Department for Energy Security & Net Zero

Annual Report and Accounts

2023-24

HC 235

Department for Energy Security & Net Zero

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2023-24

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This publication is available at **www.gov.uk/official-documents**.

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PERFORMANCE REPORT

Performance overview

The performance overview provides information that allows an understanding of the organisation, its purpose, its performance against delivering its objectives, and both the impact of and management of key risks.

Report of the Permanent Secretary

This report covers the department's first full year. Whilst that has inevitably involved significant effort to create the internal structures and systems to support delivery for the public, the department has also pressed on with that delivery. Since it was established in February 2023, the department has continued to ensure Britain is energy secure, consumers are protected, that we invest in new green technologies and work towards our carbon budget and net zero goals.

As well as being a brand new department, we have also moved our London office to a newly refurbished building, 3-8 Whitehall Place, and continued to grow our presence at our offices across the country.

I am proud of what the department has achieved in its first year. The department’s agenda is complex and demanding but I am certain that we will continue to work hard to deliver the secure, clean and affordable energy our country needs.

Jeremy Pocklington

Permanent Secretary and Principal Accounting Officer

Report of the lead non-executive director

Since joining the department in March 2024 as the lead non-executive, I have seen the scale of the challenge that the department faces in delivering our agenda tackling some of the country's biggest challenges.

The department has progressed its complex portfolio through the introduction of the Energy Act 2023 in October, the biggest piece of energy legislation in the UK's history.

Progress was made in 2023-24 on a number of important projects. The department also progressed its review of electricity market arrangements (REMA) with a second consultation, which sought views on options to deliver an enduring electricity market framework that will work for businesses, industry, and households.

The department strives to encourage greater energy efficiency. In addition to seeing a year-on-year increase of 75% in the boiler upgrade scheme applications, it announced the Social Housing Decarbonisation Fund to provide 8,800 homes with free efficiency upgrades, saving households £400 a year on their energy bills on average.

The department continued investing in research and development, including providing funding for UK innovators to develop AI tech to help cut emissions, accelerate renewables and boost energy efficiency to help the UK's clean energy transition.

All this work could not have been achieved without colleagues' commitment to ensure that the values of the department – as an inclusive, collaborative workplace that makes bold choices with colleagues that have a willingness to learn – are at the heart of everything it does.

The work our colleagues do across the department's portfolio has a tangible real-life impact on the country. The non-executive board members and I would like to thank colleagues across the department for their continued hard work and dedication to such an instrumental agenda. I would also like to thank Peter Mather and Vikas Shah, who supported BEIS and remain dedicated non-executives for the department, for supporting the department in its early days.

Humphrey Cadoux-Hudson

Lead Non- Executive Director

Our purpose and priorities in 2023–24

As set out in the **Powering up Britain plan**, the department's purpose and priorities in 2023-24 were to enhance our country's energy security, seize the economic opportunities of the energy transition, and deliver on our net zero commitments in a proportionate way that brings people along with us. We will diversify, decarbonise and domesticate energy production by investing in renewables and nuclear, to power Britain from Britain.

The priority outcomes, as set out in "Powering up Britain", detailed how we would measure our success, and how we would ensure we continuously improve.

1. **Energy security:** setting the UK on a path to greater energy independence
2. **Consumer security:** bringing bills down, keeping them affordable, and making wholesale electricity prices among the cheapest in Europe
3. **Climate security:** supporting industry to move away from expensive and dirty fossil fuels
4. **Economic security:** playing our part in reducing inflation and boosting growth, delivering high skilled jobs for the future

Our business model and environment

To deliver our departmental priorities, we:

- **devise and manage policies,** building expertise on a broad spectrum of energy and climate topics, and advising ministers on achievement of their objectives
- **deliver public services,** implementing the policies ministers decide on for the benefit of citizens
- **manage taxpayer funds,** ensuring financial resources are allocated strategically to deliver public policy goals and to implement programmes, while adhering to auditing, reporting and compliance commitments to demonstrate value for money and proper use of public funds

The core department carries out policy development and delivery. The department works closely with, and delivers through, public bodies, suppliers, local authorities and regulators to achieve its priorities. DESNZ is also supported by Integrated Corporate Services (ICS), which provides a range of corporate and support functions to DESNZ and other departments.

We consult with a range of people and organisations, including small and large businesses, business representative organisations, unions, and research institutions.

We also consult the public on critical policy decisions.

Organisational structure

The diagram below shows the groups that made up our organisational structure. The groups are headed by directors general (DGs). DG groups are formed of several directorates.

Central Functions and retained Corporate Services Directors report directly into the Permanent Secretaries. ICS is hosted within DESNZ.

Energy Markets & Supply	Net Zero, Nuclear & International	Chief Scientific Adviser
Net Zero Buildings & Industry	Energy Infrastructure	Central Functions & retained Corporate Services

Supported by Integrated Corporate Services (ICS)

Our group

Department for Energy Security and Net Zero Group is made up of the core department and its arm's length bodies (ALBs) which are a combination of non-departmental public bodies (NDPBs) and companies.

Departmental group

These bodies are within our accounting boundary and are consolidated into the group accounts.

See note 26 for the full list of consolidated entities. For those excluded below, they are separate legal entities, but their accountability flows from the entities listed in this section.

Non-Departmental Public Bodies:	Companies:
• Civil Nuclear Police Authority • Coal Authority • Climate Change Committee[1] • Committee on Fuel Poverty • Committee on Radioactive Waste Management • Nuclear Decommissioning Authority • North Sea Transition Authority • UK Atomic Energy Authority	• British Nuclear Fuels Limited • Bulb Energy Ltd • Electricity Settlements Company Ltd • Enrichment Holdings Ltd • Great British Nuclear • Low Carbon Contracts Company Ltd • Salix Finance Limited • Sizewell C Limited • Sizewell C (Holding) Limited

Notes

1. Body not consolidated on materiality grounds.

Wider departmental group

Department for Energy Security and Net Zero has policy responsibility for a public corporation, a non-ministerial department and a central government fund, which are not consolidated in the group accounts.

Public corporations:	Central government fund:	Non-ministerial department:
National Nuclear Laboratory Limited	Nuclear Liabilities Fund	Office of Gas and Electricity Markets

Performance summary on priority outcomes

See performance on priority outcomes in the performance analysis section for more details on performance, including metrics:

Energy security: protect energy security through increasing our energy independence.

- We launched the nuclear roadmap which includes plans for new power stations as big as Hinkley Point C and Sizewell C and measures such as smarter regulation which will help quadruple UK nuclear power by 2050 up to 24GW – the biggest expansion for 70 years. Launching a high-tech nuclear fuel programme with up to £300 million investment into UK production, we are pushing Russia out of the global market
- We have awarded 51 exploration licences to date through the latest Oil and Gas licensing round

Consumer security: bring down bills and have among the cheapest electricity wholesale prices in Europe by 2035.

- The Energy Act 2023 received Royal Assent, bringing into force legislation essential to providing a cleaner, more secure and affordable energy system
- We eliminated the pre-payment meter premium from 1 July, cutting energy bills for more than four million families by bringing their costs into line with those paid by comparable customers on direct debits

Climate security: transform our economy to ensure net zero emissions by 2050.

- The Spring Budget announced a budget of over £1 billion for this year's contracts for difference allocation round (AR6), which includes an allocation of £800 million to offshore wind. This makes AR6 the largest round yet for the UK government's flagship scheme, which awards contracts to renewable power generators potentially worth billions of pounds in total over the scheme's lifetime. The AR6 application window opened on 27 March. The contracts for difference scheme plays a key role in boosting the UK's energy security, growing our economy and powering more of Britain from Britain. Since its introduction in 2014, the scheme has awarded contracts of around 30GW of new renewable capacity across all technologies, including around 20GW of offshore wind
- We announced Fusion R&D plans for an ambitious and cutting-edge suite of new R&D programmes

to support the UK's flourishing fusion sector and strengthen international collaboration

- We have announced that 12 green AI initiatives will receive a share of £1 million, to decarbonise and boost generation of renewable energy. The schemes range from use of AI to improve forecasts of optimal times for solar energy generation, to the decarbonisation of dairy farming through the use of AI robots monitoring crop and soil health. This forms part of the UK government's £1 billion Net Zero Innovation Portfolio

Economic security: seize the opportunities of our green energy future to create new energy industries, new jobs and increasing exports.

- We announced an additional c. £120m capital expenditure (CDEL) funding to the Green Industries Growth Accelerator (GIGA), on top of the £960m already allocated
- At COP 28 the UK joined the 'UAE Consensus' on the Global Stocktake, the first time ever that countries agreed to the transition away from fossil fuels in energy systems – delivering on promises to keep the 1.5 degree temperature target within reach and building on the agreement to phase down coal secured under the UK's COP26 Presidency. We also announced £1.6bn UK funding for new climate projects, as well as up to £60m for Loss and Damage

- We announced an alliance and programme of work between the UK, Canada, US, France and Japan with the aim of displacing Russia from the international nuclear energy market and undermining their grip on supply chains

Principal risks

The department manages longer-term strategic risks and threats, either related to our core departmental commitments such as meeting the carbon budgets and maintaining energy security, and other more functional risks around information security, staffing and policy design. The key risks faced by the department are summarised below. For further details on our risks, see risk profile in the performance analysis.

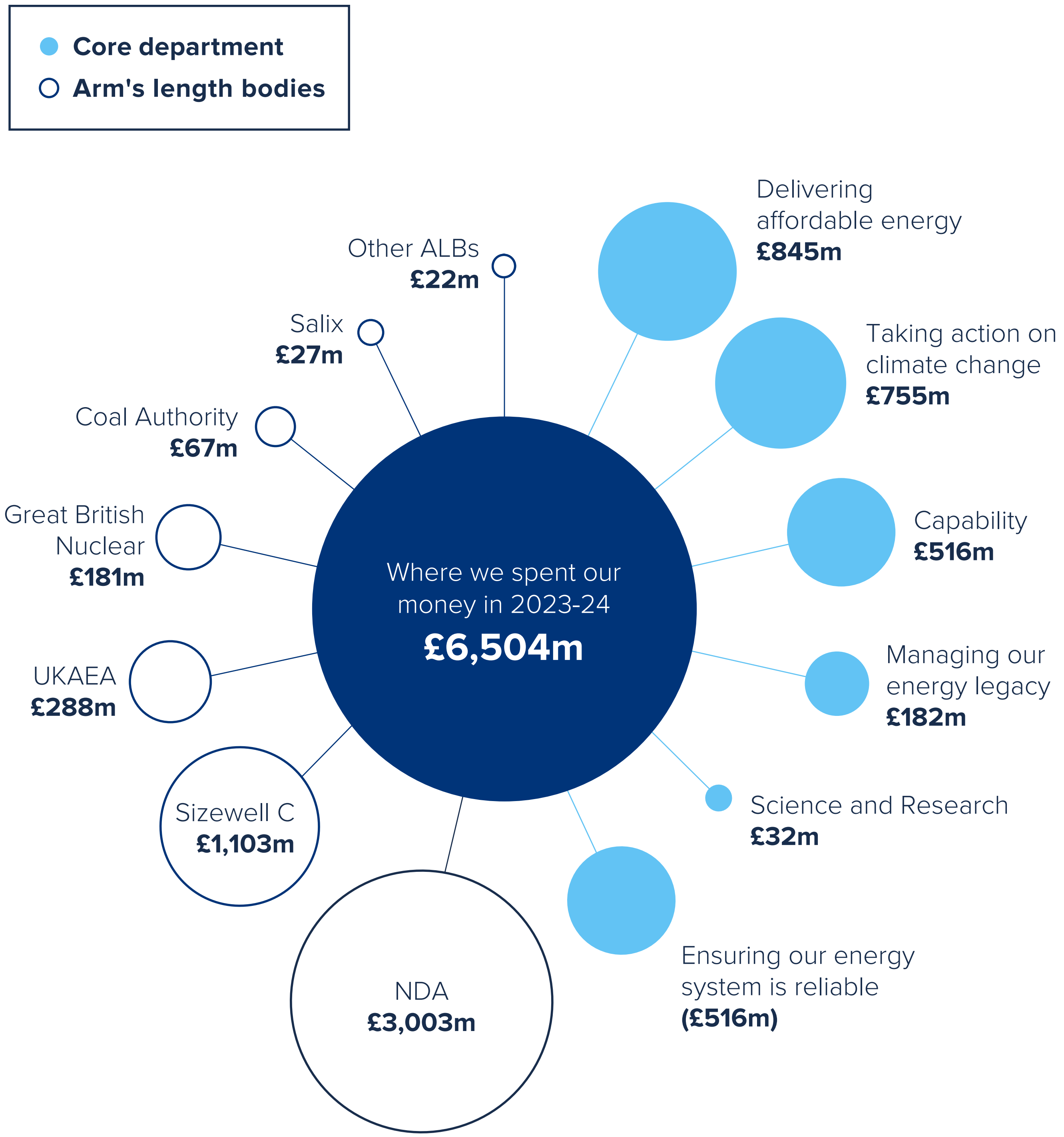
1. Catastrophic or severe incident affecting energy or nuclear critical national infrastructure
2. Failure to meet our legally binding net zero commitments and interim climate targets (carbon budgets)
3. Disruption to supplies of gas/electricity/fuel to meet near-term demand
4. Underlying energy supplies (gas/electricity/fuel) and/or the resilience of the energy system are disrupted or undermined due to a disorderly energy transition

5. A risk of reduced or delayed private sector investment needed to achieve UK energy and net zero transition objectives
6. Sensitive information is compromised or lost through cyber-attack (such as ransomware attack), eavesdropping, theft, mistakes, or leaks
7. Departmental morale, engagement and wellbeing
8. Unaffordable energy bills – gas price rises
9. Potential of insufficient funding creates a risk that financial constraints could limit our ability to deliver our objectives and ambitions
10. Failure of the UK to provide leadership and active international engagement
11. Public Sector Equality Duty – systematic non-compliance
12. Structural gaps in the current and future workforce

Where we spent our money

Departmental Expenditure Limit (DEL) is the controllable budget issued by HM Treasury on behalf of Parliament to deliver our strategic objectives. It excludes Annually Managed Expenditure (AME) which represents volatile, demand-led spend and technical accounting matters. These categories are explained in the financial review section of the annual report and accounts.

In 2023-24, total DEL spend for the departmental group is shown in the diagram below. Major areas of spend are also shown by estimate line for the core department, and by entity for arm's length bodies.



Performance analysis

Structure of the performance analysis

The performance analysis provides a detailed narrative of our performance and includes the following sections:

- our performance (against strategic priorities)
- risks affecting delivery of our priorities
- financial review
- sustainability report
- performance in other areas

Performance on Priority Outcomes

Energy security: setting the UK on a path to greater energy independence.

The UK government had a clear set of strategic objectives to enable the transformation of the energy system, so it is secure, low-cost and low carbon. This helped deliver greater energy independence. This meant reducing and managing energy demand, and increasing the overall share of domestic energy production, with particular focus on the smooth transition to abundant, low-carbon energy. This also released huge opportunities.

Aims obtained during 2023-24 included:

- Doubling Britain's electricity generation capacity by the late 2030s and delivering a fully decarbonised electricity system, subject to security of supply, by 2035
- Reducing energy demand and increasing the overall share of domestic energy production, building on our ambitions set out in the **Net Zero Strategy**, **British Energy Security Strategy** and **Powering Up Britain Energy Security Plan**
- Ensuring that where the UK still needs to import energy, including through interconnectors, that those imports are built on diversified sources of supply and relationships with strong and trusted international partners and allies. Also, to provide access to long-term export markets to support our growing clean energy industries
- Building in resilience and mitigations to ensure that if there are disruptions to imports, consumers still have a reliable supply of energy
- Enabling a faster roll out of new energy infrastructure through reforms to the planning system and other regulatory enablers. Also, ensuring our market arrangements are fit for the future through REMA, to help unlock massive investment in a cost-effective and secure energy system

Our Performance Metrics

- Loss of Load Expectation
- Net Import Dependency (Quarterly and Annual)

Loss of Load Expectation

Time Period	Loss of Load Expectation (LOLE)
2023-24	0.1 hours/year

Source:

- Electricity System Operator Winter Outlook Report 2023-24 **https://www.nationalgrideso.com/research-and-publications/winter-outlook**
- LOLE represents the number of hours per annum in which, over the long-term, it is statistically expected that supply will not meet demand and the Electricity System Operator (ESO) will need to take emergency action, such as reducing voltage or implementing some demand disconnections
- Release schedule: Annual

Net Import Dependency (Quarterly and Annual)

Time Period	Net Import Dependency (Quarterly)
Quarter 1 2021	34.7%
Quarter 2 2021	43.3%
Quarter 3 2021	33.1%
Quarter 4 2021	40.5%
Quarter 1 2022	38.7%
Quarter 2 2022	34.4%

Time Period	Net Import Dependency (Quarterly)
Quarter 3 2022	36.3%
Quarter 4 2022	39.4%
Quarter 1 2023	43.5%
Quarter 2 2023	37.1%
Quarter 3 2023	37.8%
Quarter 4 2023 [provisional]	44.5%

- Release schedule: Quarterly – For Reporting Purposes

Time Period	Net Import Dependency (Annual)
2021	37.9%
2022	37.3%
2023 [provisional]	41.1%

- Release schedule: Annual – For Reporting Purposes

Source:

- Energy Trends: UK total energy, Supply and use of fuels, Table 1.3a
- https://www.gov.uk/government/statistics/total-energy-section-1-energy-trends
- Net import dependency is the proportion of the UK's total fuel demand (including fuel for marine bunkers) that is met by net imports (the sum of imports minus exports)

Consumer security: bringing bills down, keeping them affordable, and making wholesale electricity prices among the cheapest in Europe.

The UK government committed to bringing bills down in the long-term and keeping them affordable.

