.1 Accounting convention

The Statement of Parliamentary Supply and related notes are presented consistently with Treasury budget control and Supply Estimates. The aggregates across government are measured using National Accounts, prepared in accordance with the internationally agreed framework European System of Accounts (ESA95). ESA95 is in turn consistent with the System of National Accounts (SNA93), which is prepared under the auspices of the United Nations.

PPA Description	Resource/Capital	DEL/AME	Amount/£'000
Coal Authority accounting policy change	Resource	AME	2,588

The budgeting system and the consequential presentation of Supply Estimates and the Statement of Parliamentary Supply and related notes, have different objectives to IFRS-based accounts. The system supports the achievement of macro-economic stability by ensuring that public expenditure is controlled, with relevant Parliamentary authority, in support of the Government's fiscal framework. The system provides incentives to departments to manage spending well so as to provide high quality public services that offer value for money to the taxpayer.

The Government's objectives for fiscal policy are set out in the Charter for Budget Responsibility. These are to:

- ensure sustainable public finances that support confidence in the economy, promote intergenerational fairness, and ensure the effectiveness of wider government policy; and
- support and improve the effectiveness of monetary policy in stabilising economic fluctuations.

SOPS 1.2 Comparison with IFRS-based accounts

Many transactions are treated in the same way in National Accounts and IFRS-based accounts, but there are a number of differences as detailed below. A reconciliation of the Department's outturn as recorded in the SOPS compared to the IFRS-based Statement of Comprehensive Net Expenditure is provided in SOPS Note 3.

- **PFI and other Service Concession arrangements**
  The National Accounts basis for recognising service concession arrangements is broadly similar to UK-GAAP, applying a risk-based test to determine the financial reporting. IFRS-based recognition of service concession arrangements (IFRIC 12) is determined using control tests, which can result in a different on/off balance sheet treatment.
- **Capital Grants**
  Grant expenditure used for capital purposes are treated as capital (CDEL) items in the Statement of Parliamentary Supply. Under IFRS, as applied by the FReM, there is no distinction between capital grants and other grants, and they score as an item of expenditure in the Consolidated Statement of Comprehensive Net Expenditure.
- **Nuclear Decommissioning Costs**
  Under ESA95 standards all costs relating to remedial decommissioning score as capital (CDEL), whereas they score as an item of expenditure in the Consolidated Statement of Comprehensive Net Expenditure under IFRS. These costs are netted off by the release from provision in Resource AME (see Provisions note below).
- **Coal Pension Scheme**
  Cash receipts from the Coal Pension schemes (British Coal Staff Superannuation Scheme (BCSSS) and the Mineworkers' Pension Scheme (MPS)) are scored as Capital AME income. In addition, revaluations of the amounts due to the Department in future years that are recorded in the Consolidated Statement of Comprehensive Net Expenditure are scored to Resource AME, with an offsetting amount scored to Capital AME. As agreed with HM Treasury, the unwinding of the discount on that value is scored to Resource AME non-cash income, with an offsetting amount to Capital AME. For further information, see Note 15.1.
- **Prior Period Adjustments (PPAs)**
  PPAs resulting from an error in previous recording, or from an accounting policy change initiated by the Department, need to be voted by Parliament in the current year, whereas in IFRS-based accounts (IAS 8) they are treated as adjustments to previous years. PPAs resulting from a change in accounting policy brought in by a new or modified accounting standard are not included in Estimates, so there is no misalignment.
- **Receipts in excess of HM Treasury agreement**
  This applies where HM Treasury has agreed a limit to income retainable by the Department, with any excess income scoring outside of budgets, and consequently outside of the Statement of Parliamentary Supply. IFRS-based accounts will record all of the income, regardless of the budgetary limit. This situation may arise in the following areas: (i) profit on disposal of assets; (ii) income generation above department

Spending Review settlements; and (iii) income received above netting-off agreements.

- **Provisions - Administration and Programme expenditure** Provisions recognised in IFRS-based accounts are not recognised as expenditure for National Accounts purposes until the actual payment of cash (or accrual liability) is recognised. To meet the requirements of both resource accounting and National Accounts, additional data entries are made in the Statement of Parliamentary Supply across AME and DEL control totals, which do not affect the Statement of Comprehensive Net Expenditure. As the Administration control total is a sub-category of DEL, Administration and Programme expenditure reported in the Statement of Parliamentary Supply will differ from that reported in the IFRS-based accounts.

SOPS 2 NET OUTTURN

SOPS 2.1 Analysis of net resource outturn by section

Explanations of variations between Estimate and Outturn are given in the Strategic Report section of this report.

	2014-15										2013-14
	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
	£'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	-	-	-	371,663	(3,300)	**368,363**	**368,363**	386,206	17,843	17,843	53,434
B Deliver secure energy on the way to a low carbon energy future	-	-	-	126,724	(13,126)	**113,598**	**113,598**	136,348	22,750	22,378	79,265
C Drive ambitious action on climate change at home and abroad	-	-	-	14,075	(2,250)	**11,825**	**11,825**	13,908	2,083	2,083	17,280
D Manage our energy legacy responsibly and cost-effectively	-	-	-	318,312	-	**318,312**	**318,312**	325,505	7,193	7,193	336,433
E Deliver the capability DECC needs to achieve its goals	129,079	(3,914)	125,165	18,219	(101)	**18,118**	**143,283**	147,789	4,506	4,506	135,684

F NDA and SLC expenditure (NDPB)	**37,110**	-	37,110	1,394,232	-	**1,394,232**	**1,431,342**	1,546,068	114,726	114,726	1,413,249
G Coal Authority (NDPB) (net)	**4,328**	-	4,328	17,375	-	**17,375**	**21,703**	22,262	559	559	27,374
H Civil Nuclear Police Authority (NDPB) (net)	**1,208**	-	1,208	277	-	**277**	**1,485**	2,250	765	765	3,294
I Committee on Climate Change (NDPB) (net)	4,043	-	4,043	-	-	**-**	**4,043**	4,087	44	44	3,710
J CfD Counterparty Company (NDPB) (net)	-	-	-	373	-	373	373	1	(372)	-	-
K Electricity Settlements Company (NDPB) (net)	-	-	-	(280)	-	(280)	(280)	1	281	281	-
	175,768	**(3,914)**	**171,854**	**2,260,970**	**(18,777)**	**2,242,193**	**2,414,047**	**2,584,425**	**170,378**	**170,378**	**2,069,723**
Non-Voted:											
L Nuclear Decommissioning Authority Income (CFER)	-	-	-	-	(1,008,787)	**(1,008,787)**	**(1,008,787)**	(1,116,000)	(107,213)	(107,213)	(892,139)
Electricity Market Reform	-	-	-	-	-	-	-	-	-	-	(4,851)
	-	-	-	-	(1,008,787)	(1,008,787)	(1,008,787)	(1,116,000)	(107,213)	(107,213)	(896,990)
Total DEL	175,768	(3,914)	171,854	2,260,970	(1,027,564)	1,233,406	1,405,260	1,468,425	63,165	63,165	1,172,733
Annually Managed Expenditure (AME)											
Voted:											
M Manage our energy legacy responsibly and cost-effectively	-	-	-	(84,276)	(12,447)	(96,723)	(96,723)	12,300	109,023	106,790	(396,981)
N Nuclear Decommissioning Authority (NDPB)	-	-	-	5,644,353	-	5,644,353	5,644,353	5,890,000	245,647	245,647	5,309,642

O Coal Authority (NDPB) (net)	-	-	-	(65,324)	-	(65,324)	(65,324)	(29,115)	36,209	36,209	(1,000)
P Civil Nuclear Police Authority (NDPB) (net)	-	-	-	(511)	-	(511)	(511)	(789)	(278)	-	(1,210)
Q Renewable Heat Incentive	-	-	-	158,946	-	158,946	158,946	223,700	64,754	64,754	52,367
R Deliver secure energy on the way to a low carbon future	-	-	-	497,618	-	497,618	497,618	4,468,840	3,971,222	3,971,222	-
S Drive ambitious action on climate change at home and abroad	-	-	-	3,881	-	3,881	3,881	15,500	11,619	11,619	-
T Low Carbon Contracts Company (net)	-	-	-	1,987,906	-	1,987,906	1,987,906	24,363,432	22,375,526	22,375,526	-
U Committee on Climate Change (net)	-	-	-	25	-	25	25	25	-	-	-
V Save energy with the Green Deal and support vulnerable consumers	-	-	-	343,819	(1,220)	342,599	342,599	340,644	(1,955)	-	(1,484)
	-	-	-	8,486,437	(13,667)	**8,472,770**	8,472,770	**35,284,537**	**26,811,767**	**26,811,767**	**4,961,334**
Non-Voted:											
Nuclear Decommissioning Authority Income (CFER)	-	-	-	-	-	-	-	-	-	-	(898)
Total AME	-	-	-	8,486,437	(13,667)	**8,472,770**	8,472,770	**35,284,537**	**26,811,767**	**26,811,767**	**4,960,436**
Non-Budget:											
W Prior Period Adjustments	-	-	-	2,588	-	**2,588**	2,588	**5,588**	**3,000**	**3,000**	**-**
Total DEL and AME	175,768	(3,914)	171,854	10,749,995	(1,041,231)	**9,708,764**	9,880,618	**36,758,550**	**26,877,932**	**26,877,932**	**6,133,169**

2.2 Analysis of net capital outturn by section

Explanations of variations between Estimate and Outturn are given in the Strategic Report section of this report.

	2014-15						2013-14 Restated
	Outturn			Estimate			Outturn
	Gross	Income	Net	Net	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements	Total
	£'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	150,911	(13,645)	137,266	175,206	37,940	37,940	81,312
B Deliver secure energy on the way to a low carbon energy future	48,942	(164)	48,778	117,464	68,686	33,643	48,575
C Drive ambitious action on climate change at home and abroad	192,476	(1,841)	190,635	215,101	24,466	24,466	374,500
D Manage our energy legacy responsibly and cost-effectively	7,103	-	7,103	7,875	772	624	6,883
E Deliver the capability DECC needs to achieve its goals	2,193	-	2,193	6,425	4,232	3,135	4,122
F NDA and SLC expenditure (NDPB)	1,845,932	-	1,845,932	1,815,000	(30,932)	-	1,697,841
G Coal Authority (NDPB) (net)	4,798	-	4,798	4,650	(148)	-	3,386
H Civil Nuclear Police Authority (NDPB) (net)	1,097	-	1,097	-	(1,097)	-	1,407
I Committee on Climate Change (NDPB) (net)	-	-	-	-	-	-	-
J CfD Counterparty Company (NDPB) (net)	4,004	-	4,004	2,100	(1,904)	-	-
K Electricity Settlements Company (NDPB) (net)	2,207	-	2,207	-	(2,207)	-	-
	2,259,663	**(15,650)**	**2,244,013**	**2,343,821**	**99,808**	**99,808**	**2,218,026**
Non-Voted:							
L Nuclear Decommissioning Authority Income (CFER)	-	(2,916)	(2,916)	(2,000)	916	916	(337)
Electricity Market Reform	-	-	-	-	-	-	-
Total DEL	**2,259,663**	**(18,566)**	**2,241,097**	**2,341,821**	**100,724**	**100,724**	**2,217,689**
Annually Managed Expenditure (AME)							
Voted:							
M Manage our energy legacy responsibly and cost-effectively	9,206	(629,500)	(620,294)	(120,294)	500,000	500,000	(490,707)
N Nuclear Decommissioning Authority (NDPB)	-	-	-	-	-	-	-
O Coal Authority (NDPB) (net)	-	-	-	-	-	-	-
P Civil Nuclear Police Authority (NDPB) (net)	-	-	-	-	-	-	-

Q Renewable Heat Incentive	1,697	-	1,697	2,300	603	603	13,770
R Deliver secure energy on the way to a low carbon future	-	-	-	-	-	-	-
S Drive ambitious action on climate change at home and abroad	17,413	-	17,413	19,600	2,187	2,187	(19,723)
T Low Carbon Contracts Company (net)	-	-	-	-	-	-	-
U Committee on Climate Change (net)	-	-	-	-	-	-	-
V Save energy with the Green Deal and support vulnerable consumers	-	-	-	-	-	-	-
	28,316	**(629,500)**	**(601,184)**	**(98,394)**	**502,790**	**502,790**	**(496,660)**
Non-Voted	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total AME	**28,316**	**(629,500)**	**(601,184)**	**(98,394)**	**502,790**	**502,790**	**(496,660)**
Total DEL and AME	**2,287,979**	**(648,066)**	**1,639,913**	**2,243,427**	**603,514**	**603,514**	**1,721,029**

SOPS 3 RECONCILIATION OF OUTTURN TO NET OPERATING COST AND AGAINST ADMINISTRATION BUDGET

SOPS 3.1 Reconciliation of net resource outturn to net operating cost

			2014-15	2013-14 Restated
			£'000	£'000
		Note	Outturn	Outturn
Total resource outturn in Statement of Parliamentary Supply	Budget	SOPS 2.1	9,878,030	6,133,169
	Non-budget	SOPS 2.1	2,588	-
			9,880,618	**6,133,169**
Add:	Capital grants		371,820	506,673
	NDA costs which are capital in Budgets but taken through the SoCNE		1,814,532	1,683,530
			2,186,352	**2,190,203**
Less:	Gains/(losses) on defined benefit scheme		(8,806)	9,531
	Derecognition of property, plant and equipment		(14,326)	-
	LCCC capitalised dilapidation provision		(67)	-
	Prior Period Adjustment	SOPS 2.1	(2,588)	1,041
	CFER: other income	7, SOPS 5.1	(894)	(797)
	Capital grant income		(508,340)	(706,835)
			(535,021)	**(697,060)**
Net Operating Cost in Consolidated Statement of Comprehensive Net Expenditure			**11,531,949**	**7,626,312**

SOPS 3.2 Outturn against final Administration Budget and Administration net operating cost

		2014-15	2013-14 Restated
		£'000	£'000
	SOPS Note	Outturn	Outturn
Estimate – Administration costs limit		182,578	184,360
Outturn – Gross administration costs		175,768	179,392
Outturn – Gross income relating to administration costs		(3,914)	(4,392)
Outturn – Net administration costs	2.1	171,854	175,000
Reconciliation to operating costs:			
Less: Provisions utilised (transfer from programme)		(693)	(88)
Adjust intra-group movements		85,845	80,597
Capital grant income included in administration income		(838)	(545)
Redundancy costs included in programme costs		277	833
Administration Net Operating Costs		**256,445**	**255,797**

SOPS 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	SOPS 2.1	36,758,550	9,880,618	26,877,932
Capital outturn	SOPS 2.2	2,243,427	1,639,913	603,514
Accruals to cash adjustments:				
Adjustments to remove non-cash items:				
Depreciation		(55,224)	(2,125)	(53,099)
New provisions and adjustments to previous provisions				
Prior Period Adjustments	SOPS 2.1	(5,071,840)	(476,454)	(4,595,386)
Other non-cash items		(5,588)	**(2,588)**	**(3,000)**
Adjustments for NDPBs:		2,545	(579,017)	581,562
Remove voted resource and capital	SOPS 2.1, 2.2	(33,619,972)	(10,883,153)	(22,736,819)
Add cash grant-in-aid	5	3,398,328	3,385,860	12,468
Adjustments to reflect movements in working balances:				
Increase/(decrease) in receivables		-	513,852	(513,852)
Decrease/(increase) in payables		-	(221,729)	221,729
Use of provisions		338,100	317,342	20,758
		3,988,326	**3,572,519**	**415,807**
Removal of non-voted budget items:				
Other adjustments – NDA CFER income	SOPS 2.1, 2.2	1,118,000	1,011,703	106,297
Net cash requirement		**5,106,326**	**4,584,222**	**522,104**

SOPS 5 INCOME PAYABLE TO THE CONSOLIDATED FUND

SOPS 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 2014-15 £'000		Outturn 2013-14 £'000	
	Note	Income	Receipts	Income	Receipts
Operating income of the NDA within the Ambit	7	1,060,101	1,049,000	1,084,770	1,151,000
Operating income outside the Ambit of the Estimate	7	894	863	797	860
Total income payable to the Consolidated Fund		**1,060,995**	**1,049,863**	**1,085,567**	**1,151,860**

SOPS 5.2 Consolidated Fund Income

Consolidated Fund income shown in SOPS 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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE NET EXPENDITURE

for the year ended 31 March 2015

		2014-15 £'000		2013-14 restated £'000	
	Note	Core Department	Departmental Group	Core Department	Departmental Group
Administration costs					
Staff costs	3	91,053	190,931	87,218	181,603
Other costs	4	37,985	81,080	41,999	86,366
Income	7	(3,914)	(15,566)	(2,517)	(12,172)
Programme costs					
Staff costs	3	12,005	30,356	11,007	24,300
Other costs	5	2,133,522	12,836,580	960,912	9,277,579
Income	7	(1,597,380)	(1,591,432)	(2,109,094)	(1,931,364)
Grant-in-Aid to ALBs	5	3,385,860	-	3,348,050	-
Net operating cost for the year ended 31 March 2015		**4,059,131**	**11,531,949**	**2,337,575**	**7,626,312**
Total expenditure		5,660,425	13,138,947	4,449,186	9,569,848
Total income		**(1,601,294)**	**(1,606,998)**	**(2,111,611)**	**(1,943,536)**
Net operating costs for the year ended 31 March 2015		**4,059,131**	**11,531,949**	**2,337,575**	**7,626,312**

All operations are continuing operations.

See Notes 1.37 and 32 for explanations of the restatement of the 2013-14 results.

The Notes on pages 109 to 220 form part of these Accounts.

OTHER COMPREHENSIVE NET EXPENDITURE
for the year ended 31 March 2015

	2014-15 £'000		2013-14 restated £'000	
	Core Department	Departmental Group	Core Department	Departmental Group
Net operating costs for the year ended 31 March 2015	**4,059,131**	**11,531,949**	**2,337,575**	**7,626,312**
Items that will not be reclassified to net operating costs:				
Net (gain)/loss on:				
Revaluation of property, plant and equipment	-	51	(711)	(711)
Revaluation of assets held for sale	-	15,500	-	-
Defined benefit pension schemes	-	8,806	-	(9,531)
Change in equity of non-controlling interest	-	(1,485)	-	(2,222)
Derecognition of property, plant and equipment	-	14,326	-	-
	4,059,131	**11,569,147**	**2,336,864**	**7,613,848**
Items that may be reclassified subsequently to net operating costs:				
Net (gain)/loss on revaluation of available for sale financial assets	(1,812)	(1,812)	761	761
Total Comprehensive net expenditure for the year ended 31 March 2015	**4,057,319**	**11,567,335**	**2,337,625**	**7,614,609**

See Notes 1.37 and 32 for explanations of the restatement of the 2013-14 results.

The Notes on pages 109 to 220 form part of these Accounts.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2015

		31 March 2015 £'000		31 March 2014 restated £'000		1 April 2013 restated £'000	
	Note	Core Department	Departmental Group	Core Department	Departmental Group	Core Department	Departmental Group
Non-current assets							
Property, plant and equipment	8	12,139	544,609	11,897	560,004	9,674	643,423
Intangible assets	9	163	9,811	336	5,448	508	6,989
Financial assets	10	103,547	2,013,625	78,153	2,895,091	60,914	2,358,583
Investment property	11	-	582	-	580	-	626
Trade and other receivables	15	216,243	258,041	336,537	382,060	168,106	211,292
Total non-current assets		**332,092**	**2,826,668**	**426,923**	**3,843,183**	**239,202**	**3,220,913**
Current assets							
Assets classified as held for sale	13	-	42	-	50,571	-	50,550
Inventories	14	-	40,410	-	93,251	-	103,827
Trade and other receivables	15	809,632	1,276,454	184,219	751,203	280,301	869,168
Financial assets	10	8,806	6,154	25,998	27,489	39,447	40,236
Cash and cash equivalents	16	97,649	261,735	302,869	467,595	100,172	317,629
Total current assets		**916,087**	**1,584,795**	**513,086**	**1,390,109**	**419,920**	**1,381,410**
Total assets		**1,248,179**	**4,411,463**	**940,009**	**5,233,292**	**659,122**	**4,602,323**
Current liabilities							
Trade and other payables	17	(1,143,759)	(2,151,966)	(710,820)	(1,941,144)	(482,166)	(1,657,516)
Provisions	18	(612,380)	(3,764,265)	(333,588)	(3,156,090)	(334,685)	(3,221,901)
Total current liabilities		**(1,756,139)**	**(5,916,231)**	**(1,044,408)**	**(5,097,234)**	**(816,851)**	**(4,879,417)**
Total assets less net current liabilities		**(507,960)**	**(1,504,768)**	**(104,399)**	**136,058**	**(157,729)**	**(277,094)**
Non-current liabilities							
Trade and other payables	17	(828,861)	(4,799,144)	(578,913)	(2,747,745)	(341,573)	(2,467,583)
Provisions	18	(2,009,505)	(70,947,368)	(2,129,185)	(66,595,748)	(2,263,204)	(61,135,616)
Total non-current liabilities		**(2,838,366)**	**(75,746,512)**	**(2,708,098)**	**(69,343,493)**	**(2,604,777)**	**(63,603,199)**
Total assets less liabilities		**(3,346,326)**	**(77,251,280)**	**(2,812,497)**	**(69,207,435)**	**(2,762,506)**	**(63,880,293)**
Taxpayers' equity and other reserves							
General fund		(3,348,514)	(77,333,838)	(2,812,873)	(69,302,249)	(2,762,932)	(63,972,944)
Revaluation reserve		1,137	35,713	1,137	51,266	426	50,564
Financial asset reserve		1,051	1,051	(761)	(761)	-	-
Non-controlling interest	19	-	45,794	-	44,309	-	42,087
Total equity		**(3,346,326)**	**(77,251,280)**	**(2,812,497)**	**(69,207,435)**	**(2,762,506)**	**(63,880,293)**

The balances at 1 April 2013 and 31 March 2014 have been restated due to a change in accounting policy for the Coal Authority – Notes 1.37 and 32 refer.

The Notes on pages 109 to 220 form part of these Accounts.

Stephen Lovegrove
Principal Accounting Officer and Permanent Secretary
14 July 2015

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 March 2015

		2014-15		2013-14 Restated	
		Core Department	Departmental Group	Core Department	Departmental Group
	Note	£'000	£'000	£'000	£'000
Cash flows from operating activities					
Net operating cost		(4,059,131)	(11,531,949)	(2,337,575)	(7,626,312)
Adjustments for non-cash transactions	6	1,070,169	11,077,228	187,687	8,094,206
(Increase)/decrease in trade and other receivables	15	(505,119)	(401,232)	(72,349)	(52,803)
(Increase)/decrease in finance lease receivables	10.6	-	(736)	-	(1,191)
(Increase)/decrease in inventories	14	-	52,841	-	10,576
Movement on recoverable contract costs		-	909,044	-	(542,446)
Movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure		111,931	(841,898)	224,078	802,809
Increase/(decrease) in trade and other payables	17	682,887	2,262,221	465,993	563,790
Movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		(7,908)	191,962	(347,453)	(571,266)
Movement in derivative financial instrument liabilities	17.1	(497,618)	(2,485,357)	-	-
Use of provisions	18	(317,342)	(2,714,471)	(336,141)	(2,925,080)
Net cash outflow from operating activities		**(3,522,131)**	**(3,482,347)**	**(2,215,760)**	**(2,247,717)**
Cash flows from investing activities					
Purchase of property, plant and equipment		(494)	(39,761)	(4,184)	(26,184)
Purchase of intangibles		-	(6,004)	-	(818)
Purchase of investments		(2,476)	(2,476)	(30,000)	(30,000)
Proceeds on disposal of property, plant and equipment		-	709	-	2,050
Loans advanced to other bodies		(20,966)	(16,824)	(675)	(675)
Repayments from other bodies	10.1	11,707	11,707	29,488	29,488
Net cash outflow from investing activities		**(12,229)**	**(52,649)**	**(5,371)**	**(26,139)**
Cash flows from financing activities					
From the Consolidated Fund (Supply) - current year		4,330,000	4,330,000	3,487,000	3,487,000
From the Consolidated Fund (Supply) - prior year		-	-	72,506	72,506
Advances from Contingencies Fund		-	-	12,149	12,149
Repayments to Contingencies Fund		-	-	(17,000)	(17,000)

Capital element of payments in respect of finance leases and on-balance sheet PFI contracts		-	(4)	-	(6)
Net financing		**4,330,000**	**4,329,996**	**3,554,655**	**3,554,649**
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**795,640**	**795,000**	**1,333,524**	**1,280,793**
Payments of amounts due to the Consolidated Fund		(1,000,860)	(1,000,860)	(1,130,827)	(1,130,827)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**(205,220)**	**(205,860)**	**202,697**	**149,966**
Cash and cash equivalents at the beginning of the period	**16**	**302,869**	**467,595**	**100,172**	**317,629**
Cash and cash equivalents at the end of the period	**16**	**97,649**	**261,735**	**302,869**	**467,595**

See Notes 1.37 and 32 for explanations of the restatement of the 2013-14 results.

The Notes on pages 109 to 220 form part of these Accounts.

CONSOLIDATED STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

for the year ended 31 March 2015

	Note	Core Department General Fund	Core Revaluation Reserve	Core Financial Asset Reserve	Core Department Total	Departmental Group General Fund	Departmental Group Revaluation Reserve	Departmental Group Financial Asset Reserve	Departmental Group Taxpayers' Equity	Non-controlling Interest	Total reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2013 (published)		**(2,762,932)**	**426**	**-**	**(2,762,506)**	**(63,980,874)**	**57,512**	**-**	**(63,923,362)**	**42,087**	**(63,881,275)**
Change in accounting policy		-	-	-	-	7,930	(6,948)	-	982	-	982
Balance as at 1 April 2013 (restated)		**(2,762,932)**	**426**	**-**	**(2,762,506)**	**(63,972,944)**	**50,564**	**-**	**(63,922,380)**	**42,087**	**(63,880,293)**
Net Parliamentary Funding – drawn down		3,487,000	-	-	3,487,000	3,487,000	-	-	3,487,000	-	3,487,000
Advances from Contingencies Fund		12,149	-	-	12,149	12,149	-	-	12,149	-	12,149
Contingencies Fund loan repayable		(12,149)	-	-	(12,149)	(12,149)	-	-	(12,149)	-	(12,149)
Supply payable: current year	17.1	(114,009)	-	-	(114,009)	(114,009)	-	-	(114,009)	-	(114,009)
CFERs payable to the Consolidated Fund[1]	SOPS 5.1	(1,085,567)	-	-	(1,085,567)	(1,085,567)	-	-	(1,085,567)	-	(1,085,567)
Net operating cost for the year		(2,337,575)	-	-	(2,337,575)	(7,626,312)	-	-	(7,626,312)	-	(7,626,312)
Revaluation of property, plant and equipment		-	711	-	711	-	711	-	711	-	711
Revaluation of financial assets	10.4	-	-	(761)	(761)	-	-	(761)	(761)	-	(761)
Transfer between reserves		-	-	-	-	9	(9)	-	-	-	-
Non-cash charges – auditors remuneration	6	210	-	-	210	210	-	-	210	-	210
Defined benefit pension schemes		-	-	-	-	9,531	-	-	9,531	-	9,531
Change in equity of non-controlling interest	19	-	-	-	-	-	-	-	-	2,222	2,222

Other		-	-	-	-	(167)	-	-	(167)	-	(167)
Balance as at 31 March 2014 (restated)		**(2,812,873)**	**1,137**	**(761)**	**(2,812,497)**	**(69,302,249)**	**51,266**	**(761)**	**(69,251,744)**	**44,309**	**(69,207,435)**
Net Parliamentary Funding – drawn down		4,330,000	-	-	4,330,000	4,330,000	-	-	4,330,000	-	4,330,000
Net Parliamentary Funding - deemed		114,009	-	-	114,009	114,009	-	-	114,009	-	114,009
Supply receivable: current year	15.1	140,215	-	-	140,215	140,215	-	-	140,215	-	140,215
CFERs payable to the Consolidated Fund[1]	SOPS 5.1	(1,060,995)	-	-	(1,060,995)	(1,060,995)	-	-	(1,060,995)	-	(1,060,995)
Net operating cost for the year		(4,059,131)	-	-	(4,059,131)	(11,531,949)	-	-	(11,531,949)	-	(11,531,949)
Revaluation of property, plant and equipment		-	-	-	-	-	(51)	-	(51)	-	(51)
Revaluation of financial assets		-	-	1,812	1,812	-	-	1,812	1,812	-	1,812
Transfer between reserves		-	-	-	-	2	(2)	-	-	-	-
Non-cash charges – auditors remuneration	6	261	-	-	261	261	-	-	261	-	261
Defined benefit pension schemes		-	-	-	-	(8,806)	-	-	(8,806)	-	(8,806)
Revaluation of assets held for sale	13	-	-	-	-	-	(15,500)	-	(15,500)	-	(15,500)
Change in equity of non-controlling interest	19	-	-	-	-	-	-	-	-	1,485	1,485
Loss on derecognition of property, plant and equipment	8	-	-	-	-	(14,326)	-	-	(14,326)	-	(14,326)
Other		-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2015		**(3,348,514)**	**1,137**	**1,051**	**(3,346,326)**	**(77,333,838)**	**35,713**	**1,051**	**(77,297,074)**	**45,794**	**(77,251,280)**

[1]Consolidated fund extra receipts

The balances at 1 April 2013 and 31 March 2014 have been restated due to a change in accounting policy for the Coal Authority – Notes 1.37 and 32 refer.

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 and derivatives for both the Group and the core Department; these future liabilities will be met out of future funding from Parliament. An additional one year spending round for 2015-16 was agreed in 2013 and a Spending Review covering the following three to five years is expected to be held during 2015. 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 Financial Asset Reserve reflects the cumulative balance of revaluation adjustments to financial assets.

The Non-Controlling Interest balance has arisen as a result of consolidating the results of the five nuclear site licence companies and represents the aggregate reserves of the site licence companies.

The Notes on pages 109 to 220 form part of these Accounts.

NOTES

1 STATEMENT OF ACCOUNTING POLICIES

1.1 Basis of accounting

These financial statements have been prepared in accordance with the 2014-15 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 & 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. These notes and specific accounting policies are disclosed in the Statement of Parliamentary Supply section of the financial statements.

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, Non-Departmental Public Bodies (NDPBs) and other designated bodies which fall within the departmental boundary as defined in the FReM, being those entities listed in the Designation and Amendment Orders presented to Parliament. Designated bodies are termed as Arms Length Bodies (‘ALBs’).

The accounts include NDPBs and other designated bodies preparing accounts in accordance with the FReM, and limited companies preparing accounts in accordance with the Companies Act 2006. For those bodies that do not prepare accounts on an IFRS basis, adjustments are made to consolidate their accounts on an IFRS basis where differences in accounting policies would have a significant effect on these accounts.

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

A list of all those entities within the Departmental boundary is given at Note 30.