The energy retail market is the main interface between consumers and the energy system. The UK government took forward a programme of reform so that the market works better for consumers and acts as a driver for the transition to a secure, low-cost and low-carbon energy system. Their vision for the energy retail market is one that is focused on three key themes:

- Better for consumers: ensuring that energy bills remain fair, and we can work towards abundant cheap energy. Energy must be affordable for consumers, while we need to uphold and improve consumer standards
- More resilient and investable: better prepared for future wholesale price volatility and better able to shield consumers from the costs of supplier failure, combined with a return to competition and profitability for well-run suppliers that offer value for consumers
- Supports wider energy system transformation: unlock greater innovation within the retail market by tackling regulatory barriers, alongside the delivery of wider system changes such as the smart meter rollout and market-wide Half-Hourly Settlement, as well as setting out an approach in the coming year to rebalance costs between electricity and gas bills to support take-up of low carbon technologies. The second REMA consultation published in March 2024

set out a direction of travel for how the GB electricity market arrangements will need to evolve in the future

Our Performance Metrics

- Fuel poor households in England (LILEE).
- Households required to spend more than 10% of after housing costs (AHC) income on energy
- UK domestic retail electricity price relative to EU 14 plus UK Median (%)

Fuel poor households in England (LILEE) and Households required to spend more than 10% of AHC income on energy:

Year	Fuel poor households in England (LILEE)	Households required to spend more than 10% of AHC income on energy
2018	3.52m (15.0%)	4.04m (17.2%)
2019	3.18m (13.4%)	4.11m (17.4%)
2020	3.16m (13.2%)	4.30m (18.0%)
2021	3.16m (13.1%)	4.93m (20.5%)
2022	3.18m (13.1%)	6.66m (27.4%)
2023	3.17m (13.0%)	8.91m (36.4%)

Source:

- Fuel poverty annual statistics (**15th February 2024**).
- Fuel Poverty in England is measured using the Low-Income Low Energy Efficiency (LILEE) indicator. A household is fuel poor if it has a disposable income after housing costs and required fuel costs below the poverty line and lives in a home that has an energy efficiency rating below Band C

- While not the official measure of fuel poverty in England, an additional affordability metric has been published by DESNZ for England showing the number of households required to spend more than 10 per cent of their income after housing costs on household energy
- Release schedule: Annual

UK domestic retail electricity price relative to EU 14 plus UK Median (%):

Year	UK domestic retail electricity price relative to EU 14 plus UK Median (%)
January – June 2018	**-4.0**
July – December 2018	**-1.2**
January – June 2019	**0.0**
July – December 2019	**+1.3**
January – June 2020	**+3.9**
July – December 2020	**-2.2**
January – June 2021	**+0.1**
July – December 2021	**+0.2**
January – June 2022	**+42.4**
July – December 2022	**+71.4**
January – June 2023	**+61.9**

Source:

- [International domestic energy prices (30 November 2023).] Domestic electricity prices in the EU for small, medium and large consumers (QEP 5.6.1, 5.6.2 and 5.6.3) [rounded to 1 decimal place]
- UK domestic retail electricity price as % higher (+) or lower (-) than the EU median average. Data is collected from a sample of UK energy companies and on the same basis as Eurostat for comparability. This series is currently published bi-annually as part of the wider Quarterly Energy Prices collection of statistics. The

specific price used for comparing against the 'EU 14 + UK' median average price will be the price for a 'medium' consumer (annual consumption of 2,500 – 4,999 kWh a year) including taxes

- Release schedule: Bi-annual

Note:

- *These figures are heavily impacted by the way that different countries supported consumers through the energy crisis. Some countries focused on reducing prices compared to the UK, which provided support through a mix of reducing prices and providing lump sum payments such as EBSS*

Climate security: supporting industry to move away from expensive and dirty fossil fuels.

The UK has made huge progress in decarbonising its economy and decoupling emissions from economic growth. Thanks to the Climate Change Act (2008) and Environment Act (2021), we have a strong legal framework for reaching net zero emissions by 2050. Between 1990 and 2022, we have cut our emissions by 50%, becoming the first major economy to halve its emissions, whilst growing the economy by around 80%.

We remain committed to ambitious climate targets, to meet net zero in 2050. The Third National Adaptation Programme, which was published in July 2023, sets out the actions we are taking across government to increase our resilience to climate change.

The UK has demonstrated that green and growth go hand in hand. We have delivered the second highest amount of recorded low-carbon investment cumulatively across Europe over the last 5 years and estimate that since 2010, the UK has seen £300 billion of public and private investment into low carbon sectors.

Our work in this outcome encompasses:

- Nuclear Power
- Green Innovation
- International Climate Change
- Power generation
- Industrial Decarbonisation
- Fuel Supply and Hydrogen
- Net Zero Buildings
- Natural Resources, waste and F-gases
- Greenhouse gas removals
- Cross cutting enablers, including market arrangements

The Net Zero Strategy set out an indicative ‘delivery pathway’ of emissions reductions to meet our climate targets up to Carbon Budget 6 (2033-37) and stay on track for net zero by 2050. This draws on insights from modelled 2050 net zero scenarios, exploring the range of potential energy and technology solutions, and is designed to drive progress while preserving options and allowing room for change, recognising the level of uncertainty in long-term plans of this kind.

Our Performance Metrics

- Total UK greenhouse gas emissions (million tonnes CO2 equivalent)
- UK territorial greenhouse gas emissions by sector, 2023, mtCO2e (% of total territorial emissions)
- Low carbon share of electricity generation (%)
- Forecast total greenhouse gas emissions savings from Energy and Emissions Projection (EEP)-Ready Policies

Total UK greenhouse gas emissions (million tonnes CO2 equivalent):

Time period	Total UK greenhouse emissions (million tonnes CO2 equivalent)
2023 (difference vs 2022) [provisional]	384.2 (-5.4%)
2022 (difference vs 2021)	406.2 (-3.5%)

Sources:

- 2022 Figures – DESNZ Final UK greenhouse gas emissions national statistics: 1990 to 2022, Table 1.1, available at: https://www.gov.uk/government/statistics/final-uk-greenhouse-gas-emissions-national-statistics-1990-to-2022
- 2023 Figures – DESNZ provisional UK greenhouse gas emissions national statistics 2023, Table 1a_GHG, available at: https://www.gov.uk/government/statistics/provisional-uk-greenhouse-gas-emissions-national-statistics-2023

UK territorial greenhouse gas emissions by sector, 2023, MtCO2e (absolute change since 2021 in MtCO2e), % of total territorial emissions:

Sector	UK territorial greenhouse gas emissions by TES sector, 2022, MtCO2e (change since 2021)	UK territorial greenhouse gas emissions by TES sector, 2023 [provisional], MtCO2e (change since 2022)	Share of total territorial emissions by TES sector, 2023 [provisional] (2022 final value)
Electricity supply	54.9 (+0.3)	44.1 (-10.8)	11.5% (13.5%)
Fuel supply	30.8 (-0.2)	31.1 (+0.3)	8.1% (7.6%)
Domestic transport	113.2 (+1.8)	111.6 (-1.6)	29.1% (27.9%)
Buildings and product uses	82.8 (-12.6)	77.6 (-5.2)	20.2% (20.4%)
Industry	57.4 (-2.9)	52.8 (-4.6)	13.7% (14.1%)
Agriculture	47.7 (-1.1)	47.8 (+0.1)	12.4% (11.7%)
Waste	18.8 (+0.0)	18.3 (-0.5)	4.8 %(4.6%)
Land use, land use change and forestry (LULUCF)	0.8 (+0.3)	0.8 (+0.0)	0.21% (0.19%)

Notes:

- Emissions are provided for Territorial Emissions Statistics (TES) sectors. The TES sectors have been introduced this year to replace the National Communication (NC) sectors that were used in previous publications
- The majority of the provisional emissions estimates are based on provisional energy use data published in DESNZ Energy Trends on the same day that the provisional GHG emissions estimates are published. To produce the estimates, it is assumed that the percentage change in CO2 emissions between the latest two years is the same as the change in energy use for a particular activity and fuel between the latest two years
- For the agriculture, waste, and land use, land use change and forestry (LULUCF) sectors, provisional estimates are not derived based on energy statistics. Therefore, estimates in these sectors are largely assumed to have changed in line with latest trend in projections between 2022 and 2023

Sources:

- 2022 Figures – DESNZ Final UK greenhouse gas emissions national statistics: 1990 to 2022, Table 1.2, available at: **https://www.gov.uk/government/statistics/final-uk-greenhouse-gas-emissions-national-statistics-1990-to-2022**
- 2023 Figures – DESNZ provisional UK greenhouse gas emissions national statistics 2023, Table 1a_GHG, available at: **https://www.gov.uk/government/statistics/provisional-uk-greenhouse-gas-emissions-national-statistics-2023**

Low carbon share of electricity generation (%):

Time period	Low carbon share of electricity generation (%)
2023 [provisional]	61.5%
2022	56.7%
2021	54.4%
2020	58.6%

Source:

- DESNZ Energy Trends Table 5.1, December 2023 (https://assets.publishing.service.gov.uk/media/6582bd23fc07f300128d4525/ET_5.1_DEC_23.xlsx)

Forecast total greenhouse gas emissions savings from EEP-ready Policies (excluding power sector interventions):

Time period	Total projected greenhouse emissions savings from HMG policies (excluding power sector interventions), MtCO2e (annual average)
Carbon budget 4 (period 2023-27)	293.7 (58.7)
Carbon budget 5 (period 2028-32)	355.4 (71.1)
Carbon budget 6 (period 2033-37)	413.6 (82.7)

Source:

- Annex D, from DESNZ Energy and emissions projections 2022 to 2040 https://www.gov.uk/government/publications/energy-and-emissions-projections-2022-to-2040

- Release schedule: EEP – annually in October

Economic security: playing our part in reducing inflation and boosting growth, delivering high skilled jobs for the future.

Our work under this outcome centres on:

- mobilising and creating opportunities for green investment
- supporting households and businesses with exceptional energy costs
- promoting green technologies including fostering innovation
- creating high-skilled jobs and building the skills required for them

Promoting energy efficiency and increasing the share of renewable energy in the UK's energy mix is critical to this. By supporting the transition to a low-carbon economy, we are working towards creating a cleaner, healthier, and more prosperous future for everyone in the UK.

Our performance metrics

- Total low carbon and renewable energy economy (LCREE) jobs (ONS)

Total low carbon and renewable energy economy jobs:

Time period	Direct employment in low carbon and renewable energy economy (LCREE) in the UK and constituent countries
2022 (difference vs 2020)	272,400 full-time equivalents (FTEs) (8% increase from 2021)
2021 (difference vs 2020)	252,300 (FTEs) 2021 (17% increase from 2020)

Source:

- ONS Publication of the LCREE Survey
- Release schedule: annual with an approximately 15-month lag
- ONS Low carbon and renewable energy economy, UK: 2022: https://www.ons.gov.uk/economy/environmentalaccounts/bulletins/finalestimates/2022

Risk profile

The department has a highly challenging agenda, including several first of a kind projects. Delivery of these is inherently risky and programme risks are managed by the relevant programme.

Detail of the risks managed by the Executive Committee through the Departmental Strategic Risk Register, as well as their mitigations, are set out below. Further information on how the Executive Committee managed these risks is included in the governance report.

Risks

Catastrophic or severe incident affecting energy or nuclear critical national infrastructure

- We work with industry and regulators (such as the Office for Nuclear Regulation (ONR) and Ofgem) to ensure safety and security standards are maintained, including strengthened regulatory frameworks
- We continue to ensure robust and proportional safety and security (physical, personnel and cyber) arrangements are in place at critical energy and civil nuclear sites
- We ensure continued capability development within DESNZ and our partners, engaging regularly with industry to identify and mitigate vulnerabilities and risks
- We run regular exercises to test the UK's response plans to any such incidents, seeking to ensure minimal impact should the risk arise

Failure to meet our legally binding net zero commitments and interim climate targets (carbon budgets) due to insufficient or ineffective policy framework and/or difficulties of deciding on and implementing more challenging reforms

- We continue to monitor and develop robust implementation plans to maintain our ambition in policy options for Carbon Budgets 4, 5 and 6 (2023-37)

- We have developed and implemented further policies to deliver emission reductions in line with the Net Zero Strategy, and committed additional funding in areas including energy, industry, transport, and buildings
- We continue to work on long-term plans for key enablers including green finance and investment to encourage the transition to global net zero economies. Key activities were the April publication of the 2023 Green Finance Strategy (GFS) and, in December 2023, publication of the terms of reference for the Transition Finance Market Review, to look at how transition financial services can best support the aims of the GFS

Disruption to supplies of gas/electricity/fuel to meet near-term demand

- We work with the Electricity Systems Operator (ESO), Gas Systems Operator (GSO)and Office for Gas and Electricity Markets (Ofgem) to present key energy market supply and storage assessments and insights in an Energy Security Dashboard, distributed weekly during the winter months. This dashboard is the regular representation of intelligence gained through ongoing monitoring of UK and international forecasts of supply and demand
- In response to these forecasts DESNZ, the ESO and GSO look at responses both in terms of maintenance of supply and storage and UK demand reduction

Underlying energy supplies (gas/electricity/fuel) and/or the resilience of the energy system are disrupted or undermined due to a disorderly energy transition

- We continue to manage this risk through the Energy Security Board, which is responsible for the department's strategy to ensure the security of energy supplies, including gas, electricity, and fuels
- We have completed a landscape review to pinpoint the key risks and challenges to future energy security, and the results will guide our subsequent mitigation efforts
- We are addressing this through our principal work programmes, which include the Future of Gas programme, various technology programmes such as the Future Electricity Security programme, Future Energy Resilience, and Supply Chains

Net Zero private investment

- We continue to take action to mobilise private investment into net zero
- We established a new 'investor engagement' team to deliver a more coordinated approach to investor engagement in DESNZ. This is helping us to better understand the challenges investors face in UK markets and is being used to inform future policy design

Sensitive information is compromised or lost through cyber-attack (such as ransomware attack), eavesdropping, theft, mistakes, or leaks

- We continue to develop our security capability across the personnel, physical, cyber, cultural and resilience threads to counter the expanding threats to our people and information
- We maintain strong, tested cyber defences and are investing against emerging threats
- We recognise that our people are equally important and are enhancing security awareness across the department through training and test phishing exercises
- We are working across government to realise the benefits from the maturing security function and to bring best practice into DESNZ

Departmental morale, engagement and wellbeing

- We encourage SCS to lead by example through role-modelling best practice with regards to attitude to work/life balance and support for personal wellbeing
- We provide a range of professional wellbeing resources, including the department's extensive network of mental health first aiders, and access to wider Civil Service resources such as external advisers for health or financial matters

- We ensure that advice and information on how to access these services is available to all staff and is regularly promoted

Unaffordable energy bills – gas price rises

- We have managed a range of domestic and industrial energy consumer support mechanisms across the last two winters, 2022-23 and 2023-24, including targeted support for the most vulnerable
- We and the energy regulators constantly review the energy market to assess likely future prices and to consider any further action that may need to be taken to protect consumers
- Consideration of longer-term reform of the energy markets with consultations through REMA and other mechanisms into how we can transition the UK energy market to a low cost, low carbon basis

As a result of insufficient funding, there is a risk that financial constraints could limit our ability to deliver our objectives and ambitions

- We manage our in-year position and review forecasts for value and volatility each month
- Quarterly deep dives are held into specific budgets to identify risks and levers to manage overspends and underspends and consider commitments, volatility or other data as needed

- We regularly engage with HMT to discuss our financial position and policy funding, and to identify and address any emerging issues

Failure of the UK to provide leadership and active international engagement, drawing on our strong climate credentials and domestic expertise, in the global fight to tackle climate change in line with the Paris Agreement

- We continue to promote international action on climate change, including sharing our own expertise on low carbon growth
- This included a UK presence at COP28 with:
  - strong attendance from ministers and HRH
  - the UK pavilion, packed with events, which re-enforced our position as a global leader for climate action
  - our negotiations team, working with our allies and partners, to secure agreements across a range of objectives

Public Sector Equality Duty – systematic non-compliance

- We are working with the Government Equalities Office to continually improve how we incorporate equality considerations into our policy development and delivery

- The “Case for Change” exercise identified equality objectives across DESNZ policy and corporate services areas
- Analysis of Public Sector Equality Duty (PSED) compliance has been improved and reporting to key governance bodies such as the Executive Committee has been strengthened
- Additional analysis of how PSED can be associated to the roles of the recognised government professions, to embed the relevance of PSED in each profession, is being undertaken

Our current and future workforce has structural gaps

- Following the machinery of government changes we have developed and are implementing our Target Operating Model, to strengthen the department’s capability
- This has included approval of the department’s Strategic Workforce Plan, actions and KPIs which will be monitored through ongoing tracking of our people plans

Financial review

The financial review analyses the department's expenditure and financial position for the year.

Financial performance

Budget framework

Departmental budgets are split into departmental expenditure limits (DEL) and annually managed expenditure (AME) categories:

- DEL: spending that is subject to limits, which departments may not exceed
- AME: departments need to monitor AME closely and inform Treasury if they expect AME spending to rise above forecast

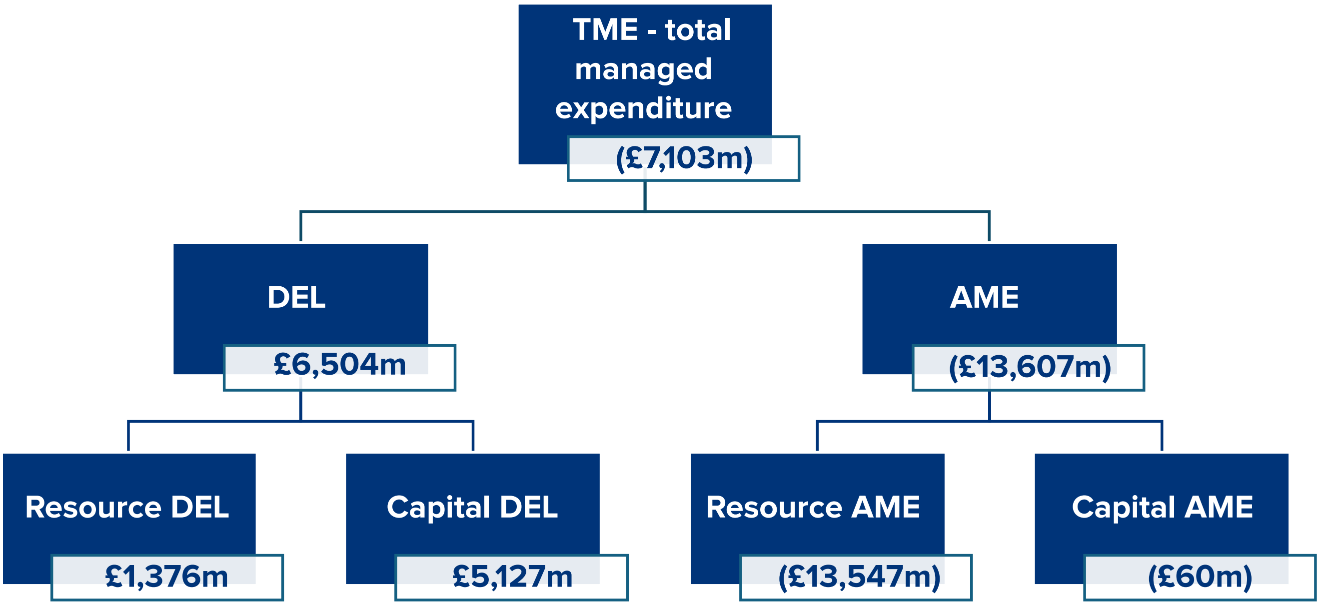
Budgets are also split into resource and capital categories:

- Resource: captures current expenditure and is further split into programme and administration budgets. Programme budgets are for front line services. Administration budgets capture any expenditure not included in the programme budget
- Capital: captures new investment and financial transactions

The budgeting system is not based on cash accounting, but accruals accounting. TME is made up of DEL and AME, plus accounting adjustments.

Outturn for 2023-24

The diagram below shows the departmental outturn for 2023-24.



Outturn compared to budget

This table ties directly to the SOPS, where the TME outturn is the 'total voted and non-voted' outturn. The DEL expenditure is analysed in 'where we spent our money'.

2023-24				
	Outturn	Budget	Variance	Variance
	£m	£m	£m	%
DEL				
Total DEL	**6,504**	**7,658**	**(1,154)**	**(15.1%)**
Resource DEL	1,376	1,748	(372)	(21.3%)
Capital DEL	5,127	5,910	(782)	(13.2%)
AME				
Total AME	**(13,607)**	**328**	**(13,935)**	**(4,248.5%)**
Resource AME	(13,547)	352	(13,899)	(3,948.6%)
Capital AME	(60)	(24)	(36)	(146.5%)
TME	**(7,103)**	**7,986**	**(15,089)**	**(188.9%)**

Variance analysis

Resource DEL

The underspend of £0.4 billion (21.3%) was primarily due to:

- £0.2 billion underspend against the budget for the Energy Special Administration Regime
- £0.1 billion underspend against the budget for energy bills support schemes

Capital DEL

The underspend of £0.8 billion (13.2%) was primarily due to:

- £0.3 billion underspend against the budget for the Energy Special Administration Regime
- £0.1 billion underspend for Great British Nuclear
- £0.1 billion underspend against the budget for Sizewell C

- £0.1 billion underspend against the budget for Net Zero Buildings and Heat

Resource AME

The underspend of £13.9 billion (3,948.6%) was primarily due to:

- an underspend against the budget for the energy price support schemes of £0.9 billion grants and subsidies and £0.3 billion noncash provisions
- £1.0 billion underspend against the budget for UKAEA provisions
- £0.4 billion underspend against the budget for the Energy Special Administration Regime
- £1.2 billion underspend against the budget for Coal Authority provisions
- uncertainties at the time of budgeting for the CfD valuation resulting in an underspend of £3.6 billion in Resource AME
- uncertainties at the time of budgeting for the nuclear decommissioning provision of £6.6 billion in Resource AME. This is due to the supplementary estimate process, and the requirement to include all expected movements in the budget at that point. Some items do not materialise by year end, which results in an underspend

Capital AME

The underspend against the net budget of £(24) million was £(36) million (146.5%).

Outturn trend

	2023-24	2022-23	2021-22	2020-21	2019-20
	£m	£m	£m	£m	£m
DEL					
Resource DEL	1,376	13,228	2,483	1,395	1,221
Capital DEL	5,127	6,200	10,712	8,995	2,379
AME					
Resource AME	(13,547)	(95,616)	114,878	2,164	8,483
Capital AME	(60)	(144)	(122)	(117)	(118)

Outturn trend – biggest areas of net expenditure

The table below shows the department's biggest areas of net expenditure taken from the SOPS.

	2023-24	2022-23	2021-22	2020-21	2019-20
	£m	£m	£m	£m	£m
NDA	(15,369)	(107,667)	103,362	3,473	6,751
CfDs	4,009	(13,507)	10,286	468	3,543
Coal Authority	(521)	(3,328)	3,168	274	58
RHI	1,218	1,002	920	848	846
ICF	366	231	432	582	340
Nuclear Liabilities fund	0	0	5,610	5,070	0
Sizewell C	1,179	841	0	0	0
Energy SAR	(930)	1,157	2,136	0	0
Energy price support	897	43,531	0	0	0
UKAEA	280	267	239	155	120
Net Zero buildings and heat	739	523	1,259	1,250	0
Great British Nuclear	181	0	0	0	0
Other	848	617	539	315	307
Total	**(7,103)**	**(76,333)**	**127,951**	**12,435**	**11,965**

Reconciliation of budgets to financial statements

DESNZ's financial statements are based on international financial reporting standards (IFRS). IFRS is the basis generally applied by private sector businesses. A reconciliation between the SOPS and IFRS is shown in SOPS 2 on page 209.

Expenditure on Official Development Assistance

The UK's Official Development Assistance (ODA) refers to the overseas aid budget. ODA expenditure is reported for the calendar year and on a cash basis.

In 2023 there was a machinery of government change, resulting in the establishment of the Department for Energy Security and Net Zero (DESNZ). The previously reported ODA expenditures by BEIS, including Research and Innovation spending (R&I) and International Climate Finance (ICF), are now allocated separately to the two new departments. DESNZ's ODA budget pertains to ICF expenditures.

DESNZ's ODA expenditure (provisional) in 2023-24 was £440 million. This expenditure supports climate and energy projects designed to help countries tackle climate change impacts. The table below shows a breakdown by sector.

The ICF spend focuses on climate mitigation particularly in countries where emissions are growing rapidly. It aims to accelerate clean energy transition, raise climate ambition, enable low-carbon growth and address deforestation.

DESNZ ODA spend by sector[1]

		2024	2023
Sector	**Sector code**	**ICF**	**Total**
		£m	**£m**
Transport & storage	210	0	4
Energy policy	231	(13.8)	10.5
Energy generation, renewable sources	232	127.8	20.3
Banking & financial services	240	3.9	2.7
Business & other services	250	0.7	0.6
Forestry	312	237.3	50.3
General environment protection	410	11.6	33.9
Other multisector	430	52.4	10.6
Administrative costs of donors	910	7.3	8.1
Unallocated / unspecified	998	13	172.4
Total		**440.2**	**313.4**

1 **Notes:** These figures are provisional. The final 2023 Statistics on International Development (SID) is due to be published by the Foreign, Commonwealth and Development Office (FCDO) in late September 2024.
Sector codes used by the OECD Developmental Assistance Committee (DAC) are available at **http://www.oecd.org/**

Financial position

Assets and liabilities

The table below shows the value of assets and liabilities for the departmental group.

As at 31 March 2024, the department remains in a net liability position. Net liabilities have decreased from (£214.8 billion) at 31 March 2023 to (£194.4 billion) at 31 March 2024. The biggest effect on the change in the financial position this year comes from the changes in discount rates for provisions and contracts for difference (CfDs). Further details on provisions and CfDs can be found in notes 18 and 9.

	31-Mar-24	31-Mar-23	31-Mar-22
	£m	£m	£m
Assets	16,385	16,867	10,517
Liabilities	(210,784)	(231,624)	(351,513)
Net assets/(liabilities)	(194,399)	(214,757)	(340,996)

Changes in discount rates

Discount rates heavily impact the value reported for some liabilities. Liabilities that involve payments over many years must be discounted to their value in today's money or present value and summed into a single figure. This is an accounting adjustment. The department has liabilities that extend over decades.

This means that a small change in the discount rate can greatly affect the present value of the liability. Assets and liabilities were discounted at positive rates – this means that the present value is lower than the cash the department expects to receive or pay. The accounts use several discount rates depending on the nature of the transaction and timing of the cash flows. Further details on discount rates applied to provisions and CfDs can be found in notes 18 and 9.

The table below shows the impact of discounting on our assets and liabilities.

	2023-24	2023-24	2023-24	2022-23	2022-23	2022-23
	No discounting	With discounting	Impact of discounting	No discounting	With discounting	Impact of discounting
	£m	£m	£m	£m	£m	£m
Assets						
Financial asset: Bulb	2,933	2,838	(95)	2,659	2,406	(253)
Financial asset: Coal pension receivable	346	323	(23)	488	452	(36)
Liabilities						
NDA nuclear provision	198,898	105,256	(93,642)	172,800	124,371	(48,429)
Coal Authority provision	10,915	1,609	(9,306)	10,205	2,211	(7,994)
CfD liabilities (presented separately as assets and liabilities on SoFP)	90,719	89,151	(1,568)	86,051	85,142	(1,546)

Sustainability report

About the greening government commitments

Greening government commitments

The greening government commitments (GGC) are a framework for government departments to reduce their environmental impact. GGC data is reported for a departmental family, which includes the core department and in scope arm's length bodies (ALBs), as determined by DEFRA. There are currently 5 DESNZ ALBs in scope for GGC reporting. These are: Coal Authority, Nuclear Decommissioning Authority, National Nuclear Laboratory, North Sea Transition Authority, and Ofgem.

The current GGC framework is for 2021-25, with targets to be achieved by March 2025, in comparison to a baseline year of 2017-18. Where data for the baseline year 2017-18 has not been available for an organisation, the next available year's data or a suitable estimation has been used. After DESNZ was formed via a machinery of government change in 2023; as a new department it assumed a proportion of the Department for Business, Energy & Industrial Strategy's (BEIS) baseline data in accordance with headcount and several ALBs transferring from BEIS to DESNZ.

The core department and a portion of ALBs occupy the Government Property Agency (GPA) estate, and therefore rely on GPA to implement a large proportion of building related sustainability interventions and improvements across the estate to contribute towards achieving DESNZ GGC targets.

Unit	Measure	Notes	2023-24	2017-18
	GHG emissions			
	Scope 1 – sources owned or controlled			
Tonnes CO2e	Emissions		624	804
kWh	Related gas consumption	1	3,627,586	3,828,913
	Scope 2 – emissions from domestic flights			
Tonnes CO2e	Emissions		9,651	13,977
kWh	Related energy consumption		37,792,963	44,597,200
	Scope 3 – official business travel			
Tonnes CO2e	Emissions – international business travel		2,108	566
Tonnes CO2e	Emissions – domestic business travel (flights, rail, bus/coach, taxi, private vehicle)		2,044	2,931
	Expenditure on scope 1, 2 and 3			
£'000	Expenditure on the purchase of energy	2	16,126	6,226
£'000	Expenditure on official business travel	3	6,893	6,188
	Waste minimisation and management			
Tonnes	Total waste arising		253	573

Unit	Measure	Notes	2023-24	2017-18
Tonnes	Total waste recycled		132	364
kg	Total ICT waste recycled, reused and recovered (externally)		26,232	
Tonnes	Total waste composted/ food waste from 2022		9	-
Tonnes	Total waste incinerated with energy recovery		66	117
Tonnes	Total waste to landfill		29	91
	Expenditure	4		
£'000	Total waste arising		50	54
	Consumer single use plastics			
	Number of items		42,692	
	Paper use			
	Quantity of paper purchased in A4 reams equivalent	5	5,783	13,268
	Finite resource consumption			
m^3	Water consumption in cubic meters		22,708	33,588
£'000	Water supply and sewage costs	6	144	55

Notes

1. This also includes self-generated energy.
2. In 2023-24 NSTA estimated gas expenditure and were unable to provide electricity expenditure. DESNZ core estimated from former BEIS for 2017-18.
3. Expenditure estimates for DESNZ core based on former BEIS. 2017-18 NSTA not included in expenditure.
4. 2023-24 expenditure does not include DESNZ core and Ofgem as GPA unable to provide data. NSTA is estimated.
4. 2023-24 expenditure does not include DESNZ core and Ofgem as GPA unable to provide data.

Breakdown of expenditure across multiple waste streams is not available from any organisation.

5. Paper data for 2017-18 excludes Ofgem.
6. 2023-24 expenditure for NSTA is estimated. 2017-18 NSTA expenditure not available.

Summary of progress

	2023-24 outcomes	GGC targets by March 2025
Emissions		
Overall emissions	26% reduction	Target TBC
Direct emissions (scope 1)	15% reduction	Target TBC
ULEV (ultra-low emission vehicle: less than 50g CO2 per km)	67% of fleet	25% of fleet by 31 Dec 2022
Domestic flights	33% reduction	reduce emissions by 30%
Waste minimisation and management		
Overall waste	59% reduction	15% reduction
Landfill	12% of overall waste	reduce to less than 5% of overall waste
Recycling	60% of overall waste	increase to 70% of overall waste
Finite resource consumption		
Paper use	56% reduction	reduce by 50%
Water usage	32% reduction	reduce by 8%

Note

- Emissions targets are not currently available, as previous targets were bespoke to BEIS

GHG emissions

As DESNZ is onboarded to the GPA, the core department occupies GPA premises across the UK so is in many ways reliant on GPA's sustainability progress to meet its GGC targets (especially outside of London where the department is generally one of many tenants in large GPA hub buildings). GPA run a net zero programme to reduce carbon emissions and energy usage across its estate.

As such, DESNZ has continued to make significant progress in reducing overall and direct buildings emissions. In the past year DESNZ core department has improved estate sustainability through relocating to smaller and more sustainable offices at 3-8 Whitehall Place & 55 Whitehall. This aligns with the government property strategy 2022-30 aim of moving to a smaller, better, and greener estate, and has had a positive impact on reducing overall and direct buildings emissions.

Greenhouse gas (GHG) emission reduction targets are set individually for each department as part of the GGC framework. As a newly formed department, targets are still being developed for DESNZ.

Travel

DESNZ is exceeding its target for emissions from domestic flights, with a significant reduction since the baseline year. International flights however have increased, partially due to improved data availability since the baseline year. Flight data was not wholly available for 2017-18, therefore 2018-19 has been used as the baseline year as per guidance above. The total distance travelled by domestic air travel was 1,651,702km, and international air travel was 11,743,511km.

DESNZ core department has developed and implemented a sustainable business travel policy which directs colleagues to only travel when necessary for business, and to travel by train rather than plane for domestic journeys, except in exceptional circumstances, with the aim of reducing both domestic and international flights.

Waste

The department made significant progress against the GGC waste targets, exceeding overall waste reduction. Recycling rates are not yet reaching the target of 70%, and waste to landfill rates have not yet reached the target of 5%. There are plans in place to improve this ahead of the framework target deadline through the development of a core department waste plan, which will include support for colleagues to find ways to reduce the amount of waste produced in our offices, including increased recycling and reduced waste to landfill. The core department has provided a range of recycling waste streams at its HQ offices to ensure the correct segregation of waste for recycling, which reduces the risk of contamination. The core department has also eliminated a wide range of consumer single use plastics from its national estate, including items such as plastic cutlery and cups and unsustainable stationery items.

Paper use

DESNZ has significantly reduced paper usage from the baseline year and is well on track to achieving this target.

Water

GPA has implemented several water efficiency measures across the parts of their estate occupied by DESNZ. This, combined with wider similar initiatives across supporting agencies and public bodies, has led to this target being exceeded. GPA also plan on implementing a 'utility bureau' to embed automated data-driven efficiencies and improve further, again positively impacting DESNZ's progress.

Consumer single use plastics and re-use schemes

Consumer single use plastics: The core department has eliminated a wide range of consumer single use plastics from across the estate, including items such as plastic cutlery and cups and unsustainable stationery items, and supporting agencies and public bodies are progressing in a similar direction.

Re-use schemes: Globechain collected unwanted items for restoring and reusing from the core department. This was in place from April 2023 to September 2023 while 1 Victoria Street, London was occupied. As the core department has since vacated these premises, we are now exploring opportunities with GPA to re-introduce a similar initiative across the estate.

Apart from the GGC disclosures above, there is no use of other finite resources across the estate occupied by DESNZ.

Other GGC disclosures

Nature recovery, biodiversity, and action planning

Core department: The aim of the nature recovery plan is to protect, and where possible enhance, the biodiversity across the GPA estate we occupy. We are working closely with GPA and Natural England on our Nature Recovery Plan, which will be published very soon. GPA (who as an 'onboarded' department, we are heavily reliant on) have recently published their plan and we aim to dovetail into this across the estate.

Climate change adaptation plan

Core department: A climate change adaptation plan has been compiled, which consists of a climate change risk assessment across the estate and a climate adaptation plan to mitigate the risks identified. This aligns with the GGC requirement on adaptation and will support the core department to implement measures to ensure it continues to operate effectively during periods of climate-related severe weather events. The core department will also rely on GPA climate adaptation plans for implementing any building specific adaptations.

Sustainable construction

Core department: The GPA are responsible for all construction and refurbishment work related to the estate which DESNZ occupies, therefore please refer to GPA GGC reports for more information.

Reducing environmental impacts from ICT and Digital

Our two main hardware suppliers now use recycled parts in their products, have reduced shipped packaging, and ensure ethical standards in their supply chain. 100% of our IT services – such as data, emails, and document storage – are delivered via the public cloud. Our public cloud suppliers are working to be net zero by 2030. We have reported our measures and tangible outcomes to DEFRA. This is published in the star report.

Sustainable procurement from ICS Commercial

- We encourage completion of a sustainability risk & opportunity assessment for procurements covering environmental, social and economic sustainability, and have implemented a risk assessment of modern slavery tool
- We also have mapped social value model themes to our departmental mission. This makes it easier for suppliers to know what to expect from the department and is in place to improve the quality of social value propositions
- The government buying standards (GBS) are referenced in our sustainability guidance and resources
- We also ran several sustainable procurement council sessions with ALBs, looking at supply chain mapping and impacts, modern slavery, social value and emissions reduction. We have a supplier code of conduct in place and a departmental environmental policy. Individual action plans and templates are also in place which address sustainable procurement. The environmental policy reinforces the need to understand supply chain impacts and take proportionate action, alongside sustainability guidance which encourages supply chain impact reflections, when undertaking commercial projects

- We have dedicated resource to provide expert coaching to high-risk, material projects to help teams embed sustainability into their sourcing approaches. Training is conducted on a regular basis and teams can reach out to dedicated resource for support
- The core department no longer directly procures food or catering services, with the contract for the core department's head office at 1 Victoria Street transferred to the GPA in 2022-23. GPA are now responsible for the application of appropriate standards in the procurement of food and catering services. For all other office locations of the core department, any food and catering services are provided as part of the property agreements and not directly procured by the core department

Task Force on Climate-related Financial Disclosures report

The Financial Stability Board established the Task Force on Climate-related Financial Disclosures (TCFD) in 2015. It was tasked with developing recommendations for how organisations should disclose on their climate-related risks and opportunities through their existing reporting processes.

Since then, the TCFD have published 11 recommendations detailing how organisations should disclose on their approach to climate change.

The recommendations are structured around four themes that represent core elements of how organisations operate:

- Governance: The organisation's governance around climate-related risks and opportunities
- Strategy: The actual and potential impacts of climate-related risks and opportunities on the organisation's business, strategy, and financial planning
- Risk management: The processes the organisation uses to identify, assess, and manage climate-related risks
- Metrics and targets: The metrics and targets the organisation uses to assess and manage relevant climate-related risks and opportunities

This is the first year in which DESNZ will make climate-related financial disclosures using the TCFD approach. We will continue to develop and enhance our climate disclosures in our future annual reports. This is in line with the central government's TCFD-aligned disclosure implementation timetable. We plan to make disclosures for strategy, risk management and metrics and targets in future reporting periods in line with the central government implementation timetable.

Governance

In addition to the existing departmental governance, over the past year we have introduced cross-cutting departmental governance boards that focus on **power sector decarbonisation**, **energy affordability**, **energy security and energy market design,** working in alignment with the existing **Net Zero Delivery Board** that is already in place. These boards allow us to focus on the main outcomes we are seeking from the energy system.