1.4 Going concern

The consolidated Statement of Financial Position at 31 March 2015 shows net liabilities of £77,251 million (31 March 2014 (restated): £69,207 million). This reflects the inclusion of liabilities, in particular nuclear and coal provisions and CfD derivatives, which fall due in future years. All liabilities will be met by future funding from Parliament. Such approval for amounts required for the next financial year is due to be voted on account when the Supply and Appropriation (Main Estimates) Bill is put before Parliament; 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.

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. The exception to this is assets relating to the Nuclear Decommissioning Authority (NDA), which are capitalised as follows:

With effect from 1 April 2014 existing assets on designated nuclear sites are only recognised where two criteria are met. Firstly the economic element of the asset's value at the reporting date must exceed £100,000, and secondly the proportion of the asset relating to commercial activity should exceed 10%. Assets on non-designated sites are recognised where their value exceeds £2,000.

In future periods, existing assets on designated sites no longer meeting the above recognition criteria will be impaired with a charge to the Statement of Comprehensive Net Expenditure (SoCNE) and then eliminated.

None of the assets derecognised in the year had been revalued in the past. The effect of the introduction of this policy in the year and the estimated theoretical effect on last financial year are shown in the table below:

	2014-15 £m	2013-14 £m
SoCNE: Other Comprehensive Expenditure	14	33
SoCNE: Depreciation (decrease)	-	(19)
SoCNE: Programme expenditure (decrease)	-	1
Statement of Financial Position: Property, Plant and Equipment (decrease)	(14)	(15)

On the grounds of immateriality, the 2013-14 adjustment in the table above has not been treated as a prior period adjustment, with the correction having been made instead in 2014-15 (see Note 8).

By applying clearer definitions of commercial materiality, and higher materiality thresholds, a large volume of low value items have been removed from the financial statements while retaining materially similar overall gross and net book values in the Statement of Financial Position.

Similarly by applying clearer definitions and more relevant materiality thresholds to future capital expenditure, the creation of new assets will be restricted to those which are a genuine and meaningful addition to the NDA's commercial asset base.

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.

For NDA property, plant and equipment carried at valuation, revaluations are currently performed on an annual basis to ensure that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date. This includes assets used to support commercial activities, property located outside nuclear licensed site boundaries, and property located inside nuclear licensed site boundaries where a reliable and cost effective revaluation methodology exists.

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 facilities have been commissioned, the estimated cost of decommissioning the facilities is recognised, to the extent that it is recognised as a provision under IAS 37, as part of the carrying value of the asset and depreciated over the useful life of the asset.

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 long leasehold land:
not depreciated
Freehold and leasehold buildings:
10 to 60 years
Plant, machinery and equipment:
3 to 50 years or remaining life of lease
Furniture, fixtures and fittings:
2 to 11 years or remaining life of lease
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 or 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.

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 IAS 40, but may be impaired or revalued to provide a carrying value at their estimated fair value. Full valuations are undertaken every five years. 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, however long term storage and disposal costs are provided for.

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.

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 SOPS 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.

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.

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 IFRIC 12 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 ALBs

Past and present employees of the core Department, the NDA, the Coal Authority, the Committee on Climate Change and Radioactive Waste Management Limited are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) as described at Note 3. The defined benefit schemes are unfunded. 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 NDA participates in two funded 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.

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

The Low Carbon Contracts Company Limited operates a defined contribution pension scheme for eligible employees. Under the defined contribution scheme the company pays fixed contributions into a fund separate from the company's assets. Contributions are charged in the Statement of Comprehensive Net Expenditure when they become payable.

The Electricity Settlements Company Limited has no employees therefore pension disclosures are not applicable.

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 benefit 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

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.

A summary of the performance of the funded defined benefit schemes are provided in these financial statements (Note 10.7), with further information available in the NDA's and Site Licence Companies' financial statements.

In accordance with IAS 19, the Scheme Managers are required to undertake a sensitivity analysis for each significant actuarial assumption as of the end of the financial reporting period, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumptions that were reasonably possible at that date. This analysis, including details of the methods and assumptions used in preparing the sensitivity analysis, the limitations of these methods, and the reasons for any changes in methods and assumptions used in preparing the sensitivity analysis, has been provided in summary in Note 10.7, with further information in the NDA's and Site Licence Companies' Financial Statements.

1.28 Taxation

Income and Corporation Tax

The core Department is exempt from income and corporation tax by way of its Crown exemption. Some of the consolidated bodies are subject to corporation tax on taxable profits, including profits from any trading activity and interest receivable.

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 ALBs 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.

1.29 Financial assets

Financial assets are classified into the following three specified categories:

- financial assets 'at fair value through profit or loss' (FVTPL);
- loans and receivables; and
- 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 deemed to be FVTPL by reference to IAS 39. 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 assets related to commodity supply contracts shown in Note 17.1.

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, held by the Departmental Group comprise cash and cash equivalents, receivables and loans.

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.

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 to their fair value.

Financial assets available for sale
These are non-derivative financial assets designated as such or not classified in any of the other categories above. This includes the investment in the Global Climate Partnership Fund (GCPF) and Asian Climate Partners Fund shown in Note 10.4.

After initial recognition, these financial assets are carried at fair value. Gains and losses in fair value are recognised directly in Taxpayers' Equity except for impairment losses. Impairment losses are recognised in the Statement of Comprehensive Net Expenditure. On derecognition, the cumulative gain or loss previously recognised in equity is recognised in the Statement of Comprehensive Net Expenditure.

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.

1.30 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, unless it is a derivative whose fair value is based on unobservable inputs (see Note 1.31 relating to CfD contracts). 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 are those related to CfD contracts and commodity supply contracts shown in Note 17.1.

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.

Impairment and derecognition

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

1.31 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.

CfD derivatives

The CfD contracts are recognised at fair value in accordance with IAS 39. The transaction price is usually the best evidence of fair value on initial recognition of these contracts. However, in the case of CfDs, the transaction price on entering the contract is nil as neither side is required to pay any consideration upfront. The CfD fair value on day one is considered to be the total contractual liability as calculated using a valuation model. More details on this are set out in Note 17.1.

The application guidance of IAS 39 states that, when the fair value is not the same as the transaction price on day one and the fair value is based on unobservable data, the 'day one' loss arising should be deferred i.e. it would not score in the financial statements (including in the measurement of the liability on the Statement of Financial Position). IAS 39 requires that in these cases, day one gains and losses are deferred either until market data becomes available, or changes in factor (inputs) arise which market participants would take into account. Under accounting standards, whilst the core Department and LCCC have recognised the CfD contracts, the total value of the derivatives would not be reflected in the Statement of Financial Position of either the Departmental Group or the company. Adopting the technical treatment means that the Department and LCCC are only required to recognise the movements in the fair value of CfD derivatives at each reporting date and the incremental recognition of the 'day one deferred losses' over contract lifetime.

The day one loss represents the difference between the transaction price and fair value, and because transaction price for the CfDs is nil, the day one loss is the total liability on the day the Group became party to the contracts. By deferring the full loss, the Department and LCCC have a nil liability on the Statement of Financial Position when the contracts are initially recognised.

The deferred loss will be incrementally charged to the income statement over the contract settlement period, following the construction and commissioning of the new low carbon generating plant.

Changes in fair value arising after day one are recognised in the reporting period in which they occur and are accounted for in the Statement of Comprehensive Net Expenditure and shown on the Statement of Financial Position as they arise.

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.

1.32 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 rates applicable in the 2014-15 accounts are:

- Short-term rate: between 0 and up to and including 5 years, -1.50% per annum.
- Medium-term rate: after 5 and up to and including 10 years, -1.05% per annum
- Long-term rate: exceeding 10 years, +2.20% per annum.

In the 2013-14 accounts, the equivalent rates were:

- Short-term rate: between 0 and up to and including 5 years, -1.90% per annum.
- Medium-term rate: after 5 and up to and including 10 years, -0.65% per annum
- Long-term rate: exceeding 10 years, +2.20% per annum.

Prior to the 2012-13 accounts a single discount rate of +2.20% per annum was used in accordance with previous Treasury guidance.

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

Prior to 1 April 2014, where cash expenditure was capitalised, a matching provision was maintained so as to offset the carrying value of the asset; as the asset was depreciated the related provision was utilised. A change in accounting policy has been implemented from 1 April 2014 (see note 1.37). Operational mine water schemes and subsidence pumping stations disclosed within plant and machinery in property, plant and equipment are now held at nil value and so no matching provision is required.

1.33 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 £300,000 (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 £300,000 (or lower, where required by specific statute or where material in the context of the financial statements), which are required by the FReM to be noted in the financial statements.

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.

1.34 Third Party Assets

The Group holds, as custodian or trustee, certain cash balances belonging to third parties at Government Banking Service and commercial banks. These balances are not recognised in the financial statements since neither the Group, nor Government more generally, has a direct beneficial interest in them. See Note 28 for further details.

1.35 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 12)
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 (Note 18)
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 nuclear decommissioning provision.

Provisions (Note 18)
The provision discount rates are disclosed in note 1.32.

If the discount rates were to change then the provisions valuation would also change. An increase of 0.5% in the discount rates would result in a decrease in the overall provisions by £60.8m for the core Department and £8.2bn for the Group and a decrease of 0.5% in the discount rates would result in an increase in the overall provisions by £63.9m for the core Department and £6.6bn for the Group.

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

Included in other provisions in Note 18.2 is the Coal Health provision (legacy ailments), which is subject to significant uncertainty.

Note 18.2 also discloses the Coal Authority provision which relates to mine water, subsidence pumping stations, public safety and subsidence and tip management. 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.

Derivatives (Note 17.1)
Note 17.1 sets out the derivative valuation of the FIDeR and CfD contracts which will facilitate investment in low carbon generation through provision of support payments which top up generators' income and remove their exposure to electricity price uncertainty. These contracts have been accounted for as derivatives in accordance with IAS 39 – Financial Instruments: Recognition and Measurement. Due to the uncertainties in the likely future electricity prices it is not possible to quantify with certainty the settlement of these liabilities or the impact on future financial results. The derivative value disclosed in the accounts is the best estimate of these discounted future liabilities. The critical judgements made, and the sensitivity around key inputs have been disclosed.

Management believes it is reasonable to amortise the deferred day one loss over the same period as which the contract life will unwind, as this reflects the obligation under the contract to make payments and the right to receive monies from suppliers to make those payments.

1.36 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 31 to these accounts.

1.37 Changes in accounting policy
There was one change in accounting policy in the reporting period and in

accordance with IAS 8 this change has been accounted for as a Prior Period Adjustment (PPA).

The Coal Authority has voluntarily adopted the following change in accounting policy:

Operational mine water schemes and subsidence pumping stations are to be held at nil value on the Statement of Financial Position, on the basis that the assets are commissioned to resolve legacy mining issues for which the benefits have previously been received. In accordance with IAS 16, Property Plant and Equipment (PPE), as there are no future economic benefits that flow to the Authority the assets are to be impaired to nil value once they become operational. Further information is provided in Note 32.

Provisions in respect of mine water treatment schemes and subsidence pumping stations will be calculated only by reference to discounted future cash flows associated with discharging associated liabilities, in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets (see note 1.32).

In accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors:

- The change of accounting policies enables simplification and provides the reader of the Accounts with more relevant information about the effects of transactions and the Authority's financial position.
- The voluntary adoption of changes of accounting policies has resulted in a restatement of comparatives in the Primary Statements and supporting notes.

The adopted changes of accounting policies also align to existing policies across the Departmental group.

The financial impact of this PPA is disclosed in Note 32.

1.38 Machinery of Government changes

As part of the 2014-15 Main Estimate one Machinery of Government change took place which affected the years 2009–10 to 2014-15. This related to the transfer of responsibility for energy using products policy from the Department of Environment, Food and Rural Affairs to the Department which took effect from 1 April 2014. The Core Tables reflect this Machinery of Government change.

Due to the immaterial nature of the transfer, the prior year comparatives have not been restated.

2 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.

Changes in reportable segments

The income, expenditure and capital reported against reportable segments for 2013-14 has been restated to reflect changes in organisational structure within the Department, to better reflect the Secretary of State's key priorities: growth and infrastructure, consumers and international.

Year ended 31 March 2015

2014-15	Corporate Services £'000	Markets & Infrastructure £'000	International, Science & Resilience £'000	Consumers & Households £'000	Strategy £'000	Nuclear Decommis-sioning Authority (NDA) £'000	Total £'000
Administration income							
Revenue from external customers	(489)	(1,865)	(93,603)	(2)	(1,737)	(2,465)	(100,161)
Interest revenue	-	-	(16)	-	-	(919)	(935)
Administration expenditure							
Staff costs	29,975	25,504	89,968	17,125	4,226	23,773	190,571
Professional services	2,175	2,482	1,846	74	85	8,613	15,275
Research and development expenditure	4	3	2	-	1,093	-	1,102
Interest expense	-	-	-	-	1	-	1
Other administration costs	25,847	4,096	21,060	557	619	8,108	60,287
Depreciation and amortisation	1,973	776	2,006	-	17	-	4,772
Notional audit fee	261	-	-	-	-	-	261
Other non-cash	-	256	9	-	-	-	265
Utilisation of provisions	-	-	416	-	-	-	416
Programme income							
Revenue from external customers	(99)	(28,024)	(5,506)	(5,555)	-	(1,032,873)	(1,072,057)
Interest revenue	-	(46)	-	-	-	(76)	(122)
Programme expenditure							
Staff costs	1,128	15,863	559	4,296	-	8,909	30,755
Grants	(14)	43,549	2,966	323,988	-	-	370,489

Research and development expenditure	1,286	967	25,024	1,914	-	9,481	38,672
Professional services	11,520	20,543	20,612	44,602	-	9,675	106,952
International subscriptions	21	124	24,544	-	-	-	24,689
Interest expense	-	14	-	-	-	3	17
Other programme costs	5,192	8,813	9,186	12,153	-	1,346,082	1,381,426
Depreciation and amortisation	-	2,005	127	14	-	-	2,146
Other non-cash costs	829	153	-	2,005	-	44,244	47,231
Utilisation of provisions	-	68,984	234,224	-	-	-	303,208
Total Resource DEL	**79,609**	**164,197**	**333,424**	**401,171**	**4,304**	**422,555**	**1,405,260**
Resource AME	**3,327**	**2,512,275**	**(189,335)**	**502,125**	**25**	**5,644,353**	**8,472,770**
Non-Budget Resource	**-**	**2,588**	**-**	**-**	**-**	**-**	**2,588**
Total Resource DEL and AME	**82,936**	**2,679,060**	**144,089**	**903,296**	**4,329**	**6,066,908**	**9,880,618**
Total Capital DEL	**(10,773)**	**15,183**	**243,603**	**150,068**	**-**	**1,843,016**	**2,241,097**
Total Capital AME	**-**	**(620,294)**	**17,413**	**1,697**	**-**	**-**	**(601,184)**

Description of segments

Corporate Services: provides central support functions and specialist advice to allow the Department to operate effectively and deliver on its objectives. It also includes the Programme Management Office.
Markets & 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. This includes the results of the Coal Authority, Low Carbon Contracts Company Limited and Electricity Settlements Company Limited.
International, Science & Resilience: brings together those working on Science and Innovation, international activities and resilience. This includes the results of the CNPA.
Consumer & Households: responsible for driving down emissions through support to both businesses and citizens, while supporting those in fuel poverty.
Strategy: As well as core strategy work, including carbon budgets, the directorate works on 2050 futures, Project 2015, short-term projects and governance. This includes the results of the CCC.
Nuclear Decommissioning 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. This includes the results of the SLCs and Radioactive Waste Management Limited.

RECONCILIATION BETWEEN OPERATING SEGMENTS AND SOCNE

2014-15	Corporate Services £'000	Markets & Infrastructure £'000	International, Science & Resilience £'000	Consumers & Households £'000	Strategy £'000	Nuclear Decommissioning Authority (NDA) £'000	Total £'000
Total net expenditure by operating segment	**82,936**	**2,679,060**	**144,089**	**903,296**	**4,329**	**6,066,908**	**9,880,618**
Reconciling items							
Capital grants	676	4,174	259,283	107,687	-	-	371,820
NDA decommissioning	-	-	-	-	-	1,814,532	1,814,532
Actual gains/(losses) on defined benefit schemes	-	-	-	-	-	(8,806)	(8,806)
Derecognition of property, plant and equipment	-	-	-	-	-	(14,326)	(14,326)
LCCC capitalised dilapidation provision	-	(67)	-	-	-	-	(67)
Prior period adjustment	-	(2,588)	-	-	-	-	(2,588)
Coal Authority CFER	-	(894)	-	-	-	-	(894)
Capital grant income	(1,933)	(500,645)	(2,679)	(167)	-	(2,916)	(508,340)
Total net expenditure per Statement of Comprehensive Net Expenditure	**81,679**	**2,179,040**	**400,693**	**1,010,816**	**4,329**	**7,855,392**	**11,531,949**

YEAR ENDED 31 MARCH 2014 (RESTATED)

2013-14	Corporate Services £'000	Markets & Infrastructure £'000	International, Science & Resilience £'000	Consumers & Households £'000	Strategy £'000	Nuclear De-commis-sioning Authority (NDA) £'000	Total £'000
Administration income							
Revenue from external customers	(20)	(1,414)	(88,006)	(5)	(1,338)	(1,875)	(92,658)
Interest revenue	-	-	(43)	-	-	(122)	(165)
Administration expenditure							
Staff costs	25,798	25,967	84,761	17,546	4,628	22,070	180,770
Professional services	2,097	5,190	1,712	248	98	10,097	19,442
Research and development expenditure	15	125	37	-	854	-	1,031
Interest expense	-	-	-	-	1	-	1
Other administration costs	25,981	3,648	20,545	530	792	9,745	61,241
Depreciation and amortisation	2,237	805	1,785	-	17	-	4,844
Notional audit fee	210	-	-	-	-	-	210
Other non-cash	-	4	192	-	-	-	196
Utilisation of provisions	-	-	88	-	-	-	88
Programme income							
Revenue from external customers	(99)	(23,023)	(5,535)	(5,322)	-	(890,264)	(924,243)
Interest revenue	-	(17)	-	-	-	-	(17)
Programme expenditure							
Staff costs	968	11,037	1,137	3,985	1	8,006	25,134
Grants	(291)	10,630	17,151	7,735	-	-	35,225
Research and development expenditure	890	712	27,056	2,212	-	-	30,870
Professional services	9,422	20,436	11,018	48,023	20	-	88,919
International subscriptions	-	282	26,910	118	-	-	27,310
Interest expense	-	17	-	-	-	-	17
Other Programme costs	(905)	7,323	8,131	9,659	323	1,363,453	1,387,984
Depreciation and amortisation	-	4,460	564	14	-	-	5,038
Other non-cash costs	579	45	-	-	-	-	624
Utilisation of provisions	(75)	71,902	249,045	-	-	-	320,872
Total Resource DEL	**66,807**	**138,129**	**356,548**	**84,743**	**5,396**	**521,110**	**1,172,733**
Resource AME	**(1,484)**	**(190,919)**	**(208,272)**	**52,367**	**-**	**5,308,744**	**4,960,436**
Total Resource DEL and AME	**65,323**	**(52,790)**	**148,276**	**137,110**	**5,396**	**5,829,854**	**6,133,169**
Total Capital DEL	**(27,409)**	**3,386**	**432,057**	**112,151**	**-**	**1,697,504**	**2,217,689**
Total Capital AME	**-**	**(490,707)**	**(19,723)**	**13,770**	**-**	**-**	**(496,660)**

RECONCILIATION BETWEEN OPERATING SEGMENTS AND SOCNE

2014-15	Corporate Services £'000	Markets & Infrastructure £'000	International, Science & Resilience £'000	Consumers & Households £'000	Strategy £'000	Nuclear Decommissioning Authority (NDA) £'000	Total £'000
Total net expenditure by operating segment	**65,323**	**(52,790)**	**148,276**	**137,110**	**5,396**	**5,829,854**	**6,133,169**
Reconciling items							
Capital grants	501	-	380,927	125,245	-	-	506,673
NDA decommissioning	-	-	-	-	-	1,683,530	1,683,530
Actual gains/(losses) on defined benefit schemes	-	-	-	-	-	9,531	9,531
Prior period adjustment		1,041	-	-	-	-	1,041
Coal Authority CFER	-	(797)	-	-	-	-	(797)
Capital grant income	(2,635)	(703,318)	(545)	-	-	(337)	(706,835)
Total net expenditure per Statement of Comprehensive Net Expenditure	**63,189**	**(755,864)**	**528,658**	**262,355**	**5,396**	**7,522,578**	**7,626,312**

The 2013-14 results have been restated as a result of reorganisation of internal directorates, and due to a change in accounting policy (Notes 1.37 and 32 refer to the prior period adjustment).

3 STAFF NUMBERS AND RELATED COSTS
3.1 STAFF COSTS:

					2014-15 £'000	2013-14 £'000
	Permanently employed staff	Others	Ministers	Special advisers	Total	Total
Wages and salaries[1]	162,818	17,018	198	194	180,228	166,530
Social security costs	15,446	166	21	21	15,654	14,726
Other pension costs	27,556	217	-	34	27,807	26,636
Sub Total	**205,820**	**17,401**	**219**	**249**	**223,689**	**207,892**
Less recoveries in respect of outward secondments	(2,402)	-	-	-	(2,402)	(1,989)
Total net costs[2]	**203,418**	**17,401**	**219**	**249**	**221,287**	**205,903**
Of which:						
Core Department	93,901	8,689	219	249	103,058	98,225
ALBs	109,517	8,712	-	-	118,229	107,678
	203,418	**17,401**	**219**	**249**	**221,287**	**205,903**

	2014-15 Charged to Administration Budgets	2014-15 Charged to Programme Budgets	2014-15 Total	2013-14 Charged to Administration Budgets	2013-14 Charged to Programme Budgets	2013-14 Total
Of which:						
Core Department	91,053	12,005	103,058	87,218	11,007	98,225
ALBs	99,878	18,351	118,229	94,385	13,293	107,678
	190,931	**30,356**	**221,287**	**181,603**	**24,300**	**205,903**

[1]Includes exit payments paid via payroll, for further details see Note 3.3.
[2]Staff costs of £4,000 (2013-14: £4,000) were charged to capital projects.

Core department employees together with the employees of the NDA, Radioactive Waste Management Limited, 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. The scheme actuary valued the scheme as at 31 March 2012. Details can be found in the Resource Accounts of the Cabinet Office: Civil Superannuation **(http://www.civilservicepensionscheme.org.uk/about-us/resource-accounts).**

For 2014-15, employer's contributions of £19,673,793 (2013-14: £19,033,310) were payable to the PCSPS at one of four rates in the range 16.7% to 24.3% (2013-14: 16.7% to 24.3%) of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2014-15 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £275,318 (2013-14: £195,678) 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% (2013-14: 3% to 12.5%) of pensionable earnings. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £19,017, 0.8% (2013-14: £14,660, 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 £42,071 (2013-14: £30,455). Contributions prepaid at the date were £NIL (2013-14: £NilL.

In 2014-15, nil persons (2013-14: nil persons) retired early on ill-health grounds. The total additional accrued pension liabilities in the year amounted to £NIL (2013-14: £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 2015. The CPS is a contributory unfunded statutory defined benefit public service pension scheme; contributions paid in 2014-15 amounted to £7.795 million (2013-14: £7.386 million).

The Low Carbon Contracts Company Limited operates a defined contribution pension scheme for eligible employees. Under the defined contribution scheme the company pays fixed contributions into a fund separate from the company's assets. Contributions are charged in the income statement when they become payable. Contributions paid in 2014-15 amounted to £64,000 (2013-14: NIL).

The Electricity Settlements Company Limited has no employees therefore pension disclosures are not applicable.

Staff costs SLCs

	2014-15	2014-15	2014-15	2013-14	2013-14	2013-14
	£'000	£'000	£'000	£'000	£'000	£'000
	Permanently employed staff	**Others**	**Total**	**Permanently employed staff**	**Others**	**Total**
Wages and salaries	798,419	142,653	941,072	718,787	146,102	864,889
Social security costs	76,149	-	76,149	69,191	-	69,191
Other pension costs	133,544	-	133,544	126,675	-	126,675
Less recoveries in respect of outward secondments	-	-	-	-	-	-
Total	**1,008,112**	**142,653**	**1,150,765**	**914,653**	**146,102**	**1,060,755**

SLC staff costs shown above are reflected in the amounts shown for utilisation in the nuclear provision in Note 18.1 and in contractor fees in Note 5. For the analysis in the Statement of Parliamentary Supply, 61% (2013-14: 60%) of the staff costs are capital with the remainder being resource.

3.2 AVERAGE NUMBER OF PERSONS EMPLOYED

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

					2014-15 Number	2013-14 Restated* Number
	Permanently employed staff	**Others**	**Ministers**	**Special advisers**	**Total**	**Total**
Markets & Infrastructure	648.0	59.5	0.7	0.7	708.9	658.3
Consumers & Households	296.3	68.6	0.7	0.7	366.3	374.2
International, Science & Resilience[1]	1,737.6	71.8	0.7	0.7	1,810.8	1,703.6
Corporate Services	371.9	75.6	0.7	0.7	448.9	399.8
Strategy	49.1	7.3	0.7	0.7	57.8	69.4
Nuclear Decommissioning Authority	280.0	27.0	-	-	307.0	308.0
Staff engaged in capital projects	0.1	0.1	-	-	0.2	0.1
Total	**3,383.0**	**309.9**	**3.5**	**3.5**	**3,699.9**	**3,513.4**
Of which:						
Core Department	1,446.9	222.8	3.5	3.5	1,676.7	1,635.3
ALBs	1,936.1	87.1	-	-	2,023.2	1,878.1
Total	**3,383.0**	**309.9**	**3.5**	**3.5**	**3,699.9**	**3,513.4**

[1]Includes CNPA, total 1,484 (2013-14: 1,381) as these form part of the Nuclear Securities Group which report via International, Science & Resilience group.

*The comparative numbers for the core Department have been restated due to internal restructuring of directorates, for further details see Note 2.

Average staff employed - SLCs

The number of SLC staff employed is shown below:

	2014-15 Number			2013-14 Number		
	£'000	£'000	£'000	£'000	£'000	£'000
Activity	**Permanently employed staff**	**Others**	**Total**	**Permanent staff**	**Others**	**Total**
Nuclear decommissioning activities	15,205	1,877	17,082	14,677	1,767	16,444

3.3 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	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band 2014-15
< £10,000	- (-)	2 (-)	2 (-)	- (-)	3 (-)	3 (-)
£10,000 - £25,000	- (-)	2 (6)	2 (6)	- (12)	3 (7)	3 (19)
£25,000 - £50,000	- (-)	6 (-)	6 (-)	1 (6)	6 (-)	7 (6)
£50,000 - £100,000	- (-)	6 (5)	6 (5)	- (2)	6 (7)	6 (9)
£100,000 - £150,000	- (-)	1 (1)	1 (1)	- (-)	7 (1)	7 (1)
£150,000 - £200,000	- (-)	- (-)	- (-)	- (-)	- (1)	- (1)
£200,000 - £250,000	- (-)	- (-)	- (-)	- (2)	- (-)	- (2)
> £250,000	- (-)	- (-)	- (-)	- (2)	- (-)	- (2)
Total number of exit packages by type	**- (-)**	**17 (12)**	**17 (12)**	**1 (24)**	**25 (16)**	**26 (40)**
Total cost	**£- (£-)**	**£741,322 (£557,228)**	**£741,322 (£557,228)**	**£42,837 (£1,520,376)**	**£1,574,706 (£872,321)**	**£1,617,543 (£2,392,697)**

Redundancy and other departure costs 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.

4 OTHER ADMINISTRATION COSTS

	Core Department 2014-15 £'000	Departmental Group 2014-15 £'000	Core Department 2013-14 £'000	Departmental Group 2013-14 £'000
Rentals under operating leases:				
Building leases	916	1,393	560	2,297
Plant and machinery leases	23	72	30	84
Other leases	-	87	-	-
Interest charges	-	1	-	1
PFI service charges	-	106	6,408	6,509
Research and development expenditure	9	1,102	177	1,031
Accommodation	12,476	19,026	11,860	16,154
IT expenditure	7,981	15,132	2,719	9,786
Travel and subsistence	2,138	8,884	2,093	8,982
Training and other non-pay staff costs	4,507	6,708	4,017	7,253
Legal, professional and consultancy	4,620	15,382	7,929	19,441
Other	3,070	8,727	3,635	10,122
	35,740	**76,620**	**39,428**	**81,660**
Non-cash items:				
Depreciation	1,826	4,266	2,137	4,482
Amortisation	158	506	115	362
Revaluation of property, plant and equipment	-	245	-	-
Impairment - intangible assets	-	1	-	-
Loss on disposal of property, plant and equipment	-	21	-	88
Auditor's remuneration	261	261	210	210
Capital grants - release	-	(840)	-	(545)
Specific bad debt write off	-	-	109	109
Other	-	-	-	-
Total non-cash	**2,245**	**4,460**	**2,571**	**4,706**
Total other administration costs	**37,985**	**81,080**	**41,999**	**86,366**

Notional auditors' remuneration for the DECC core account audit was £261k (2013-14: £210k). DECC did not purchase any non-audit services from its auditor, the Comptroller and Auditor General (C&AG).

The cash remuneration of £918k (2013-14: £858k) relates to the audit of the ALBs. Of this amount, £600k (2013-14: £578k) was payable to the National Audit Office on behalf of the C&AG and £318k (2013-14: £280k) was payable to other auditors. Further details can be obtained from the accounts of the ALBs. Where the C&AG was the auditor, he did not provide any non-audit services.

5 PROGRAMME COSTS

	Core Department 2014-15 £'000	Departmental Group 2014-15 £'000	Core Department 2013-14 £'000	Departmental Group 2013-14 £'000
Grant-in-Aid to ALBs				
Nuclear Decommissioning Authority	3,357,000	-	3,314,000	-
Coal Authority	23,500	-	27,000	-
Civil Nuclear Police Authority	277	-	3,152	-
Committee on Climate Change	4,043	-	3,898	-
Low Carbon Contracts Company Limited	1,040	-	-	-
Total Grant-in-Aid	**3,385,860**	**-**	**3,348,050**	**-**
Other grants	888,448	883,839	613,989	613,989
Rentals under operating leases:				
Land leases	-	63	-	84
Building leases	-	83	-	87
Plant and machinery leases	6	111	2	121
PFI service charge	-	-	361	361
Other borrowings - interest paid to the private sector	-	17	-	460
Tax expense	-	13,368	-	17,605
Fees and dividends payable to non-controlling interest	-	66,139	-	67,219
Net (gain)/loss on foreign exchange	22	22	(3,342)	(3,342)
Research and development expenditure	28,544	38,672	30,545	35,790
Contractor costs	-	540,651	-	213,183
Trading costs	-	52,507	-	66,181
Management and operations contractor fees	-	-	-	5,100
Insurance	-	13,238	-	15,428
Skills and socio-economic development programme	-	2,048	-	3,742
IT expenditure	17,841	20,120	15,216	16,592
Professional services	94,410	106,818	83,510	88,919
International subscriptions	24,688	24,841	27,210	27,310
Other	11,639	1,275	8,305	19,250
	1,065,598	**1,763,812**	**775,796**	**1,188,079**
Non-cash items:				
Movement in CfD derivatives	497,618	2,485,457	-	-
Movement in provisions	491,027	6,870,323	193,554	6,570,625
Unwinding of discount on provisions	(14,573)	1,183,064	7,471	1,058,212
Movement on promissory note discount	17,413	17,413	(19,723)	(19,723)
Decrease in value of coal pensions receivables	37,400	37,400	2,298	2,298
Top up of payments on account	-	51,264	-	148,926
Depreciation	127	65,164	564	98,518
Amortisation	14	1,845	14	1,585
Amortisation of recoverable contract costs	-	305,896	-	231,929
Impairment - property, plant and equipment	-	6,677	-	6,586

Impairment - intangible assets	-	180		
Impairment reversal - investment in subsidiary	-	(2,981)		
Impairment/(write back) - loans	31,288	31,288	359	359
Loss on disposal of property, plant and equipment	-	10	-	770
Revaluation of investment property	-	(38)	-	25
Unrealised (gains)/losses on derivative financial instruments	-	(100)	-	(452)
Net loss on foreign exchange - financial assets	3,880	3,880		
Discount on interest free loans	2,834	2,834	579	579
Movement in bad debt provision	-	-	-	(23)
Specific bad debt write-off	896	896	-	-
Other	-	12,296	-	(10,714)
Total non-cash	**1,067,924**	**11,072,768**	**185,116**	**8,089,500**
Total other programme costs	**2,133,522**	**12,836,580**	**960,912**	**9,277,579**
Total Programme Costs	**5,519,382**	**12,836,580**	**4,308,962**	**9,277,579**

See Notes 1.37 and 32 for explanations of the restatement of the 2013-14 results.

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 2014-15 £'000	Core Department 2013-14 £'000
Government Electricity Rebate	306,627	-
Official Development Assistance	193,957	355,267
Fuel Poverty	4,907	22,223
Green Deal	119,322	109,362
Innovation Programme Delivery	50,795	55,679
Renewable Heat Incentive	172,962	63,405
Renewable Energy	7,057	-
Smart Meters	9,756	16,118
Renewable Heat Premium Programme	2,130	14,874
Global Threat Reduction Programme	10,457	10,834
Energy Markets and Reform	16,894	12,647
Energy Markets and Consumers	2,081	-
Nuclear Security	6,235	6,190
Carbon Capture and Storage	47,673	12,484
Switching Campaign	4,972	-
Offshore Environmental Permits	4,692	4,465
Hydrocarbons Additional Recovery	2,304	-
Office for Nuclear Development (OND)	1,564	980
Community Energy Savings Programme (CESP)	-	2,220
Community Energy Unit	8,782	-
Carbon Budgets	4,252	4,253
Heat Programme	7,750	5,832
Other Programme spend	27,169	24,187
	1,012,338	**721,020**
Programme costs per Note 5		
Other grants	888,448	613,989
IT expenditure	17,841	15,216
Professional Services	94,410	83,510
Other	11,639	8,305
	1,012,338	**721,020**

6 ADMINISTRATION AND PROGRAMME NON-CASH COSTS SUMMARY

The total for non-cash items in Note 4 (Other administration costs) and Note 5 (Programme costs) is as follows:

	Notes	Core Department 2014-15 £'000	Departmental Group 2014-15 £'000	Core Department Restated 2013-14 £'000	Departmental Group Restated 2013-14 £'000
Movement in CfD derivatives	17.1	497,618	2,485,457	-	-
Movement in provisions	18.1, 18.2	491,027	6,870,323	193,554	6,570,625
Unwinding of discount on provisions	18.1, 18.2	(14,573)	1,183,064	7,471	1,058,212
Movement on promissory note discount		17,413	17,413	(19,723)	(19,723)
Amortisation of recoverable contract costs	10.5	-	305,896	-	231,929
Top up of payments on account	17.1	-	51,264	-	148,926
Depreciation	8	1,953	69,430	2,701	103,000
Amortisation	9	172	2,351	129	1,947
Impairment reversal - investment in subsidiary	12	-	(2,981)	-	-
Impairment - property, plant and equipment	12	-	6,677	-	6,586
Impairment - intangible assets	12	-	181	-	-
Impairment/(write back) - loans	12	31,288	31,288	359	359
Loss on disposal of property, plant and equipment		-	31	-	858
Revaluation of property, plant and equipment		-	245	-	-
Revaluation of investment property		-	(38)	-	25
Decrease in value of coal pensions receivables		37,400	37,400	2,298	2,298
Unrealised (gains)/losses on derivative financial instruments		-	(100)	-	(452)
Net loss on foreign exchange - financial assets		3,880	3,880		
Discount on interest free loans	10.1	2,834	2,834	579	579
Auditor's remuneration		261	261	210	210
Capital grants		-	(840)	-	(545)
Movement in bad debt provision		-	-	-	(23)
Specific bad debt write off		896	896	109	109
Other		-	12,296	-	(10,714)
Total		**1,070,169**	**11,077,228**	**187,687**	**8,094,206**
Non cash costs admin – Note 4		2,245	4,460	2,571	4,706
Non cash costs programme – Note 5		1,067,924	11,072,768	185,116	8,089,500
		1,070,169	**11,077,228**	**187,687**	**8,094,206**

7 INCOME

	Core Department 2014-15 £'000	Departmental Group 2014-15 £'000	Core Department 2013-14 £'000	Departmental Group 2013-14 £'000
Administration income:				
Fees and charges from external customers	2,123	10,320	1,159	8,585
Fees and charges from other departments	1,790	1,790	1,356	1,356
Other allowable within the Administration cost limit	1	3,456	2	2,231
Total Administration income	**3,914**	**15,566**	**2,517**	**12,172**
Programme income:				
Interest receivable from other entities	-	122	-	1,656
Profit on disposal of property, plant and equipment	-	645	-	1,969
Unwinding of discounts on assets	11,231	11,231	6,854	6,854
Effective interest on Green Deal loan*	3,189	3,189	2,459	2,459
Increase in value of coal pensions receivables	-	-	293,980	293,980
Coal pensions receipts	500,000	500,000	700,000	700,000
Reprocessing	-	735,562	-	557,250
Electricity generation	-	105,894	-	157,074
Other	21,965	233,895	20,234	209,325
CFER: NDA Resource income	1,057,185	-	1,084,770	-
CFER: NDA Capital income	2,916	-	-	-
CFER: Other income	894	894	797	797
Total Programme income	**1,597,380**	**1,591,432**	**2,109,094**	**1,931,364**
Total Operating income	**1,601,294**	**1,606,998**	**2,111,611**	**1,943,536**

See Notes 1.37 and 32 for explanations of the restatement of the 2013-14 results.

* The Green Deal loan including all the effective interest has been impaired (see Note 10.2). The full impairment charge has been reflected in Note 5 programme costs, and not offset against the effective interest income.

8 PROPERTY, PLANT AND EQUIPMENT

Consolidated 2014-15

	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 2014 (Restated)	14,654	2,382,636	32,422	4,867,883	22,222	171,447	7,491,264
Additions	161	440	1,159	4,502	1,560	32,993	40,815
Disposals	-	-	(296)	(313)	(10)	-	(619)
Eliminations	-	(298,822)	(3,738)	(338,189)	(12,863)	-	(653,612)
Revaluation	-	(478)	-	-	-	-	(478)
Reclassification	35,000	2,380	74	39,841	(12)	(42,752)	34,531
Derecognition	-	(8,144)	(3,049)	(19,368)	(779)	(837)	(32,177)
At 31 March 2015	**49,815**	**2,078,012**	**26,572**	**4,554,356**	**10,118**	**160,851**	**6,879,724**
Depreciation							
At 1 April 2014 (Restated)	-	2,349,470	25,738	4,535,183	20,869	-	6,931,260
Charged in year	-	9,325	2,161	57,116	828	-	69,430
Disposals	-	-	(295)	(305)	(7)	-	(607)
Impairments	-	-	135	6,542	-	-	6,677
Eliminations	-	(298,822)	(3,738)	(338,189)	(12,863)	-	(653,612)
Revaluation	-	(182)	-	-	-	-	(182)
Derecognition	-	(1,629)	(3,043)	(12,558)	(621)	-	(17,851)
At 31 March 2015	**-**	**2,058,162**	**20,958**	**4,247,789**	**8,206**	**-**	**6,335,115**
Carrying amount at 31 March 2014	**14,654**	**33,166**	**6,684**	**332,700**	**1,353**	**171,447**	**560,004**
Carrying amount at 31 March 2015	**49,815**	**19,850**	**5,614**	**306,567**	**1,912**	**160,851**	**544,609**
Asset financing							
Owned	49,815	13,495	5,607	306,567	1,912	160,851	538,247
Finance leased	-	6,355	-	-	-	-	6,355
On balance sheet PFI contract	-	-	7	-	-	-	7
Carrying amount at 31 March 2015	**49,815**	**19,850**	**5,614**	**306,567**	**1,912**	**160,851**	**544,609**
Of the total:							
Department	-	6,355	4,641	22	1,121	-	12,139
ALBs	49,815	13,495	973	306,545	791	160,851	532,470
Carrying amount at 31 March 2015	**49,815**	**19,850**	**5,614**	**306,567**	**1,912**	**160,851**	**544,609**

Elimination of fully depreciated assets

In the year, the NDA has eliminated fully depreciated assets which no longer perform commercial activity, having a gross book value and accumulated depreciation of £654 million.

Derecognition

In the year, the NDA has derecognised assets on designated sites which have a net book value below £100,000, in accordance with the policy set out in Note 1.5. These assets had a gross book value of £32 million and accumulated depreciation of £18 million, giving rise to a loss on derecognition charged to Other Comprehensive Net Expenditure of £14 million. This was not treated as a prior period adjustment on the grounds of immateriality.

Reclassifications

The reclassification cost line includes £469,000 reclassified from PPE Assets Under Construction to information technology intangible assets (£446,000) and software licences (£23,000), held by CNPA.

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 2014.

Land and buildings of the NDA that are located outside the nuclear licensed site boundaries were revalued at 31 March 2015 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 GVA Grimley Ltd Chartered Surveyors.

The Coal Authority's Head Office land and buildings are valued based on an external professional valuation undertaken every two years. The latest valuation was undertaken by external Chartered Surveyors (Lambert Smith Hampton), based on existing use value on 31 March 2015 in accordance with RICS guidelines. The next valuation is due to be completed as at 31 March 2017.

Restatement of comparatives

The prior year figures have been restated due to a change in accounting policy for Coal Authority mine water schemes and subsidence pumping stations (previously included under Plant and Machinery). These assets are now held at nil value on the basis that the assets are commissioned to resolve legacy mining issues for which the benefits have previously been received by private mining companies. Notes 1.37 and 32 provide further details.

Consolidated 2013-14 (Restated)

	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 2013	15,435	2,380,797	28,181	4,851,488	27,793	174,339	7,478,033
Additions	10	1,030	4,368	4,685	110	16,204	26,407
Disposals	(791)	-	(297)	(4,325)	(6,000)	(61)	(11,474)
Impairments	-	-	-	-	-	(1,347)	(1,347)
Revaluation	-	711	(3)	(39)	-	-	669
Reclassification	-	98	173	16,074	319	(17,688)	(1,024)
At 31 March 2014	**14,654**	**2,382,636**	**32,422**	**4,867,883**	**22,222**	**171,447**	**7,491,264**
Depreciation							
At 1 April 2013 (Restated)	-	2,317,960	22,832	4,467,644	26,174	-	6,834,610
Charged in year	-	33,768	3,153	65,375	704	-	103,000
Disposals	-	-	(294)	(4,241)	(6,000)	-	(10,535)
Impairments	-	(349)	47	5,541	-	-	5,239
Revaluation	-	-	-	(39)	-	-	(39)
Reclassification	-	(1,909)	-	903	(9)	-	(1,015)
At 31 March 2014	**-**	**2,349,470**	**25,738**	**4,535,183**	**20,869**	**-**	**6,931,260**
Carrying amount at 31 March 2013	**15,435**	**62,837**	**5,349**	**383,844**	**1,619**	**174,339**	**643,423**
Carrying amount at 31 March 2014	**14,654**	**33,166**	**6,684**	**332,700**	**1,353**	**171,447**	**560,004**
Asset financing							
Owned	14,654	26,666	6,677	332,700	1,353	171,447	553,497
Finance leased	-	6,500	-	-	-	-	6,500
On balance sheet PFI contract	-	-	7	-	-	-	7
Carrying amount at 31 March 2014	**14,654**	**33,166**	**6,684**	**332,700**	**1,353**	**171,447**	**560,004**
Of the total:							
Department	-	6,500	5,051	43	303	-	11,897
ALBs	14,654	26,666	1,633	332,657	1,050	171,447	548,107
Carrying amount at 31 March 2014	**14,654**	**33,166**	**6,684**	**332,700**	**1,353**	**171,447**	**560,004**

Reclassifications

The reclassification cost line includes £9,000 reclassified from PPE Assets Under Construction to information technology intangible assets, held by CNPA. The residual £1,015,000 balance on cost and depreciation relates to historic corrections for the group asset base.

9 INTANGIBLE ASSETS

Consolidated 2014-15

	Information Technology	Software Licences	Assets Under Construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2014	18,520	2,621	273	21,414
Additions	1,689	139	4,617	6,445
Disposals	(10)	(70)	-	(80)
Reclassifications	709	33	(273)	469
At 31 March 2015	**20,908**	**2,723**	**4,617**	**28,248**
Amortisation				
At 1 April 2014	14,136	1,830	-	15,966
Charged in year	1,809	542	-	2,351
Disposals	(10)	(51)	-	(61)
Impairments	181	-	-	181
At 31 March 2015	**16,116**	**2,321**	**-**	**18,437**
Carrying amount at 31 March 2014	**4,384**	**791**	**273**	**5,448**
Carrying amount at 31 March 2015	**4,792**	**402**	**4,617**	**9,811**
Asset financing				
Owned	4,792	402	8	5,202
Finance leased	-	-	4,609	4,609
Carrying amount at 31 March 2015	**4,792**	**402**	**4,617**	**9,811**
Of the total:				
Department	-	163	-	163
ALBs	4,792	239	4,617	9,648
Carrying amount at 31 March 2015	**4,792**	**402**	**4,617**	**9,811**

The reclassification cost line includes £469,000 reclassified from PPE Assets Under Construction to information technology intangible assets (£446,000) and software licences (£23,000), held by CNPA.

Assets Under Construction contains ESC assets valued at £2,207,000 and LCCC assets valued at £2,402,000. These companies control a settlement system owned by Elexon, the development of which is funded by the Department through a capital grant. As the system is so specialised in nature for LCCC / ESC's use, the system has been recognised as a finance lease. Due to the capital grant funding, no finance lease obligations have been recognised for the Group accounts. The settlement system will be amortised over the lease term of 5 years at the point it is brought into use.

Consolidated 2013-14

	Information Technology	Software Licences	Assets Under Construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2013	18,063	2,603	318	20,984
Additions	150	22	268	440
Disposals	(15)	(4)	-	(19)
Reclassifications	322	-	(313)	9
At 31 March 2014	**18,520**	**2,621**	**273**	**21,414**
Amortisation				
At 1 April 2013	12,706	1,289	-	13,995
Prior year correction	-	43	-	43
Charged in year	1,445	502	-	1,947
Disposals	(15)	(4)	-	(19)
At 31 March 2014	**14,136**	**1,830**	**-**	**15,966**
Carrying amount at 31 March 2013	**5,357**	**1,314**	**318**	**6,989**
Carrying amount at 31 March 2014	**4,384**	**791**	**273**	**5,448**
Of the total:				
Department	-	336	-	336
ALBs	4,384	455	273	5,112
Carrying amount at 31 March 2014	**4,384**	**791**	**273**	**5,448**

All intangible assets are owned by the Group.

The prior year correction of £43,000 relates to the historic correction of accumulated depreciation for software licences for the core Department.

The reclassification line includes £9,000 reclassified from PPE Assets Under Construction to information technology intangible assets relating to CNPA assets.

Prior year comparatives have been re-allocated to be consistent for both years, to split out Assets Under Construction as a separate asset category. This is a presentational change between asset categories with no change to the carrying amount as at 31 March 2013 or 31 March 2014.

10 FINANCIAL ASSETS

	Note	Core Department 31 March 2015 £'000	Depart-mental Group 31 March 2015 £'000	Core Department 31 March 2014 £'000	Depart-mental Group 31 March 2014 £'000	Core Department 1 April 2013 £'000	Depart-mental Group 1 April 2013 £'000
Energy Efficiency Loans and Recyclable Energy Efficiency Loans	10.1	70,548	70,548	55,179	55,179	83,762	83,762
Green Deal Finance Company Loan	10.2	4,000	4,000	19,733	19,733	16,599	16,599
Investments in subsidiaries	10.3	-	228,718	-	225,737	-	225,737
Other investments	10.4	33,663	33,663	29,239	29,239	-	-
Recoverable contract costs	10.5	-	1,637,759	-	2,546,803	-	2,004,357
Finance leases receivable	10.6	-	45,091	-	44,355	-	43,164
Defined benefit pension scheme surplus	10.7	-	-	-	1,534	-	25,200
Working capital loan	10.8	4,142	-			-	-
Total		**112,353**	**2,019,779**	**104,151**	**2,922,580**	**100,361**	**2,398,819**

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

	Note	Core Department 31 March 2015 £'000	Departmental Group 31 March 2015 £'000	Core Department 31 March 2014 £'000	Departmental Group 31 March 2014 £'000	Core Department 1 April 2013 £'000	Departmental Group 1 April 2013 £'000
Non-current assets							
Energy Efficiency Loans and Recyclable Energy Efficiency Loans	10.1	68,905	68,905	29,181	29,181	44,315	44,315
Green Deal Finance Company Loan	10.2	979	979	19,733	19,733	16,599	16,599
Investments in subsidiaries	10.3	-	228,718	-	225,737	-	225,737
Other Investments	10.4	33,663	33,663	29,239	29,239	-	-
Recoverable contract costs	10.5	-	1,637,759	-	2,546,803	-	2,004,357
Finance leases receivable	10.6	-	43,601	-	42,864	-	42,375
Defined benefit pension scheme surplus	10.7	-	-	-	1,534	-	25,200
Total non-current assets		**103,547**	**2,013,625**	**78,153**	**2,895,091**	**60,914**	**2,358,583**
Current assets							
Energy Efficiency Loans and Recyclable Energy Efficiency Loans	10.1	1,643	1,643	25,998	25,998	39,447	39,447
Green Deal Finance Company Loan	10.2	3,021	3,021	-	-	-	-
Finance Lease receivable	10.6	-	1,490	-	1,491	-	789
Working capital loan	10.8	4,142	-			-	-
Total current assets		**8,806**	**6,154**	**25,998**	**27,489**	**39,447**	**40,236**
Total financial assets		**112,353**	**2,019,779**	**104,151**	**2,922,580**	**100,361**	**2,398,819**

10.1 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 2013	**16,470**	**33,387**	**9,575**	**24,330**	**83,762**
Discount charge	-	-	-	(579)	(579)
Unwinding of discount	362	364	211	906	1,843
(Impairment)/write back*	(324)	-	(35)	-	(359)
Reclassification	-	(16,836)	-	16,836	-
Repayments	(11,359)	(11,363)	(6,766)	-	(29,488)
Value at 31 March 2014	**5,149**	**5,552**	**2,985**	**41,493**	**55,179**
Additions	-	-	-	29,330	29,330
Discount charge	-	-	-	(2,834)	(2,834)
Unwinding of discount	113	128	66	913	1,220
(Impairment)/write back*	(457)	-	(183)	-	(640)
Reclassification	-	-	-	-	-
Repayments	(3,791)	(5,680)	(2,236)	-	(11,707)
Value at 31 March 2015	**1,014**	**-**	**632**	**68,902**	**70,548**

* Includes £19,000 (2013-14: £48,000) 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:

	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
2014-15	£'000	£'000	£'000	£'000	£'000
Within 1 year	1,011	-	632	-	1,643
Within 2-5 years	3	-	-	68,760	68,763
Over 5 years	-	-	-	142	142
Total	**1,014**	**-**	**632**	**68,902**	**70,548**

2013-14	Energy Efficiency Loans to Small and Medium sized Enterprises £'000	Energy Efficiency Loans to Public Sector Bodies £'000	Recyclable Energy Efficiency Loans to Small and Medium Sized Enterprises £'000	Recyclable Energy Efficiency Loans to Public Sector Bodies £'000	Total £'000
Within 1 year	5,066	5,552	2,754	12,626	25,998
Within 2-5 years	83	-	231	28,553	28,867
Over 5 years	-	-	-	314	314
Total	**5,149**	**5,552**	**2,985**	**41,493**	**55,179**

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 Enterprises 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 £5,000: no maximum subject to funding availability.	4 years	2009	2010	Salix Finance	Repayable
Recyclable Loans to SMEs	£3,000 and £500,000 (reduced 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 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.

	2014-15		2013-14	
	£'000	No of companies	£'000	No of companies
EELs	464	30	355	16
REELs	195	17	52	10
Total	**659**	**47**	**407**	**26**

The impairment charge represents the entire outstanding balance owed by these companies.

The Group has received confirmation from Carbon Trust that 72 companies (2013-14: 108) (EELs) and 65 companies (2013-14: 65 companies) (REELs) in its private sector client base have defaulted on their loan repayments. The total amount of the default is £1,437,000 (2013-14: £1,738,000) (EELs) and £989,000 (2013-14: £659,000) (REELs) with the debt being on average 9 months (EELs) and 9 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.

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.

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 2015, the maximum undiscounted credit exposure was £1,015,000 (31 March 2014: £5,150,000) (EELs) and £632,000 (31 March 2014: £2,991,000) (REELs) based on loans drawn down at that date. At 31 March 2015 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 2014: £NIL) (EELs) and £NIL (31 March 2014: £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.

Recycled loans

Salix received a total of £9,791,000 (31 March 2014: £7,813,000) recycled loan repayments between 1 April 2014 and 31 March 2015 in respect of the recyclable loans schemes. All of the repayments received were immediately re-committed to new loans.

10.2 GREEN DEAL FINANCE COMPANY LOAN

	Stakeholder Loan	Senior Facility Loan	Total
	£'000	£'000	£'000
Value at 1 April 2013	**16,599**	**-**	**16,599**
Additions	675	-	675
Discount charge	-	-	-
Unwinding of discount	-	-	-
Effective interest	2,459	-	2,459
Impairment	-	-	-
Repayments	-	-	-
Value at 31 March 2014	**19,733**	**-**	**19,733**
Additions	7,726	4,000	11,726
Discount charge	-	-	-
Unwinding of discount	-	-	-
Effective interest	3,189	-	3,189
Impairment*	(30,648)	-	(30,648)
Repayments	-	-	-
Value at 31 March 2015	**-**	**4,000**	**4,000**

*The impairment comprises the principal loan of £25 million, and effective interest of £5.648 million.

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:

	Stakeholder Loan	Senior Facility Loan	Total
2014-15	£'000	£'000	£'000
Within 1 year	-	3,021	3,021
Within 2-5 years	-	979	979
Over 5 years	30,648	-	-
Value prior to impairment	**30,648**	**4,000**	**34,648**
Impairment	(30,648)	-	(30,648)
Total	**-**	**4,000**	**4,000**

	Stakeholder Loan	Senior Facility Loan	Total
2013-14	£'000	£'000	£'000
Within 1 year	-	-	-
Within 2-5 years	8,146	-	8,146
Over 5 years	11,587	-	11,587
Total	**19,733**	**-**	**19,733**

The Green Deal loan is classified as 'Loans and receivables'.

Loan details

The stakeholder 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 funds to develop the administration of its Green Deal Finance plans, to cover its operating costs and to enable it to provide more Green Deal Finance. 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 funding from its membership (those companies involved in the Green Deal market) and requested the Department also provide funds. The Department initially invested in a development loan in the Green Deal Finance Company at an interest rate of 15.74% in September 2012. Interest of £3.189 million (2013-14: £2.459 million) was accrued from this loan. The development loan was converted to a £25m stakeholder loan in March 2013 at an interest rate of 14%.

Loan repayments and payments of accrued interest were to be made out of any remaining cash flows after the senior debtors were repaid and running costs of the Green Deal Companies were met.

In November 2014, the Department provided a further facility of up to £34m of additional funding to GDFC, in the form of a senior facility loan. This facility expires at the end of March 2016, and as at 31 March 2015 £4m had been drawn down, with £30m remaining available. Up to 30 June 2015, a further £11.5m had been drawn down.

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 assesses at the end of each reporting period whether there is objective evidence that loan balances are impaired. Objective evidence of impairment within the private sector client base could include:

- significant financial difficulty of the counterparty;
- default of repayment by the counterparty.

The level of demand for Green Deal plans to date has been significantly lower than originally forecast. This has led to a risk to the schedule of the repayment of the loan, significant financial difficulty for the counterparty and ultimately an impairment review.

In assessing whether there was a need to impair the loan, the relevant factors in IAS 36: Impairment of Assets was considered. This impairment review is an accounting exercise, undertaken by the Department, to ensure that the carrying value of the asset is not materially misstated. It does not impact on the amount which

GDFC owes the Department since legal claim to the loan has not been waived.

A prudent analysis of the cash flow forecasts indicated an impairment of all the effective interest as at the reporting date and all of the stakeholder loan. The effective interest to 31 March 2015 was £5.648 million, and the loan principal was £25 million, both of which were impaired in full, leading to a total impairment of the stakeholder loan of £30.648 million.

The future of the Energy Efficiency landscape is uncertain and subject to review, following the recent appointment of new Ministers. The outcome of this review and the decisions of Ministers may have an impact on the GDFC impairment. The Department will take appropriate action when any decisions have been taken.

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.

Through the Department's regular contact with GDFC and the reviews of operational performance, where the credit risk is high, an appropriate impairment is recognised in the financial statements.

The senior facility loan is secured, where the security includes assignment of certain contracts, fixed charges over all other contracts and a floating charge over all property of the GDFC Holdco Ltd and GDFC Assetco Ltd (31 March 2015: £4 million).

Interest rate risk

As the interest rate is fixed for the duration of the loan there is no interest rate risk.

10.3 INVESTMENTS IN SUBSIDIARIES

	Cost	Impairment	Carrying value
	£'000	£'000	£'000
At 1 April 2013	**228,737**	**(3,000)**	**225,737**
Additions	-	-	-
Value at 31 March 2014	**228,737**	**(3,000)**	**225,737**
Impairment reversal	-	2,981	2,981
Value at 31 March 2015	**228,737**	**(19)**	**228,718**

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

The reversal of impairment charge in 2014-15 relates to NDA's subsidiary, NDA Properties Limited (see Note 5).

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 Limited	UK	Fund nuclear decommissioning	Core Department	100%
National Nuclear Laboratory Limited	UK	Technology Services	Core Department	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 (i)	France	Transportation of spent fuel	NDA	100%
International Nuclear Services Japan KK (i)	Japan	Transportation of spent fuel	NDA	100%
Pacific Nuclear Transport Limited (i), (ii)	UK	The transportation of spent fuel, reprocessing products and waste	NDA	68.75%
Direct Rail Services Limited	UK	Rail transport services within the UK	NDA	100%
INS Rokkasho KK (iii)	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%

(i) Ownership through International Nuclear Services Limited

(ii) On 23 July 2014 the percentage owned by NDA increased from 62.5% to 68.75%.

(iii) As at 31 March 2015, INS Rokkasho KK was in the process of being liquidated.

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 Limited £m		National Nuclear Laboratory Holdings Limited £m	
	2014-15	2013-14	2014-15	2013-14 Restated
Assets	9,004.1	8,881.3	127.2	119.9
Liabilities	(9,004.1)	(8,881.3)	(71.4)	(70.0)
Net assets	-	-	55.8	49.9
Turnover	69.4	58.8	99.6	85.4
Surplus/profit for the year	**127.7**	**84.6**	**5.8**	**10.6**

Nuclear Liabilities Fund Limited (NLF)

The share of net assets and results disclosed is extracted from the draft accounts for the year ended 31 March 2015, prepared in accordance with IFRS. The assets primarily arise from the sale of the Government's interest in British Energy Group plc (BE) and are to be applied to fund the decommissioning costs of eight existing nuclear power stations, together with defueling costs and other qualifying liabilities as defined in the restructuring agreements between Government and BE (now renamed EDF Energy Nuclear Generation Group Ltd 'EDFE'). 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 (EDFE) at that date. The liabilities disclosed in Note 24.1 represent the discounted 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 2015 of National Nuclear Laboratories (NNL) Holdings Limited, prepared in accordance with IFRS. Included in the net assets shown above for 2014-15 is £16.4m (2013-14: £16.0m) cash held by NNL Holdings Limited in a bank account controlled by the Department. This is shown as third party assets in Note 28. The 2013-14 figures have been restated to reflect the final audited accounts figures.

The NDA is a member of Energus and of the North Highland Regeneration Fund Limited, companies limited by guarantee, providing training facilities in support of the nuclear estate and contributing to socio-economic development in the North Highlands. NDA's liability is limited to £10 in each case.

The NDA is also a member of Britain's Energy Coast, a company limited by guarantee contributing to the economic regeneration of West Cumbria.

10.4 OTHER INVESTMENTS
Core Department

	Global Climate Partnership Fund	Asian Climate Partners Fund	Total
	£'000	£'000	£'000
Value at 1 April 2013	**-**	**-**	**-**
Additions	30,000	-	30,000
Revaluation	(761)	-	(761)
Value at 31 March 2014	**29,239**	**-**	**29,239**
Additions	-	2,476	2,476
Revaluation	2,030	(82)	1,948
Impairment	-	-	-
Value at 31 March 2015	**31,269**	**2,394**	**33,663**

Global Climate Partnership Fund

	£'000
Value at 1 April 2013	**-**
Additions	30,000
Revaluation	(761)
Value at 31 March 2014	**29,239**
Revaluation	2,030
Value at 31 March 2015	**31,269**

Investment details

The Department invested £30.0m in the Global Climate Partnership Fund (GCPF) in December 2013, comprising 975 shares. This investment formed part of the Department's Official Development Assistance spend for 2013-14.

GCPF is an innovative public-private partnership with the objective of increasing the flow of finance to small and medium enterprises (SMEs) and households for energy efficiency projects by mobilising private finance. GCPF targets projects across developing and emerging economies, and aims to deliver greenhouse gas emissions savings and support local development. The majority (at least 70%) of the Fund is used to provide local financial institutions with credit lines, with which they in turn offer market rate loans to SMEs/households for renewable energy or energy efficiency projects. A smaller part of the Fund, up to 30%, makes direct investments (equity or debt) in similar projects.