The boards take a "top down" view of the departmental strategy and the delivery of its objectives and have a role in assessing the risks and issues impacting delivery of those objectives, interdependencies, and providing steers and context within which Senior Responsible Owners (SRO) can set out their plans.

This assessment can then feed back into specific decision-making through:

- providing the department's executive committee (ExCo) with recommendations for required interventions
- providing steers for consideration for any of the programmes or projects that contribute towards delivering or enabling carbon savings/decarbonising the power sector/maintaining security of supply/affordable energy supply

- ensuring plans and risk management include cross-cutting elements identified by the boards

The boards do not assure individual project, programme, or sub-portfolio performance, but take performance into account when assessing progress against objectives.

For the four new energy boards, the governance landscape has shifted to ensure trajectory towards meeting objectives is monitored through having an outcome focused approach instead of tracking delivery and uncertainty.

Summary of new energy governance:

The following changes to the department’s governance were adopted in February 2024:

- Power Sector (Electricity Generation) Decarbonisation Board – this board has an overall objective of monitoring the decarbonisation of the power sector (by 2035) subject to security of supply
- Energy Security Board – the Energy Security Board will ensure the department has clearly defined objectives and strategy to maintain security of energy supply (gas, electricity, oil and fuels)
- Energy Affordability Board – the board will ensure the department has clearly defined objectives and strategy for energy affordability for domestic and non-domestic consumers

- Energy Market Design Board – this board will consider the overall coherence and design of our interventions in the energy market to ensure that they are underpinned by a consistent and evidence-based approach

These boards will sit alongside the existing Net Zero Delivery Board, which reviews DESNZ's delivery on our own departmental contribution to carbon budgets, as steps towards the overall net zero target.

Of the department's 12 strategic risks, three relate to climate change and international action. We have a risk specifically on the achievability of UK carbon budget targets and the UK commitment to net zero by 2050; and two risks on our international influence and position – one looking at how we use the UK's reputation for climate action to influence other global players, and another on how we use our reputation and climate policy to attract private investment to continue the roll-out of green infrastructure.

Within our developing portfolio management governance structures, our 12 delivery portfolios will directly manage risks to the achievement of their individual policy outcomes, including their contribution to energy decarbonisation, security, affordability and market design. The strategic boards for these areas will then review the portfolios' risks through their specific "lenses" and draw together where risks impact across the piece. If required, the boards can then recommend a new strategic risk be added to the DESNZ register. They will similarly be able to identify where opportunities can be taken across portfolios to improve overall delivery.

Strategy

Delivering net zero requires action across the whole of UK government which is coordinated by this department. As part of this there are also a large range of activities that the department is directly responsible for delivering. We are embedding a systems approach to consider risks, interdependencies, and assumptions that underpin the delivery of net zero. The department is the overall lead on power, buildings, and industrial decarbonisation, as well as key enablers of the net zero transition, such as green finance and research and innovation. Enabling policies, such as the **UK Emissions Trading Scheme**, will support the transition across the economy.

Further detail on how the delivery of UK climate ambitions would be bolstered was published in March 2023 in the **Powering Up Britain: Net Zero Growth Plan** and the **Carbon Budget Delivery Plan**. These documents built on the Net Zero Strategy to demonstrate the actions being taken to ensure the UK remains a leader in the net zero transition, and that we do so in a way that boosts growth and supports businesses.

The strategies span over 140 published policies and touch all areas of the economy, tailoring the approach in each sector to evidence on the technological readiness and cost of decarbonisation technologies. The department's assessment of the optimal timing and scope of technological deployment is based on whole energy system modelling as well as detailed bottom-up policy-level analysis.

Please see the accompanying disclosures on our greening government commitments for information on how the department is reducing its own carbon emissions across its estate and wider operations.

Risk management

Risk management requires multiple layers of governance to be effective, ensuring that risk is managed at the appropriate level of the organisation.

Risks should first be managed locally, within directorates and programme boards and, where necessary, escalated to senior management team meetings, portfolio boards, or group-level depending on the scope of the risk and/or the breadth of the mitigations required.

Although it is not mandated, many DESNZ programmes, projects and policy delivery initiatives will consider the risks that climate change poses to delivery of the programme (for instance increased adverse weather, or rising sea levels). Where there are programmes with climate risks we monitor these through their governance boards as part of their overall risk registers or RAID logs, in line with the DESNZ risk and issue management framework.

Additionally, as part of our departmental approval processes, the DESNZ programme/project business case and the Policy Impact Assessment templates both require an assessment of the proposed activity's impact on carbon emissions to be included, even where progressing the net zero target is not the primary objective of the proposal being approved. The guidance for both project and policy approvals state that this assessment must be in line with the green book:

https://www.gov.uk/government/publications/valuation-of-energy-use-and-greenhouse-gas-emissions-for-appraisal.

The cumulative position of the programmes in the department's portfolio on limiting climate change is monitored through the Net Zero Delivery Board, which monitors progress and provides assurance on whether the DESNZ contribution to carbon budgets and net zero delivery is on track.

Metrics and targets

The UK government has set out its long-term plans for low-carbon energy supply in policy documents such as the British Energy Security Strategy and Powering Up Britain, which build on the previous Energy White

Paper and Net Zero Strategy. These documents set out in increasing detail our approach to securing energy supply by facilitating investment in homegrown clean energy. This approach increases British energy independence and security while helping us to deliver on our net zero commitments and seize the economic opportunities of the transition.

As part of the Net Zero Strategy (2021) and in the Responding to the Climate Change Committee's (CCC) 2023 Annual Progress Report to Parliament we committed to report on the following metrics:

- Low carbon power generation as a percentage of total projected generation required in 2035 (GB only)
- Cumulative, installed offshore wind energy capacity (MW)

We are also developing metrics for the cross-cutting departmental boards to guide decision making and to ensure we can reflect how we are performing against our targets and ambition.

Performance in other areas

Nuclear Decommissioning Authority

During 2023-24, the NDA achieved a number of major milestones in its long-term mission to clean up the legacy ponds and silos at Sellafield. This included the start of retrievals from the Pile Fuel Cladding Silo, following over a decade of planning work, as well as the removal of the first zeolite skips from Sellafield's First Generation Magnox Storage Pond. These achievements mean that for the first time ever, Sellafield is retrieving waste from all four of the legacy ponds and silos, which is a huge step towards delivering the NDA purpose of creating a clean and safe environment for future generations. For further details see the NDA's own annual report.

Fraud and error analysis

Fraud prevention, detection and estimates

Fraud and error present significant challenges to public funds. In the 2023-24 financial year, DESNZ administered a variety of grant schemes that make up a significant proportion of the department's expenditure, which require robust controls and processes to mitigate risks to public funds.

This section sets out the actions the department has taken towards preventing, detecting and estimating fraud and error. It focuses particularly on the Energy Affordability schemes that the department administered across the 2022-23 and 2023-24 financial years, due to their level of expenditure in monetary terms relative to other grant schemes.

Counter Fraud Expert Services (CFES)

Counter fraud provision for DESNZ is delivered by CFES, a part of the newly formed Integrated Corporate Services (ICS).

In 2023-24, CFES developed DESNZ's capability to prevent, detect and pursue fraud through collaborative work, targeted advice and regular training. CFES has worked to ensure that DESNZ is compliant with the government's functional standard for counter fraud (GovS013). This has included drafting the fraud, bribery and corruption strategies and developing the DESNZ organisational fraud risk assessment.

Energy Affordability schemes – overview

The government's Energy Affordability schemes, which were implemented during 2022-23, continued to deliver support throughout 2023-24. Significant counter fraud resources were deployed throughout the year including the formation of a dedicated counter fraud team integral to the Energy Affordability schemes. This Deputy Director led team is in addition to existing departmental counter fraud resource. The primary objective of the team is to minimise the overall loss to the Exchequer from these significant schemes, with the current estimated rates of overpayments disclosed at page 81.

DESNZ submits its fraud and error data to the Public Sector Fraud Authority (PSFA) each quarter, and the PSFA complete an assurance process at the end of the financial year. Fraud and error figures for 2023-24 will be published in the Fraud Landscape Report after the assurance process has been completed.

The department takes protecting public money very seriously and this has been a key consideration in the development and delivery of the Energy Affordability schemes. Counter fraud measures, fraud risk assessments and fraud management plans were designed with input from the Cabinet Office PSFA and continue to be regularly reviewed and updated.

From the outset, the schemes were designed to minimise loss to the Exchequer. The department's experience of other grant schemes including COVID-related schemes run by its predecessor department, BEIS, has fed into the design of the Energy Affordability schemes. A variety of preventative mitigations were at the heart of policy design, including minimising the necessity for direct application from energy users and minimising direct payment to energy users. The department worked closely with energy suppliers and local authorities. We tested supplier readiness to deliver the schemes and developed secure processes that worked with existing supplier systems to deliver discounts to households and businesses. To drive compliance, the schemes were designed to maximise the use of independent data and leverage the existing regulatory system in place in the energy market.

As part of overall scheme governance, there are several governance boards. At individual scheme level, boards include (as appropriate) expert representation from audit firms, consultants and industry regulators (representing both GB and NI market regulators). Additionally, intelligence is shared between the department and the regulators.

Energy Affordability schemes – compliance checks

Compliance programmes have been designed to prevent, detect and recover irregular payments. Compliance testing is closely aligned with the risks, controls and mitigations identified for each scheme in the fraud risk assessments and fraud management plans.

Comprehensive pre-payment compliance checks are performed before payments are made, with additional forensic review of all niche arrangements treated as non-standard cases. All payments are authorised by senior officials and some by a departmental governance board.

Post payment compliance checks are tailored by scheme. Depending on the scheme, this can include a range of testing for compliance with rules and regulations via risk-based and random sampling, as well as independent audits of energy supplier systems and processes. In certain cases, forensic reviews of claims from certain energy suppliers are also performed.

As a result of working closely with energy suppliers to comply with their obligations and adopting various compliance approaches, the department has observed increased levels of supplier compliance as the various compliance testing rounds have progressed.

Ongoing compliance checks and engagement with energy suppliers and regulators have enabled instances of both systemic and isolated errors to be corrected in as close to real-time as possible. This has ensured end users receive the right amount of discount, as well as prompt recovery of funds where required via processes put into place through the legislation.

Energy Affordability schemes – irregular payment estimates

In all schemes a range of prevention and detection/ recovery controls have worked alongside each other to protect public money. Statistical exercises were also conducted to estimate the level of irregular payments that may have occurred despite these controls. An irregular payment is any overpayment according to the scheme regulations and rules, and its value is the difference between the correct discount and the amount of discount actually delivered to the end user.

The department has developed methodologies specific to each scheme to estimate the level of irregular payments. The design of each methodology incorporates applicable public sector guidance, and expertise has been obtained to support these estimates where appropriate. Each methodology applies a variety of tests to a representative sample of payments. The proportion of irregular payments identified in the sample is extrapolated across the scheme as a whole to provide a statistically valid estimate of irregular payments in that scheme.

The table below summarises the estimate of irregular payments by scheme, within a 95% confidence interval. The total scheme expenditure listed below represents the total since the scheme's inception, irrespective of financial year. This is because the exercise to calculate the estimates was done on a scheme basis, not a financial year basis.

The testing to produce a statistical estimate of overpayments for the Energy Price Guarantee (EPG) was conducted before the scheme's final reconciliation.

Whilst the estimate shown in the table below is accurate at a point in time, reconciliation is designed to resolve most discrepancy and thus the final level of error is expected to be significantly lower.

Scheme data in the table below is presented at the level at which testing was completed to determine a statistically valid irregular payment estimate. As a result, scheme expenditure may not directly align with schemes presented at summary level in the grants expenditure note 4.4.

	Total scheme expenditure to date £m	**Irregular payments central estimate £m**	***Lower bound £m***	***Upper bound £m***	***Sample size***
Energy Bill Support Scheme GB	11,364	7.2 (0.06%)	*2.8*	*17.3*	*10,043*
Energy Bill Support Scheme NI & Alternative Fuel Payment NI	492	0.9 (0.19%)	*0.0*	*3.7*	*1,047*
Energy Bill Support Scheme Alternative Funding	61	0.4 (0.63%)	*0.1*	*0.9*	*1,050*
Energy Bill Relief Scheme	7,483	58.4 (0.78%)	*7.9*	*154.8*	*1,300*
Alternative Fuel Payment Alternative Funding	18	0.0 (0.00%)	*0.0*	*0.6*	*180*
Non-Domestic Alternative Fuel Payment	62	0.0 (0.00%)	*0.0*	*0.7*	*406*
Energy Price Guarantee	23,999	224.9 (0.94%)	*188.6*	*263.9*	*11,000*

	Total scheme expenditure to date £m	Irregular payments central estimate £m	*Lower bound £m*	*Upper bound £m*	*Sample size*
Alternative Fuel Payment GB	369	0.0 (0.00%)	*0.0*	*2.1*	*1,300*
Total	**43,848**	**291.8**			

Renewable Heat Incentive (RHI) scheme

The value of payments made in error during 2023-24 under the core department RHI scheme is estimated at £3.2 million (0.3% of total payments) within a 95% confidence interval of £2.1 million to £4.3 million. Applied to the expenditure total of £1,218 million (which represents the value of payments made in 2023-24, adjusted for net movements on accrued amounts payable) this would give an estimate of potential error of £3.7 million within a 95 per cent confidence interval of £2.4 million to £5.0 million. This assumes the same error rate would be incurred on the accrued expenditure when it is paid.

The value of payments made in error during 2022-23 under the same scheme was estimated at £7.2 million (0.7% of total payments) within a 95% confidence interval of £5.1 million to £9.3 million.

Boiler Upgrade Scheme (BUS)

The value of payments made in error during 2023-24 under the core department BUS is estimated at

£1.0 million (1.18% of total payments) within a 95% confidence interval of £0.1 million to £2.0 million.

The value of payments made in error during 2022-23 under the same scheme was estimated at £0.7 million (1.47% of total payments) within a 95% confidence interval of £0.2 million to £1.3 million.

Complaints to the Parliamentary Ombudsman

Number of complaints accepted for investigation by the Parliamentary Ombudsman in 2023-24	0
Number of investigations reported on in 2023-24	0
(a) Investigations fully upheld	0
(b) Investigations partly upheld	0
(c) Investigations not upheld	0
Number of Ombudsman recommendations in 2023-24	
Complied with	0
Not complied with	0

These figures have been obtained directly from the Parliamentary and Health Service Ombudsman for the period 2023-24. When published, the report will be available at: **www.ombudsman.org.uk/publications**

The Ombudsman only accepts complaints that have been through the department’s internal complaints process. We aim to answer all formal complaints within 20 working days.

Performance in responding to public correspondence

We aim to respond to 80% of our correspondence in 15 working days. In 2023-24, we received 2,943 written enquiries from members of the public. We responded to 68% within 15 working days.

	2023-24
No. of written enquiries received	2,943
No. with response within 15 days	2,008
% with response within 15 days	68%

Please note that prior year comparatives are unavailable. Prior year complaints related to BEIS as the former department, and cannot be restated.

The table below shows our monthly performance. The department was created in February 2023. We saw a slowdown in the handling of enquiries whilst the direction of the department was being established. From September 2023, we have seen performance improve to meet and exceed service standard.

	No. of written enquiries received	No. with response within 15 days	% with response within 15 days
Apr-23	226	46	20%
May-23	195	139	71%
Jun-23	221	140	63%
Jul-23	220	103	47%
Aug-23	299	175	59%
Sep-23	275	212	77%
Oct-23	295	228	77%
Nov-23	279	215	77%
Dec-23	219	175	80%
Jan-24	321	238	74%
Feb-24	229	194	85%
Mar-24	164	143	87%
Total	**2,943**	**2,008**	**68%**

DESNZ Equality Objectives and Information

The Equality Act 2010 requires that DESNZ must, in the exercise of our public functions and as an employer, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act
- Advance equality of opportunity between people who share a protected characteristic and those who do not, and
- Foster good relations between people who share a protected characteristic and those who do not

In accordance with the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017, DESNZ has set out the following equality objectives as priorities for how we carry out our external public functions (as a public authority) and how we treat our staff internally (as an employer).

Our external equality objectives reflect DESNZ delivery priorities for the upcoming year and our internal equality objectives reflect the department's values.

External Equality Objectives:

1. Consumer security: bring down bills and have among the cheapest electricity wholesale prices in Europe by 2035.	
Equality Objective	• Pay due regard to the interests of vulnerable energy consumers in making decisions that affect all consumers, including decisions on domestic energy bills. Prepare a consultation on an updated strategy for the delivery of our statutory fuel poverty target for England.
Actions	• We will deliver the Warm Homes Discount Scheme, which provides around 3 million rebates off the energy bills for households at risk of fuel poverty. • We are currently undertaking a review of the 2021 fuel poverty strategy. We plan to publish this review alongside a consultation seeking stakeholder views on priorities for an updated fuel poverty strategy in the first half of 2024. We will develop potential new commitments for inclusion in any updated strategy. • In developing an approach to future policy costs on bills, we will ensure vulnerable and low-income households are considered and that the costs of future policies are shared fairly. • We are considering the impact of gas and electricity price rebalancing options across all energy billpayers. This looks in particular at low-income and vulnerable consumers, including interactions with the government's wider fuel poverty strategy. • We will continue our work with other government departments to ensure data enables better targeting of support, including by suppliers, particularly in the identification and support of vulnerable households.

	• As part of work to assess how and where the retail regulatory framework might need to be reformed to support innovation in the sector, we are considering the impacts on energy bill payers, in particular low-income and vulnerable consumers.
2. Climate security: transform our economy to ensure net zero emissions by 2050.	
Equality Objective	• Ensure that the transition to net zero is fair and affordable and does not negatively impact disadvantaged groups (in particular women, children, ethnic minorities, indigenous groups and those with disabilities).
Actions	• We will strengthen the gender-responsiveness and inclusivity of UK climate finance for both adaptation and mitigation, including by increasing the proportion of climate finance that has gender equality as a principal or significant objective as defined by the OECD Development Assistance Committee Gender Equality policy marker. • For new and existing International Climate Finance programmes, we will encourage delivery and monitoring and evaluation partners to take a GEDSI sensitive approach, ensuring that programmes deliver positive outcomes for people and nature. • We will monitor the impact of our domestic climate action and clean energy policies, and any inequalities which arise, to assess the need for targeted support for disproportionately impacted groups. • We will advocate for gender equality in the global energy transition, particularly through our membership and support of the Clean Energy Ministerial Equality in Energy Transitions Initiative and the Equal by 30 Campaign.