The Fund is structured into 3 tranches of shares, A, B and C. The Department's investment is in the form of C shares. The Department and other donor C-shares act as a risk cushion for A and B shares. All shares provide annual returns and the process for paying returns from the revenues accrued follows a waterfall principle: A-share returns are paid first, then B, then C. Any losses or loan defaults are borne first by the C shares, then B and finally A shares.

The Department's investment in C shares gives it the right to a return of LIBOR 6 month's rate up to 2.2% that is recapitalised back into the Fund. These returns allow the Department's investment to deliver additional results and better value for money. No dividends were receivable in 2014-15 or 2013-14.

The Fund has no end date and the Department's investment is for the long term.

Measurement

The GCPF investment is classified as an available for sale asset.

Initial recognition was at fair value plus transaction costs. Subsequently the investment is carried at fair value. Gains and losses in fair value are recognised directly in Taxpayers' Equity (Financial Asset Reserve), in line with the IAS 39 treatment of gains and losses on revaluation. Under IAS 21, any gains and losses arising from foreign exchange translation when determining fair value are recognised in the Financial Asset Reserve, consistent with the treatment of fair value gains and losses. As a non-monetary item, the investment does not need to be retranslated into sterling as at the reporting date.

The Department's investment in GCPF is denominated in US dollars. The initial recognition of the investment is at fair value which was the sterling equivalent of the cost of the shares bought. The C shares are not tradable and therefore there is no published index for their valuation.

Valuation Technique

The GCPF issues C shares in tranches. The Department invested in the fourth tranche issued by GCPF.

The value per share of each C class tranche is determined by dividing the value of the total assets less liabilities allocable to the C class tranche by the number of shares of the C class tranche.

The valuation of assets, liabilities, income and expenses attributed to the Fund are established using valuation and accounting principles in accordance with IFRS.

Revaluation

Revaluation represents the gain or loss on the Fund (where the loss is not as a result of an impairment). This includes exchange losses on conversion of dollars to sterling at the fair value measurement date compared to the initial recognition exchange rate.

An upwards revaluation of £2.03 million was recognised in 2014-15 (2013:14: downwards revaluation of £761,000); the majority of which was due to an exchange gain as the value of dollar strengthened against the sterling between the date the investment was made and the fair value measurement date.

Impairment

Impairment of the Fund could be as a result of a fall in valuation of the C shares (in the case of an external event) compared to the fair value of the C shares at initial recognition. There was no impairment for 2014-15 (2013-14: nil), as the value of each C share increased since 31 March 2014 and the fair value measurement date.

Risk

The C shares investment takes a first loss position, however, the risk of the investment is considered low. The Department's exposure is capped at the amount invested (2014-15: £31.269 million, 2013-14: £29.239 million) and experience of GCPF over the last 4 years and a similarly structured Fund over 7 years has shown that the first loss position has never had to be called upon. The GCPF has made a profit in last 4 years of its operation.

Asian Climate Partners Fund

	£'000
Value at 1 April 2013	**-**
Additions	-
Value at 31 March 2014	**-**
Additions	2,476
Revaluation	(82)
Impairment	-
Value at 31 March 2015	**2,394**

Investment details

The Department invested £2.4m in the Asian Climate Partners Fund (ACPF) in November 2014. This investment formed part of the Department's Official Development Assistance spend for 2014-15.

ACPF is an innovative public-private partnership aimed at bringing in new forms of private finance (e.g. pension and sovereign wealth funds) into low carbon investments. ACPF will invest in growth and mid-market opportunities across emerging Asia exclusively in clean energy and environment services on fully commercial terms.

The Department's investment expects a return of 15% that is recapitalised back into the Fund. These returns allow the Department's investment to deliver additional results and better value for money.

The Fund's term is 10 years with a possible 2 year extension.

Measurement

The ACPF investment is classified as an available for sale asset.

The Department's investment is denominated in US dollars. The investment is an equity investment in the partnership and represents the cash drawn down by the Trustee for payment into the partnership's bank account for investing in equity instruments. The initial recognition of the investment is at fair value which was the sterling equivalent of cash paid into the partnership's bank account.

Subsequently the investment is carried at fair value. Gains and losses in fair value are recognised directly in profit and loss/Taxpayers' Equity (Financial Asset Reserve) depending on the portion of the investment which is represented by a monetary asset and that portion of the investment which is a non-monetary asset. Under IAS 21, any gains and losses arising from foreign exchange translation when determining fair value of non-monetary assets are recognised in the Financial Asset Reserve, and any gains and losses on a monetary asset are taken to profit and loss.

Valuation Technique

The investment is represented by the sterling value of the dollars transferred to the partnership's bank account using the exchange rate ruling at the reporting date. Where the cash has been used to make further investments in a fund or directly into another entity, the valuation is based on the latest financial statements of the fund or entity showing the value of the Department's portion of the investment. Where possible the Department uses audited statements to determine the value of its investment.

As at 31 March 2015, the value of the investment in the ACPF is represented by the sterling equivalent of the dollars in the partnership's bank account.

As at the reporting date the cash had not been invested in a fund or another entity. Exchange differences have been taken to the Statement of Comprehensive Net Expenditure.

Revaluation

This includes exchange gains or losses on conversion of dollars to sterling at the reporting date for cash not yet invested in equities or other entities.

A downward revaluation of £82,000 was recognised in 2014-15; this was due to a combination of an exchange gain and management fees charged to the financial asset reserve.

Impairment

Impairment of the ACPF is recognised in the Statement of Comprehensive Expenditure if there is objective evidence that the Fund assets are impaired.
As no investments were been made at the reporting date there are no impairments to report.

Risk

The investment is considered to be of medium risk recognising that while the potential opportunities for return remain high, they are dependent on the underlying projects of which selection is ongoing. The projects are in developing countries and the overall investment is also exposed to dollar- sterling currency movements. The Department's maximum risk exposure in ACPF is the carrying value of the investment at the reporting date which is £2.394 million.

Membership fund

The Secretary of State for Energy & Climate Change has a share in the membership fund of Carbon Trust. The members' fund at 31 March 2015 was £NIL (31 March 2014: £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.

Body in which the share is held and type and value of share	Terms of shareholding
EDF Energy Nuclear Generation Group Limited (formerly British Energy Group plc) £1 Special Share	British Energy Group plc Special Share created on 13 January 2005 and held jointly by the Secretary of State for Energy & 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.
British Energy Limited (formerly British Energy Holdings plc) £1 Special Share	British Energy Holdings plc Special Share created on 13 January 2005 and held jointly by the Secretary of State for Energy & 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.
EDF Energy Nuclear Generation Limited (formerly British Energy Holdings plc) £1 Special Share	British Energy Generation Ltd Special Share created in 1996 is held solely by the Secretary of State for Energy & 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.
British Energy Ltd (formerly British Energy plc) £1 Special Share	British Energy plc Special Share created in 1996 is held solely by the Secretary of State for Energy & 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.
Nuclear Liabilities Fund Ltd £1 Special Rights Redeemable Preference Share	Created in 1996. The Secretary of State for Energy & 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.

10.5 RECOVERABLE CONTRACT COSTS

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

	31 March 2015	31 March 2014	1 April 2013
Recoverable contract costs relating to Nuclear Provisions	£'000	£'000	£'000
Gross recoverable contract costs	5,660,730	5,906,030	5,685,393
Less applicable payments received on account	(3,503,250)	(3,279,225)	(3,363,036)
Less associated contract loss provisions	(519,721)	(80,002)	(318,000)
Total	**1,637,759**	**2,546,803**	**2,004,357**

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

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

		2014-15	2013-14	2012-13
	Note	£'000	£'000	£'000
Gross recoverable contract costs at 1 April		5,906,030	5,685,393	4,774,816
Increase/(decrease) in year	18.1	504,808	850,004	1,355,409
Unwinding of discount	18.1	29,849	47,050	42,168
Release in year – continuing operations	18.1	(474,061)	(444,488)	(315,000)
Amortisation of recoverable contract costs	6	(305,896)	(231,929)	(172,000)
Gross recoverable contract costs at 31 March		**5,660,730**	**5,906,030**	**5,685,393**

10.6 FINANCE LEASE RECEIVABLE

	Departmental Group	Departmental Group	Departmental Group
	31 March 2015	31 March 2014	1 April 2013
	£'000	£'000	£'000
Amounts receivable under finance leases			
Not later than one year	1,571	1,545	1,521
Later than one year and not later than five years	6,477	6,419	6,338
Later than five years	177,627	178,527	178,969
	185,675	186,491	186,828
Less unearned finance income	(140,584)	(142,136)	(143,664)
Present value of minimum lease payments	45,091	44,355	43,164
Of which			
Non-current	43,601	42,864	42,375
Current	1,490	1,491	789
Total	**45,091**	**44,355**	**43,164**

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

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 were 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 group 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.

10.7 DEFINED BENEFIT PENSION SCHEMES

Defined Benefit 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 (CNPP)

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

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 2015 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 2015		31 March 2014		1 April 2013	
		Nirex	CNPP	Nirex	CNPP	Nirex	CNPP
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Asset recognised in the statement of financial position	10	-	-	-	1,534	-	-
Liability recognised in the statement of financial position	17.1	(3,697)	(5,091)	(2,061)	-	(4,071)	(5,577)

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 2015		31 March 2014		1 April 2013	
		ESPS	CNPP	ESPS	CNPP	ESPS	CNPP
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Magnox		-	-	-	-	25,200	-
Asset recognised in the statement of financial position	10	-	-	-	-	25,200	-
Magnox		(188,700)	-	(72,800)	-	-	-
Sellafield		-	(273,195)	-	(66,687)	-	(155,967)
LLWR		-	(6,025)	-	(1,638)	-	(2,838)
RSRL		-	(8,522)	-	(3,325)	-	(6,095)
Total liabilities		(188,700)	(287,742)	(72,800)	(71,650)	-	(164,900)
Deferred tax asset (RSRL)		-	-	-	-	-	1,402
Liabilities recognised in the statement of financial position	17.1	(188,700)	(287,742)	(72,800)	(71,650)	-	(163,498)

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	GPS section of the CNPP	ESPS
	£'000	£'000	£'000
Present value of defined benefit obligation at 31 March 2013	**617,098**	**470,725**	**2,504,200**
Interest cost	29,987	19,867	106,300
Current service cost	113,368	10,582	37,400
Benefits paid	(3,714)	(8,157)	(101,300)
Actuarial gains/(losses)	(99,002)	(23,763)	4,800
Past service costs	(3,814)	-	4,800
Employee contributions	16,992	1,715	100
Curtailments	654	-	-
Transfers	(2,318)	-	-
Present value of defined benefit obligation at 31 March 2014	**669,251**	**470,969**	**2,556,300**
Interest cost	29,710	20,555	107,500
Current service cost	103,087	9,741	39,300
Benefits paid	(6,662)	(9,576)	(113,200)
Actuarial gains/(losses)	222,267	97,009	341,400
Past service costs	-	-	12,600
Employee contributions	17,922	1,714	-
Curtailments	-	-	-
Transfers	834	159	-
Present value of defined benefit obligation at 31 March 2015	**1,036,409**	**590,571**	**2,943,900**
Fair value of asset at 31 March 2013	483,540	439,383	2,529,400
Expected return on plan assets	22,363	18,670	122,000
Employer contributions	74,213	6,280	33,900
Benefits paid	(3,848)	(8,157)	(101,300)
Actuarial gains/(losses)	20,486	(1,962)	(100,600)
Contributions by employees	17,646	1,715	100
Transfers	(1,759)	-	-
Fair value of asset at 31 March 2014	612,641	455,929	2,483,500
Expected return on plan assets	28,887	20,028	105,700
Employer contributions	76,638	6,201	57,400
Benefits paid	(6,662)	(9,576)	(113,200)
Actuarial gains/(losses)	76,726	57,797	221,800
Contributions by employees	17,922	1,714	-
Transfers	834	159	-
Fair value of asset at 31 March 2015	**806,986**	**532,252**	**2,755,200**
Defined benefit liability/(asset) at 31 March 2015	**229,423**	**58,319**	**188,700**
Defined benefit liability/(asset) at 31 March 2014	**56,610**	**15,040**	**72,800**
Defined benefit liability/(asset) at 31 March 2013	**133,558**	**31,342**	**(25,200)**

The actuarial assumptions used at 31 March 2015 have been disclosed in the Site Licence Companies' financial statements.

On the ESPS Scheme a 0.1 percentage point decrease in the annual discount rate would increase the liability by £47.9m, a

0.1 percentage point increase in the inflation assumption would increase the liability by £46.4m and a 1 year increase in life expectancy would increase the liability by £84.3m.

On the CNPP Scheme a 0.5 percentage point decrease in the annual discount rate would increase the liability by £151.8m, a 0.5 percentage point increase in the inflation assumption would increase the liability by £151.8m and a 1 year increase in life expectancy would increase the liability by £19.7m.

On the GPS Scheme a 0.5 percentage point decrease in the annual discount rate would increase the liability by £65.0m, a 0.5 percentage point increase in the inflation assumption would increase the liability by £65.0m and a 1 year increase in life expectancy would increase the liability by £10.0m.

10.8 WORKING CAPITAL LOAN

	Short term loan to LCCC	Short term loan to ESC	Total Core Department	Departmental Group
	£'000	£'000	£'000	£'000
Value at 1 April 2013	**-**	**-**	**-**	**-**
Additions	-	-	-	-
Value at 31 March 2014	**-**	**-**	**-**	**-**
Additions	3,487	655	4,142	-
Value at 31 March 2015	**3,487**	**655**	**4,142**	**-**

These working capital loans are provided by the Department to the Low Carbon Contracts Company Limited (LCCC) and Electricity Settlement Company Limited (ESC) to temporarily finance their expenditure in advance of a related levy being collected from Electricity Suppliers in May 2015. Although the obligation to pay this is for the period January 2015 to March 2015 (for LCCC) and August 2014 to March 2015 (for ESC), it cannot be invoiced until the amount of electricity supplied is known (which is expected to be in late April 2015).

11 INVESTMENT PROPERTY

Fair Value	Land £'000	Buildings £'000	Total £'000
As at 1 April 2013	**616**	**10**	**626**
Revaluations	(30)	(5)	(35)
Reclassifications	(6)	(5)	(11)
As at 31 March 2014	**580**	**-**	**580**
Disposals	(10)	-	(10)
Revaluations	38	-	38
Reclassifications	(26)	-	(26)
As at 31 March 2015	**582**	**-**	**582**

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

The 2014-15 and 2013-14 reclassification line relates to movements between investment property and assets held for sale (Note 13).

The Group owns all of its investment properties.

12 IMPAIRMENTS

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

	Note	2014-15 £'000	2013-14 Restated £'000	2012-13 £'000
Financial Assets - Energy Efficiency Loans to Small and Medium Sized Enterprises*	10.1	640	359	(217)
Financial Assets – Green Deal Loan	10.2	30,648	-	-
Financial Assets – Investment in subsidiary (impairment reversal)	10.3	(2,981)	-	-
Property, plant and equipment	6, 8	6,677	6,586	96
Intangible assets	6, 9	181	-	-
Total		**35,165**	**6,945**	**(121)**
Analysis of impairments				
Department		31,288	359	(217)
ALBs		3,877	6,586	96
Total		**35,165**	**6,945**	**(121)**

* Includes £19k (2013-14:£48k) written back that had previously been impaired.

13 ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

Assets held for sale

Fair Value	2014-15 £'000	2013-14 £'000	2012-13 £'000
As at 1 April	**50,571**	**50,550**	**100,145**
Disposals	(55)	-	(54,955)
Revaluations	(15,500)	10	5,467
Reclassifications	(34,974)	11	(107)
As at 31 March	**42**	**50,571**	**50,550**

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

The 2013-14 reclassification line relates to movements between investment property (Note 11) and assets held for sale. The 2014-15 reclassification line comprises movements between assets held for sale and investment property (£26,000) and property plant and equipment (Note 8) (£35,000,000).

On 1 May 2014 the NDA reached an agreement with NuGen on the key commercial terms of an agreement in respect of the land at Moorside, Sellafield. This was a revision to the previous terms under which this land has been included as an asset held for sale since 29 October 2009, and provides for NuGen to exercise an option to acquire the land before 2019. Given the potentially long timeframe before completion of the transaction it has been determined that the asset does not fully meet the criteria to be shown as an asset held for sale under IFRS 5: Non-current Assets Held for Sale and Discontinued Operations. However the NDA's expectation that a sale will be concluded is unchanged from the previous year. A revaluation of £15.5 million to the carrying value is a result of the revision to the agreement.

14 INVENTORIES

	Departmental Group 31 March 2015 £'000	Departmental Group 31 March 2014 £'000	Departmental Group 1 April 2013 £'000
Nuclear Fuels	586	835	1,134
Raw materials and consumables	38,189	39,628	38,080
Work in progress	122	51,269	63,421
Other	1,513	1,519	1,192
Total	**40,410**	**93,251**	**103,827**

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

15 TRADE AND OTHER RECEIVABLES

15.1 ANALYSIS BY TYPE

	Core Department	Departmental Group	Core Department	Departmental Group	Core Department	Departmental Group
	31 March 2015	31 March 2015	31 March 2014	31 March 2014	1 April 2013	1 April 2013
	£'000	£'000	£'000	£'000	£'000	£'000
Amounts falling due within one year:						
Trade receivables	339	338,281	8,597	386,640	7,527	448,625
Coal Pensions receivables	591,103	591,103	127,698	127,698	86,837	86,837
Other receivables	18,421	39,530	7,114	7,316	73,500	15,960
HM Revenue & Customs (VAT)	5,645	92,987	4,465	69,907	4,553	72,899
Amounts due from the Consolidated Fund in respect of supply	140,215	140,215	-	-	72,506	72,506
Prepayments and accrued income	53,909	74,338	36,345	159,642	35,378	172,341
Total current trade and other receivables	**809,632**	**1,276,454**	**184,219**	**751,203**	**280,301**	**869,168**
Amounts falling due after more than one year:						
Coal Pensions receivables	216,243	216,243	336,537	336,537	168,106	168,106
Other receivables	-	10,780	-	7,930	-	13,001
Prepayments and accrued income	-	31,018	-	37,593	-	30,185
Total non-current trade and other receivables	**216,243**	**258,041**	**336,537**	**382,060**	**168,106**	**211,292**
Total trade and other receivables	**1,025,875**	**1,534,495**	**520,756**	**1,133,263**	**448,407**	**1,080,460**

Core Department
Coal Pensions receivables represent the amounts due to the Government relating to its relationship with the British Coal Staff Superannuation Scheme (BCSSS) and the Mineworkers' Pension Scheme (MPS). After privatisation of the British Coal Corporation in 1994 the Government gave financial guarantees in relation to certain benefits payable to members and beneficiaries of the two schemes. As part of those agreements the Government is entitled to a portion of any periodic valuation surpluses. Recommended cash flows to Government are generally determined by the Government Actuary following his triennial valuations. The most recent valuations were at 31 March 2012 for BCSSS and 31 March 2013 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 IAS 39: 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.

Included within other receivables within one year for the core Department are CFER receivables of £16,030,000 (31 March 2014: £4,897,000).

Group

Other receivables falling due after more than one year include lump sum payments made under early retirement arrangements to individuals who have retired early, or who have accepted early retirement, before 31 March 2015. 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.

The most significant trade receivables balance relates to the NDA, ageing of which is shown in the table below. A proportion of this particular balance includes electricity sold by EdF Energy as agent for the Group to a number of counterparties. 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.

	Departmental Group	Departmental Group
	31 March 2015	31 March 2014
	£'000	£'000
Neither impaired nor past due	321,789	375,824
Impaired (net of allowance for doubtful debts)	-	-
Not impaired but past due in the following periods:		
within 30 days	637	1,524
31 to 60 days	139	3,384
61 to 90 days	100	310
91 to 120 days	172	14
over 120 days	11	352
Total	**322,848**	**381,408**

15.2 INTRA-GOVERNMENT BALANCES

Amounts falling due within one year

	Core Department	Departmental Group	Core Department	Departmental Group	Core Department	Departmental Group
	31 March 2015	31 March 2015	31 March 2014	31 March 2014	1 April 2013	1 April 2013
	£'000	£'000	£'000	£'000	£'000	£'000
Balances with:						
Other Central Government bodies	164,848	221,585	12,735	130,665	148,815	197,835
Local Authorities	-	748	-	488	-	689
NHS bodies	-	66	-	75	-	13
Public Corporations and Trading Funds	-	485	-	1,085	21	27
Subtotal: Intra-Government balances	**164,848**	**222,884**	**12,735**	**132,313**	**148,836**	**198,564**
Bodies external to Government	644,784	1,053,570	171,484	618,890	131,465	670,604
Total trade and other receivables	**809,632**	**1,276,454**	**184,219**	**751,203**	**280,301**	**869,168**

Amounts falling due after more than one year

	Core Department	Departmental Group	Core Department	Departmental Group	Core Department	Departmental Group
	31 March 2015	31 March 2015	31 March 2014	31 March 2014	1 April 2013	1 April 2013
	£'000	£'000	£'000	£'000	£'000	£'000
Balances with:						
Other Central Government bodies	-	688	-	508	-	531
Local Authorities	-	-	-	-	-	-
NHS bodies	-	-	-	-	-	-
Public Corporations and Trading Funds	-	50	-	-	-	-
Subtotal: Intra-Government balances	**-**	**738**	**-**	**508**	**-**	**531**
Bodies external to Government	216,243	257,303	336,537	381,552	168,106	210,761
Total trade and other receivables	**216,243**	**258,041**	**336,537**	**382,060**	**168,106**	**211,292**

16 CASH AND CASH EQUIVALENTS

	Core Department 2014-15 £'000	Departmental Group 2014-15 £'000	Core Department 2013-14 £'000	Departmental Group 2013-14 £'000
Balance as at 1 April	302,869	467,595	100,172	317,629
Net change in cash and cash equivalent balances	(205,220)	(205,860)	202,697	149,966
Balance at 31 March	**97,649**	**261,735**	**302,869**	**467,595**

	Core Department 2014-15 £'000	Departmental Group 2014-15 £'000	Core Department 2013-14 £'000	Departmental Group 2013-14 £'000
The following balances at 31 March were held at:				
Government Banking Service	97,422	241,926	302,826	448,723
Cash in hand and commercial banks	227	19,809	43	18,872
	97,649	**261,735**	**302,869**	**467,595**

17 TRADE PAYABLES AND OTHER LIABILITIES

17.1 ANALYSIS BY TYPE

	Core Department	Departmental Group	Core Department	Departmental Group	Core Department	Departmental Group
	31 March 2015	31 March 2015	31 March 2014	31 March 2014	1 April 2013	1 April 2013
	£'000	£'000	£'000	£'000	£'000	£'000
Amounts falling due within one year:						
VAT	-	41,309	-	33,410	-	34,289
Other taxation and social security	3,692	42,249	3,816	32,832	3,351	45,081
Trade payables	42,523	265,132	12,869	103,065	20,021	165,279
Payments received on account	-	849,476	-	741,623	-	611,347
Other payables	3,705	16,150	6,127	39,209	4,187	41,603
On balance sheet PFI	-	5	-	4	-	6
Accruals and deferred income	849,876	693,682	380,241	683,134	210,738	515,490
Derivative financial instruments	(9,930)	(9,930)	-	100	-	552
Advance from the Contingencies Fund	-	-	-	-	4,851	4,851
Amounts issued from the Consolidated Fund for Supply but not spent at year end	-	-	114,009	114,009	-	-
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund:						
Received	237,863	253,664	188,861	193,561	167,828	238,758
Receivable	16,030	229	4,897	197	71,190	260
Total current trade and other payables	**1,143,759**	**2,151,966**	**710,820**	**1,941,144**	**482,166**	**1,657,516**
Amounts falling due after more than one year:						
Derivative financial instruments	507,548	2,495,387	-	-	-	-
Payments received on account	-	1,488,133	-	2,009,240	-	1,931,607
Accruals and deferred income	321,313	328,885	578,913	590,484	341,573	362,808
Defined benefit pension scheme deficit	-	485,230	-	146,511	-	173,146
Other payables	-	1,509	-	1,510	-	22
Total non-current trade and other payables	**828,861**	**4,799,144**	**578,913**	**2,747,745**	**341,573**	**2,467,583**
Total trade and other payables	**1,972,620**	**6,951,110**	**1,289,733**	**4,688,889**	**823,739**	**4,125,099**

Included under accruals and deferred income are promissory note liabilities of £635m (less than one year) and £321m (greater than one year). These liabilities represent the amounts owed for various ODA (Official Development Assistance) projects which the Department has contributed to in a number of developing countries.

Payments received on account

	Notes	2014-15 £'000	2013-14 £'000
As at 1 April - current		**741,623**	**611,347**
As at 1 April - non-current		**2,009,240**	**1,931,607**
		2,750,863	2,542,954
Top up of payments on account	6	51,264	148,926
Movement in amount deducted from recoverable contract costs	10.5	(224,025)	83,811
Amounts invoiced		651,753	685,853
Released to income		(892,246)	(710,681)
As at 31 March		**2,337,609**	**2,750,863**
Of which:			
As at 31 March – current		**849,476**	**741,623**
As at 31 March – non-current		**1,488,133**	**2,009,240**
		2,337,609	**2,750,863**

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 10.5).

Derivative Financial Instruments

	Note	Core Department 31 March 2015 £'000	Departmental Group 31 March 2015 £'000	Core Department 31 March 2014 £'000	Departmental Group 31 March 2014 £'000	Core Department 1 April 2013 £'000	Departmental Group 1 April 2013 £'000
Assets							
Amounts falling due within one year:							
Commodity supply contract assets	10	-	-	-	-	-	-
Liabilities							
Amounts falling due within one year:							
Contracts for Difference		9,930	9,930	-	-	-	-
Commodity supply contract liabilities		-	-	-	(100)	-	(552)
Total current derivative financial instruments – liabilities	**17.1**	**9,930**	**9,930**	**-**	**(100)**	**-**	**(552)**
Amounts falling due after more than one year:							
Contracts for Difference		(507,548)	(2,495,387)	-	-	-	-
Commodity supply contract liabilities		-	-	-	-	-	-
Total derivative financial instruments - liabilities	**17.1**	**(497,618)**	**(2,485,457)**	**-**	**-**	**-**	**-**

CfD contracts

The Low Carbon Contracts Company (LCCC) was established as a Government owned company, to act as counterparty to Contracts for Difference (CfD), which are designed to incentivise investment in low carbon electricity. CfDs provide support payments which top up generators' income and remove their exposure to electricity price uncertainty.

The CfDs and investment contracts give generators price stability for their low carbon electricity. Each CfD has an agreed strike price which is used to calculate payments to or from the generators in respect of the low carbon electricity they supply. When the market price of electricity is below the strike price, generators will be paid the difference between the wholesale price and the strike price by the LCCC. Similarly, if and when the market price rises above the strike price, generators would be required to pay back the difference to the LCCC. The strike price was set administratively for the first tranche of CfDs and through a competitive auction process for the second.

14 investment contracts were awarded for 8 projects (5 offshore wind projects, 2 coal to biomass conversions, and a dedicated biomass plant with Combined Heat and Power) on 23 April 2014 by the core Department, under the FID Enabling for Renewables. These contracts have an assumed capacity of 4,249 MW, strike prices of up to

£125 per MWh and delivery dates between 2015-16 and 2020-21. 11 offshore wind contracts with an anticipated capacity of 2,944 MW of low carbon generation were transferred to the LCCC on 1 August 2014, and the dedicated biomass plant with CHP was subsequently novated on 4 February 2015. 2 biomass contracts with a capacity of 1,006 MW of low carbon generation are currently being managed by the core Department, and the Secretary of State remains the counterparty whilst they progress through the European Commission State Aid process. They will transfer to LCCC following this.

A further 27 contracts were subsequently awarded and agreed as a result of the competitive auction in February 2015. These contracts include Advanced Conversion Technologies, Energy from Waste, offshore wind, onshore wind and solar. These contracts have an assumed capacity of 2,106 MW, strike prices of up to £150 per MWh and commissioning dates between 2016 and 2020.

Under the legislation there is an obligation on licensed electricity suppliers to pay a levy to fund the CfD payments. This supplier obligation includes a number of backstops which minimise liquidity risks and ensure generators get paid.

Financial Liabilities
These CfD payments are derivatives and accounted for in accordance with IAS 39. The Fair Value (FV) of the expected future outflows has been accounted for according to the FVTPL (Financial Liabilities at Fair Value Through Profit or Loss) rules, including the deferral of day one losses. The accounting policy is set out in more detail in Note 1.31.

Fair Value Measurement of CfDs
The Fair Value of the unquoted contracts has been estimated using a discounted cash flow (DCF) model. This method involved the projection of a series of cash flows and application of a discount rate to establish the present value of the expenses associated with the liability. The valuation requires management to make certain assumptions about the model inputs, including cash flows, the discount rate, credit risk and volatility. Further information relating to the assumptions is included below.

The Fair Values are based on estimates of future energy prices. Forecasting fossil fuel prices forward to 2036 is extremely challenging, as it depends on a large number of unknowns (future economic growth rates across the world, development of new technologies, global climate change policies, strategies of resource holders, etc.).

The Fair Values are based upon the estimates of fossil fuel prices published by the Department in September 2014, using the low projections of fossil fuel prices to forecast the potential liabilities arising to 2020-21 and the central fossil fuel price rising carbon scenario thereafter within the Dynamic Dispatch Model (DDM). This combination of low and central fossil fuel price is management's best estimate of the most appropriate price forecasts, given the fall in energy prices which occurred earlier in Quarter 1 2015.

Forecast wholesale electricity prices are derived from the Dynamic Dispatch Model (DDM). The DDM model was developed to facilitate and inform policy decisions by modelling investor behaviour in response to fuel and carbon prices and policy environment (GB model out to 2050). The DDM can model investment behaviour based on rational forecasts of market prices for up to 15 years ahead. The wholesale price has been modelled using the Short Run Marginal Cost (SRMC) for each plant included in the model enabling the calculation of the generation merit order. Demand for each day is then calculated taking wind profiles into account and interconnector flows, pumped storage, auto-generation and wind generation. The wholesale price is equal to the system marginal price plus the mark up. The mark up is derived from historic data and reflects the increase of system marginal price above marginal costs at times of reduced capacity margins. More detail on the DDM can be found on the core Department's website.

Annual payments are estimated as the strike price less the electricity price forecasted at that time. These payments have been discounted using the HM Treasury discount rate of 2.2%.

For the other key inputs into the model, the underlying assumptions are set out below.

(i) Transmission Loss Multiplier (TLM)

The TLM reflects the fact that electricity is lost as it passes through the transmission system from generators to suppliers. TLM was calculated by the core Department and set out in the EMR Final Delivery Plan. If the TLM is incorrect, this will have implications for the volume of electricity subject to CfD payments.