3. Economic security: seize the opportunities of our green energy future to create new energy industries, new jobs and exports.	
Equality Objective	• Promote equal access to employment in the energy sector.
Actions	• Nuclear: Find opportunities to promote Women in Nuclear, leading by example as a department through supporting Women In Nuclear events, as well as applying gender diversity to public facing events and appointment processes. • Hydrogen and CCUS: Encourage and support the CCUS industry in increasing the proportion of those with one of the nine protected characteristics employed in the new CCUS industry by engaging industry through the CCUS Council and the CCSA. Monitor the work of various industry-led bodies as they consider the jobs and skills requirements of the new hydrogen and CCUS sectors, and review recommendations relating to the promotion of equality, diversity and inclusion in these workforces. In particular, consider the Hydrogen Skills Alliance's work to develop a Hydrogen Skills Strategy; Hydrogen UK's work on a Hydrogen Supply Chain Strategy; the CCUS council's workstream on the CCUS supply chain; the work of the Green Jobs Delivery Group; and the Hydrogen Energy Association's initiative to form an early careers/transitioning professionals' forum.

4. Energy security: protect energy security through increasing our energy independence.	
Equality Objective	• Ensure that people with protected characteristics, and people in different parts of the country, are impacted by the system costs and benefits of increasing our energy independence equitably.
Actions	• We will support the Future System Operator to develop and improve their capability to make better decisions which consider the cross-cutting impacts of their system-wide decisions on protected groups. • We will identify and develop policy interventions that will advance equality of opportunity across the currently under-represented protected characteristics so that they are supported and able to engage with flexibility services and smart energy technology, increasing the equality of uptake. • We will consider how to minimise the negative impacts of the costs and maximise the positive impact of benefits of system wide developments on groups with protected characteristics. In particular, we will analyse the potential for the hydrogen levy to disproportionately impact groups with protected characteristics; we will ensure that our equality objectives and obligations under PSED are upheld in all parts of the value chain including indirect and induced benefits for the CCUS Programme; and we will consider the impact of the locational aspects of electricity market reform (REMA) and the early hydrogen and CCUS sectors.

Internal equality objectives:

1. The building of an inclusive and collaborative culture where people belong and have the tools to grow and deliver change.	
Equality Objective	• Implement evidence backed interventions to develop diverse talent and build strong talent pipelines, so that there are opportunities for career development for people with protected characteristics, no matter where staff are based. This includes supporting increased representation of ethnic minority and disabled staff at Senior Civil Service (SCS) level according to bespoke group-level goals.
Actions	• Baseline diversity data completion rates and drive-up completion to at least 80% across all characteristics. • Review diversity data and set departmental representation goals, in particular focusing on ethnicity, disability, women, and socio-economic background. • Explore avenues and job platforms to reach diverse pools of candidates, particularly applicants from an ethnic minority and/or with a disability. • Deliver the DESNZ Diversity and Inclusion Action Plan to enable the department to draw on a diverse range of experiences, skills and backgrounds and to embed an inclusive workplace culture.

2. We build knowledge to learn, improve and adapt, and we are bold and confident in seeking out feedback and challenge.	
Equality Objective	• Work strategically to foster collaboration and to support the building of a robust departmental equality evidence base to for policy development.
Actions	• We will develop the Departmental Analysis Repository Tracking tool, which will enable learning by collecting data and reviewing Public Sector Equality Duty (PSED) analysis in Business Cases and Impact Assessments, e.g. data collected on protected characteristics. We will assist policy teams to better assess their PSED duties/support providing data where there are gaps, and will work with the modelling team (CEEM) and HMT to improve our understanding of distributional effects of policy. • We will make the most of lessons learned to ensure that learning is shared appropriately and ensure our repository of data, resources, and best practice is refreshed and socialised regularly. • We will work collaboratively with internal and external stakeholders to consider as wide a range of viewpoints as possible using consultation to build a strong evidence base of equality impacts.

Meeting the Public Sector Equality Duty

Assurance arrangements

The ultimate responsibility for meeting the requirements of equalities legislation in policy and decision-making lies with Ministers. They are supported by the policy and corporate services teams in the department that undertake the Equality Analysis process. They are in turn supported by the Human Resources directorate by raising awareness and capability among staff thorough training modules and signposting to authoritative guidance (e.g. from the Government Equalities Office and the Equality and Human Rights Commission). The department also has information and further guidance on meeting the equality duties on the intranet available to all staff. We will continue to improve the capability and understanding of the Public Sector Equality Duty in the department to make better policy decisions that have equality considerations at the centre.

There are two lead senior civil servants responsible for raising the awareness of embedding equality considerations into the department's decision-making process. They regularly report into the governance boards (e.g. Executive Committee) on the department's progress on embedding equality considerations into all policy and corporate services workstreams.

When working on policy, our officials are expected to look at the impact each option might have on people sharing any of the 9 protected characteristics. They also consider the need to avoid or mitigate against any negative impact on any group.

Ministers are advised of the impact that the proposed options may have on various groups of people, and this is considered when a policy decision is made.

We seek input from external stakeholders to gain a broader insight into our decisions. We will continue to build and develop our relationships with stakeholders and the public, including those that represent groups with protected characteristics, to improve how we carry out our public functions.

Directors and Directors General are required to consider compliance with the Public Sector Equality Duty as part of regular monthly reporting, to which all senior civil servants contribute, with input coordinated by the Implementation and Delivery team.

We aim to continue to improve the department's assurance processes to the Public Sector Equality Duty to ensure it is clear throughout the policy development process, and how we have paid due regard to the Public Sector Equality Duty.

Respect for human rights and social matters

Modern slavery statements are generally published for the preceding year. In 2021-22, we contributed to a joint statement covering all ministerial departments, which was published in September 2023 and is the latest available – **UK government modern slavery statement 2021 to 2022**.

We include modern slavery risk assessments into our procurements where relevant and appropriate. Where procurements are deemed as higher risk, we have a mandatory set of steps at each stage of the procurement lifecycle to further assess supplier risk and manage it during the contract.

We provided training to commercial colleagues and contract managers to improve awareness of tackling modern slavery in public sector supply chains.

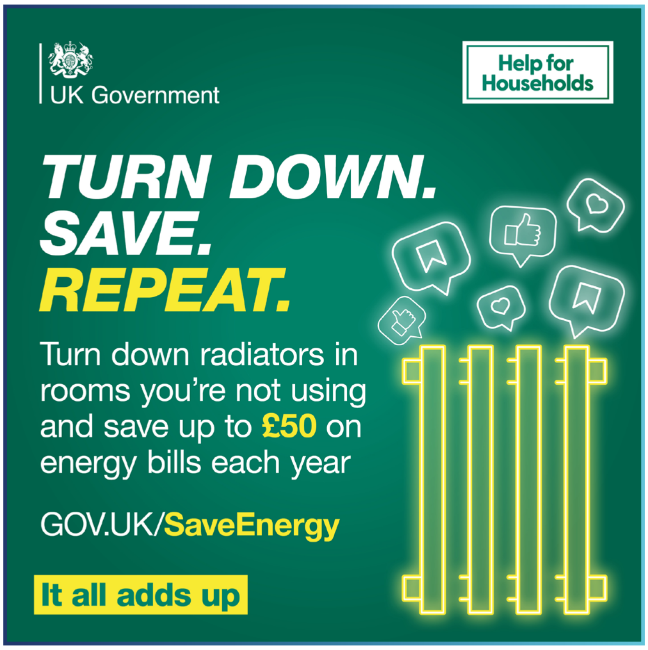
We contributed to the development and funding of procurement guidance on how to assess, manage and mitigate modern slavery risks in solar PV supply chains – **addressing modern slavery and labour exploitation in solar PV supply chains**.

We designed a streamlined approach to apply the Social Value Model (PPN 06/20) to DESNZ. The Social Value Model requires central government departments to deliver social value through their commercial activities. As the model is aligned to broader government priorities, we mapped the themes from the model to deliver the departmental missions. This standardised what we asked, making it easier for suppliers to know what to expect from the department and improve the quality of social value propositions.

Advertising

Our communications work supports the delivery of the department's priorities. Where necessary, we use paid publicity and advertising. Key areas of paid advertising in 2023-24 are listed below.

It All Adds Up Campaign



This campaign promoted simple, no-cost and low-cost actions to help people reduce their energy use and bills, in the context of high household energy prices.

The campaign ran from October 2023 until March 2024 and featured advertising on billboards, radio, print, digital and social channels. We targeted audiences hardest hit by the cost of living crisis and engaged them in innovative ways such as a bespoke Snapchat Lens and gamified display adverts. Our partnership marketing efforts extended the reach of the campaign into B&Q and B&M shops, onto Amazon Alexa devices and into editorial features in national and local press.

The campaign drove over 300,000 visits to the GOV.UK/SaveEnergy website.

Energy Bills Support Scheme (EBSS)

The scheme, including the prepayment meter voucher scheme and the Alternative Fund, provided households with financial help with energy bills over the autumn/ winter 2022-23.

We ran paid advertising during April and May 2023 to encourage people with prepayment meter vouchers to redeem them before they expired on 30 June. Activity was targeted to those areas with the lowest redemption rates and included posters at bus stops, digi vans and door drops (leaflets). We also worked with trusted intermediaries including charities and consumer groups to spread the word.

The campaign helped increase voucher redemption from 59% after the first month of the scheme to 87.5% by 30 June 2023.

Welcome Home to Energy Efficiency Campaign

The Welcome Home campaign helped homeowners identify measures to improve their home's energy efficiency, reduce emissions and save on energy bills.

Running from October 2023 until March 2024, the campaign promoted transitioning to a heat pump using the Boiler Upgrade Scheme (grant increased from £6,000 to £7,500 in October 2023), as well as considering additional measures like insulation and rooftop solar panels. The campaign was promoted through industry, partnership and paid advertising channels including media partnerships, video-on-demand, print, out-of-home posters, digital (including online video), social and search channels. The campaign targeted consumers with an interest and an ability to invest in improving their homes and helping the environment.

Jeremy Pocklington
Permanent Secretary and Principal Accounting Officer
6th November 2024

ACCOUNTABILITY REPORT

Purpose of the accountability report

The accountability report sets out how the department meets the key accountability requirement to Parliament. It comprises the 3 reports below.

The corporate governance report

- provides names of ministers and directors with oversight for the department
- explains the governance structures in place and activities during the year

The staff and remuneration report

- presents staff numbers and costs, and other employee matters
- discloses the remuneration of our ministers and directors

The Parliamentary accountability and audit report

- presents the department's expenditure against the budgets set by Parliament
- presents the auditor's report and opinion on the financial statements

Corporate governance report

Statement of accounting officer's responsibilities

Under the Government Resources and Accounts Act 2000 (GRAA), HM Treasury has directed the Department for Energy Security and Net Zero to prepare, for each financial year, consolidated resource accounts detailing resources acquired, held or disposed of, and the use of resources, during the year by the department and its sponsored non-departmental public bodies and other arm's-length public bodies designated by order made under the GRAA by **Statutory Instrument 2023 No. 1360** (together known as the 'departmental group', consisting of the core department and sponsored bodies listed in note 26 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 departmental group, and of the income and expenditure, statement of financial position and cash flows of the departmental group for the financial year.

In preparing the accounts, the accounting officer is required to comply with the requirements of

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
- **prepare** the accounts on a going concern basis
- **confirm** that the annual report and accounts as a whole is fair, balanced and understandable and take personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable

HM Treasury has appointed the permanent head of the department as accounting officer of the Department for

Energy Security and Net Zero. The accounting officer of the department has also appointed the chief executives (or equivalents) 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 appropriate systems and controls are in place to ensure any grants 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 or 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.

Accounting officer's confirmation

As accounting officer, I have taken all the steps I ought to have taken to make myself aware of any relevant audit information and to establish that the Department for Energy Security and Net Zero's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

I also confirm that this annual report and accounts is fair, balanced and understandable.

Jeremy Pocklington

Permanent Secretary and Principal Accounting Officer

6th November 2024

Directors’ report

The directors’ report covers the period from the start of the year to 31 March 2024. It provides names and ministerial titles of those who served as ministers. It also provides names of non-executive directors and executive directors.

Joiners and leavers refer to those who joined or left the relevant posts. In the case of executive directors, they may not have left the department, particularly if they served as interim executive directors.

Conflicts of interest

Board members are required to declare personal or business interests which may influence (or be perceived to influence) their judgement, when performing their duties.

DESNZ has an established conflicts of interest procedure, including declaring interests at the start of board meetings. No conflicts of interests were declared during board meetings in 2023-24.

Register of board members’ interests are published on gov.uk

Ministers

- The Rt Hon Claire Coutinho MP, Secretary of State for Energy Security and Net Zero – From 31 August 2023

- The Rt Hon Grant Shapps MP, Secretary of State for Energy Security and Net Zero – To 31 August 2023
- Lord Martin Callanan, Parliamentary Under Secretary of State (Minister for Energy Efficiency and Green Finance)
- Andrew Bowie MP, Parliamentary Under Secretary of State (Minister for Nuclear and Renewables)
- Amanda Solloway MP, Parliamentary Under Secretary of State (Minister for Affordability and Skills)
- Graham Stuart MP, Minister of State (Minister for Climate)

Non-executive directors

- Humphrey Cadoux-Hudson, Lead NEBM, Board and NomCo Chair – from 1 February 2024
- Mary Archer, Board – from 23 February 2024
- Peter Mather, Board, ARAC
- Vikas Shah, Board, ARAC chair
- Elaine Clements, ARAC
- Alison Rodwell, ARAC
- Andre Katz, ARAC – from 1 January 2024
- Anne Marie Millar, ARAC – from 1 January 2024
- David Scott, ARAC – from 1 January 2024
- Tristan Morgan, ARAC – from 1 January 2024
- Bryan Ingleby, ARAC – to 12 September 2023
- Andrew Jamieson, PIC

Executive directors

- Jeremy Pocklington, Permanent Secretary
- Clive Maxwell, Second Permanent Secretary
- Ashley Ibbett, Director General Energy Infrastructure
- Lee McDonough, Director General Net Zero, Nuclear and International
- Jonathan Mills, Director General Energy Markets and Supply
- Ben Rimmington, Director General Net Zero, Buildings and Industry
- Paul Monks, Chief Scientific Adviser
- David Thomas, Chief Financial Officer
- Simon Hulme, Director of Implementation and Delivery
- Alice Hurrell, Chief People Officer
- Donna Leong, Director of Analysis and Chief Economist
- Dan Micklethwaite, Director Strategy– to 23 August 2023
- Johanna Cowan, Director Strategy (From 5 September 2023, remains a member but on parental leave)
- Ben Golding, Director Strategy (covering Johanna Cowan, joined 20 February 2024)
- James Sorene, Director of Communications (Standing Member)
- Wendy Hardaker, Legal Director (Standing Member)

Governance statement

Our governance structure

Advisory
Provide independent scrutiny and advice

Audit & Risk Assurance Committee
Assurance of audit and risk control functions

Departmental Board
Advising on strategy, performance management and risk management

Nominations & Governance Committee
Senior level renumeration and succession planning

Executive
Set the strategic direction for the department's work

Executive Committee
Responsible for the day-to-day running of the department's resources, risks, policies and programmes. Supports the Permanent Secretary in leading the department and as Accounting Officer in line with ministers' priorities.

Shadow Executive Committee
Staff advisory body

Executive Sub-Committees
Make decisions on delegated matters. Steer and shape delivery and strategy

Portfolio & Investment Committee
Approval and monitoring of key investment proposals and projects

Keyholder Committee
Challenge function on performance and risk

People & Operations Committee
Manages human resources, estates, operations, digital and people related issues

Shadow People & Operations Committee
Staff advisory body

Departmental board

Meeting attendance

Total number of meetings held	2
x/x = number attended/number eligible to attend	
Ministers	
Secretary of State, Claire Coutinho (from 31 August) – chair	1/1
Secretary of State, Grant Shapps (to 31 August) – chair	1/1
Minister Stuart	0/2
Lord Callanan	1/1
Minister Solloway	1/1
Non-executive directors	
Humprey Cadoux-Hudson (from 1 February 2024)	1/1
Peter Mather	2/2
Vikas Shah	2/2
Mary Archer (from 23 February 2024)	1/1
Senior officials/executive directors	
Jeremy Pocklington	2/2
Clive Maxwell	2/2
David Thomas	2/2
Jonathan Mills	2/2
Lee McDonough	2/2

Role

The Departmental Board (the Board) provides expert advice, support and challenge on the overall direction on strategy, performance and risk management. It is chaired by the Secretary of State and its members are Non-Executive Members, selected ministers and selected executives, including the Permanent Secretaries. Following the machinery of government change (MoG) in February 2023, the Departmental Board met for its inaugural meeting whilst a recruitment for a full set of Non-Executives took place. On 31 August 2023 there was a change in Secretary of State, which led to a pause in the recruitment whilst the SoS agreed on the structure of her existing Board. The delay to the recruitment meant that the Board did not take place again until March 2024.

Key areas of discussion

As both meetings were introductory, the key areas of discussion were around the strategic priorities of the department and how these would be delivered, namely:

- Departmental delivery of:
  - Climate Security
  - Consumer Security
  - Economic Security
  - Energy Security
- Departmental performance

Compliance with the corporate governance code

Our approach to governance is in line with ‘the code’ – Corporate Governance in Central Government Departments: Code of Good Practice. We were compliant with the Code in all areas except the requirement that the Board meets at least quarterly. The Board only met twice during the year due to ongoing Non-Executive Board Member recruitment. However, there was ongoing engagement between incumbent Non-Executive Board Members, ministers and the executive during the period.

Board appointments

Humphrey Cadoux-Hudson was appointed as Lead Non-Executive Board Member on 1 February 2024. Prior to this Peter Mather was Interim Lead Non-Executive Board Member. Mary Archer was appointed as a Non-Executive Board Member on 23 February 2024.

At end of 2023-24, the board’s gender diversity was at 27% and ethnic minority members at 18%.

Board effectiveness

An internal board effectiveness review was carried out in March 2024. This looked at

1) the effectiveness of the Departmental Board and its delegated Committees and

2) the effectiveness of the Executive Committee and its delegated Committees.

The key findings were that the department's top tier governance was well understood by its members, it was fulfilling its function, had the right membership and generated good discussion and actions. As the Departmental Board was in relative infancy it would benefit from clarification and development of its remit, including the type of information it receives, to ensure a fully effective operation. Recommendations will be delivered over the next financial year.

Quality of data used by the board

The papers received by the board have been of high quality. Meetings were held either virtually or as hybrid meetings and were efficiently chaired. Challenge and discussion were encouraged.

The DESNZ governance team provided a comprehensive secretariat service to the board and committees. This ensured the effective and efficient administration of the board and its activities.

Biographies of board members

[Departmental board member biographies.]

Nominations and Governance Committee

Meeting attendance

Total number of meetings held	2
x/x = number attended/number eligible to attend	
Non-executive directors	
Humphrey Cadoux-Hudson (from 1 February 2024) – chair	0/0
Peter Mather (interim Chair from 30 April 2023, member from 1 February 2024)	2/2
Senior officials/executive directors	
Jeremy Pocklington	2/2
Clive Maxwell	2/2
Alice Hurrell	2/2

Role

The Nominations and Governance Committee is an advisory committee of the Departmental Board, providing assurance and input to key decisions and processes. Its purpose is to provide assurance on the department's strategies and plans for talent management; succession planning; capability building; senior performance management and incentives & rewards.