(ii) Target Commissioning Date (TCD)

The TCD represents the date at which the project is eligible to receive CfD difference payments. Generators nominate a target commissioning date in their binding application form, and this is specified in their CfD contract following contract award. However, the generator is free to commission at any time within their Target Commissioning Date (TCD, a period of one year for most technologies) with no penalty, or up to their Long-Stop Date (one to two years after the end of the TCD depending on technology) with a penalty in the form of reduction of contract length for each day they are late in commissioning after the end of the TCD. The contract can be terminated if the generator has not commissioned 95% of their revised installed capacity estimate by the end of the long-stop date. Any change to the commissioning date will change the timing of future cash flows and impact on the discounted Fair Value.

(iii) Strike Price

The strike price is an agreed price which determines the payments made to the generator under the contract with reference to its low carbon output and the market reference price. It is specified in the contract following allocation, and once agreed formally is not intended to change for the duration of the project, other than through indexation to CPI and certain network charges, or in the event of certain qualifying changes in law. Changes in the strike price would have large effects on the output of the model but no significant change is expected to occur.

(iv) Electricity Prices
The difference between the electricity price and the strike price determines how much is paid to generators for each MWh of electricity produced. The electricity prices used are based upon the estimates of fossil fuel prices published by the core Department in September 2014, using the low projections of fossil fuel prices with rising carbon prices up to 2020-21, and central projections of fossil fuel prices with rising carbon prices thereafter. Changes in future electricity prices can have a significant impact on the Fair Value of CfDs.

(v) Installed Capacity
The installed capacity is the maximum capacity each project is capable of achieving. It was provided by the generator in their application and specified in their CfD contract following allocation. The installed capacity cannot be increased after contract signature, but can be reduced by no more than 30% with no penalty between contract signature and final commissioning. The actual output of the generator will depend on the load factor.

(vi) Load Factor (LF)
The LF is defined as the actual power output of a project as a proportion of its rated installed capacity. It is a percentage figure which is used to transform installed capacity into actual power output (generation).

(vii) Other External Inputs
These include economic, climate, policy, generation and demand assumptions which are external inputs to the model including demand load curves for both business and non-business days and seasonal impacts.

Deferred Day One Loss
The transaction price for CfDs on entering the contract is nil, as neither side is required to pay any consideration upfront. The CfD fair value on day one is considered to be the total contractual liability using the valuation model.

The valuation techniques used comply with accounting standards where level 1 valuation techniques are based upon quoted prices in active markets, level 2 valuation techniques are based upon other observable data and level 3 valuation techniques are unobservable.

The CfD valuation model uses significant level 3 valuation techniques. Under accounting standards, the financial instrument is therefore recognised at the transaction price (nil) and any difference between the transaction price and fair value at initial recognition measured using the valuation model is deferred (Day One loss). For more detail on the accounting policy, see Note 1.31.

The following table shows the Fair Value on initial recognition, the deferred Day One losses, the subsequent movements in Fair Value and carrying value of the CfDs at 31 March 2015:

	Core Department	LCCC	Departmental Group
	£'000	£'000	£'000
Fair Value of CfDs at initial recognition	15,105,577	4,017,057	19,122,634
Deferred Day One losses	(15,105,577)	(4,017,057)	(19,122,634)
Movements in Fair Value between Day One and reporting date recognised as a cost	497,618	-	497,618
Transfers of Fair Value	(12,790,259)	12,790,259	-
Transfers of deferred Day One losses	12,790,259	(12,790,259)	-
Movements in Fair Value between date of transfer and reporting date recognised as a cost	-	1,987,839	1,987,839
Carrying value of CfDs	497,618	1,987,839	2,485,457

Movement in Deferred Day One Loss

	Core Department	LCCC	Departmental Group
	£'000	£'000	£'000
Deferred losses as at 1 April 2014	-	-	-
Losses deferred during the period	15,105,577	4,017,057	19,122,634
Deferred losses transferred during the period	(12,790,259)	12,790,259	-
Recognised in Statement of Comprehensive Net Expenditure	-	-	-
Deferred losses as at 31 March 2015	2,315,318	16,807,316	19,122,634

Fair Value of CfDs as at 31 March 2015

The following table provides an analysis of financial instruments which are measured at Fair Value Through Profit or Loss and grouped into Level 1, 2 and 3 valuation techniques.

	Level 1	**Level 2**	**Level 3**	**Total**
	£'000	£'000	£'000	£'000
Core Department	-	-	2,812,936	2,812,936
LCCC	-	-	18,795,155	18,795,155
Total Departmental Group	**-**	**-**	**21,608,091**	**21,608,091**

Description of Significant Unobservable Inputs to Valuation
The table below discloses the significant unobservable inputs for CfDs recognised at Fair Value and classified as Level 3 along with the range of values used for these significant unobservable inputs between 2015 and 2036.

	Liability	Valuation Technique	Significant Unobservable Input	Range	Units
	£'000			Min – Max	
Core Department	2,812,936	DCF	Future electricity prices	41.81 – 71.63	£/MWh
LCCC	18,795,155	DCF	Future electricity prices	41.81 – 71.63	£/MWh
Departmental Group	21,608,091	DCF	Future electricity prices	41.81 – 71.63	£/MWh

Reconciliation of Fair Value and Deferred Day One Losses on CfDs
The following table shows the movements in the Fair Value of CfDs in the year, a reconciliation of the Fair Value at 31 March 2015 to the deferred losses at 31 March 2015, the carrying value of the CfD liability in the accounts at 31 March 2015 and an ageing of the Fair Value of CfD payments.

	Core Department	LCCC	Departmental Group
	£'000	£'000	£'000
Fair Value as at 1 April 2014	-	-	-
Fair Value of CfDs at initial recognition during the period	15,105,577	4,017,057	19,122,634
Change in Fair Value during the period recognised as a cost	497,618	1,987,839	2,485,457
Transfers of Fair Value	(12,790,259)	12,790,259	-
Fair Value as at 31 March 2015	2,812,936	18,795,155	21,608,091
Deferred losses as at 31 March 2015	2,315,318	16,807,316	19,122,634
Carrying value of CfDs	497,618	1,987,839	2,485,457
Total	**2,812,936**	**18,795,155**	**21,608,091**
Ageing of Fair Value payments			
< 1 year	19,162	-	19,162
2-5 years	1,265,255	1,817,859	3,083,114
5+ years	1,528,519	16,977,256	18,505,815
Fair Value as at 31 March 2015	**2,812,936**	**18,795,155**	**21,608,091**

Sensitivity Analysis
The Fair Value in future accounting periods, and actual payments which will be made in the future will differ from the Fair Value disclosed. This is because the assumptions upon which the Fair Value is based will change, and the actual value will differ from forecasted values.

The significant changes in Fair Value will be driven by changes in electricity prices, changes in electricity generated and delays in projects. The table below sets out the impact to the forecast Fair Value of the liability, when these assumptions change.

	Core Department	Core Department	Departmental Group	Departmental Group
	Favourable Impact on FV	Unfavourable Impact on FV	Favourable Impact on FV	Unfavourable Impact on FV
	£'000	£'000	£'000	£'000
Forecast electricity prices reduced by 10%	-	(296,992)	-	(1,925,091)
Forecast electricity prices increased by 10%	296,992	-	1,925,091	-
Forecast load factor reduced by 10%	281,293	-	2,160,809	-
Forecast load factor increased by 10%	-	(281,293)	-	(2,160,809)
Projects delayed by 12 months	357,282	-	1,080,282	-
Generation commences at the start of the Target Commissioning Date window	-	-	-	(549,769)

The favourable impact on Fair Value arising from a 12 month delay in the projects is due to the fact that some of the contracts have a fixed end date. Thus delays potentially reduce the duration of time in which the Group has an obligation to make CfD payments. In addition, the best estimate of future electricity prices was based upon low projections of fossil fuel prices and rising carbon prices up to 2020-21, and central fossil fuel rising carbon projections thereafter. Delays push more of the payments into the period when central fossil fuel prices have been used, as opposed to low fossil fuel prices, with the result that the Fair Value of CfD payments is that much lower.

Commodity supply contract
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).

17.2 INTRA-GOVERNMENT BALANCES

Amounts falling due within one year

	Core Department	Departmental Group	Core Department	Departmental Group	Core Department	Departmental Group
	31 March 2015	31 March 2015	31 March 2014	31 March 2014	1 April 2013	1 April 2013
	£'000	£'000	£'000	£'000	£'000	£'000
Balances with:						
Other Central Government bodies	622,726	739,351	331,460	425,831	256,624	352,542
Local Authorities	2,711	2,941	92,584	92,819	642	744
NHS bodies	-	-	-	20	-	40
Public Corporations and Trading Funds	2,985	3,190	2,464	2,467	3,482	3,484
Subtotal: Intra-Government balances	**628,422**	**745,482**	**426,508**	**521,137**	**260,748**	**356,810**
Bodies external to Government	515,337	1,406,484	284,312	1,420,007	221,418	1,300,706
Total trade and other payables	**1,143,759**	**2,151,966**	**710,820**	**1,941,144**	**482,166**	**1,657,516**

Amounts falling due after more than one year

	Core Department	Departmental Group	Core Department	Departmental Group	Core Department	Departmental Group
	31 March 2015	31 March 2015	31 March 2014	31 March 2014	1 April 2013	1 April 2013
	£'000	£'000	£'000	£'000	£'000	£'000
Balances with:						
Other Central Government bodies	-	202,348	-	80,863	-	22
Local Authorities	-	-	-	-	-	-
NHS bodies	-	-	-	-	-	-
Public Corporations and Trading Funds	-	219	-	-	-	-
Subtotal: Intra-Government balances	**-**	**202,567**	**-**	**80,863**	**-**	**22**
Bodies external to Government	828,861	4,596,577	578,913	2,666,882	341,573	2,467,561
Total trade and other payables	**828,861**	**4,799,144**	**578,913**	**2,747,745**	**341,573**	**2,467,583**

18 PROVISIONS FOR LIABILITIES AND CHARGES

	Note	Core Department 31 March 2015 £'000	Departmental Group 31 March 2015 £'000	Core Department 31 March 2014 £'000	Departmental Group Restated 31 March 2014 £'000	Core Department 1 April 2013 £'000	Departmental Group Restated 1 April 2013 £'000
Nuclear	18.1	1,581,016	72,632,406	1,769,814	67,972,339	1,976,876	62,631,739
Other	18.2	1,040,869	2,079,227	692,959	1,779,499	621,013	1,725,778
Total		**2,621,885**	**74,711,633**	**2,462,773**	**69,751,838**	**2,597,889**	**64,357,517**

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

	Note	Core Department 31 March 2015 £'000	Departmental Group 31 March 2015 £'000	Core Department 31 March 2014 £'000	Departmental Group Restated 31 March 2014 £'000	Core Department 1 April 2013 £'000	Departmental Group Restated 1 April 2013 £'000
Current liabilities							
Nuclear	18.1	220,272	3,308,347	234,196	3,019,139	246,048	3,097,274
Other	18.2	392,108	455,918	99,392	136,951	88,637	124,627
Total current		**612,380**	**3,764,265**	**333,588**	**3,156,090**	**334,685**	**3,221,901**
Non-current liabilities							
Nuclear	18.1	1,360,744	69,324,059	1,535,618	64,953,200	1,730,828	59,534,465
Other	18.2	648,761	1,623,309	593,567	1,642,548	532,376	1,601,151
Total non-current		**2,009,505**	**70,947,368**	**2,129,185**	**66,595,748**	**2,263,204**	**61,135,616**
Total		**2,621,885**	**74,711,633**	**2,462,773**	**69,751,838**	**2,597,889**	**64,357,517**

See Note 1.35 for details of key sensitivities and accounting judgements relating to the above provisions.

18.1 NUCLEAR

	Note	Core Department British Energy £'000	Decom-missioning £'000	Contract loss £'000	Depart-mental Group £'000
At 1 April 2013		**1,976,876**	**58,768,786**	**1,886,077**	**62,631,739**
Unwinding of discount		5,880	1,000,929	38,220	1,045,029
Discount charge		(11,168)	-	-	(11,168)
Unwinding of discount - recoverable contract costs	10.5	-	47,050	-	47,050
Increase in provision		45,015	6,965,504	-	7,010,519
Increase in recoverable contract costs provision	10.5	-	850,004	-	850,004
Movements in amounts deducted from recoverable contract costs		-	-	237,998	237,998
Amounts written back		-	-	(590,079)	(590,079)
Recoverable contract costs – release in year	10.5	-	(444,488)	-	(444,488)
Utilised in year		(246,789)	(2,330,384)	(227,092)	(2,804,265)
At 31 March 2014		**1,769,814**	**64,857,401**	**1,345,124**	**67,972,339**
Unwinding of discount		(21,005)	1,172,121	13,312	1,164,428
Discount charge		34,418	-	-	34,418
Unwinding of discount - recoverable contract costs	10.5	-	29,849	-	29,849
Increase in provision		32,013	5,852,834	556,200	6,441,047
Increase in recoverable contract costs provision	10.5	-	504,808	-	504,808
Movements in amounts deducted from recoverable contract costs		-	-	(439,719)	(439,719)
Amounts written back		-	-	-	-
Recoverable contract costs – release in year	10.5	-	(474,061)	-	(474,061)
Utilised in year		(234,224)	(2,135,697)	(230,782)	(2,600,703)
At 31 March 2015		**1,581,016**	**69,807,255**	**1,244,135**	**72,632,406**

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 2015 £'000	Departmental Group 31 March 2015 £'000	Core Department 31 March 2014 £'000	Departmental Group 31 March 2014 £'000	Core Department 1 April 2013 £'000	Departmental Group 1 April 2013 £'000
Not later than one year	220,272	3,308,347	234,196	3,019,139	246,048	3,097,274
Later than one year and not later than five years	723,052	14,178,453	792,174	13,406,173	844,505	12,584,038
Later than five years	637,692	55,145,606	743,444	51,547,027	886,323	46,950,427
Balance at 31 March	**1,581,016**	**72,632,406**	**1,769,814**	**67,972,339**	**1,976,876**	**62,631,739**

Core Department

British Energy

As a result of the restructuring of British Energy (BE) in January 2005, the Government assists BE in meeting its contractual historic fuel liabilities. The provision is based on the forecast payment schedule up to 2029 which is set out in the waste processing contracts agreed between BE, BNFL and the Department. The costs are estimated to be £225m (31 March 2014: £232m) (undiscounted at current prices) for next year and are then expected to fall each year thereafter. Each year the profile of future payments is 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 these particular elements of the Decommissioning provision are therefore offset 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 2015 (NDA Group and Authority) is £5,661 million (31 March 2014: £5,906 million), see Note 10.5

The decommissioning provision has shown an increase of £4,950 million due to a number of movements in the table above. This has been driven by the conclusion of the new life time plan for Sellafield which has resulted in a substantial increase in costs, as a result of changes to cost and scheduling of key programmes. This has been a comprehensive update of the plan producing a large increase. The plan will continue to develop in future years and will be subject to further, but comparatively smaller, changes. The Departmental Group auditors continue to provide an emphasis of matter paragraph in their audit certificate concerning the inherent uncertainties in the provisions relating to nuclear decommissioning.

Further details are reported in the NDA Annual Report and Accounts.

Contract loss

Contract loss provisions have been recognised to cover the anticipated shortfall between total income and total expenditure on long term reprocessing contracts. The above balances are shown net after deduction from any applicable recoverable contract costs (see Note 10.5). The amount provided in the year for the contract loss provision relates to changes in estimates of the costs of existing contracts.

18.2 OTHER PROVISION

	Legacy ailments	Health adminis-tration	Conces-sionary fuel	Site restoration	Govern-ment Electricity Rebate	**Core De-partment**	Coal Authority Restated	Early departure costs and re-structuring	Other	**Depart-mental Group Restated Total**
	£'000	£'000	£'000	£'000	£'000	**£'000**	£'000	£'000	£'000	**£'000**
At 1 April 2013	**117,763**	**55,465**	**442,092**	**5,693**	**-**	**621,013**	**994,000**	**98,298**	**12,467**	**1,725,778**
Unwinding of discount	(1,241)	50	2,855	(73)	-	**1,591**	11,242	350	-	**13,183**
Increase in provision	98,331	6,969	85,390	-	-	**190,690**	6,452	-	1,405	**198,547**
Discount charge	(13,800)	(521)	(12,944)	78	-	**(27,187)**	-	-	-	**(27,187)**
Amounts written back	(3,796)	-	-	-	-	**(3,796)**	(4,316)	(1,893)	(2)	**(10,007)**
Utilised in year	(21,578)	(12,822)	(54,952)	-	-	**(89,352)**	(17,378)	(13,530)	(555)	**(120,815)**
At 31 March 2014	**175,679**	**49,141**	**462,441**	**5,698**	**-**	**692,959**	**990,000**	**83,225**	**13,315**	**1,779,499**
Unwinding of discount	999	165	5,348	(81)	-	**6,431**	11,579	625	-	**18,635**
Increase in provision	63,403	14,908	82,543	-	310,000	**470,854**	6,311	37,296	225	**514,686**
Discount charge	3,718	(1,534)	(11,436)	8	2,531	**(6,713)**	-	-	-	**(6,713)**
Amounts written back	(36,269)	-	(975)	(2,300)	-	**(39,544)**	(73,178)	-	(390)	**(113,112)**
Utilised in year	(22,235)	(8,612)	(52,271)	-	-	**(83,118)**	(16,712)	(12,252)	(1,686)	**(113,768)**
At 31 March 2015	**185,295**	**54,068**	**485,650**	**3,325**	**312,531**	**1,040,869**	**918,000**	**108,894**	**11,464**	**2,079,227**

The balances at 1 April 2013 and 31 March 2014 have been restated due to a change in accounting policy for the Coal Authority – Notes 1.37 and 32 refer.

Cash Flow Timings

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

	Core Department	Departmental Group	Core Department	Departmental Group Restated	Core Department	Departmental Group Restated
	31 March 2015	31 March 2015	31 March 2014	31 March 2014	1 April 2013	1 April 2013
	£'000	£'000	£'000	£'000	£'000	£'000
Not later than one year	392,108	455,918	99,392	136,951	88,637	124,627
Later than one year and not later than five years	299,771	441,839	266,493	420,581	258,422	421,191
Later than five years	348,990	1,181,470	327,074	1,221,967	273,954	1,179,960
Balance at 31 March 2015	**1,040,869**	**2,079,227**	**692,959**	**1,779,499**	**621,013**	**1,725,778**

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 (£61m), phurnacite, mesothelioma (£53m), pneumoconiosis, pleural thickening, asbestos related conditions, vibration white finger, chronic obstructive pulmonary disease, cancer, pleural plaques, other minor benefits schemes and possible further litigation for the Department. The provisions are based on the forecasts of the settlements of future claims, taking into account discussion with our legal advisors, claim handlers and recent actuarial estimates. Forecasts beyond 2022, when the current contract with our legal advisors is due to end, are subject to considerable uncertainty in estimates of the number of cases and the levels of damages and costs.

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 and the resources needed to defend this potential liability.

The future cash flows in relation to administrative expenditure are based upon best estimates according to the existing contractual arrangements with legal advisors (including claim handlers) and records management contractors.

Concessionary fuel
The provision has previously covered 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. On the 15 November 2013, the Chancellor of the Exchequer announced that the government would additionally guarantee the concessionary fuel allowance of those who lost their entitlement as a consequence of the restructuring of UK Coal in July 2013. This resulted in a further cohort of approximately 1,500 beneficiaries added to the Department's Scheme.

On 4 March 2015, the Minister of State for Energy further announced that the government would ensure that the current UK Coal miners would continue to receive their concessionary fuel benefits upon closure of the company's remaining deep mines. The estimated future cost is also included in the provision.

Of the total 61,662 current beneficiaries (including ex UK Coal beneficiaries) at 31 March 2015, 51,361 have opted for the cash alternative at an average of around £694 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 fuel, 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 and allowing for the fact that the ex UK Coal beneficiaries have greater restrictions in this regard.

Government Electricity Rebate

Government Electricity Rebate (GER) was launched in October 2014 as part of 2013's Autumn Statement. It is part of a wider package of measures which will reduce household energy bills. GER reimburses customers £12 which approximately represents one week's electricity. Customers will receive another rebate (£12) from the suppliers in October 2015 when the scheme launches again. The total cost per year is approximately £310m (excluding the discount charge) which represents the amount that could be reimbursed to suppliers for the rebate.

Group

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.

The Coal Authority provisions have been restated due to a change in accounting policy, Notes 1.37 and 32 refer.

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 2015. 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 £1.8m at 31 March 2015 (£1.6m at 31 March 2014).

A provision was created in 2014-15 for £30.6m relating to voluntary severances of Magnox Limited staff, which is separate to the restructuring provisions funded via NDA above. The provision is expected to be fully utilised by December 2016.

19 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	Departmental Group
	2014-15	2013-14
	£'000	£'000
Balance at 1 April	**44,309**	**42,087**
Change in equity of non-controlling interest during the year	1,485	2,222
Balance at 31 March	**45,794**	**44,309**

20 CAPITAL COMMITMENTS

Contracted capital commitments as at 31 March 2015, not otherwise included in these financial statements:

	Core Department 31 March 2015 £'000	Departmental Group 31 March 2015 £'000	Core Department 31 March 2014 £'000	Departmental Group 31 March 2014 £'000
Property, plant and equipment	181	30,991	1	14,516
Intangible assets	-	38	56	118
Total	**181**	**31,029**	**57**	**14,634**

The majority of the capital commitments relate to the NDA, for economic assets that are expected to be subsequently capitalised.

21 COMMITMENTS UNDER LEASES

21.1 OPERATING LEASES – DEPARTMENT AS A LESSEE

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

	Core Department 31 March 2015 £'000	Departmental Group 31 March 2015 £'000	Core Department 31 March 2014 £'000	Departmental Group 31 March 2014 £'000
Obligations under operating leases for the following periods comprise				
Land				
Not later than one year	-	419	-	395
Later than one year and not later than five years	-	1,610	-	1,517
Later than five years	-	10,936	-	10,828
Total	**-**	**12,965**	**-**	**12,740**
Buildings				
Not later than one year	541	7,247	1,082	6,302
Later than one year and not later than five years	-	14,412	122	8,331
Later than five years	-	42,887	-	10,084
Total	**541**	**64,546**	**1,204**	**24,717**
Other				
Not later than one year	1,114	2,368	1,086	3,176
Later than one year and not later than five years	556	2,143	1,670	3,706
Later than five years	-	-	-	-
Total	**1,670**	**4,511**	**2,756**	**6,882**

21.2 OPERATING LEASES – DEPARTMENT AS A LESSOR

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

	Departmental Group 31 March 2015 £'000	Departmental Group 31 March 2014 £'000
Obligations under operating leases for the following periods comprise		
Buildings		
Not later than 1 year	2,972	3,495
Later than one year and not later than 5 years	9,685	20,625
Later than 5 years	18,974	27,125
Total	**31,631**	**51,245**

21.3 FINANCE LEASES – DEPARTMENT AS A LESSEE

The core 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 included within property, plant and equipment at fair value as shown in Note 8.

LCCC and ESC lease a settlement system from Elexon. As the asset is funded through a capital grant from the core Department, there are no finance lease obligations. The asset is included within intangible assets (Note 9).

21.4 Service concessions

The Group has entered into a service concession contract for the provision of IT assets and services, cancellable with twelve months' notice. The contract is held by an ALB, with IBM via Defra and is a rolling contract. This has been assessed as a service concession arrangement under IFRIC 12: Service Concession Arrangements, with assets held on balance sheet and featured in Note 8. In substance this is a finance lease containing two elements, imputed lease charges and service charges.

The core Department held a service concession contract with Fujitsu Services Limited which expired on 31 March 2014; the contract payments relating to the core Department's infrastructure assets were all made at the time of purchase and consequently there was no lease commitment or liability at 31 March 2014.

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

	Departmental Group	Departmental Group
	31 March 2015	31 March 2014
	£'000	£'000
Not later than 1 year	**5**	**4**
Later than 1 year but not later than 5 years	10	12
Later than 5 years	**-**	**-**
	15	**16**
Less: interest element	(2)	(2)
	13	**14**
Present value of the above obligations comprise:		
Not later than 1 year	**5**	**4**
Later than 1 year but not later than 5 years	**8**	**10**
Later than 5 years	**-**	**-**
Total present value of obligations	**13**	**14**

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

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 £106,000 (2013-14: £5,898,000), interest payments in respect of the service concession arrangement were £900 (2013-14: £1,034); and the payments to which the Group is committed are as follows:

	Core Department	Departmental Group	Core Department	Departmental Group
	31 March 2015	31 March 2015	31 March 2014	31 March 2014
	£'000	£'000	£'000	£'000
Not later than 1 year	-	73	-	103
Later than 1 year but not later than 5 years	-	131	-	286
Later than 5 years	-	-	-	-
	-	**204**	**-**	**389**

As part of the BIS ELGAR contract, the core Department's office in Aberdeen was provided with specialist IT equipment. This arrangement expired on 31 March 2014, the total cost expensed during 2013-14 was £486,000 as PFI service charges, and the commitment as at 31 March 2014 was £Nil.

22 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.

For international subscriptions, the figures provided are the payments due as at 31 March 2015, in the period in which the annual commitment expires.

For other financial commitments and Contracts for Difference, the figures provided are the total payments to which the Group is committed at 31 March 2015, analysed by the period during which the payments are made.

	Note	Core Department British Energy £'000	Decom-missioning £'000	Contract loss £'000	Depart-mental Group £'000
International subscriptions					
Annual commitments expiring within 1 year	22.1	103	103	-	-
Annual commitments expiring within 2 to 5 years	22.1	770	770	541	541
Annual indefinite commitments	22.1	22,399	22,399	23,396	23,396
Total		**23,272**	**23,272**	**23,937**	**23,937**
Other					
Due within 1 year	22.2	16,017	17,008	10,986	11,890
Due within 2 to 5 years	22.2	44,627	47,518	28,997	33,089
Due thereafter	22.2	5,443	5,469	1,581	1,581
Total		**66,087**	**69,995**	**41,564**	**46,560**

22.1 ANNUAL SUBSCRIPTIONS

All amounts are paid by the core Department.

	Expiry within 1 Year	Expiry within 2 to 5 Years	Expiry over 5 years	Total
Organisation	£'000	£'000	£'000	£'000
United Nations Framework Convention on Climate Change	-	270	1,092	1,362
International Atomic Energy Agency	-	-	16,563	16,563
Organisation for the Prohibition of Chemical Weapons	-	-	2,681	2,681
International Energy Agency	57	-	1,005	1,062
Nuclear Energy Agency	-	500	-	500
European Energy Charter	-	-	316	316
International Energy Forum Secretariat	-	-	65	65
International Renewable Energy Agency	-	-	677	677
Global Carbon Capture Storage Institute	46	-	-	46
Total	**103**	**770**	**22,399**	**23,272**

Commitments for International subscriptions as at 31 March 2014:

	Expiry within 1 Year	Expiry within 2 to 5 Years	Expiry over 5 years	Total
Organisation	£'000	£'000	£'000	£'000
United Nations Framework Convention on Climate Change	-	-	1,337	1,337
International Atomic Energy Agency	-	-	17,043	17,043
Organisation for the Prohibition of Chemical Weapons	-	-	2,852	2,852
International Energy Agency	-	-	1,107	1,107
Nuclear Energy Agency	-	541	-	541
European Energy Charter	-	-	355	355
International Energy Forum Secretariat	-	-	60	60
International Renewable Energy Agency	-	-	642	642
Total	**-**	**541**	**23,396**	**23,937**

International subscriptions are subscriptions to international bodies which the Department is required to pay on a continuous basis (except for subscriptions where the commitment expires within 2 to 5 years). The payments represent the share of United Kingdom's obligations to the above international bodies.

22.2 OTHER FINANCIAL COMMITMENTS

		As at 31 March 2015				As at 31 March 2014			
		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	Notes	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Warmfront ASV	a	-	-	-	-	711	-	-	711
Warmfront Carillion contract	b	102	-	-	102	-	-	-	-
SSCL Shared Service contract	c	1,147	4,588	669	6,404	1,144	4,464	1,581	7,189
iTECC Programme	d	4,335	4,271	-	8,606	3,716	6,969	-	10,685
Fujitsu contract	e	-	-	-	-	875	-	-	875
Ukraine Centralised Store for Highly Active Spent Sources (HASS)	f	-	-	-	-	1,000	-	-	1,000
RIMNET	g	5,269	12,294	-	17,563	3,540	17,564	-	21,104
SSCL Oracle licences contract	h	164	474	-	638				
Asia Climate Partners Fund	i	5,000	23,000	4,774	32,774	-	-	-	-
Total Core Department		**16,017**	**44,627**	**5,443**	**66,087**	**10,986**	**28,997**	**1,581**	**41,564**
Airwave Solutions Limited	j	900	2,700	-	3,600	904	4,092	-	4,996
SSCL Shared Service contract	c	50	191	26	267	-	-	-	-
Business licence agreement	k	41	-	-	41	-	-	-	-
Total Group		**17,008**	**47,518**	**5,469**	**69,995**	**11,890**	**33,089**	**1,581**	**46,560**

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. No further payments are due after 31 March 2015.

b. The contract with Carillion Energy Services is for the supply of customer complaints handling services for the Warmfront scheme.

c. The contractual agreement with SSCL covers the provision of

HR, finance and procurement transactional services. The contract was signed on 1 November 2013 and will cover a period of seven years. Cost of change is uncertain and demand led. Pricing changes to a volumetric basis on the 1 November 2015 with costs uncertain, however a parallel pricing exercise is commencing in May 2015. This contract is held by the core Department and an NDPB.

d. The iTECC Service Integration Service Tower and associated contracts have been procured for four years. It is an enabling service that allows the Department to exploit cost effective commodity services procured through the G-Cloud Framework, typically contracted for two years.

e. The Fujitsu contract for the provision of IT services terminated on 31 March 2014. However, migration to the new service provision could not be effected until later in Quarter 1 of 2014-15. As a result a new contract was established to continue services for Q1 2014-15.

f. The Global Threat Reduction Programme (GTRP) is managing a project in Ukraine to build a secure store for Highly Active Sealed Sources (HASS), located in the Chernobyl Exclusion Zone. The GTRP is working with UK Government, the European Union and the Ukrainian government to complete the project by the end of 2014-15.

g. RIMNET is the UK's radiation monitoring and emergency management system which meets international obligations in terms of notification of a nuclear emergency, regularly supports nuclear emergency exercises and would be at the forefront of a response to a nuclear emergency in the UK or anywhere in the world. It utilises the atmospheric dispersion and weather forecasting capabilities of the Met Office, and is currently managed and operated by the Met Office and delivered in partnership with CGI and Ultra-Electronics Nuclear Control Systems.

h. The contractual agreement with SSCL covers the Oracle Licencing Structure that enables SSCL to deliver shared services using the Single Operating Platform and Oracle Cloud Services.

i. The Department has entered into a commitment with the fund manager of Asian Climate Partners to encash the remaining portion of the promissory note laid in favour of the fund. The encashments are indicative and can change from one year to the next. Further details of the Asian Climate Partners Fund can be found at Note 10.4.

j. The Airwave Solutions Limited contract is for access to the Airwave communication network.

k. The rental for a property lease which is a licence rather than a lease agreement.

23 FINANCIAL INSTRUMENTS

23.1 CLASSIFICATION AND CATEGORISATION OF FINANCIAL INSTRUMENTS

		Core Department	Departmental Group	Core Department Restated	Departmental Group	Core Department	Departmental Group
		31 March 2015	31 March 2015	31 March 2014	31 March 2014	1 April 2013	1 April 2013
Organisation	Notes	£'000	£'000	£'000	£'000	£'000	£'000
Loans and receivables:							
Energy Efficiency Loans and Recyclable Energy Efficiency Loans	10.1	70,548	70,548	55,179	55,179	83,762	83,762
Green Deal Finance Company Loan	10.2	4,000	4,000	19,733	19,733	16,599	16,599
Finance lease receivable	10.6	-	45,091	-	44,355	-	43,164
Working capital loan	10.8	4,142	-				
Trade and other receivables	15.1	1,025,875	1,534,495	520,756	1,133,263	448,407	1,080,460
Cash at bank and in hand	16	97,649	261,735	302,869	467,595	100,172	317,629
Total loans and receivables		**1,202,214**	**1,915,869**	**898,537**	**1,720,125**	**648,940**	**1,541,614**
Fait value through profit and loss (FVTPL)							
Derivative financial assets	17.1	-	-	-	-	-	-
Available-for-sale assets:							
Investment in subsidiaries	10.3	-	228,718	-	225,737	-	225,737
Other investments	10.4	33,663	33,663	29,239	29,239	-	-
Total Available-for-sale assets		33,663	262,381	29,239	254,976	-	225,737
Financial liabilities							
Fair value through profit and loss (FVTPL)							
Derivative financial liabilities	17.1	(497,618)	(2,485,457)	-	(100)	-	(552)
Total fair value through profit and loss (FVTPL)		(497,618)	(2,485,457)	-	(100)	-	(552)
Other financial liabilities:							
Trade and other payables*	17.1	(1,475,002)	(4,465,653)	(1,289,733)	(4,688,789)	(823,739)	(4,124,547)
Total other financial liabilities		**(1,475,002)**	**(4,465,653)**	**(1,289,733)**	**(4,688,789)**	**(823,739)**	**(4,124,547)**

The core balance of trade and other payables at 31 March 2014 has been restated to correct a transposition error.

* Excludes derivative financial instruments which are shown separately.

23.2 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.

Further detail on the valuation of derivative financial liabilities is disclosed in Note 17.1.

The carrying values of other financial assets and financial liabilities do not differ from fair values in these accounts at either 31 March 2015 or 31 March 2014.

23.3 SIGNIFICANCE OF FINANCIAL INSTRUMENTS TO FINANCIAL PERFORMANCE AND POSITION

IFRS 7: 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.

Given the material nature of the Group's financial instruments, the AME cost following the recognition of the CfD contracts in the 2014-15 accounts is £497.6m in the Core Department accounts and a further £1,987.8m in the accounts of the Low Carbon Contracts Company Limited (LCCC), totalling £2,485.4m in the Group Accounts. This is because the initial day one cost of the fair value of the liability for the CfD contracts has been deferred in accordance with the provisions of IAS 39. The costs disclosed above represent the movements in fair value between initial recognition and the reporting date.

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

23.4 RISK EXPOSURE FROM FINANCIAL INSTRUMENTS

The Group is financed by a combination of Government funding and commercial activities, and as at the reporting date was 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 at the reporting date were 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, which will affect 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 17.1.

The amounts payable under the CfD contracts are exposed to price risk through the fluctuations in future wholesale electricity prices, specifically, on how they will in the future differ from the prices used in the low fossil fuel rising carbon (to 2020-21) and central fossil fuel rising carbon scenarios (from 2021-22) to calculate the fair value of the liability. However the LCCC and the Department are not financially exposed to this risk because the liability is funded through a levy on suppliers.

Credit risk

Credit risk for loans is described in Notes 10.1 and 10.2. 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 15.1. As at the reporting date, the Group's exposure for other trade receivables was concentrated among a small number of customers. No collateral or other credit enhancements are 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.

Under the legislation there is an obligation placed on licensed suppliers to fund the CfD liabilities as they crystallise through a levy. In accordance with IAS 32, paragraph 12, the Group's rights to the future reimbursement of these costs will not be recognised as financial assets when the financial liability is recognised, but will be recognised later when the electricity suppliers reimburse the Group. This means that although the liability is funded by a levy on suppliers, the asset matching the liability cannot be recorded in the Group Statement of Financial Position. The future levy amounts which will be received from the licensed suppliers will be accounted for by the Group when the event which triggers the recovery of the CfD costs from the licensed supplier occurs, the event being the supply of low carbon electricity triggering payment under the CfD contracts. The statutory accounts of the LCCC, prepared under IFRS, will recognise future reimbursement, to the extent that they have losses for reimbursement.

The existence of this obligation ensures that credit and liquidity risks are minimal.

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.

The impact of interest rates affects the discount rate used to arrive at the fair value of the CfD liability. Changes in interest rates which affect the discount rate would therefore affect the Statement of Financial Position valuation. However the Group is not financially exposed to this risk because the liability is funded through a levy on suppliers.

Inflation risk
The CfD valuation is based on models which use assumptions about future prices. The amounts payable under the CfD contracts will be affected by the indexation of strike prices to reflect actual inflation and an inflation risk arises from the possibility of differences between the assumed inflation in the model and in the actual contracts. Inflation rates may not continue at the relatively low levels experienced in recent years; the Group is not financially exposed to this risk because the liability is funded through a levy on suppliers.

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.

24 CONTINGENT LIABILITIES AND ASSETS DISCLOSED UNDER IAS 37: PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

24.1 CORE DEPARTMENT

Basis of recognition	Description
Coal Industry Act 1994	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 future liabilities are uncertain, except where provision has been made in the accounts. The future liabilities will depend on the nature of any injury and whether the courts decide that compensation is due.
Nuclear Liabilities Fund (British Energy)	The then Secretary of State for Trade and Industry created a constructive obligation due to her announcement in 2002 to the House of Commons 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 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 18.1). Since 2009 the BE estate has been owned and operated by EDF Energy (EDF E). 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. In practice this will depend on investment returns received by the NLF, contributions made under contract to the NLF by EDF E (which have an indexation component) as well as the actual costs of meeting the decommissioning and uncontracted liabilities. As such, it is difficult to quantify whether this represents a contingent liability or asset. The Department's current estimate of the assets available to the NLF to meet its liabilities is £9.1 billion (2014: £9.1 billion restated). The latest estimate of the discounted liabilities for decommissioning and uncontracted liabilities is £7.5 billion (2014: £7.2 billion). However despite assets exceeding discounted liabilities by £1.6 billion, the undiscounted liabilities are greater than £19 billion and therefore this position is disclosed as a contingent liability. Currently approximately 15% of the fund is invested externally, and the remainder is lodged with the National Loans Fund. This is risk-free, but the projected returns are lower than the projected returns on the externally-invested funds. There have been discussions about investing the assets exclusively with the National Loans Fund, but as yet no firm decisions have been taken. The discounted liabilities figure increased significantly during 2013-14 because reviews carried out by EDF E (and independently scrutinised by the Nuclear Decommissioning Authority) identified a number of one-off increases arising as a result of refining both the plans for decommissioning the estate and the plans for managing and storing spent fuel and other radioactive wastes. It is not expected that a similar scale of increase in the liabilities will arise in the future but they will continue to be subject to regular reviews.

Basis of recognition	Description
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	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 & 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. 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. In February 2015, the Trustees of the BCSSS and the Secretary of State entered into an agreement which simplifies the mechanism by which pension entitlements are guaranteed while maintaining the fundamental safeguards for Scheme members. Further details regarding the Schemes and the notional sub-funds can be found in Note 15.1. This is a long term contingent liability dependent on the performance of the schemes' investments and their mortality experience.
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 18.2) 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	The Department faces damages claims estimated at £132m (2014: £196m) plus costs from solar energy and construction companies affected by changes to Feed in Tariffs. Preliminary issues based on assumed facts were heard at the High Court in May 2014. The claimants and the Department appealed the preliminary issues judgment to the Court of Appeal and the hearing was held in March 2015. The Court of Appeal judgment found that, inter alia, the claimants are (in principle) entitled to compensation from the Department if they can prove they suffered losses which were not justified by legitimate policy considerations, and that the losses were in fact caused by the Department's action. The Department applied to the Court of Appeal for permission to appeal to the Supreme Court on 23 June and are awaiting the Court's response. If the Court of Appeal refuses permission, the Department will then need to consider whether to apply to the Supreme Court directly for permission to appeal. Taking the case to the Supreme Court (via either route) could, if the Department wins, end the claim completely but would lead to further legal costs, most of which would fall on the Department in the event of losing the appeal. In the event that the Department is denied permission to appeal, decides not to appeal, or is allowed to appeal but is unsuccessful, the Department would then proceed to a full trial. If this happens the Department may, even so, avoid paying any damages to the claimants, because it would continue to argue that the losses were justified. If that argument fails, the Department would have to pay some damages - the actual amount would depend on the full facts.

Basis of recognition	Description
EU Emissions Trading Scheme (ETS)	Permission for judicial review has been sought by two separate claimants in respect of the treatment of airlines under the aviation ETS and by four claimants in respect of the allocation of carbon allowances in relation to stationary ETS. One of the aviation claims that was previously stayed is in the process of being withdrawn, the other has not been granted permission and on appealing this decision in March 2015 the court granted permission for the case to be referred to the Court of Justice of the European Union (CJEU). The Department and the appellant must now agree the terms of reference for the CJEU by 22 April 2015. The stationary judicial reviews are being considered together but are stayed pending a decision from the European Court on similar claims in other member states (likely to be in 2016). Liabilities are uncertain at this stage but may result in compensation claims plus costs if the government is unsuccessful in its defence, although the Department considers there are good arguments that these claims should be made against the EU.
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.

24.2 DEPARTMENTAL NDPBS

Category	Description
Inventories	At 31 March 2015 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 18). However, movements in financial markets may adversely impact the actuarial valuations of the schemes, resulting in an increase in scheme deficits and consequent increase in nuclear provision.
Subsidence damage and public safety liabilities	Licensees of mining operations are required to provide security to the Coal Authority to cover the anticipated 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, this would transfer to the Authority who 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 18.2) 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. In addition to the contingent liabilities outlined above the following should be noted: **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.

Category	Description
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. The NDA considers the likelihood of liabilities arising from a legal case which is ongoing at the reporting date to be remote. Any liabilities that do result from this case are expected to be immaterial to these financial statements.

24.3 CONTINGENT ASSETS

Departmental ALBs

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 land and properties sold by British Coal Corporation. In the event that the purchasers of the land / properties are able to retrospectively 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.

25 CONTINGENT LIABILITIES NOT REQUIRED TO BE DISCLOSED UNDER IAS 37, BUT INCLUDED FOR PARLIAMENTARY REPORTING AND ACCOUNTABILITY PURPOSES

25.1 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 Trustees of the Fund 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 BE (now EDF E) appointed Trustees of the 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 (now EDF E).
- Indemnities have been given to Department staff appointed by the Department as Directors of Low Carbon Contracts Company Limited (formerly CfD Counterparty Company Limited) and to Electricity Settlements Company Limited. These indemnities are against personal liability following any legal action against the companies. Indemnities are valid for claims during the relevant period that are brought up to 6 years following that date.
- Indemnities have been provided to the Low Carbon Contracts Company Limited and Electricity Settlements Company Limited in respect of their officers before commercial Directors and Officers insurance is in place.

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 the Department 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 e.g. 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.
- The Department 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 for England and Wales will be met by the Department.
- The Department has indemnified Elexon Ltd against third party claims relating to the design and or implementation of CfD (Contracts for Difference) and CM (Capacity Markets) settlement systems which are not covered by insurance and/or guarantees by their sub-contractors.
- Planning Act 2008: cost of compensation payable as a result of revocation of a Development Consent Order, in the event that an Order is subject to legal challenge.
- OECD (Organisation for Economic Co-operation and Development) and IEA (International Energy Agency): an indemnity for any loss to the IEA arising from use of its data in the Department's Global Climate Change 2050 Pathways Calculator, limited to maximum of £100,000.
- The Department has the option to extend the Warm Front contract from April 2016 to March 2017 however the supplier may choose not to do so and thereby not accept any future liabilities for upheld Warm Front complaints. Therefore after April 2016 there is a possibility that the Department could have to pay for any such liabilities.

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

Departmental ALBs

Indemnities

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

Other

- International Carrier Bond - During the year the NDA procured a US Bond on behalf of their subsidiary, INS Ltd, in order to meet US law in respect of vessels calling at US ports for commercial purposes. This Bond is required to ensure that all duties, taxes and fees owed to the federal government are paid. The Bond would therefore only be called on in the case of non-payment of any of the above, and the total cost would not be expected to exceed $100,000.

25.2 QUANTIFIABLE

The Group has entered into the following quantifiable 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.

Departmental ALBs

Capacity agreements

Capacity agreements are arrangements between National Grid (as System Operator) and capacity providers. They require the capacity provider to be ready to provide a certain amount of capacity in their applicable delivery years when called upon to do so by National Grid. The first four-year ahead Capacity Auction for delivery in 2018-19 was held in December 2014. Through this auction the Department has assured 49.26 GW of capacity for 2018-19. The total cost of the Capacity Agreements resulting from this auction (including those for more than one year) is £1,805m in 2014 prices. These payments will be funded by a levy on licensed electricity suppliers.

The Department through the Government owned Electricity Settlements Company (ESC) is not part of the statutory arrangements related to capacity agreements and is only responsible to act as an administrator for the settlement process. The Capacity Market obligation for the ESC only arises when payments are received from the licensed suppliers and the generator delivers the required capacity in line with the capacity arrangements.

The potential payments arising from these arrangements are set out below.

	As at 31 March 2015				As at 31 March 2014			
	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
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capacity market payment – DECC	-	-	-	-	-	-	-	-
Total Core Department	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Capacity market payment - ESC	-	1,055,366	749,870	1,805,236	-	-	-	-
Income from levy - ESC	-	(1,055,366)	(749,870)	(1,805,236)	-	-	-	-
Total Group	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

26 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.

26.1 LOSSES STATEMENT

Total losses during the year were as follows:

	Core Department 2014-15		Departmental Group 2014-15		Core Department 2013-14		Departmental Group 2013-14	
Type of loss	Total £	Number of cases	Total £	Number of cases	Total £	Number of cases	Total £	Number of cases
Cash losses	-	-	2,995	1	-	-	-	-
Stores losses	-	-	33,776	3	-	-	-	-
Losses of pay, allowances and superannuation	-	-	-	-	-	-	-	-
Fruitless payments	250	1	93,566	28	11,280	9	11,280	18
Claims waived or abandoned	60,549	532	60,549	532	58,715	714	60,472	728
Book-keeping losses	-	-	4,688	2	55,710	1	55,710	1
Exchange rate fluctuation losses	3,921,818	4	3,921,818	4	-	-	-	-
Bad Debts	32,203,468	54	32,203,468	54	516,416	29	517,759	34
Total	**36,186,085**	**591**	**36,320,860**	**624**	**642,121**	**753**	**645,221**	**781**

The core Department bad debts figure contains:

- £30,647,716, 1 case relating to the impairment of the Green Deal loan. Note 10.2 provides further details.
- £659,783, 52 cases (2013-14: £407,913, 26 cases) relating to Energy Efficiency loans which were impaired during the year. The Department impaired the loans having received objective evidence of impairment, which included significant financial difficulty or default of the counterparty (Note 10.1 provides further details).
- £895,969, 1 case relating to write off for the for re-imbursement of the Department's outstanding legal costs in pursuing Miners Unions in respect of the successful defence of the Miners Knee Group Litigation which concluded in October 2012.

The core Department exchange rate fluctuations contain £3,902,769 (3 cases) arising from the revaluation of promissory notes that have been laid in dollars. The promissory notes are used to fund the Department's Official Development Assistance projects. As the dollar has strengthened against sterling during the financial year this has led to an exchange loss to be recognised.

26.2 SPECIAL PAYMENTS

Special payments during the year were as follows:

Type of loss	Core Department 2014-15 Total £	Core Department 2014-15 Number of cases	Departmental Group 2014-15 Total £	Departmental Group 2014-15 Number of cases	Core Department 2013-14 Total £	Core Department 2013-14 Number of cases	Departmental Group 2013-14 Total £	Departmental Group 2013-14 Number of cases
Compensation payments	-	-	-	-	6,652	1	6,652	1
Extra-contractual	-	-	-	-	-	-	-	-
Ex gratia	3,200	2	3,200	2	18,000	1	18,000	1
Special severance	-	-	-	-	10,000	1	10,000	1
Total	**3,200**	**2**	**3,200**	**2**	**34,652**	**3**	**34,652**	**3**

27 RELATED-PARTY TRANSACTIONS

The core Department is the parent of the bodies listed in Note 30 – these bodies are regarded as related parties and various material transactions have taken place during the reporting period between members of the Group. The related parties of the consolidating bodies 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 Environment, Food and Rural Affairs (Defra), the Department for Communities and Local Government, Office of Gas and Electricity Markets (Ofgem), the Met Office and Environment Agency. No Department Ministers, Department senior management or the senior management of the Group have undertaken any material transaction with the Group during the year. Details of the Department's Ministers and senior management and their remuneration are shown in the Remuneration Report.

28 THIRD-PARTY ASSETS

The following are balances in accounts held in the core Department's name at 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 practicable to ascribe monetary values comprised monetary assets such as bank balances.

	Core Department	Departmental Group
Bank Balances	£'000	£'000
At 1 April 2014	16,568	16,568
Gross inflows	14,297	14,297
Gross outflows	(641)	(641)
At 31 March 2015	**30,224**	**30,224**

At 31 March 2015 the core Department held £16.4m (1 April 2014: £16.0m) transferred from BNFL plc to meet the potential future capitalisation requirements of the National Nuclear Laboratory Ltd. These monies are held in GBS (Government Banking Service) accounts.

The core Department maintains a euro account with a commercial bank to hold European Commission contributions from the EU Instrument for Nuclear Safety Cooperation. The money is to be paid to contractors engaged on a Department-led project in Ukraine (details are in Note 22.2.f). The sterling equivalents were £568,042 at 1 April 2014 and £2,064 at 31 March 2015.

On 22 October 2013 DECC took over temporary management of the Iranian Oil Company's (IOC) interest in the Rhum gas field; enabling co-management of the field with the operator, and 50% owner, British Petroleum (BP). This action was taken under the Hydrocarbons (Temporary Management Scheme) Regulations 2013, which establish a power for the Secretary of State to take a UK oil or gas licence into his control under a temporary management scheme, where the licence holder is designated under EU sanctions against Iran.

The IOC's share of revenues from resumed production is being held by the Department in a dedicated bank account, on behalf of the IOC. The IOC's share of costs will be funded from this account and the balance of the funds will be payable over to IOC at a future point, when the Department ceases to apply the provisions of the Regulations.

The balance of funds held by the Department at 31 March 2015 on IOC's behalf was £13,416,838 (1 April 2014: nil), but the Department will invoice from this balance £909,891 for the costs that were incurred in taking over temporary management action under the Regulations. The operator BP is also entitled to recover the costs which it has incurred and funded on IOC's behalf.

The core Department maintains a Government Banking Service euro account to hold European Commission contributions for the Offshore Wind Demo ERA-NET project. The UK is acting as co-ordinator for this project and the money in the account will be paid to other Demo Wind partner countries as required. The sterling equivalents were £Nil at 1 April 2014 and £430,163 at 31 March 2015.

29 EVENTS AFTER THE REPORTING PERIOD

Post 31 March 2015, the following are disclosed as having an effect on the Department:

Sellafield land
The NDA holds land adjacent to its Sellafield site known as 'Moorside'. NuGen, a potential developer of a new nuclear power station on the site, has exercised the next stage of the option and leased the land from the NDA for a 14 year period (see Note 13).

Research Sites Restoration Limited (RSRL) sites
Two RSRL sites, Harwell and Winfrith, were relicensed as part of Magnox Limited with effect from 1 April 2015. The staff and all assets and liabilities transferred (including contract novations).

Dates accounts authorised for issue
In accordance with IAS 10: Events After the Reporting Period, the Accounting Officer duly authorised the issue of these financial statements on the date of the Comptroller and Auditor General's audit certificate.

30 ENTITIES WITHIN THE DEPARTMENTAL BOUNDARY

The entities within the boundary during 2014-15 were those entities listed in the Designation and Amendment Orders presented to Parliament. The bodies whose accounts have been consolidated within the Departmental group accounts are as follows:

- the core Department itself;

Executive NDPBs and subsidiaries

- the Nuclear Decommissioning Authority (NDA), excluding its subsidiary undertakings listed in Note 10.3, and including the following subsidiaries classified as central government:
    - NDA Archives Limited (company registered number: 9109416) – dormant in 2014-15
    - Radioactive Waste Management Limited (company registered number: 8920190)
- the Coal Authority (CA);
- the Civil Nuclear Police Authority (CNPA);
- the Committee on Climate Change (CCC);

Site Licence Companies (SLCs)

- 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: 5915837); and
- LLW Repository Limited (LLWR) (company registered number: 5608448).

These are private companies which operate sites on behalf of, and under contract from, the NDA.

Electricity Market Reform companies

- Electricity Settlements Company Limited (company registered number: 8961281)
- Low Carbon Contracts Company Limited (company registered number: 8818711)

These are private companies responsible for the management of Contracts for Difference (CfDs) and the Capacity Market settlement process.

The Annual Report and Accounts for each of the above are published separately.

The following Advisory NDPBs are listed in the Designation and Amendment Orders, but no separate accounts are produced as costs are included in the core Department's expenditure:

- Committee on Radioactive Waste Management
- Fuel Poverty Advisory Group
- Nuclear Liabilities Financing Assurance Board

31 NEW IFRSS IN ISSUE BUT NOT YET EFFECTIVE AND FREM CHANGES 2015-16

New IFRSs that have an effective date after 31 March 2015 and which have an impact on the Group's future financial statements together with major FReM changes for 2015-16 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.

31.1 NEW STANDARDS NOT YET EFFECTIVE AND NOT APPLIED IN THE DEPARTMENT'S FINANCIAL STATEMENTS

IAS 36: Impairment of Assets

The standard is amended to address the implications of references to IFRS 13 - Fair Value Measurement, and modifies some of the disclosure requirements regarding measurement of the recoverable amount of impaired assets.

This standard is effective for accounting periods on or after 1 January 2014. The Department will apply the standard in its financial statements when formally adopted in the FReM, which is expected to be in 2015-16.

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 the above loans will continue to be measured at amortised cost.

This standard is effective for accounting periods on or after 1 January 2018. The Department will apply the standard in its financial statements when formally adopted in the FReM.

IFRS 13: 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, and is formally adopted in the 2015-16 FReM.

The Group does not expect the adoption of IFRS 13 to have a material impact on its financial statements.

31.2 FREM CHANGES 2015-16

Changes in FReM 2015-16 include:

- IAS 16 Property, Plant and Equipment – HM Treasury have adapted IAS 16 following consideration of IFRS 13. This adaptation specifies the valuation methodology for assets which are held for their service potential, distinguishing between specialised and non-specialised assets. If the standards require the asset to be held at fair value, this will be valued in accordance with IFRS 13.

- Annual Report and Accounts structure and content changes – various changes have been introduced as part of the Simplification and Streamlining Project to show three distinct sections: the Performance Report, the Accountability Report and the Financial Statements.

The Departmental Group will apply the above and report accordingly in line with the FReM requirement in future years.

32 RESTATEMENT OF STATEMENT OF FINANCIAL POSITION AND STATEMENT OF COMPREHENSIVE NET EXPENDITURE AS A RESULT OF ACCOUNTING POLICY CHANGE

There was one change in accounting policy in the reporting period and in accordance with IAS 8, the change has been treated as a Prior Period Adjustment (PPA).

Note 1.37 provides a background on the PPA.

In accordance with IAS 8 the historical balances have been represented with effect from the earliest opening period, which is 1 April 2013.

Impact of restatements on opening balances

	Balance at 31 March 2014 per 2013-14 signed accounts	Accounting policy change	Restated balance at 31 March 2014
	£'000	£'000	£'000
Consolidated Statement of Comprehensive Net Expenditure			
Net operating costs	7,625,271	1,041	7,626,312
Total expenditure for the period	9,570,081	(233)	9,569,848
Total income for the period	(1,944,810)	1,274	(1,943,536)
Total comprehensive net expenditure	7,612,877	1,732	7,614,609
Consolidated Statement of Financial Position			
Non-current assets	3,919,933	(76,750)	3,843,183
Current assets	1,390,109	-	1,390,109
Current liabilities	(5,097,234)	-	(5,097,234)
Non-current liabilities	(69,419,493)	76,000	(69,343,493)
Total equity	(69,206,685)	(750)	(69,207,435)
Statement of Parliamentary Supply			
Resource DEL	1,172,733	-	1,172,733
Capital DEL	2,217,689	-	2,217,689
Resource AME	4,960,436	-	4,960,436
Capital AME	(496,660)	-	(496,660)
Resource non-budget	-	-	-
Net outturn for the year	7,854,198	-	7,854,198

TRUST STATEMENT

ACCOUNTING OFFICER'S FOREWORD TO THE TRUST STATEMENT

Scope

The Department of Energy & 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 Carbon Reduction Commitment (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.

The Trust Statement reports the:

- Revenues, expenditure, assets and liabilities relating to proceeds received from the UK auctions of European Allowances under Phase III of the EU ETS and Aviation allowances of the EU ETS for the financial year 2014-15. 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 2014-15. 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 Energy Efficiency Scheme Order (2010) as amended by CRC Energy Efficiency Scheme Order (2013) for the financial year 2014-15. 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.

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

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.

The EU ETS includes approximately 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.

Other organisations may also be covered by the EU ETS, including universities and aviation operators, although there is an opt-out for hospitals and small emitters.

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.

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 CO2 (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.

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.

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. The first EUAA auction (auctioning 2.7m allowances for the 2012 compliance year) took place successfully on 17 September 2014.

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 (2013 to 2020) builds upon the previous two phases and is significantly revised to make a greater contribution to tackling climate change.

In the current phase (Phase III) there is 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.

For Phase III at least 50% of allowances will be auctioned across the EU, a far greater percentage than in the previous phases. This includes full auctioning for the power generation sector in the UK and most Member States and for all Member States by 2020.

The UK appointed ICE Futures Europe to conduct auctions of EU ETS Phase III EUAs and EUAAs on behalf of the Department from November 2012. The Department has recently agreed to extend the contract with ICE by a further two years, until November 2017, the maximum allowed for in the EU Auctioning Regulation. The full schedule for Phase III auctions is available on the ICE emissions auctions web pages at **www.theice.com/emissions/auctions**.

Petroleum Licences

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.

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.

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.

The amount collected in recent financial years in respect of licence rental fees has been £69m in 2014-15 and £68m in 2013-14. The vast majority of this comes from offshore licensing.

CRC

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') and simplified via the CRC Energy Efficiency Scheme Order 2013 (SI 2013/1119). 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.

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.

The Environment Agency in its role of UK Scheme Administrator, administers the scheme's registry on behalf of the Department and the Devolved Administrations. Participants use it to 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 the Department who are responsible for the overall monitoring and reporting of CRC, ensuring that the figures recorded in the Trust Statement are complete and correct.

The scheme started in April 2010 with a four year introductory phase. In April 2014, the second phase of the scheme commenced. There are around 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[19]; 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.

Following a broader simplification review and engagement and consultation with stakeholders, the Department implemented proposals for a simplified CRC. This created a new, leaner, simplified and refocused CRC. The simplified CRC delivers its energy efficiency and carbon reduction objectives whilst making compliance easier and less burdensome for participants. In summary, the simplification measures have:

- provided greater business certainty by introducing two fixed price sales of allowances a year (one forecast and one retrospective);
- allowed for greater flexibility for organisations to participate in 'natural business units';
- reduced 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;
- reduced scheme complexity by removing the residual percentage rule ('90% rule') and Climate Change Agreement (CCA) exemption rules;
- reduced 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.

Government has made and laid an Order before Parliament, the Scottish Parliament, the National

19 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. The Environment Agency now publish an Annual Report Publication (ARP) of participants' aggregated energy use and emissions data.

Assembly for Wales and the Northern Ireland Assembly via the affirmative resolution process, with the CRC Energy Efficiency Scheme Order (2013) coming into force on 13 May 2013. Finalising CRC simplification was completed through the CRC Energy Efficiency Scheme (Amendment) Order 2014, which came into force on 1 April 2014.

This financial year saw the first forecast sale for the new phase of the scheme. This phase will see two sales each year, a forecast sale and a compliance sale. The forecast sale will be at a lower price than the later year's compliance sale price. This is in order to incentivise participants to better forecast their energy use in order that they can, if they wish, make use of the cheaper forecast sale price.

Future developments

EU ETS

The Department has agreed a schedule of Phase III general allowance auctions through to December 2015 and will announce further auctions in due course.

Petroleum Licences

On 6 November 2014, the Department announced that 134 licences covering 252 blocks would be offered as part of the 28th offshore licensing round. As part of the requirements of the Habitats Directive, the Department carried out a screening assessment of the blocks applied for in the 28th round. As a result, 94 of the blocks applied for, which are close to, or in, certain Special Areas of Conservation (SACs) and Special Protection Areas (SPAs), will be subject to further environmental assessments before any offer is made.

The 14th onshore round closed on 28 October 2014. The Department received 95 applications covering 295 blocks. A final decision on the award of licences has been deferred to 2015-16.

Sir Ian Wood published his report (UKCS Maximising Recovery Review: Final Report) on 24 February 2014. The Wood Review proposed four key recommendations, including the establishment of a new Arm's Length regulator. A formal Government response to the Wood Review, setting out how Government intends to implement the recommendations, was published on 16 July 2014.

Based on the recommendations of the Wood Review, the Department has now established a new Arm's Length Body, the Oil and Gas Authority (OGA), which will take over the regulation and stewardship of the UK Continental Shelf. The OGA started operating on 1 April 2015, as an Executive Agency (EA). The EA will make a further transition to a Government Company (GovCo) by summer 2016 (subject to legislation required to establish the GovCo making its way through Parliament and receiving Royal Assent).

The Department is undertaking detailed work to determine the most effective relationship with the OGA. This will be set out in the framework documents for the EA and the future GovCo. It is expected that the OGA will have responsibility for the collection of petroleum licence receipts.

CRC

CRC allowance prices have been set for the next financial year in the CRC Energy Efficiency Scheme (Allocation of Allowances for Payment) (Amendment) (No. 2) Regulations 2014 (SI 2014/3262), which came into force on 1 April 2015.

Energy Savings Opportunity Scheme

The Energy Savings Opportunity Scheme (ESOS) is an energy assessment scheme that is mandatory for all large undertakings in the UK. Government established ESOS in response to the requirements of Article 8 (4-6) of the EU Energy Efficiency Directive (2012/27/EU).