Key areas of discussion

- Senior performance
- Organisational planning
- Directors General development
- Oversight of leadership

Audit and Risk Assurance Committee

Meeting attendance

Total number of meetings held	6
x/x = number attended/number eligible to attend	
Non-executive directors	
Vikas Shah – chair	6/6
Peter Mather	6/6
Elaine Clements	6/6
Alison Rodwell	4/6
Andre Katz	1/2
Anne Marie Millar	2/2
David Scott	2/2
Tristan Morgan	2/2
Bryan Ingleby (to 13 September 2023)	3/3
Senior officials/executive directors	
Jeremy Pocklington	6/6
Clive Maxwell	5/6
David Thomas	6/6
Simon Hulme	4/6
National Audit Office representative	6/6
Government Internal Audit representative	6/6

Role

The Audit and Risk Assurance Committee (ARAC) is an advisory committee of the Departmental Board. It assures the quality of audit and risk control functions within the department.

Key areas of discussion

- The preparation of the annual report and accounts
- The work of internal and external audit

- The management of departmental risk and risk management framework
- Deep dives into each of the departmental risks covering:
  - Management of catastrophic or severe incidents
  - Security of energy supply
  - Cyber security attacks and information loss/compromise
  - Cost of energy bills and risk management in the energy affordability schemes, including fraud and error
  - Climate change commitments and international leadership
  - People/staff related risks
- Health and safety, arm's length bodies, physical security and reputational risk management
- Transition arrangements following the machinery of government changes in February 2023
- The department's move to a portfolio/sub-portfolio structure
- Integrated Corporate Services set up and Matrix programme, governance and risk management
- Corporate assurance including whistleblowing, functional standards and Director General group assurance process

Executive Committee

Meeting attendance

Total number of meetings held	43
x/x = number attended/number eligible to attend	
Executive directors	
Jeremy Pocklington – chair	37/43
Clive Maxwell	38/43
David Thomas	40/43
Simon Hulme	39/43
Paul Monks	32/43
Jonathan Mills	39/43
Dan Micklethwaite (until 23 August 2023)	13/16
Johanna Cowan (joined 5 September 2023, remains a member but currently on parental leave)	22/22
Ben Golding (covering Johanna Cowan on parental leave, joined 20 February 2024)	4/5
Ashley Ibbett	39/43
Lee McDonough	35/43
Ben Rimmington	33/43
Alice Hurrell	36/43
Donna Leong	40/43
James Sorene (Standing Member)	40/43
Wendy Hardaker (Standing Member)	37/43

Role

The Executive Committee (ExCo) is responsible the day-to-day management of the department and the delivery of its strategic objectives. ExCo is the forum to discuss key cross cutting issues impacting the entire organisation. ExCo develops and delivers the department's vision in line with Ministers' priorities, oversees the delivery of departmental strategy, with particular emphasis on corporate delivery and cross cutting issues, as well as overseeing the monthly performance report review, regular risk review and discussion of ad hoc issues.

Key areas of discussion

ExCo has discussed a variety of items across its remit, including the change in portfolio management; London office move, pay case, Places for Growth, and other corporate issues; performance, delivery, and risk; and the department's interaction with its stakeholders and investors. The items discussed can be broadly put into five groups:

- Portfolio Management – provides senior oversight on the department's portfolio and strategic risks
- Change Management – sets direction of and manages any major change decision
- People Management – provides senior oversight on the department's people policy
- Communication and Stakeholder Management – responsible for the department's overall engagement strategy with stakeholders and setting the overall departmental communications strategy
- Operational Management – provides senior oversight of the department's operational functions

Executive Committee sub-committees

Portfolio and Investments Committee

Chair – Clive Maxwell, Second Permanent Secretary

Role

The Portfolio and Investment Committee (PIC) is a delegated Committee of ExCo and has responsibility for approving investments with a whole life cost of £50 million or above, or of any amount deemed as novel, contentious or repercussive. In addition, it reviews the departmental portfolio to assess project delivery and where interventions may be necessary.

Key areas of focus

PIC has reviewed and appraised projects across the departmental portfolio acting as a formal gateway and to monitor progress and delivery.

People and Operations Committee

Co-Chairs – Ashley Ibbett and Alice Hurrell

Role

People and Operations Committee (POpCo) is a delegated committee of ExCo and considers matters relating to human resources, accommodation, security, diversity and inclusion, and IT.

Key areas of discussion

The Committee's specific responsibilities include:

- Monitoring the delivery, communication and direction of people/operational related strategies as agreed by ExCo
- Scrutinising and deciding the direction and communication of programmes, activities and workstreams delegated by ExCo. To this end, the Committee will have a specific responsibility of overseeing the London office move and Places for Growth
- Offer assurance through challenge and scrutiny of delivery of the main operational strategies & programmes
- Consider the people & operational related risks on the department's risk register and the corporate risk register

The key areas of focus are:

- Places for Growth
- People Survey results and actions
- London office move
- Diversity and Inclusion, including DESNZ as a workplace
- Building capability
- Culture and Values

Net zero and energy governance

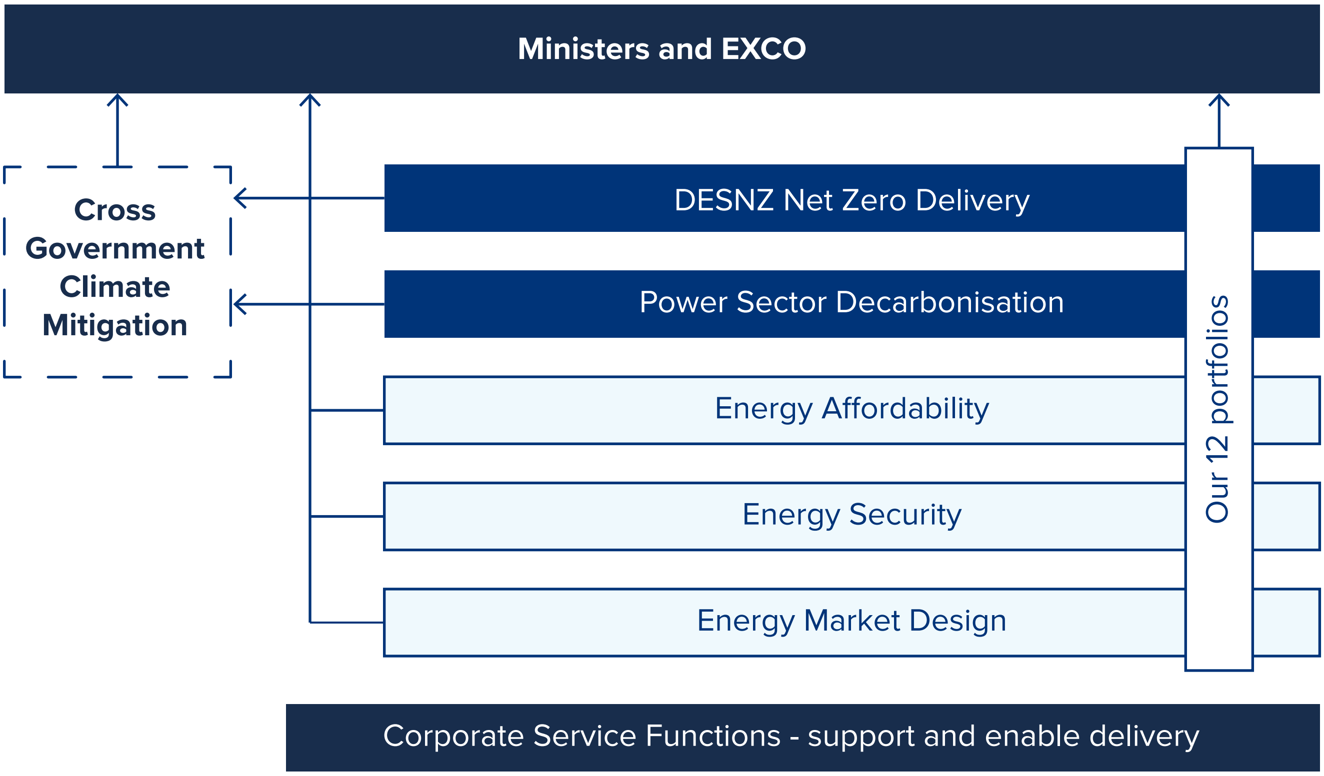
Our governance is designed to support successful delivery. Most of our work affects several of our priorities.

The department continued with the governance and controls in place prior to the machinery of government changes in February 2023 and managed its work through DG groups. This governance has been gradually updated during the year, including moving to a portfolio structure:

We look at our work in two ways:

- **Portfolios:** We group the actual activity we are doing into 12 portfolios. For example, 'Renewables' is one of these portfolios, represented by vertical bars.
- **Cross-cutting Boards:** We also have five strategy boards. These boards consider how the department's programmes impact the relevant priorities. They are represented by horizontal bars.

Ministers and the Executive Committee (ExCo) can then review both pictures and decide whether any adjustments are needed for what the portfolios are delivering. This might involve changing ambition levels or available funding.



Net Zero Delivery Board

Oversees work within the department that contributes to the UK's domestic, legally binding target of net zero emissions by 2050, bridging the gap between strategy and operational delivery.

Power Sector (Electricity Generation) Decarbonisation board

Monitors the decarbonisation of the power sector (by 2035) subject to security of supply.

Energy Security Board

Ensures the department has clearly defined objectives and strategy to maintain security of energy supply (gas, electricity, oil and fuels). It looks over the mid to long term and assess the risks and potential issues impacting security of supply.

Energy Affordability Board

Ensures the department has clearly defined objective and strategy for energy affordability for domestic and non-domestic consumers. It investigates the impact that policies and programmes are having on the cost of energy for consumers.

Energy Market Design Board

Considers the overall coherence and design of our interventions in the energy market and ensures that they are underpinned by a consistent and evidence-based approach.

Climate-related disclosures are addressed in the performance report above.

Management of outside interests

Register of interests for directors

See directors' report on page 106.

Process for managing outside interests

The department has a policy in place for the management and declaration of outside interests for all staff, which provides a framework to deal with any actual, potential or perceived conflicts of interest between staff, suppliers, and other stakeholders.

All staff must ensure declarations are made at the earliest opportunity once they are aware that a conflict of interest may exist. Once a declaration is made, line managers must ensure they review and agree any mitigating actions, and if required escalate declarations that are particularly contentious or pose risk to the reputation of the department.

All senior civil servants (SCS) are required to complete a conflicts of interest declaration annually. Nil returns are also declared. The annual SCS conflicts of interest declaration process is conducted by HR and we have steps in place to ensure central examination of all SCS declarations.

The policy also provides guidance on employees holding any outside employment, work or appointment (paid or otherwise remunerated) to DESNZ.

DESNZ had no SCS with remunerated outside employment during the monitoring period 23/24. **Details of remunerated outside employment held by SCS** in previous years are published on GOV.UK.

Special advisers

In line with the current Declaration of Interests Policy for special advisers, all special advisers have declared any relevant interests or confirmed they do not consider they have any relevant interests. The Permanent Secretary has considered these returns and there are no relevant interests to be published.

Business Appointment Rules

The Business Appointment Rules are designed to uphold the core values in the Civil Service Code of integrity, honesty, objectivity, and impartiality.

Before accepting any new appointment or employment, individuals must consider whether an application under the rules is required. If it is required, they should not accept or announce a new appointment or offer of employment before it has been approved. Countersigned applications are sent to the Human Resources function for assessment and action. Human Resources have a process in place for handling business appointment applications. This involves completion of the application form and mitigations which are countersigned by an appropriate person within the line management chain. The outcome is also shared with the new employers HR function.

All SCS3 and above applications are referred to the Advisory Committee for Business Appointments.

In compliance with the Business Appointment Rules, the department is transparent in the advice given to individual applications for senior staff, including special advisers.

[Advice regarding specific business appointments] has been published on GOV.UK.

To raise awareness, the department includes information on Business Appointment Rules in staff contracts, induction packs, leaver guidance and the departmental intranet pages.

- number of exits from the Senior Civil Service (SCS): 8
- number of BARs applications submitted to the department over the year (by grade -SCS2, SCS1, and delegated grades): 39
- number of BARs applications approved by the department over the year (by grade -SCS2, SCS1, and delegated grades): 39
- number of BARs applications where conditions were set by the department over the year (by grade – SCS2, SCS1, and delegated grades): 39
- number of applications that were found to be unsuitable for the applicant to take up by the department over the year (by grade – SCS2, SCS1, and delegated grades): 0
- number of breaches of the rules in the preceding year: 0

Governance statement

Overview

The governance statement sets out how the department was governed by management during the year and provides an outline of our risk management and internal control systems.

Risk management

Risk management responsibilities

The department is responsible for having a risk management framework and reviewing its effectiveness. The framework includes the standard process of – identify, assess, address, review and report risks. Effectiveness reviews take the form of regular engagement with group risk champions, programme risk leads, Heads of Risk for DESNZ arm's length bodies, and an annual consultation on the framework's drafting. This brings about continuous improvement and allows the framework to respond to changes in departmental structure and governance.

Processes and structure

Our principal risks in 2023-24, as owned and managed by ExCo on the Departmental Strategic Risk Register (DSRR), are disclosed under risks affecting delivery of our objectives in the Performance Report. The process to identify these risks involves horizon scanning by ExCo on an annual basis, and escalations from group or portfolio level, as appropriate throughout the year. Additionally each of the risks on the DSRR are reviewed through a deep-dive at ExCo and where this reveals gaps in our risk coverage, either new risks or new mitigations to the existing risks are added to the DSRR. Both the DSRR and the ExCo deep dives are discussed at the Audit and Risk Assurance Committee to provide additional independent assurance.

During the year, we updated our risk management framework and risk appetite statement to ensure consistency with government best practice in the Orange Book. Improvements have been made to both guidance documents to make them more accessible in terms of layout and language. Screen-reader accessible versions have also been produced.

Monitoring and assurance of risk

All risks, regardless of level, are evaluated and managed monthly using an online reporting system and the outputs from this are reported to key governance boards.

The information provided for risks on the DSRR is assured by the corporate risk team and this process is supported at group level by risk champions. They collectively review the group and DSRR risks and consider and flag potential escalations to the group and departmental leadership teams.

Risks at the programme level are managed locally through programme and portfolio management boards, with the corporate risk team and the group risk champions having a role to promote best practice.

Effectiveness reviews

ExCo have reviewed and monitored the risks on the DSRR on a monthly basis. They have also undertaken deep dives into each of the risks on the DSRR to ensure that they are correctly assessed and that they are mitigated robustly. During the year we continued to improve the online risk management tool to drive regular reporting, moving the system to a more stable platform architecture in September 2023. As part of the transition to the new department, GIAA undertook a review of governance and risk management in March 2024 and they have reviewed the evidence used to assess our Orange Book compliance.

Compliance

The department's risk management practices are compliant with the requirements of the Orange Book's five principles. A review of the Risk Control Framework, which supports the Orange Book principles, shows that we comply with 32 of the of the Framework's 35 criteria, with partial compliance for the remaining three. We will include activity to address these areas of partial compliance in our continuous improvement plan for 2024-25.

The department complies in full with the Principles of Integration, and Collaboration & Best Information. For the Principle of Governance and Leadership we meet 8 of the 9 criteria and we will work with the new Portfolio Management Offices to assess the needs of the programme risk teams within their portfolio, and to better target support and training to those teams with capability needs. For the Principle of Risk Management Processes, we comply with 11 of the 12 criteria. We will exploit the opportunity of our new portfolio structures to better identify the interaction between risks and to improve our use of risk aggregation. For the final Principle of Continuous Improvement, we will build on the recommendations from the 2023 GIAA audit of DESNZ's approach learning lessons from past programme and policy delivery, as a mechanism to implement more effective mitigations to reoccurring risks.

Government Internal Audit Agency

The Government Internal Audit Agency (GIAA) provides the internal audit service for DESNZ. For 2023-24, the Group Chief Internal Auditor provided a Moderate annual opinion to the Accounting Officer on the departmental framework of governance, risk management and control. This incorporated two sub-opinions for the core department and the Integrated Corporate Services (ICS) function.

The sub-opinion for the core department was moderate which reflects the relatively stable transition that the delivery and policy teams have had since the MoG when many programmes directly moved from the previous Department for Business Energy and Industrial Strategy (BEIS) to DESNZ. GIAA reported that the department quickly put in place the Transition Programme Board and appropriate governance framework to provide oversight and direction, supported by clear and effective reporting arrangements enabling a focus on key risks and priorities. GIAA also concluded that the core governance and assurance processes carried over from BEIS were broadly effective. Further, GIAA recognised some of DESNZ's major achievements against a challenging environment, including receiving Royal Assent for the Energy Act 2023 and publication of the Connection Actions Plan and the Civil Nuclear Roadmap.

GIAA noted that DESNZ faces an enormous delivery challenge with the need to achieve current objectives and pivot to new demands as well as having a large number of major projects and some very large Arm's Length Bodies. GIAA also highlighted the work being done to build on and develop processes and systems inherited from BEIS, noting that the setting of departmental objectives, policies and procedures, roles and responsibilities, reporting arrangements, and setting the risk appetite continue to develop and will require time before they become fully effective.

The sub-opinion for the ICS was limited which reflects that this is a new organisation whose Governance and Assurance processes have evolved and been enhanced over the course of the year, but require further improvement. The development of Corporate Governance arrangements has moved at a fast pace since the MoG changes and continue to develop, although will require time to become fully operational, embedded, and effective.

For both core department and ICS, GIAA highlighted the increase in outstanding internal audit recommendations at the start of the year as management's attention was focused on the MoG changes. This has improved in the second half of the year.

National Audit Office and the Public Accounts Committee

The National Audit Office (NAO) have shown continued interest in the work of the department, publishing four studies focusing on DESNZ-specific activities as well as one overview of the department between April 2023 and March 2024:

- 19 May 2023 – Support for innovation to deliver net zero
- 14 Jun 2023 – Update on the rollout of smart meters
- 24 Jan 2024 – The government's support for biomass

- 16 Feb 2024 – DESNZ departmental overview
- 18 Mar 2024 – Decarbonising home heating

DESNZ has also been involved in the following cross-government studies published between April 2023 and March 2024:

- 15 Sep 2023 – Approaches to achieving net zero across the UK
- 27 Oct 2023 – Monitoring and responding to companies in distress
- 06 Dec 2023 – Government resilience: extreme weather
- 19 Dec 2023 – Investigation into whistleblowing in the civil service
- 21 Dec 2023 – Overcoming challenges to managing risks in government
- 08 Feb 2024 – Tackling fraud and protecting propriety in government spending during an emergency
- 15 Mar 2024 – Use of artificial intelligence (AI) in government

Given the significance of DESNZ priorities, there have been three Public Accounts Committee (PAC) hearings drawn from DESNZ value for money studies and involving DESNZ witnesses, whose hearings were held between April 2023 and March 2024:

- 25 May 2023 – Bulb Energy

- 15 June 2023– Support for innovation to deliver net zero
- 22 June 2023 – Update on the rollout of smart meters

DESNZ provides responses to the PAC after each hearing via the HM Treasury minutes process, and twice a year via the HM Treasury minutes progress updates. These are published on GOV.UK: **HM Treasury Minutes** and **HM Treasury Minutes Progress Update**.