Qualifying organisations must carry out audits of the energy used by their buildings, industrial processes and transport to identify cost-effective energy saving measures every four years, with the first assessment due by 5 December 2015.

The Department's analysis indicates that around 9,400 organisations will participate in the scheme. It is estimated that ESOS would deliver a net benefit to the UK of £1.6bn (over 15 years), with the vast majority being felt by business through lower energy bills. This benefit will be realised if each participant in the scheme makes an average energy reduction of 0.7% as a result of implementing cost effective energy efficiency opportunities identified through audits.

The Environment Agency (EA) and equivalent regulators in the devolved administrations are responsible for ensuring compliance with ESOS. Participants who fail to comply with the scheme could be fined up to £50,000 by the EA.

There are currently no charges for registering for the scheme. The income stream consists of penalties for non-compliance with the regulations and these can only be issued after 5 December 2015 (the compliance date for the first phase). Therefore the earliest any penalties will be due and recorded in the Trust Statement is 2015-16.

Climate Change Agreements (CCAs)

CCAs are voluntary agreements that allow eligible energy-intensive sectors to receive up to 90% reduction in the Climate Change Levy (CCL) if they sign up to stretching energy efficiency targets agreed with Government.

The new CCA scheme was launched on 1 April 2013 and contains 53 industrial sectors across more than 8,000 sites. The scheme runs until 2023 and if all sectors meet their targets from 2013 to 2020 against agreed baselines, the scheme is estimated to deliver an overall 11% energy efficiency improvement and savings to participants on the CCL of around £300m each year.

A number of simplifications were made to the scheme when it was launched in 2013. These include:

- The Environment Agency administering the new

scheme on a cost-recovery basis, providing a simplified and streamlined approach to administration for both Government and Industry.
- Participants being able meet their targets either by direct action, or by using a buy-out mechanism for any shortfall against targets. Any over-achievement by a target unit may be banked and used by that target unit against future targets without having to be verified by a third party.
- The introduction of civil penalties for minor infractions not warranting decertification or termination

These simplifications mean that there are 3 potential money streams:

1. **Charging Income**
   Paid by CCA participants to the Administrator on an annual basis, in accordance with a charging scheme established under paragraph 52C Finance Act 2000, Schedule 6 (as amended by Finance Act 2012). These monies are retained by the Environment Agency and will not feature in the Trust Statement.
2. **Civil Penalties**
   Payments received by the Administrator for minor infractions, passed by the Department to the Consolidated Fund in accordance with powers given in 52F Finance Act 2000, Schedule 6 (as amended by Finance Act 2012). The amounts are specified in The Climate Change Agreements (Administration) Regulations 2012.
3. **Buy-out Payments**
   Payments made by participants at the end of each 2-year target period in cases where CCA targets are not met. Payments are calculated on the basis of £12 per tonne of CO2 by which the target is exceeded. The powers are given in 52F Finance Act 2000, Schedule 6 (as amended by Finance Act 2012). The amount is specified in The Climate Change Agreements (Administration) Regulations 2012.

Payment of monies to the Consolidated Fund will not commence until the end of Target Period 1 Reporting (May 2015) when the Administrator will assess whether participants have met their targets and whether participants are liable to make payments. Thereafter, payments may be made to the Consolidated Fund for both buy-out payments and civil penalties, until the scheme ends in 2023.

Financial Review

EU ETS

The UK held 25 auctions during 2014-15 that yielded income of £308m (2013-14: £369m) as shown in Note 2.2 to the Trust Statement. All the auctions were wholly competitive auctions.

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 £409,000

(2013-14: £204,000). These exchange differences are recognised in the Statement of Revenue, Other Income and Expenditure. There were 6 civil penalties totalling £256,000 levied under the EU ETS scheme for the year under review (2013-14: 1 penalty totalling £1,000).

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
Fees received in respect of Petroleum licences amounted to £69m in 2014-15 (2013-14: £68m). 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 £1,850,000 (2013-14: £1,759,000). These payments are recognised in the Statement of Revenue, Other Income and Expenditure.

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
Allowance sales under the CRC Scheme generated £874m (2013-14: £671m). The significant increase in income in 2014-15 relates to the introduction of an additional June auction where participants can elect to purchase allowances in advance at a slightly cheaper price than the compliance sale.

There were no civil penalties levied against companies participating in the CRC Scheme in the financial year under review. The civil penalties amounted to £NIL (2013-14: 4 penalties, £190,000).

The costs incurred in administering the CRC Scheme were borne by the Department as shown in Note 3 and included within the Department's Accounts.

Auditors
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 pages 235 to 236. 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
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

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.

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

Details of events after the reporting period are given in Note 11 to the Trust Statement.

Stephen Lovegrove
Principal Accounting Officer and Permanent Secretary

14 July 2015

STATEMENT OF THE ACCOUNTING OFFICER'S RESPONSIBILITIES IN RESPECT OF THE TRUST STATEMENT

Under section 7 of the Government Resources and Accounts Act 2000, HM Treasury has directed the Department of Energy & Climate Change to prepare for each financial year a Trust Statement in the form and on the basis set out in the Accounts Direction.

HM Treasury has appointed the Permanent Secretary as Accounting Officer of the Department of Energy & Climate Change with overall responsibility for preparing the Trust Statement and for transmitting it to the Comptroller and Auditor General.

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.

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 III of the Scheme and Aviation allowances of the EU ETS, 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.

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 Managing Public Money published by HM Treasury.

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.

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

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

GOVERNANCE STATEMENT

The Department's Governance Statement, covering both the Accounts and the Trust Statement, is included in Governance section 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 & Climate Change Trust Statement for the year ended 31 March 2015 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 & 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, to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. 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 & 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 (ETS) auction receipts, Carbon Reduction Commitment (CRC) Energy Efficiency Scheme allowance sales, Petroleum Licence receipts, and EU ETS and CRC Scheme civil penalty receipts as at 31 March 2015 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, 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.

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

July 2015

STATEMENT OF REVENUE, OTHER INCOME AND EXPENDITURE

for the year ended 31 March 2015

		2014-15	2013-14
	Note	£'000	£'000
Revenue			
Licence fees and taxes			
Carbon Reduction Commitment allowance sales	2.1	874,104	670,606
EU Emissions Trading Scheme auction income	2.2	307,958	368,801
Petroleum licences	2.3	69,410	67,665
Total licence fees and taxes		**1,251,472**	**1,107,072**
Fines and penalties			
Civil penalties - EU Emissions Trading scheme	2.4	256	1
Civil penalties - CRC Scheme	2.4	(5)	190
Total fines and penalties		**251**	**191**
Total revenue and other income		**1,251,723**	**1,107,263**
Expenditure			
EU Emissions Trading Scheme costs	3.1	(409)	(204)
Credit losses – debts written off	3.2	(9)	-
Total expenditure		(418)	(204)
Disbursements			
Northern Ireland Government payments	3.3	(1,850)	(1,759)
Total disbursements		**(1,850)**	**(1,759)**
Total expenditure and disbursements		**(2,268)**	**(1,963)**
Net revenue for the Consolidated Fund		**1,249,455**	**1,105,300**

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

The notes on pages 240 to 253 form part of this statement.

STATEMENT OF FINANCIAL POSITION
as at 31 March 2015

		31 March 2015	31 March 2014
	Note	£'000	£'000
Current assets			
Receivables and accrued fees	4	5,770	2,467
Cash and cash equivalents	5	43,127	21,968
Total current assets		**48,897**	**24,435**
Current liabilities			
Payables	6	(1,750)	(1,650)
Deferred revenue	7	-	(579)
Total current liabilities		**(1,750)**	**(2,229)**
Net current assets		**47,147**	**22,206**
Total net assets		**47,147**	**22,206**
Represented by:			
Balance on Consolidated Fund Account	**8**	**47,147**	**22,206**

Stephen Lovegrove
Principal Accounting Officer and
Permanent Secretary

14 July 2015

The notes on pages 240 to 253 form part of this statement.

STATEMENT OF CASH FLOWS
for the year ended 31 March 2015

		2014-15	2013-14
	Note	£'000	£'000
Net cash flows from operating activities	A	1,245,673	1,108,876
Cash paid to the Consolidated Fund	8	(1,224,514)	(1,137,904)
Increase/(decrease) in cash in this period	B	21,159	(29,028)
Notes to the Statement of Cash Flows			
A: Reconciliation of Net Cash Flow to Movement in Net Funds			
Net Revenue for the Consolidated Fund		1,249,455	1,105,300
(Increase)/decrease in receivables and accrued income	4	(3,303)	3,452
Increase/(decrease) in payables and deferred income	6, 7	(479)	124
Net cash flows from operating activities		**1,245,673**	**1,108,876**
B: Analysis in changes in Net Funds			
Increase/(decrease) in cash in this period		**21,159**	**(29,028)**
Net Funds as at 1 April (net cash at bank)	5	21,968	50,996
Net Funds as at 31 March (closing balance)	**5**	**43,127**	**21,968**

The notes on pages 240 to 253 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 & Climate Change (the Department) and HM Treasury and have been developed in accordance with 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.

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 III and aviation allowances 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 a cash received basis.

CRC participants may request refunds for over-surrendered allowances (Note 10 Contingent Liabilities refers). These are accounted for in the period in which the refund request is authorised and processed.

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 for 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 reporting date, but where payment is made subsequently; and
- deferred revenue which represents petroleum licence 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

	2014-15	2013-14
	£'000	£'000
Allowance sales	874,104	670,606
Total	**874,104**	**670,606**

2.2 EU Emissions Trading Scheme auction income

Phase III auctions

			2014-15	2013-14
Auction date	Auction type	Allowances auctioned	£'000	£'000
10 April 2013	Competitive	4,134,000	-	16,182
24 April 2013	Competitive	4,134,000	-	10,320
8 May 2013	Competitive	4,134,000	-	12,292
22 May 2013	Competitive	4,134,000	-	12,153
5 June 2013	Competitive	4,134,000	-	13,929
19 June 2013	Competitive	4,134,000	-	16,024
3 July 2013	Competitive	4,134,000	-	13,528
17 July 2013	Competitive	4,134,000	-	14,327
31 July 2013	Competitive	4,134,000	-	14,804
14 August 2013	Competitive	2,075,000	-	7,577
28 August 2013	Competitive	2,075,000	-	8,163
11 September 2013	Competitive	4,134,000	-	17,169
25 September 2013	Competitive	4,134,000	-	18,491
9 October 2013	Competitive	4,134,000	-	16,452
23 October 2013	Competitive	4,134,000	-	16,174
6 November 2013	Competitive	4,134,000	-	16,504
20 November 2013	Competitive	4,134,000	-	15,250
4 December 2013	Competitive	4,134,000	-	15,176
15 January 2014	Competitive	4,630,000	-	18,856
29 January 2014	Competitive	4,630,000	-	21,178
12 February 2014	Competitive	4,630,000	-	24,329
26 February 2014	Competitive	4,630,000	-	23,489
12 March 2014	Competitive	2,515,000	-	14,259
26 March 2014	Competitive	2,515,000	-	12,175
9 April 2014	Competitive	2,515,000	10,115	-
23 April 2014	Competitive	2,515,000	11,708	-
7 May 2014	Competitive	2,515,000	10,619	-
21 May 2014	Competitive	2,515,000	10,061	-
4 June 2014	Competitive	2,515,000	11,006	-
18 June 2014	Competitive	2,515,000	11,430	-
2 July 2014	Competitive	2,515,000	12,010	-
16 July 2014	Competitive	2,515,000	11,692	-
30 July 2014	Competitive	2,515,000	11,943	-
13 August 2014	Competitive	1,215,000	5,849	-
27 August 2014	Competitive	1,215,000	6,022	-
10 September 2014	Competitive	2,515,000	12,212	-
24 September 2014	Competitive	2,515,000	11,074	-
8 October 2014	Competitive	2,515,000	11,096	-

22 October 2014	Competitive	2,515,000	12,333	-
5 November 2014	Competitive	2,515,000	12,808	-
19 November 2014	Competitive	2,515,000	13,989	-
3 December 2014	Competitive	2,515,000	13,518	-
7 January 2015	Competitive	3,123,000	16,380	-
21 January 2015	Competitive	3,123,000	17,245	-
4 February 2015	Competitive	3,123,000	16,392	-
18 February 2015	Competitive	3,123,000	17,160	-
4 March 2015	Competitive	3,123,000	15,036	-
18 March 2015	Competitive	3,123,000	15,066	-
Total			**296,764**	**368,801**

Aviation allowance auctions

			2014-15	2013-14
Auction date	**Auction type**	**Allowances auctioned**	**£'000**	**£'000**
17 September 2014	Competitive	2,707,500	11,194	-
Total			**11,194**	**-**
Total EU ETS auction income			**307,958**	**368,801**

Auctions under Phase III of the scheme were held from November 2012, and aviation allowance auctions were held for the first time in September 2014. For further details please see the Foreword.

Subsequent dates for the carbon allowances auctions under Phase III and aviation allowances 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 **www.theice.com/emissions/auctions.**

Phase III auctions

Auction date	Allowances for auction £'000
1 April 2015	3,123,000
15 April 2015	3,123,000
29 April 2015	3,123,000
13 May 2015	3,123,000
27 May 2015	3,123,000
10 June 2015	3,123,000
24 June 2015	3,123,000
8 July 2015	3,123,000
22 July 2015	3,123,000
5 August 2015	1,564,500
19 August 2015	1,564,500
2 September 2015	3,123,000
16 September 2015	3,123,000
30 September 2015	3,123,000
14 October 2015	3,123,000
28 October 2015	3,123,000
11 November 2015	3,123,000
25 November 2015	3,123,000
9 December 2015	3,123,000

Aviation allowance auctions

Auction date	Allowances for auction £'000
8 April 2015	1,681,500
18 November 2015	839,000

2.3 Petroleum licence income

	2014-15	2013-14
	£'000	£'000
Fees receivable	69,410	67,665
Total	**69,410**	**67,665**

2.4 Civil Penalties

	2014-15	2013-14
	£'000	£'000
Levied under EU ETS Scheme	256	1
Levied under CRC Scheme	(5)	190
Total	251	191

There were 6 civil penalties totalling £256,000 levied under the EU ETS scheme for the year under review (2013-14: 1 penalty totalling £1,000). CRC penalties of £5,000, which were shown as receivables in 2013-14, were derecognised in 2014-15 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

	2014-15	2013-14
	£'000	£'000
Foreign currency translation costs (EU ETS)	407	204
Interest charges on Euro auction bank account (EU ETS)	2	-
Total	**409**	**204**

3.2 Credit losses

	2014-15	2013-14
	£'000	£'000
Specific bad debts written off – petroleum licences	9	-
Total	**9**	**-**

3.3 Disbursements

	2014-15	2013-14
	£'000	£'000
Payments to Northern Ireland Government	1,850	1,759
Total	**1,850**	**1,759**

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 reporting date are disclosed under Payables (Note 6).

In addition to the costs and disbursements above the Department incurred expenditure of £1,743,000 (2013-14: £3,176,000) in administering EU ETS, £2,739,000 (2013-14: £2,996,000) in respect of the Petroleum Licensing Regime and £1,116,000 (2013-14: £871,000) 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 2015	31 March 2014
	£'000	£'000
Petroleum licence fees and civil penalties receivable	5,148	2,198
Accrued petroleum licences receivable	622	269
Total	**5,770**	**2,467**

Petroleum licence fees and civil penalties receivable represent the amounts due from the licensees/participants 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

	2014-15	2013-14
	£'000	£'000
Balance as at 1 April	21,968	50,996
Net change in cash and cash equivalent balances	21,159	(29,028)
Balance at 31 March	**43,127**	**21,968**
The following balances at 31 March were held at:		
Government Banking Service	43,127	21,968
Total	**43,127**	**21,968**

6. Payables

	31 March 2015	31 March 2014
	£'000	£'000
Accruals	1,750	1,650
Total	**1,750**	**1,650**

7. Deferred revenue

	31 March 2015	31 March 2014
	£'000	£'000
Deferred revenue	-	579
Total	**-**	**579**

Deferred revenue represents licence fees received in the current year that relate to future financial periods. No invoices were issued in advance for the 2014-15 financial year.

8. Balance on the Consolidated Fund Account

	2014-15	2013-14
	£'000	£'000
Balance on the Consolidated Fund as at 1 April	22,206	54,810
Net revenue for the Consolidated Fund	1,249,455	1,105,300
Less amounts paid to the Consolidated Fund	(1,224,514)	(1,137,904)
Balance on the Consolidated Fund as at 31 March	**47,147**	**22,206**

9 Financial instruments

9.1 Classification and categorisation of financial instruments

		2014-15	2013-14
	Note	£'000	£'000
Financial assets:			
Cash	5	43,127	21,968
Petroleum licence fees and civil penalties receivable	4	5,148	2,198
Accrued petroleum licence fees receivable	4	622	269
Total loans and receivables		**48,897**	**24,435**
Financial liabilities:			
Accruals	**6**	**(1,750)**	**(1,650)**
Deferred revenue	**7**	**-**	**(579)**
Total other financial liabilities		**(1,750)**	**(2,229)**

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 3.1 there was an exchange loss incurred this financial year of £407,000 (2013-14: £204,000). 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. In 2014-15, the Department wrote off three licence fee debts as the companies holding the licences had been dissolved (Note 3.2). This is the first time in over three years that the Department has had to write-off any licence fees. 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; this is borne out by the 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 from previous years of the scheme.

The civil penalties imposed under the CRC scheme are subject to credit risk, but this risk is assessed by management as minimal due to the nature of the participants in the scheme.

Information which will allow Trust Statement users to evaluate the significance of financial instruments on the Department's financial performance and position and the nature and extent of the Department's exposure to other risks arising from financial instruments can be found in Note 23 to the Department's Accounts.

10 Contingent Liability

A contingent liability exists for refunds the Department may have to pay to participants in the CRC Energy Efficiency Scheme who have over-surrendered allowances. This is as a result of 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. The Department 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 has issued guidance to participants detailing the refund process.

11 Events after the reporting period

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

The Accounting Officer has duly authorised the issue of the Trust Statement on the date of the Comptroller and Auditor General's audit certificate.

Annex 1

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 B.

2. The Department shall prepare a Trust Statement (“the Statement”) for the financial year ended 31 March 2015 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 2014-15.

3. The Statement shall be prepared, as prescribed in Appendix A, 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 8). 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.

6. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate

alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with HM Treasury.

7. The Statement shall be transmitted to the Comptroller and Auditor General for the purpose of his examination and report by a date agreed with the Comptroller and Auditor General and HM Treasury to enable compliance with the administrative deadline for laying the audited accounts before Parliament before the Summer Recess.

8. The Trust Statement, together with this direction (but with the exception of the related appendices) and the Report produced by the Comptroller and Auditor General under section 7(2) of the Government Resources and Accounts Act 2000 shall be laid before Parliament at the same time as the Department's Resource Accounts for the year unless the Treasury have agreed that the Trust Statement may be laid at a later date.

Ross Campbell
Deputy Director, Government Financial Reporting

Her Majesty's Treasury

18 December 2014

Appendix A to Annex 1

Trust Statement for the year ended 31 March 2015

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 B to Annex 1 (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

ANNEXES

ANNEX A: OUR DELIVERY PARTNERS

NON-DEPARTMENTAL PUBLIC BODIES

Each NDPB is overseen by a sponsor team, which agrees the body's remit, works with the NDPB to support its high-level aims and monitors performance. Sponsor teams also challenge NDPBs to ensure rules of regularity and propriety are adhered to, and to provide budgetary control.

Public appointments to the boards of the NDPBs and agencies are made by ministers on merit and in accordance with the Code of Practice of the Office of the Commissioner for Public Appointments.

EXECUTIVE NON-DEPARTMENTAL PUBLIC BODIES

Executive NDPBs publish their own annual reports and accounts (available from their websites or from The Stationery Office). The Department's annual accounts are prepared on a group basis which fully consolidates the core Department and the four executive NDPBs.

Civil Nuclear Police Authority (www.cnpa.police.uk)

The Civil Nuclear Police Authority is responsible for maintaining an efficient and effective Civil Nuclear Constabulary (CNC) to protect licensed nuclear sites not wholly or mainly used for defence purposes, and to safeguard civil nuclear material.

CNC provides international maritime escort operations for shipments of nuclear materials and a permanent armed response presence at 11 UK nuclear sites.

Coal Authority (www.coal.gov.uk)

The Coal Authority manages the effects of past coal mining, promotes public safety and safeguards our landscape.

In December 2014 the Coal Authority's triennial review concluded that its functions are still required and that the authority is the best model for carrying them out.

Nuclear Decommissioning Authority (www.nda.gov.uk)

The Nuclear Decomissioning Authority (NDA) ensures that nuclear sites are decommissioned safely, securely, cost effectively and in ways that protect the environment.

The NDA is subject to the same review arrangements as other bodies, but on a five year basis, instead of three. The next review of the NDA is scheduled for September/ October 2015.

Committee on Climate Change (www.theccc.org.uk)

The Committee on Climate Change provides independent, evidence-based advice on climate change. In particular, it advises on transition to a low carbon economy and future carbon budgets, and reports on the UK's preparedness to adapt to climate change.

ADVISORY NON-DEPARTMENTAL PUBLIC BODIES

Advisory NDPBs advise ministers on specific matters. They do not publish separate annual report and accounts, as they are paid for by the Department.

Committee on Radioactive Waste Management (www.corwm.org.uk)

This Committee provides independent scrutiny and advice on the long-term management of radioactive waste. Its primary task is to provide independent scrutiny of government and NDA proposals, plans and programmes for geological disposal and robust interim storage.

The Triennial Review of the Committee commenced in 27 January 2015 with a view to complete by the end of summer.

Fuel Poverty Advisory Group (www.decc.gov.uk/en/content/cms/what_we_do/consumers/fuel_poverty/fpag)
The Fuel Poverty Advisory Group (FPAG) reports on the status of the government's Fuel Poverty Strategy in England and proposes improvements. The 12th Annual Report of the Group was published on 23 February 2015 and is available at: **https://www.gov.uk/government/publications/fuel-poverty-advisory-group-for-england-12th-annual-report-2013-14**

FPAG has been subject to its first triennial review as a public body. The government's new Fuel Poverty Strategy provides the opportunity to reaffirm and strengthen FPAG's remit. Reform is already underway including changes to core membership towards a small number of appointed, independent experts.

Nuclear Liabilities Financing Assurance Board (www.gov.uk/government/organisations/nuclear-liabilities-financing-assurance-board)
The Nuclear Liabilities Financing Assurance Board (NLFAB) is a small advisory body set up in 2009 to provide independent scrutiny and advice on the financing arrangements for the funded decommissioning programme (FDP), which prospective operators of new nuclear power stations must submit to the Department for approval before they can begin construction.

NLFAB is currently scrutinising NNB Group's FDP financing arrangements for Hinkley Point C.

NON-MINISTERIAL DEPARTMENT

Non-ministerial departments generally cover matters for which direct political oversight is judged unnecessary or inappropriate. They are headed by senior civil servants. Some fulfil a regulatory or inspection function.

Gas and Electricity Market Authority (Ofgem) (www.ofgem.gov.uk)
Ofgem is an independent economic regulator established in statute, a national competition authority and a national regulatory authority under EU directives.

As well as regulating the gas and electricity market, Ofgem administers these schemes on behalf of the Department:

- the Renewables Obligation;
- the Feed in Tariffs scheme;
- the Renewable Heat Incentive scheme; and
- the Energy Companies Obligation.

In the past year Ofgem's activities have included:

- referring the energy market to the Competition and Markets Authority
- setting the electricity distribution price control
- the 'Be an Energy Shopper' switching campaign, aimed at domestic consumers.

EXECUTIVE AGENCY

An executive agency is a body that carries out executive functions on behalf of government. It is independent of its parent department, having responsibility for its overall management and budget.

Oil and Gas Authority (www.gov.uk/government/organisations/oil-and-gas-authority)
The Oil and Gas Authority (OGA) works with government and industry to make sure that the UK gets the maximum economic benefit from its oil and gas reserves. It was established on 1 April 2015 and will become a government-owned company in summer 2016.

The OGA is responsible for regulating offshore and onshore oil and gas operations in the UK. This includes:

- oil and gas licensing
- oil and gas exploration and production
- oil and gas fields and wells
- oil and gas infrastructure
- carbon capture and storage (CCS) licensing

PUBLIC CORPORATIONS

Public corporations are industrial or commercial enterprises under direct government control. Their Board members are appointed by ministers (the Secretary of State is responsible for all appointments to the board of the Department's public corporation) and meet at least four times a year. Public corporations manage their own staff and have their own budgets.

National Nuclear Laboratory (www.nnl.co.uk)

The National Nuclear Laboratory provides independent advice to the government and works with other national laboratories around the world. It delivers a full range of research and technology to support the nuclear fuel cycle.

Nuclear Liabilities Fund (www.nlf.uk.net)

The Nuclear Liabilities Fund provides funding to meet certain waste management costs and decommissioning liabilities of eight nuclear power stations owned by EDF Energy Nuclear Generation Group Limited.

GOVERNMENT-OWNED COMPANIES

Government-owned companies are set up under the Companies Act and are solely owned by the Secretary of State for Energy & Climate Change ('the Shareholder'). They are overseen by a shareholder team within the Department, which represents the Secretary of State's shareholding interest in the companies. The relationship between these companies and the Shareholder is principally set out in a Shareholder Framework Document, available on each company's website.

These companies' annual accounts are consolidated into the Department's accounts as per the requirements set out in Managing Public Money.

Low Carbon Contracts Company (www.lowcarboncontracts.uk)

The Low Carbon Contracts Company (LCCC) was established to deliver key elements of the government's Electricity Market Reform (EMR) Programme. It became operational on 1 August 2014.

The LCCC has been responsible for determining minor and necessary modifications to contracts for difference (CfDs), setting the CfD Supplier Obligation (to fund payments under CfDs) and developing the processes and systems required to sign, manage and pay for CfDs over their lifetime.

Electricity Settlements Company (www.electricitysettlements company.uk)

Like the LCCC, the Electricity Settlements Company (ESC) also supports EMR and also became operational on 1 August 2014.

The ESC has been responsible for holding and managing bid bonds and collateral for the capacity market auction held in December 2014.

SPONSORED PARTNERS

Carbon Trust (www.carbontrust.co.uk)

The Department funds this charity to deliver specific outcomes, primarily:

- carbon savings achieved by those it advises;
- cost savings to those it advises as a result of energy savings;
- accelerating development of low carbon technologies – measured in a number of ways, and in particular by leverage of private sector investment in innovative early stage low carbon businesses.

Energy Saving Trust (www.energysavingtrust.co.uk)

The Energy Saving Trust helps the Department carry out numerous activities, including customer advice and managing the Renewable Heat Premium Payments scheme, with the objective of helping householders to take action on energy saving.

The Department provides the charity's core funding.

National Non-Food Crops Centre (www.nnfcc.co.uk)

The National Non-Food Crops Centre (NNFCC) is a leading international bioeconomy consultancy with expertise on the conversion of biomass to bioenergy, biofuels and bio-based products. The Department uses NNFCC for information and advice to evidence and support its policies in this area.

CONTRACTED SERVICES

The Department also contracts with other bodies for some policies and services. For example:

- the Environment Agency administers the Carbon Reduction Commitment Energy Efficiency scheme; and
- the Office of Nuclear Regulation provides expertise in relation to nuclear regulatory matters such as approvals and decommissioning.

ANNEX B: OUR MAJOR PROJECTS AND PROGRAMMES

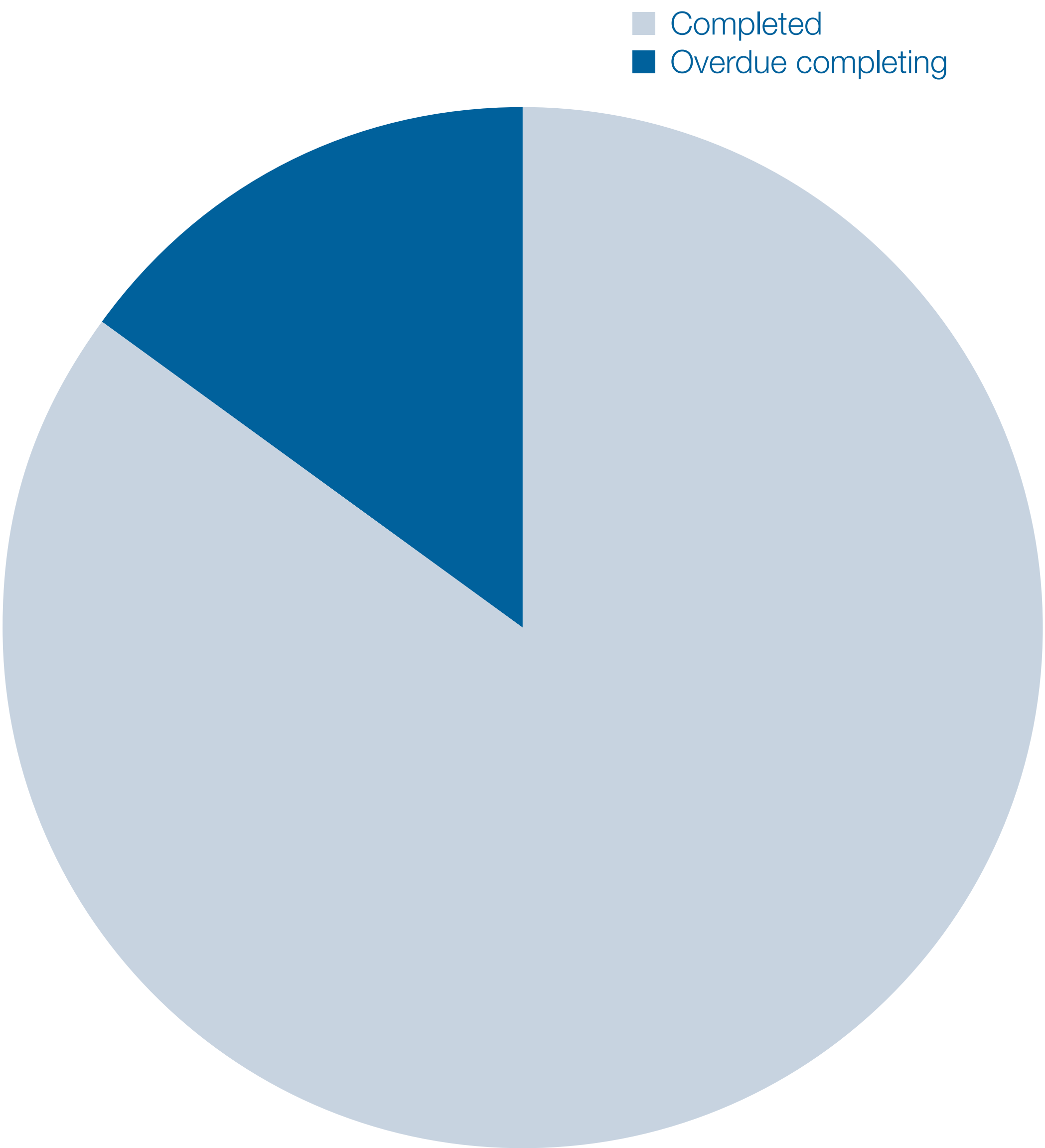
In 2014-15, the Department had 10 major projects listed in the Government Major Projects Portfolio (GMPP), summarised in the table below. Transparency data on project cost and delivery confidence are published annually as part of the Major Project Authority's Annual Report.

Project	Description
Carbon Capture and Storage Commercialisation Programme	To support practical experience in the design, construction and operation of commercial-scale CCS power generation.
Dounreay Parent Body Organisation (PBO) - Delivery Phase	To secure a reduction in the cost and time to take Dounreay site to its interim end state by securing a new Parent Body Organisation for the Site Licence Company at Dounreay, Dounreay Site Restoration Limited.
Electricity Market Reform	To ensure the UK can attract the investment in electricity generation needed to have a secure, affordable supply of electricity in the medium and long term, and to meet its decarbonisation and renewables targets cost-effectively.
FID Enabling for Hinkley Point C	To avert an investment hiatus in the deployment of low carbon electricity generation caused by the announced reform of the electricity market, in the period between the publication of the EMR White Paper and the full implementation of the EMR Contracts for Difference (CfD).
FID Enabling for Renewables	To avert an investment hiatus in the deployment of renewable electricity generation caused by the announced reform of the electricity market, in the period between the publication of the EMR White Paper and the full implementation of the EMR Contracts for Difference (CfD).
Geological Disposal Facility Programme (GDF)	To site and construct a safe, secure and environmentally responsible permanent geological disposal facility for higher-activity radioactive waste in the UK, excluding Scotland.
Household Energy Efficiency	To improve the energy efficiency of domestic housing stock in the UK.
Magnox and RSRL PBO Competition	To secure a reduction in the cost and time to deliver the outcomes of the Magnox Optimised Decommissioning Plan and the Optimised RSRL baseline by securing a new PBO for the Magnox and RSRL Site Licence Companies.
Renewable Heat Incentive	1) To increase the deployment of renewable heat technologies to keep the UK on track to meet its 2020 EU targets. 2) To contribute to the UK's carbon plan of achieving an 80% reduction by 2050.
Smart Meters Implementation Programme	For every home in Great Britain to have smart electricity and gas meters by 2020.

ANNEX C: STRUCTURAL REFORM PLAN

The chart below summarises the Department's performance on completing SRP actions due in the 2014-15 financial year. Twenty three of the twenty seven SRPs for the financial year were completed, and four have been delayed.

The details of the delays are given in the following tables:



ACTIONS MISSED DUE TO REASONS OUTSIDE THE DEPARTMENT'S CONTROL:

Action	Reason for delay
3.3.vii. Implementation of air quality standards, non-domestic cost control measures and other changes completed in 2013. Biomass sustainability criteria will be introduced into the domestic and non-domestic schemes before the end of this Parliament	Biomass Sustainability regulations passed through Parliament and were made in February 2015. Biomass sustainability criteria will, however, not come into force until 5 Oct 2015 to ensure that industry and customers have sufficient time to prepare. From 6 July 2015, suppliers accredited to the Biomass Suppliers List will also be required to comply with Land Use criteria. **https://www.gov.uk/government/policies/increasing-the-use-of-low carbon-technologies/supporting-pages/renewable-heat-incentive-rhi**
4.2.i. Complete the disbursement of International Climate Fund funding for the current spending round with DFID, HMT and Defra	The original overall ICF spend target will not be meet by March 2015 due to underspend from DFID. But DFID got permission from HMT to roll their underspend over into the 15/16 FY in order to meet the overall ICF spend target.

ACTIONS MISSED DUE TO REASONS INSIDE THE DEPARTMENT'S CONTROL:

Action	Reason for delay
3.1.ix. Enable necessary early investment decisions for low carbon projects prior to implementation of the Electricity Market Reform programme	The Final Investment Decision for Renewables process was launched to avert an investment hiatus in the deployment of renewable electricity generation ahead of the full implementation of Electricity Market Reform. Following the Secretary of State awarding Investment Contracts (early Contracts for Difference) to eight renewable electricity projects (five offshore wind projects, a dedicated biomass with combined heat and power (CHP) plant and two coal to biomass conversion projects) in April 2014, the Government secured State aid approval for the five offshore wind projects in July 2014. The project was closed at the end of October 2014 following a Major Projects Authority Exit Review which awarded the project a Green rating. A positive State aid decision was also secured for the dedicated biomass with CHP plant in January 2015. The Government is continuing discussions with the European Commission in relation to the biomass conversion projects. The timing of these State aid decisions is a matter for the Commission.
3.4i Take all the decisions government needs to make in order to facilitate nuclear operators to proceed to a final investment decision on the first new nuclear power stations. These include planning consent, agreement on funded decommissioning, regulatory design acceptance and sufficient progress on Electricity Market Reform scheme opened	The Government has continued to make significant progress on enabling EDF to move towards to a final investment decision on Hinkley Point C, the first new nuclear power station in a generation in the UK. This includes securing approval from the European Commission for the Hinkley Point C State aid case in October 2014, following the agreement reached between the Government and EDF on key commercial terms. The Government and EDF are continuing to work together to the documentation for the Hinkley project, including the full terms of the Contract for Difference and the financing arrangements for the project. Engagement between DECC and NNBG is also continuing on the content of their Funded Decommissioning Programme and associated documents.

ANNEX D: REGULATION, PARLIAMENT AND THE PUBLIC

REPORTING ON BETTER REGULATION

The Department employs better regulation principles to design the effective regulation required to achieve our policy aims. The following table shows the Department's position for One-in Two-out for the period 1st April 2014 to 31st March 2015 as well as the total deregulation throughout Parliament from January 2011 to July 2015:

Count of Measures	One-in, Two-out: 1 April 2014 - 31 March 2015	Total deregulation[20] January 2011 – July 2015
Ins	1	7
Zero net cost	2	12
Outs	2	15
Total measures	5	34
Cost (Equivalent Annual Net Cost to Business, £m):		
Ins	45.81	2.34
Outs	(661.00)	(721.62)
Total Net Saving	(615.19)	(719.28)

In 2014-15, the Department maintained its strong position of reducing regulatory burdens to business through initiatives such as amending the Energy Companies Obligation to realise the government's commitment to reduce the pressure on domestic consumers' energy bills, helping to alleviate fuel poverty whilst maintaining its ambition to reduce carbon savings in the domestic sector, giving a £604 million 'OUT'. This contributed to the Department

20 This covers the period January 2011 to January 2013 where a One-in, One-out system was in place and January 2013 to July 2015 where accounting was through One-in, Two-out.

being ranked second in terms of net deregulation across this parliamentary period[21].

The Department also performed strongly in relation to the quality of our analysis. Over the course of this parliament, the Department had the second highest proportion of 'fit for purpose' ratings for impact assessments from the independent Regulatory Policy Committee, with 85% being judged fit for purpose on first submission[25]. The figure for 2014-15 was 81%, meeting the departmental target.

The Department has now implemented the majority of its Red Tape Challenge commitment[22]. Through the Red Tape Challenge exercise, the Department identified 76 regulations to be scrapped and 40 to be improved. All has been implemented except for 6 which will be completed between 2016 and 2018.

COMPLAINTS TO THE PARLIAMENTARY OMBUDSMAN

In 2014-15, three new complaints about the Department were accepted for investigation by the Parliamentary and Health Service Ombudsman (PHSO).

All three complaints relate to the Warm Front Scheme and are currently ongoing.

TRANSPARENCY

In keeping with the rules on transparency, details of expenses, overseas travel and gifts and hospitality in respect of Ministers, the Permanent Secretary and Directors-General are published quarterly[23]. The Department holds an internal register of interests that is reviewed and updated on a six monthly basis.

Quarterly Data Summary

The Department prepared information throughout the year using the Cabinet Office's Quarterly Data Summary (QDS) dataset. It focuses on key expenditure and is collected in a way that makes data comparable across government. QDS data can be viewed at the Government Interrogating Spending Tool (GIST) website at: **http://www.gist.cabinetoffice.gov.uk/**

Core Tables

HM Treasury has specified a range of common core tables, to provide further analyses of Departmental expenditure, staff numbers and capital employed. The Department's core tables can be found at: **https://www.gov.uk/government/publications/decc-annual-report-and-accounts-2014-to-2015**

PERSONAL DATA

There have been no significant reported incidents of lost personal data.

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21 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/397237/bis-14-p96b-ninth-statement-of-new-regulations-better-regulation-executive.pdf

22 http://www.redtapechallenge.cabinetoffice.gov.uk/themehome/energy/

23 https://www.gov.uk/government/publications?departments%5B%5D=department-of-energy-climate-change&publication_type=transparency-data

ANNEX E: SUSTAINABILITY REPORT

The Department's policies promote sustainable development, benefiting the environment (through decarbonisation), the economy (by ensuring a secure and affordable supply of energy) and people (through targeted interventions on fuel poverty, for example). The Department aims to run its own estate and operations as sustainably as possible.

The core Department's approach to energy and carbon management, including risks and opportunities as well as governance arrangements, is set out in our Carbon Management Plan. The Department's energy management system, which has achieved certification to ISO 50001, ensures that there is an effective framework in place to manage and reduce energy consumption. The Nuclear Decommissioning Authority (NDA) has produced a delivery plan which sets out the actions to be taken to reduce emissions and also meet the other Greening Government Commitments.
This flows from the continuous improvement obligation required by the NDA's ISO 14001 certificated Environmental Management System.

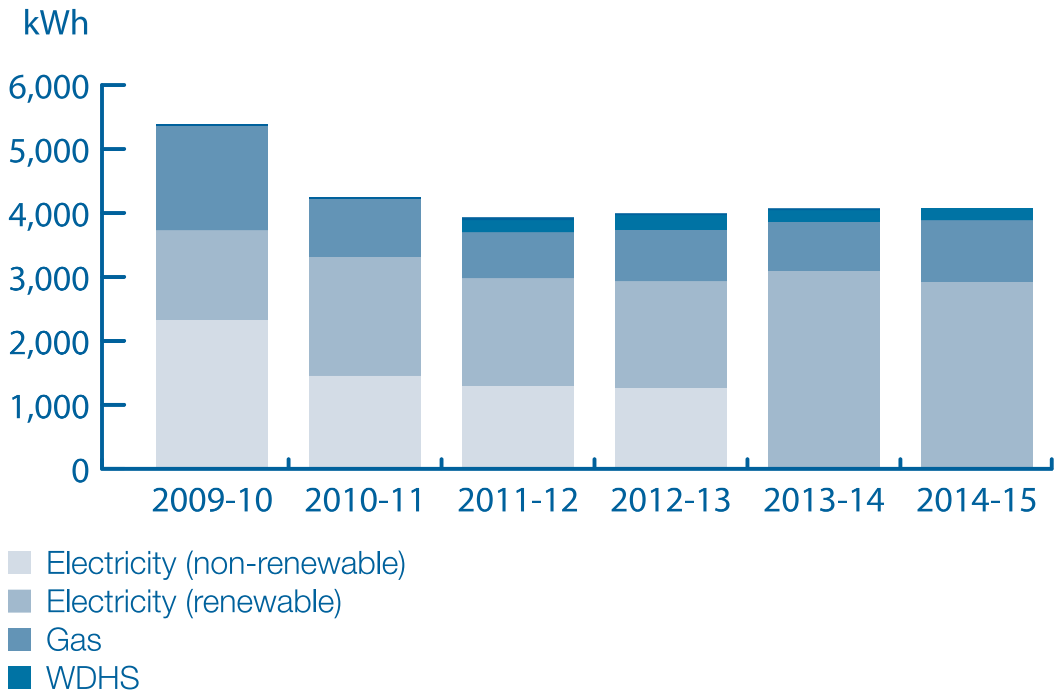
Scope

The reporting boundary includes the core Department and one of its NDPBs, the NDA but not its subsidiaries and Site Licenced Companies that work under contract. This is consistent with our boundary under the Greening Government Commitments (GGCs).
The mainstreaming sustainability section refers to the core Department alone.

Energy and Greenhouse Gas Emissions

FINITE RESOURCE CONSUMPTION - ENERGY		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Non-Financial Indicators (kWh)	Electricity: Standard Tariff	2,331	1,450	1,291	1,256	n/a	n/a
	Electricity: Green Tariff	1,396	1,864	1,691	1,674	3,099	2,927
	Electricity Total	3,727	3,314	2,982	2,931	3,099	2,927
	Gas	1,639	911	715	808	763	957
	Whitehall District Heating System	n/a	n/a	190	225	186	200
	Oil	35	29	45	37	25	0
	Total Energy	5,401	4,255	3,932	4,001	4,072	4,084
Total energy per FTE (kWh)		3,359	2,684	2,422	2,279	2,199	2,370
Financial Indicators (£'000)	Total Energy Expenditure	476	388	390	363	519	394

Energy use



Targets and Narrative
The Department recorded a 26% reduction in energy usage since 2009-10, the GGC baseline year, although energy use has remained fairly steady over the past three years. There has been a 29% reduction in kWh per FTE since the baseline, demonstrating a significant improvement in energy efficiency. This has been achieved through a range of energy saving measures at

the core Department including LED lighting installed in 2014 under the RE:FIT programme.

Greenhouse gas emissions performance

The following table presents an overall summary of emissions for the DECC Family, principally according to the GGC scope but also presenting total net emissions that include international travel.

Targets and Commentary

This year total GGC scope emissions were 2,309 tonnes. This represents

GREENHOUSE GAS EMISSIONS			Baseline	2010-11	2011-12	2012-13	2013-14	2014-15
Non-Financial Indicators (tCO2e)	**GGC Scope**	Scope 1 emissions[24]	331	188	156	184	156	183
		Scope 2 emissions[25]	1,840	1,608	1,398	1,408	1,430	1,500
		Scope 3 emissions[26] (domestic)[27]	918	663	657	756	656	626
		Total emissions (GGC scope)	3,089	2,459	2,211	2,347	2,242	2,309
		Emissions per FTE (GGC scope)	1.92	1.55	1.32	1.34	1.21	1.23
		% emissions reduction against 2009-10 baseline	N/A	-20%	-30%	-24%	-27%	-26%
	Total	Scope 3 Total (inc international)	3,382	2,110	2,146	1,741	1,698	1,727
		Total Gross Emissions	5,553	3,906	3,700	3,333	3,284	3,387
		Total Offsets (GCOF)	1,006	1,031	1,420	1,576	805	1,218
		Total Net Emissions	4,547	2,875	2,280	1,757	2,479	2,169
Other non-financial indicators	Full Time Equivalents (FTEs)		1,608	1,585	1,624	1,756	1,857	1,723
Financial Indicators (£'000)	CRC Gross Expenditure (2011/12 onwards)		N/A	N/A	1,850	1,779	1,824	29[28]
	Total expenditure on business travel (inc international)		3,154	2,185	2,210	2,400	1,714	1,912
	Expenditure on accredited offsets (e.g. GCOF) (excl.VAT)		11.7	10.7	8.3	1.0	1.0	1.3

24 Direct GHG emissions from owned and controlled sources (e.g. from combustion of gas in boilers)

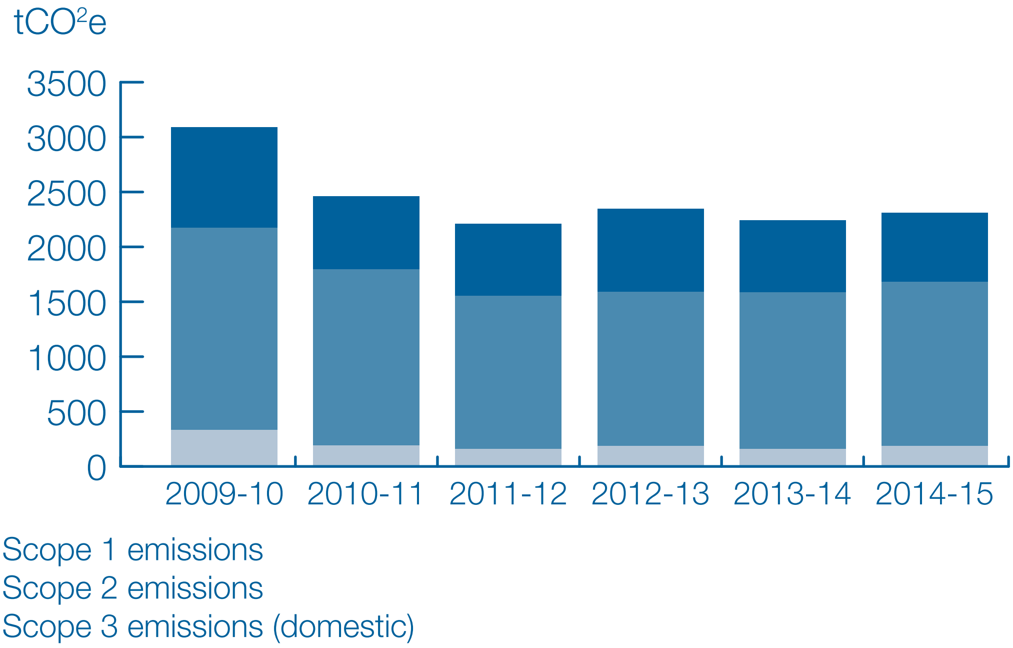
25 Energy indirect emissions (e.g. from electricity consumption)

26 Indirect emissions, a consequence of activity which is not owned or controlled by the accounting entity (e.g. travel in non-owned vehicles)

27 Emissions from the core Departments taxi travel are not included, as mileage data is not available for this. Also excluded are any core Department air and rail journeys not booked through one of the department's travel providers.

28 CRC costs for 2014-15 are forecast figures. This year's CRC figure is lower following the CRC simplification and the reduction in energy supplies covered from 29 to 2 – electricity and gas.

GHG EMISSIONS (GGC SCOPE)



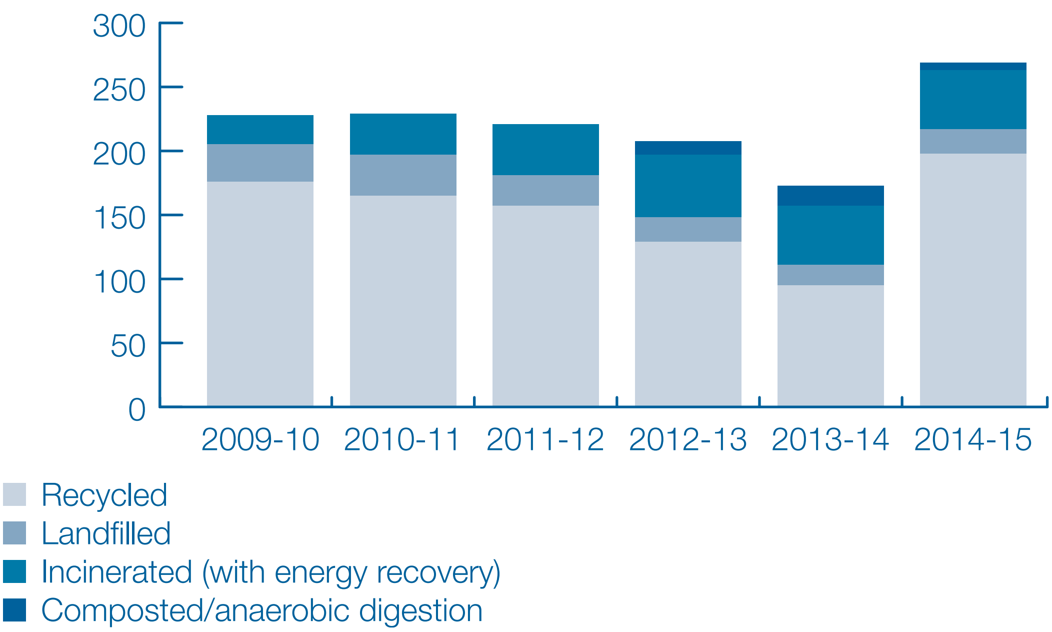
an increase of 2% on last year and a reduction of 26% from 2009-10, the baseline year. The GGC 25% GHG target has been achieved despite a 7% increase in staff numbers since the baseline year. Carbon efficiency per employee has increased by 31% and the core Department continues to hold the Carbon Trust Standard. The change in official conversion factors[29] used calculate GHG emissions and a faulty chiller contributed to the Department's increased emissions in 2014-15. The Department has plans to replace the Building Management System at its HQ in 2015 with the potential to make significant carbon savings.

29 **http://www.ukconversionfactorscarbonsmart.co.uk/Filter.aspx?year=38**

Waste management and minimisation

WASTE			Baseline	2010-11	2011-12	2012-13	2013-14	2014-15
Non-Financial Indicators (t)	**Total Waste**		228	229	221	196	158	269[30]
	Waste per FTE (kg)		142	145	136	112	88	156
	Non-Hazardous Waste	Landfill	29	32	24	19	16	19
		Recycled[31]	176	165	157	129	95	198
		Incinerated (with energy recovery)	23	32	40	49	42	46
		Composted/ anaerobic digestion	n/a	n/a	n/a	11	16	6
	Paper use (A4 reams equivalent)[32]		7,193	5,044	3,731	3,997	3,494	2,256
Financial Indicators (£'000)	Total disposal cost[33]		68	67	73	51	46	83

Waste (tonnes)



Targets and Narrative
The refurbishment of our London HQ site and a scheduled replacement of ICT lead to abnormally high levels of waste this year, exceeding waste arising in the baseline year by 18% and meaning that the department was unable to meet the GGC 25%

30 Provisional figure subject to verification.

31 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.

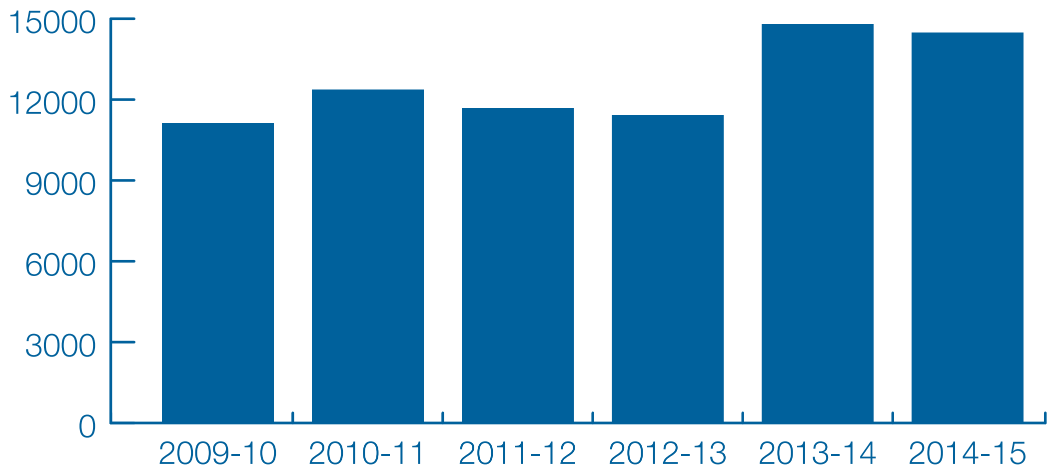
32 Paper use figures are for the NDA only. Data on paper use in the core Department is not available prior to 2011.

33 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.

Water consumption

FINITE RESOURCE CONSUMPTION - WATER		Baseline	2010-11	2011-12	2012-13	2013-14	2014-15
Non-Financial Indicators (t)	Water Consumption (m^3)	11,108	12,358	11,678	11,405	14,792	14,482
	Water consumption (m^3/FTE)	6.9	7.8	7.2	6.5	8.0	8.4
Financial Indicators (£'000)	Water Supply Costs	41	34	77[34]	51	43[35]	73

Water consumption (m^3)



waste reduction target. Prior to 2014-15 the trend had been towards year on year reductions and we expect to return to this performance in the latter half of next year when the major projects are complete. We have successfully increased the proportion of waste diverted from landfill from 87% in 2009-10 to 93% in 2014-15.

Performance Commentary (including Targets)
The Department's water consumption has increased by nearly a third from the baseline meaning the Department has not met the GGC water reduction target. Furthermore, we have become less water efficient as measured against good and best practice benchmarks. The Department has deteriorated from 6.9m^3 per full time equivalent (FTE) in the baseline to 8.4m^3 in 2014-15 with the Department remaining within the poor performance bracket for this metric.

Some of the increase has been traced to a leak at one of NDA's site which has now been rectified and poor performing hot and cold water dispensers at the core Department.

34 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.

35 Estimated from incomplete billing data, may be artificially low.

Target	Baseline (2009-10)	Target	2014-15	% change against baseline in 2014-15
GHG Emissions (tonnes)	3,103	2,327	2,309	-26
Number of domestic flights	2,193	1,754	2,143	-2
Water consumption (m^3)	11,108	11,107	14,482	+30
Water consumption (m^3/FTE)	6.9m^3	Good practice (<6m^3)	8.4m^3	N/A
Waste (tonnes)	228[36]	171	269	+18
Paper (A4 reams)	7,193	6,474	2,256	-69

These are now being maintained more frequently and are timed to switch off out of hours. This and other improvements implemented over the year have resulted in a 2% fall in water use compared to 2013-14. A comprehensive, independent, water audit showed that, this issue aside, the core Department's water infrastructure is at a high standard. For example, flow rates for taps and showers at our HQ exceed the base level for BREEAM.

Summary of performance against the GGC targets

The following table presents an overall summary of performance against the GGC targets.

Performance Commentary

The Department exceeded two of the five targets, including the key greenhouse gas reduction target with an outturn of 26%. The Department did not meet the 20% reduction in the number of domestic flights but managed to reduce the number of flights by 2% despite the geographical spread of our business which makes a certain amount of domestic air travel inevitable. The waste target proved unachievable despite good progress in this area in previous years because of the timing of two major projects in the final year of the targets. The robustness of the core Department's waste data is also being investigated. Continued efforts are needed to improve water use.

Sustainable Procurement

The Department is mandated to use Crown Commercial Service frameworks where a suitable framework exists for the procurement of goods and services. As an alternative, the Department may utilise other government department or other viable frameworks. Additionally, the core Department has been engaging with key suppliers through the CAESER (Corporate Assessment of Environmental, Social and Economic Responsibility) on-line questionnaire since 2012-13. We are using this process to benchmark and

36 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.

identify our environmental supply chain impacts. Each year, through CAESER we ask our key suppliers to report their own emissions, and from 2013-14 we have also asked for waste and water use. The results are summarised below. The outcome of the 2015 engagement campaign is not yet available.

Biodiversity and Natural Environment

The Department has no significant direct impact on biodiversity. 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.

Adaptation to Climate Change

The Government is continuing with the delivery of the first National Adaptation Programme (NAP), published by Defra in July 2013. This sets out over 370 actions assigned to individual or several departments in order to address the risks identified in the 2012 UK Climate Change Risk Assessment and build the nation's resilience to climate change. It was developed with over 250 organisations across a wide range of sectors involving government, business, councils and civil society. Its aim was to help to safeguard productivity, minimise the disruption to economic activity and reduce the damaging impact on individuals and communities from severe weather events such as flooding, drought and heat waves.

The Adaptation Sub-Committee (ASC) is part of the Committee on Climate Change (CCC); its purpose being to support the CCC in advising and reporting on progress in adaptation. The ASC published their first statutory assessment of the NAP to Parliament, (under sections 36 and 59 of the Climate Change Act) on 30 June 2015 and the Government (led by Defra who hold responsibility for climate change adaption) is now considering its response, which is required by Parliament by 15th October 2015.

The Department is continuing with delivery of actions assigned to it in the NAP; they are either complete or progressing satisfactorily.

Mainstreaming Sustainability

Mainstreaming sustainability is at the heart of the Department's mission. Good progress has been made in the course of 2014-15. Notably the Infrastructure Act 2015 contained provisions aimed at improving energy security while in October 2014, the Department was instrumental in achieving agreement on a binding

	2012-13	2013-14
Average Supplier score	50%	71%
% measuring scope 1,2 and 3 emissions	30%	41%
Scope 1 emissions (Mt CO2e)	48,963,076	15,657,347
Scope 2 emissions (Mt CO2e)	9,653,602	690,098
Scope 3 emissions (Mt CO2e)	77,429,620	54,062,311
% set targets to reduce footprint	43%	0%

EU target to reduce greenhouse gas emissions by 40% by 2030.

Investment in renewable heat was further incentivised in April 2014 with the extension of the Renewable Heat Incentive to the domestic sector whilst the first Contracts for Difference allocations will provide funding for 27 renewable energy projects with the potential to deliver over 2 GWs. Consumers have benefited from the Green Deal Home Improvement Fund and significant reductions in the time taken to switch energy suppliers.

The Department has made a significant contribution to the development and implementation of the Mainstreaming Sustainable Development agenda and the Greening Government Commitments. The Department officials play a leading role in mainstreaming sustainability across government through membership of a number of cross-Whitehall sustainability forums.

Assessing and managing environmental, social and economic impacts

Assessing and managing sustainability impacts are a standard part of the Department's policy and decision making. Impact Assessments (IAs) are the main tool for policy appraisal in the Department using the BIS IA template and the Better Regulation Framework Manual guidance which include economic, social and environmental considerations.

We also provide guidance on our intranet to help staff assess environmental, social and economic impacts and opportunities in policy development and other decision making. Sustainability considerations form an essential part of programme and project business cases and compliance with this requirement is ensured by sign off by the Head of Sustainability in the Investment Committee log book.

SMEs

The Department is committed to achieving better value through improved SME engagement.
The Department has introduced measures and removed barriers to improve SME engagement. As a result SME spend as a percentage of procurement spend has increased - see the table below: The Department and three other government departments hosted a major SME Supplier Engagement Conference in June 2014, which aimed to encourage growth and innovation in this area. This was attended by 170 of the government's key suppliers.

Supportive processes for sustainable development

The Department has a dedicated Sustainability Team which sits in the Infrastructure and Information Services Directorate of the Corporate Services Group with a clear line of responsibility up to the Permanent Secretary. The Department has a named senior manager with specific responsibility for energy management and a programme board to oversee the implementation of the Carbon Management Plan. The Department makes a

NOTES:

1. The below 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 (sunlight received by the Earth and energy radiated back to space), in accordance with GCOF rules.

valuable contribution to sustainable development capability building through the DECC School and Civil Service Learning developing modules on different aspects of carbon, climate change and energy available to all civil servants. The Department's own staffs have access guidance on sustainability in decision making and procurement via the intranet and the induction material for new staff includes an introduction to sustainability.

DECC (Family)	Total Procurement Spend (£m)	Direct Spend with SMEs (£m)	Direct Spend with SMEs as %	Indirect Spend with SMEs (£m)	Indirect Spend with SMEs as %	Total Spend with SMEs as %
2012-13 Full Year	1,841	35	1.9	205	11.14	13.02
2013-14 Full Year	2,085	35	1.67	334	16.02	17.71
2014-15 Q1-Q2	975	20	2.04	191	19.58	21.62