DESNZ also provides responses to NAO recommendations twice a year through the recommendations tracker updates, which are published on the **NAO website**.

Project assurance

A project assurance review is a key requirement within the department before submitting a business case for approval. Timely and proportionate assurance reviews are conducted for projects/programmes throughout the lifecycle.

In 2023-24, programmes and projects continued to follow the department's Integrated Assurance and Approvals Framework. During 2023-24, 62 assurance reviews were conducted. As at March 2024, the department had 18 projects/ programmes on Government Major Projects Portfolio

(GMPP). The department works closely with IPA to manage assurance requirements for GMPP projects/programmes.

Project teams review the assurance report recommendations and record actions against each to address these. The actions against recommendations are reviewed by the Portfolio Investment Committee (PIC) as part of the approvals process and post approvals by the Assurance Team. The Assurance Team conducts regular analysis of the DESNZ Assurance Reports, drawing key themes out and working with the wider department to identify initiatives to bring about improvements. Both the analysis and actions identified are reported to PIC on a bi-annual basis.

Quality assurance of analytical models

The department uses analytical models to inform its policy making, evaluation and operations. The models are assured to ensure they are fit for purpose and comply with the government's Analytical Quality Assurance (AQUA) Book. Following the machinery of government change, the Modelling Integrity team's active monitoring system refocussed to those 66 models in use in DESNZ as at March 2024. Over 90% had the required very high level of assurance, with plans in place to achieve the required level of assurance for all models. Plans are also in place to introduce a second line assurance programme to reinforce the established system of active monitoring.

The department also requires arm's length bodies undertaking modelling to assure us that they have AQUA Book compliant quality assurance processes.

Data protection

Three personal data breaches were reported to the Information Commissioner's Office (ICO). All three personal data breaches involved DESNZ data processors. No regulatory action was taken by the ICO against DESNZ.

We have evolved our services in response to the machinery of government change. This has included working with United Kingdom Vetting Services to realign vetting records across multiple departments as well as the continuity of secure services across Whitehall, whilst supporting a change in our London headquarter locations. We have provided GovPass to the majority of staff across our national estate, and we continue to work with the GPA to ensure adequate security at sites where we have staff. Looking forward, we will be launching a security culture programme to improve security compliance, as well as undertaking a review of security processes to create efficiencies for our shared services.

Ministerial directions

Ministerial directions are formal, technical instructions from the Secretary of State which allow the department to proceed with a spending proposal in a situation where the Accounting Officer has raised an objection.

The Accounting Officer is accountable to Parliament for ensuring that all expenditure meets the standards under Managing Public Money (MPM). They have a duty to seek a direction if they believe one of the 4 Accounting Officer standards cannot be met – regularity, propriety, value for money and feasibility.

There were no ministerial directions during 2023-24.

Effectiveness of our whistleblowing arrangements

Internal whistleblowing

We encourage our employees to speak up and raise any concerns they may have about a potential wrongdoing. We participated in the annual cross-Whitehall "Speak Up" campaign this year, with reinforcing messages from our Chief People Officer on the importance of speaking up, the avenues for doing this and reassurance that concerns would be listened to, and action taken where appropriate.

Our procedures for raising concerns are accessible to all DESNZ employees and we offer 6 different routes for this including via an external whistleblowing hotline.

To reinforce the importance that we place on people speaking up we now have a cadre of 7 Whistleblowing Nominated Officers who are members of our Senior Management Team and whose role is to provide confidential support and signposting to employees who raise concerns.

In 2023-2024 we had no whistleblowing concerns raised by employees working in DESNZ. The 2023 People Survey highlighted that 76% of employees had confidence that any concerns raised under the Civil Service Code would be properly investigated.

External whistleblowing

In 2023-2024 DESNZ received one whistleblowing allegation. We are in the process of updating our whistleblowing policies and procedures to reflect the new departmental structure.

Governance of DESNZ public bodies

DESNZ sponsors a range of public bodies, referred to as ALBs, which underpin the delivery of essential government schemes, services, and regulatory functions. Most ALBs are governed by their own independent boards, supported by appropriate governance and internal assurance structures. Details of these can be found in the annual reports and accounts for each ALB.

Since the creation of the department in February 2023, we have continued to review and evolve our arrangements for working with ALBs, to ensure these are fit for purpose and provide the optimum conditions for effective delivery as a departmental group. This includes the development of a new DESNZ sponsorship model, allowing for a proportionate approach to oversight and engagement. This takes account of the size, nature, funding, and risk of different ALBs, and aligns with the Cabinet Office Sponsorship Code of Good Practice.

Within the DESNZ sponsorship model each ALB has a designated senior sponsor at Director General level, responsible for overseeing strategic engagement and delivery. They are closely supported by policy sponsor teams leading the day-to-day relationship with ALBs. Their activities help to facilitate strategic alignment between the department and the ALB, as well as support regular oversight of ALB performance and delivery.

For the 2023-24 reporting year, central assurance on DESNZ ALBs was provided by:

- an annual assurance exercise looking at the governance and accountability arrangements in place for each ALB
- a review of ALB governance statements, to ensure that the essential criteria were met and to identify any significant risks and issues that

should be included in the consolidated DESNZ governance statement

- an annual self-assessment of the department's alignment with the principles and standards of the Sponsorship Code
- a GIAA strategic review of DESNZ sponsorship arrangements. This concluded that good progress was being made in the design and implementation of a sponsorship model that met DESNZ requirements, and which aligned with Cabinet Office guidance
- an annual audit for 2023-24 by the Office for the Commissioner for Public Appointments. This confirmed that all appointments by DESNZ ministers to the boards of public bodies were made in accordance with the government's Principles of Public Appointments and Governance Code
- a review of ALB risk by the departmental ExCo
- reviews of the UK Atomic Energy Authority and the Coal Authority, carried out as part of the Cabinet Office and HM Treasury Public Bodies Reform Programme
- ongoing support and advice provided to DESNZ policy teams in setting up new public bodies in accordance with Cabinet Office and HMT policy and controls, including Great British Nuclear and the National Energy System Operator

DESNZ was alerted to a potentially irregular payment to a grant recipient by Salix due to the use of an Advance Payment Bond (APB) in reference to the Public Sector Decarbonisation Scheme (PSDS). Upon investigation requested by DESNZ, Salix uncovered three further instances, with the total value of these APBs amounting to £26m. Salix are in the process of recovering £1.2m from one of the grant recipients. Two (£2.7m) have since been utilised with no further action being taken and Salix are checking details on the fourth to ascertain whether funds should be recovered. The following assurances have taken place:

- DESNZ instructed Salix to obtain confirmation from all grant recipients that the use of APBs or similar financial instruments has not occurred. This consisted of 171 issued letters covering grants issued in 2023-24 plus an additional 261 letters covering current and earlier years. The Salix accounting officer wrote to our principal accounting officer to confirm that as of 23 October 2024, over 70% of grant recipients had replied, confirming that they had not used APBs. As of 1st November 2024, this was 86%. Extrapolating from this sample would indicate that the total sum of potentially irregular payments would not exceed £30m, which is well below the threshold for material irregularity
- The PSDS Phase 4 Terms and Conditions have been updated to make the rules on eligible expenditure clearer

- The document which grant recipients must submit to claim payment has been updated, so they will need to sign every request stating expenditure being claimed for has been incurred prior to payment
- DESNZ will collaborate with Salix and their internal audit team to explore options for additional scrutiny of payment claims to ensure any use of APBs can be identified before payment

For 2024-25, our focus will be on completing public body reviews committed to in the final year of the Cabinet Office review programme. We will also be addressing priority areas for capability building identified from the end of year annual assurance exercise and the review of the Sponsorship Code. This will include how we can support ALB boards with future succession planning, as well as ways we can further enhance outcome assurance around ALBs' delivery.

Governance assurance exercise

A governance assurance exercise took place at the end of the financial year to reflect on the effectiveness of governance arrangements, internal controls and risk management.

Governance assurance panels held for each director general-led group examined the evidence from the groups of their governance, risk, performance and financial management, oversight of the ALBs, implementation of NAO/PAC/GIAA recommendations, and internal control failures. Each panel was chaired by the ARAC Chair, supported by other Non-Executive Directors and our internal auditors. The outcomes of the panels have been presented to ARAC. In addition, ARAC have been provided with a self-assessment conducted by the functions within DESNZ against the relevant Government Functional Standards, and further evidence demonstrating various aspects of internal control of the department as a whole.

ARAC agreed that based on the evidence gathered through the governance assurance exercise and other inputs gathered by ARAC throughout the financial year 2023-24, in the committee’s opinion the department overall had a sound system of governance, assurance and internal control.

Key development opportunities flagged through the Governance Assurance Exercise included improved articulation of departmental risk appetite, six monthly reviews of functional compliance and capability, which will be supported by ARAC deep dives into key functional standards, and regular reporting on the Governance Assurance Panel’s recommendations implementation.

Accounting Officer’s conclusion

I have considered the evidence provided regarding the annual governance statement and the independent assurance provided by ARAC in support of my conclusion on the department's system of governance, assurance and internal control.

It has been a challenging year for the department as it focussed on progressing delivery of its complex portfolio while also developing its internal governance and control processes following the machinery of government changes in February 2023. The department's success establishing strong and effective arrangements is reflected by GIAA's overall "moderate" opinion on the framework of governance, risk management and control for 2023-24 despite the scale of changes. This included a "moderate" sub-opinion for the core department, and "limited" sub-opinion for the ICS function. The latter reflects that ICS is a new organisation whose governance and assurance processes have evolved and been enhanced over the course of the year but require further improvement.

The GIAA have flagged some areas for development which the department will focus on in 2024-2025. These include continued development of departmental objectives, policies and procedures, roles and responsibilities, reporting arrangements and setting the risk appetite, continued implementation of the internal audit recommendations and improvements to the governance arrangements of ICS to ensure a sustainable and scalable entity.

Overall, I am satisfied that the department has made good progress to embed an appropriate system of internal control and risk management during this reporting period and to improve and adapt its governance arrangements in light of the risks being managed. The department will continue to develop and embed processes to further facilitate and strengthen assurances to enable it to deliver its priorities and respond to current and emerging challenges.

Jeremy Pocklington

Permanent Secretary and Principal Accounting Officer

6th November 2024

Staff report

Number of senior civil service staff by band

The table below shows the number of senior civil servants grouped by their salary bands. Salary bands represent actual salary rates. Bonuses are not included.

The numbers are based on the full year equivalent as at 31 March 2024. They include both permanent and fixed term contracts. It includes active workers only, and exclude inactive workers such as those on maternity leave, outward loans etc.

	As at 31 Mar 2024	As at 31 Mar 2023
£65,000 – £69,999	-	1
£70,000 – £74,999	3	85
£75,000 – £79,999	54	94
£80,000 – £84,999	63	36
£85,000 – £89,999	21	18
£90,000 – £94,999	13	11
£95,000 – £99,999	3	35
£100,000 – £104,999	18	12
£105,000 – £109,999	9	3
£110,000 – £114,999	2	3
£115,000 – £119,999	3	2
£120,000 – £124,999	-	2
£125,000 – £129,999	1	4

	As at 31 Mar 2024	As at 31 Mar 2023
£130,000 – £134,999	1	1
£135,000 – £139,999	4	5
£140,000 – £144,999	1	2
£145,000 – £149,999	3	2
£150,000 – £154,999	1	2
£155,000 – £159,999	1	1
£160,000 – £164,999	1	-
£165,000 – £169,999	1	2
£170,000 – £174,999	1	-
£185,000 – £189,999	-	1
Total	**204**	**322**

2022-23 calculations have been disclosed as published for BEIS, given all DESNZ staff were formerly from BEIS. Rather than re-calculating restated comparatives for DESNZ, we have disclosed the 2022-23 calculations from BEIS. These prior year figures for BEIS were based on an established employee list at the 31 March 2023 and therefore will allow readers to compare DESNZ's SCS by pay band disclosures against more robust comparatives.

Staff numbers (audited information)

The table below shows numbers based on the full year equivalent average. The figures include both permanent and fixed term contracts. It includes active workers only, and excluded inactive workers such as those on maternity leave, outward loans etc.

	Permanent employed staff	Others	Ministers	Special advisers	2023-24 Total	2022-23 Total
Core department	4,124	141	5	4	**4,274**	**3,757**
Non departmental public bodies (NDPBs)	3,916	646	-	-	**4,562**	**5,087**
Total	**8,040**	**787**	**5**	**4**	**8,836**	**8,844**

Staff costs (audited information)

	Permanent employed staff £m	Others £m	2023-24 Total £m	2022-23 Total £m
Wages and salaries	417	73	**490**	422
Social security costs	51	-	**51**	43
Other pension costs	96	-	**96**	80
Sub total	**564**	**73**	**637**	**545**
Less recoveries in respect of outward secondments	(2)	-	**(2)**	(2)
Total net costs	**562**	**73**	**635**	**543**
Core department	309	15	**324**	**242**
NDPBs and other designated bodies	253	58	**311**	**301**
Total net costs	**562**	**73**	**635**	**543**

In the departmental group, £4,448,432 of staff costs were capitalised (2022-23: £9,437,399). 67 employees were engaged on capital projects (2022-23: 71 employees).

Staff severance costs are included in wages and salaries. For further details on staff severance costs, see exit packages in the staff report.

Total net costs of ‘others’ includes ministers’ total net costs of £229,076 (2022-23: £152,572).

Staff numbers and costs included in utilisation of provisions – Nuclear site licence companies, Civil Nuclear Police Authority and UK Atomic Energy Authority (audited information)

Staff costs of nuclear site licence companies (SLCs) and partially for Civil Nuclear Police Authority and UK Atomic Energy Authority for staff that are engaged in decommissioning activities for which provisions were recognised in prior periods are disclosed separately. They are included in the amounts shown for utilisation in the Nuclear Decommissioning Authority’s (NDA) and UK Atomic Energy Authority nuclear decommissioning provisions in note 18, rather than being reported as staff costs in the Statement of Comprehensive Net Expenditure (SoCNE).

			2023-24	2022-23
	Permanent employed staff	Others	Total	Total
Number of staff (full time equivalent)	**16,358**	**881**	**17,239**	**15,727**
Costs				
Wages and salaries (£m)	1,074	65	**1,139**	**999**
Social security costs (£m)	123		**123**	**114**
Other pension costs (£m)	198		**198**	**189**
Total costs (£m)	**1,395**	**65**	**1,460**	**1,302**

Principal Civil Service Pension Scheme

Nuclear site licence companies are not included in these pension schemes. Details of those are provided in note 19.

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS), known as "alpha", are an unfunded multi-employer defined benefit scheme in which the department is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the PCSPS as at 31 March 2020. Further details can be found in the resource accounts of the Cabinet Office Civil Superannuation: www.civilservicepensionscheme.org.uk/about-us/resource-accounts/.

2022-23 calculations have been disclosed as published for BEIS, given all DESNZ staff were formerly from BEIS. Rather than re-calculating restated comparatives for DESNZ, we have disclosed the 2022-23 calculations from BEIS. These prior year figures for BEIS were based on an established employee list at the 31st March 2023 and therefore will allow readers to compare DESNZ's employer contributions to PCSPS disclosures against more robust comparatives that were also subject to audit in 2022-23.

For 2023-24, employer contributions of £79,147,894 were payable to the PCSPS (2022-23: £169,192,669) at one of 4 rates in the range 26.6% to 30.3% (2022-23: 26.6% to 30.3%) of pensionable pay, based on salary bands.

The scheme's 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 2023-24 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £537,421 (2022-23: £3,240,867) were paid to one or more of the panel of 3 appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75%. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £16,679 (2022-23: £19,635), 0.5% (2022-23: 0.5%) 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/(from) the partnership pension providers as at 31 March 2024 were £7,470 (2022-23: £50,842). Contributions prepaid at that date were £nil (2022-23: £nil).

Ill-health retirement

In 2023-24, 24 persons (2022-23: 36 persons) across the departmental group retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £2,161,240 (2022-23: £2,507,360).

Other pension schemes

Employer contributions to other pension schemes in 31 March 2024, amounted to £33,011,611 (2022-23: £302,566,449). Employer contributions include employers' contributions, current service costs and where appropriate past service costs of funded pension schemes. Further details can be found in the accounts of the department's NDPBs and other designated bodies. A list of these bodies is provided in note 26.

Staff composition

The table below shows staff composition as at 31 March 2024.

The numbers are based on headcount and include both permanent and fixed term contracts. It includes active workers, and inactive workers such as those on maternity leave and outward loans. It excludes all contingent labour.

Gender	2023-24
All employees	4,356
Men	50%
Women	50%
Senior civil servants	212
Men	57%
Women	43%
Executive committee	16
Men	69%
Women	31%

Disability	2023-24
Declaration rate	79%
Representation:	
No	82%
Yes	12%
Prefer not to say	6%
Ethnicity	**2023-24**
Declaration rate	85%
Representation:	
White	74%
BAME	22%
Prefer not to say	4%
Sexual orientation	**2023-24**
Declaration rate	85%
Representation:	
Straight	81%
LGBO	10%
Prefer not to say	9%

Note

- Prior year comparisons have not been provided as these relate to the previous department. Some responses are provided anonymously, therefore restatement for the new department is not possible

Sickness absence data

The table below shows average working days lost to sickness absence.

	2023-24
Core department	3.7%

Staff turnover percentage

The table below shows the staff turnover percentage in 2023-24 for the core department as defined for the Civil Service statistics collection.

Departmental turnover includes employees who left the department. Turnover refers to those who also left the Civil Service.

Turnover figures are an estimate based on average workforce and leavers since the creation of DESNZ ledgers in September 2023. The methodology requires a full twelve months of data leavers, so leavers between September 23 and March 24 have been used to estimate a full year position.

	2023-24	
	Departmental turnover	Turnover
Core department	15.3%	6.2%

Civil service people survey staff engagement scores

	2023
Engagement score	61%

The Civil Service People Survey ran from September to October 2023. The department achieved a response rate of 82% and an engagement index of 61%. As a new department this is the first people survey result, and it will be used as a baseline for future annual people surveys. Compared to the wider Civil Service results, two engagement themes were above the benchmark (leadership and change and inclusion and fair treatment) and two areas were significantly below the benchmark (pay and benefits, and organisational objectives).

A full analysis of the results has been undertaken and a Departmental Action Plan has been agreed. The four focus areas of the departmental response will be to increase understanding of our departmental priorities, enhance the understanding of our employee offer, provide managers with support to build capability and confidence and break down barriers to ensure we are a truly inclusive workplace.

Staff policies applied for disabled persons

Supporting disabled people at recruitment and throughout their employment is important to DESNZ.

Applications for employment

We are accredited under the Disability Confident Leader scheme. The department welcomes applications from disabled candidates and candidates with long-term health conditions, and fully supports reasonable adjustments throughout the recruitment process.

Continuing employment

We offer reasonable adjustments where practical for both office and home working environments. We support disabled staff or staff with long-term health conditions by carrying out assessments, providing equipment and training. We work closely with our 'CAN' disability staff network to ensure our policies and processes are as inclusive as possible for disabled staff. We also support the mental health and wellbeing of staff through our Employee Assistance programme, the Mental Health and Wellbeing staff network, and trained Mental Health First Aiders.

Training, career development and promotion

Disabled participants of the Future Leaders Scheme (FLS) are offered additional support through the Disability Empowers Leadership Talent (DELTA) scheme. DELTA is an accelerated development programme aimed at supporting disabled participants. A percentage of places on internal talent programmes are ring-fenced for those declaring a disability.

Trade union facility time

Facility time is time off for employees who are trade union (TU) representatives to carry out their TU roles. TU roles may be duties or activities. Reps are entitled to paid time off to carry out trade union duties. They are not entitled to paid time off for trade union activities. However, an employer can choose to pay for time off for activities.

	2023-24	
	Core department	Total
Relevant union officials		
Number of trade union representatives employed	22	22
Full-time equivalent	22	22
Percentage of time spent on facility time		
Working hours each representative spent on facility time		
0% of working hours	9	9
1 – 50% of working hours	13	13
Percentage of pay bill spent on facility time		
Pay bill refers to the total for all employees, not union representatives only.		
Total cost of facility time (£)	£49,977	£49,977
Total pay bill (£m)	£303	£303
Facility time as a % of pay bill	0.01%	0.01%
Paid trade union activities		
(Hours spent on paid trade union activities ÷ total paid facility time hours) * 100	0%	0%

Health, safety, and wellbeing

Building on the experience of the previous departments, we continued to provide a safe work environment. We ensured staff had the correct equipment and training to carry out their duties safely, both in the office and working from home.

In 2023-24, there were no reported accidents within 'Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013'.

The wellbeing offers during the year included:

- stress management guidance
- resilience and mental health training
- health, wellbeing and disability campaigns
- access to the Employee Assistance Programme for confidential counselling
- over 200 trained Mental Health First Aiders
- staff networks to provide peer support

Diversity and inclusion

Diversity and Inclusion matter to DESNZ. We want to draw on a diverse range of skills, experiences, and backgrounds, embed an inclusive workplace culture, and deliver the best possible outcomes for the public. During the year we have:

- established our departmental values – Bold, Collaborative, Inclusive, and Learn
- developed a Diversity & Inclusion Action Plan
- supported the development of staff networks following machinery of government changes

- achieved a high ‘inclusion and fair treatment’ score in the 2023 people survey at 83%
- continued to embed Public Sector Equality Duty obligations through implementing clear guidance and standards, incorporating equalities risks and issues into departmental governance arrangements, working strategically across the department on shared challenges, and providing regular training and bespoke support across policy areas

Staff redeployments

The table below shows the number of staff loaned and hosted as at 31 March 2024.

Staff loaned (outward staff loans) were staff permanently employed by the core department, who were on loan to another organisation. Staff hosted (inward staff loans) were those attached to the core department, who were on loan from other organisations.

As the home department, short-term costs relating to outward staff loans were charged to the administration budget, if the core department paid the cost.

The department does not currently hold information centrally to support the disclosure of average likely durations of redeployments.

Loans in

	Non-Payroll		Payroll		Total	
	Short term	Long term	Short term	Long term	Short term total	Long term total
EO	1	1	–	–	1	1
G6	3	–	–	11	3	11
G7	5	–	–	21	5	21
HEO	–	2	–	3	-	5
SCS1	2	1	–	2	2	3
SCS2	1	–	1	–	2	-
SEO	1	–	1	5	2	5
Total	**13**	**4**	**2**	**42**	**15**	**46**

Loans out

	Loan Out – Non Pay		Loan Out – Payroll		Total	
	Short term	Long term	Short term	Long term	Short term total	Long term total
EO	-	2	-	–	-	2
G6	-	8	–	–	-	8
G7	-	22	-	–	-	22
HEO	-	15	-	1	-	16
SCS1	-	3	–	–	-	3
SEO	-	17	–	–	-	17
Total	**-**	**67**	**-**	**1**	**-**	**68**

Consultancy and temporary staff expenditure

The departmental group's expenditure on consultancy in 2023–24 was £122.9 million (2022–23: £70.5 million). The consultancy expenditure relating to arm's length bodies was £23.5 million (2022–23: £37.5 million) of which £12.5 million (2022–23: £32.3 million) was related to Site Licence Companies (SLCs).

Consultants are hired to work on projects in a number of specific situations:

- where the department does not have the skill set required
- where the requirement falls outside the core business of civil servants
- where an external, independent perspective is required

When used appropriately, consultancy can be a cost effective and efficient way of getting the temporary and skilled external input that the department needs.

The departmental group's expenditure on temporary staff in 2023–24 was £73.0 million (2022–23: £70 million), as detailed in the staff costs note below.

Off-payroll engagements

Off-payroll engagements refer to workers paid off-payroll, without deducting tax and national insurance at source, typically contractors.

SLCs are subsidiaries of the NDA and fall within the departmental accounting boundary, but they operate with a high degree of autonomy. SLCs high number of off-payroll workers, represent a small proportion of the overall workforce. There is a need to bring in unique skills and experience which cannot be found in-house, due to the specialised, project driven nature of their work. Further information about the NDA can be found within their annual report and accounts.

Table 1: Highly paid off-payroll worker engagements as at 31 March 2024, earning £245 per day or greater

	Core department	Others in the departmental group (no SLCs)	Others in the departmental group (SLCs only)	Entities outside the departmental group
No. of existing engagements as of 31 Mar 2024	187	224	423	-
Of which, no. that existed for				
less than 1 year	121	57	32	-
between 1 and 2 years	24	51	35	-
between 2 and 3 years	10	49	226	-
between 3 and 4 years	28	26	70	-
4 or more years	4	41	60	-

Table 2: All highly paid off-payroll workers engaged at any point during the year ended 31 March 2024, earning £245 per day or greater

	Core department	Others in the departmental group (no SLCs)	Others in the departmental group (SLCs only)	Entities outside the departmental group
No. of temporary off-payroll workers engaged during the year ended 31 March 2024	187	287	517	-
Of which				
Not subject to off-payroll legislation	-	232	313	-
Subject to off-payroll legislation and determined as in-scope of IR35	145	34	108	-
Subject to off-payroll legislation and determined as out-of-scope of IR35	42	21	96	-
No. of engagements reassessed for compliance or assurance purposes during the year	-	9	61	-
Of which: No. of engagements that saw a change to IR35 status following review	-	-	32	-

Table 3: For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2023 and 31 March 2024

	Core department	Others in the departmental group (no SLCs)	Others in the departmental group (SLCs only)	Entities outside the departmental group
No. of off-payroll engagements of board members, and/or senior officials with significant financial responsibility, during the financial year	-	2	-	-
Total no. of individuals on payroll and off-payroll that have been deemed "board members and/or senior officials with significant financial responsibility", during the financial year. This figure should include both on payroll and off-payroll engagements.	-	40	9	14

Details of the exceptional circumstances that led to the off-payroll engagement of board members/senior officials with significant financial responsibility.

AEA Insurance Ltd

AEA Insurance Ltd (AEAIL) is a captive insurance company registered in the Isle of Man and subject to their tax and NI legislation. AEAIL does not employ anyone, so directors are off-payroll by default.

Dounreay Site Restoration Ltd

Dounreay employ one person who is hired on a quarterly basis, to work as an independent member of their Nuclear Safety Board.

Exit packages – Civil Service and other compensation schemes (audited information)

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme (CSCS), a statutory scheme made under the Superannuation Act 1972.

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 below shows the total cost of exit packages agreed and accounted for in 2023-24. £2,145,285 exit costs were paid in 2023-24, the year of departure (2022-23: £1,048,695).

	2023-24	2023-24	2022-23	2022-23	2022-23
	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**
Less than £10,000	20	20	1	31	32
£10,000 – £25,000	8	8	-	12	12
£25,000 – £50,000	3	3	-	5	5
£50,000 – £100,000	7	7	-	18	18
£100,000 – £150,000	-	-	-	3	3
£150,000 – £200,000	1	1	-	-	-
Total number	**39**	**39**	**1**	**69**	**70**
Of which					
Core department	4	4	-	29	29
NDPBs and other designated bodies	35	35	1	40	41
Total number	**39**	**39**	**1**	**69**	**70**
Total cost (£)	**960,785**	**960,785**	**-**	**2,254,353**	**2,254,353**
Of which					
Core department	226,235	226,235	-	1,842,028	1,842,028
NDPBs and other designated bodies	734,550	734,550	-	412,325	412,325
Total cost (£)	**960,785**	**960,785**	**-**	**2,254,353**	**2,254,353**

Remuneration report

Overview

The remuneration report sets out the remuneration policy and the amounts awarded to DESNZ ministers and directors. Just like the staff report, it is fundamental to demonstrating transparency and accountability to Parliament.

Service contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made 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.

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

Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk

Remuneration policy

Ministers

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.

Executive directors

The Senior Salaries Review Body provides independent advice to the Prime Minister on the remuneration of senior civil servants. The review body considers economic considerations such as local variations in labour markets and funds available to departments. Further information about the work of the review body can be found at **https://www.gov.uk/government/organisations/review-body-on-senior-salaries**.

Ministers – single total figure of remuneration (audited information)

The table below shows each component, and the single total figure of remuneration for each minister in 2023-24.

Where ministers have moved to or from another department during the year, details of any remuneration relating to their subsequent or prior roles will be in that department's remuneration report. Ministers who transfer from another department continue being paid at the appropriate rate of pay with effect from the first day of the month following the date of appointment. Former ministers who transfer to other departments are paid at their current rate of pay up to the end of the month. Any increase in ministers' salaries on transfer from the date of appointment is paid by their new department.

	2023-24				2022-23			
	Salary[1] £	Full year equivalent salary if different £	Pension benefits[2] to nearest £1,000	Total to nearest £1,000	Salary[1] £	Full year equivalent salary if different £	Pension benefits[2] to nearest £1,000	Total to nearest £1,000
Secretary of State								
The Rt Hon Claire Coutinho MP (from 31 Aug 2023)[3]	39,559	67,505	10,000	**50,000**	-	-	-	-
The Rt Hon Grant Shapps MP (to 30 Aug 2023)	28,127	67,505	7,000	**35,000**	29,397	67,505	7,000	**36,000**
Ministers of State								
The Rt Hon Graham Stuart MP	31,680	-	8,000	**40,000**	15,840	31,680	9,000	**25,000**
Parliamentary Under-Secretaries of State								
Lord Callanan[4]	107,335	-	19,000	**126,000**	107,335	-	20,000	**127,000**
Andrew Bowie MP (from 7 Feb 2023)[5]	22,375	-	6,000	**28,000**	-	-	-	**-**
Amanda Solloway MP (from 7 Feb 2023)[6]	-	-	-	**-**	-	-	-	**-**

Notes

1 Salary information excludes employer national insurance contributions. No ministers of the department received benefits in kind during the year. Minsters in the House of Commons are remunerated on a different basis to those in the House of Lords as explained in notes to the remuneration report.

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

3 The Rt Hon Claire Coutinho MP for Department for Energy Security and Net Zero (DESNZ) from 31 August 2023. Previously Parliamentary Under Secretary of State at the Department for Education, prior to joining DESNZ.

4 Lord Callanan salary includes £36,366 Lords Office Holders Allowance.

5 Andrew Bowie MP's remuneration for 7 February 2023 to 31 March 2023 is disclosed in the Department for International Trade (DIT) Annual Report and Accounts 2022-23.

6 Amanda Solloway MP was not remunerated for the Parliamentary Under Secretary of State DESNZ role. Government Whip, Lord Commissioner of HM Treasury role was paid by HM Treasury.

Ministers – pension benefits (audited information)

The table below shows the pension entitlements for each minister.

	Pension benefits at age 65 as at 31 March 2024 £'000	Real increase in pension at age 65 £'000	CETV at 31 March 2024[1] £'000	CETV at 31 March 2023[1] £'000	Real increase in CETV £'000
Secretary of State					
The Rt Hon Claire Coutinho MP (from 31 Aug 2023)	0-5	0-2.5	14	5	4
The Rt Hon Grant Shapps MP (to 30 Aug 2023)	5-10	0-2.5	147	135	5
Ministers of State					
The Rt Hon Graham Stuart MP	5-10	0-2.5	115	97	7
Parliamentary Under-Secretaries of State					
Lord Callanan	10-15	0-2.5	198	160	17
Andrew Bowie MP (from 7 Feb 23)	0-5	0-2.5	7	2	3
Amanda Solloway MP (from 7 Feb 2023)[2]	-	-	-	-	-

Notes

1 Where ministers joined or left during the year, their CETV opening or closing amounts are as at their joining or leaving dates. See Notes to the Remuneration report for explanation of CETV.
2 Does not draw salary or pension benefits from DESNZ.

Senior officials – single total figure of remuneration (audited information)

The table below shows each component, and the single total figure of remuneration for each senior official in 2023-24. Senior officials comprise members of the departmental board.

Where officials have moved to or from a similar senior role in another department during the year, details of any remuneration relating to their subsequent or prior roles will be in that department's remuneration report.

	2023-24					2022-23				
	Salary[1] £'000	Full year equivalent salary if different £'000	Bonus £'000	Pension[2] to nearest £1,000	Total £'000	Salary[1] £'000	Full year equivalent salary if different £'000	Bonus £'000	Pension[2, 3] to nearest £1,000	Total £'000
Permanent secretary										
Jeremy Pocklington (from 7 Feb 2023) [4]	170-175	-	15-20	112	**300-305**	20-25	165-170	-	(4)	**20-25**
Clive Maxwell [5]	165-170	-	-	43	**210-215**	60-65	165-170	-	27	**85-90**
Director general										
Lee McDonough [6]	145-150	-	5-10	51	**205-210**	135-140	-	5-10	(62)	**80-85**
Jonathan Mills [7]	150-155	-	5-10	60	**220-225**	115-120	140-145	0-5	(6)	**110-115**
Director										
David Thomas (20 Mar 2023)[8]	120-125	130-135	15-20	195	**330-335**	-	-	-	-	**-**

Notes

1 Salary information excludes employer national insurance contributions. 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. Where officials have moved to or from a similar senior role in another department during the year, details of any remuneration relating to their subsequent or prior roles will be in that department's remuneration report.

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 increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

3 The pension benefits of any members affected by the public service pensions remedy which were reported in 2022-23 on the basis of **alpha** membership for the period between 1 April 2015 and 31 March 2022 are reported in 2023-24 on the basis of PCSPS membership for the same period.

4 Jeremy Pocklington's 2022-23 disclosure relates to his role as Permanent Secretary for Department for Energy Security and Net Zero (DESNZ).

5 Clive Maxwell's 2022-23 disclosure relates to his role as Second Permanent Secretary for BEIS.

6 Lee McDonough's 2022-23 disclosure relates to her role as a Director General for BEIS.

7 Jonathan Mills' 2022-23 disclosure relates to his role as a Director General for BEIS.

8 David Thomas, Director and Chief Financial Officer for DESNZ: Salary in 2023-24 includes arrears paid in April 2023 in respect of his work since joining the department in March 2023 and bonus includes an amount paid on behalf of his previous employer, the Department of Levelling Up, Housing and Communities.

Senior officials – pension benefits (audited information)

The table below shows the pension entitlements for each senior official for the year ending 31 March 2024. Senior officials comprise members of the departmental board.

	Accrued pension at pension age as at 31 March 2024 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31 March 2024[1] £'000	CETV at 31 March 2023[1, 2] £'000	Real increase in CETV £'000	Employer contribution to partnership pension account Nearest £100
Permanent secretary						
Jeremy Pocklington (from 7 Feb 2023)	75 – 80 plus a lump sum of 30 – 35	5 – 7.5 plus a lump sum of 0 – 2.5	1,515	1,305	86	-
Clive Maxwell	70 – 75 plus a lump sum of 185 – 190	2.5 – 5 plus a lump sum of 0	1,549	1,395	22	-
Director general						
Lee McDonough	65 – 70 plus a lump sum of 160 – 165	2.5 – 5 plus a lump sum of 0	1545	1,426	40	-
Jonathan Mills	50 – 55 plus a lump sum of 125 – 130	2.5 – 5 plus a lump sum of 0 – 2.5	1006	882	37	-
Director						
David Thomas (from 20 Mar 2023)	50 – 55	10 – 12.5	949	721	158	-

Notes

1 Where senior officials joined or left during the year, their CETV opening or closing amounts are as at their joining or leaving dates. See Notes to the Remuneration report for explanation of CETV.

2 The pension benefits of any members affected by the public service pensions remedy which were reported in 2022-23 on the basis of **alpha** membership for the period between 1 April 2015 and 31 March 2022 are reported in 2023-24 on the basis of PCSPS membership for the same period.

Non-executive board members – fee entitlements (audited information)

The table below shows fee entitlements for non-executive directors who were members of the departmental board.

	2023-24		2022-23	
	Fee entitlement £'000	Full year equivalent if different £'000	Fee entitlement £'000	Full year equivalent if different £'000
Humphrey Cadoux-Hudson (from 01 Feb 2024)[1]	0-5	20-25	-	-
Vikas Shah[2]	25-30	-	20-25	-
Peter Mather[3]	30-35	-	20-25	-
Dame Mary Archer (from 23 Feb 2024)	0-5	15-20	-	-

Notes

1 Lead Non-Executive Board Member for Department for Energy Security and Net Zero (DESNZ).

2 Audit Risk and Assurance Committee Chair for DESNZ.

3 Interim Lead Non-Executive Board Member for DESNZ, from 28 March 2023 to 31 January 2024.

Fair pay disclosure (audited information)

The narrative below shows the relationship during the year ending 31 March 2024 between the remuneration of the highest-paid director and the median remuneration of the workforce across DESNZ. Remuneration figures include salary, non-consolidated performance-related pay and benefits-in-kind. They do not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

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.

As of 31 March 2023, the exact split of employees forming DESNZ from the predecessor department BEIS had not been finalised. The Cabinet Office Statement of Practice (COSOP) governing the process to achieve the departmental split was under consideration and completed in May 2023. Staff turnover was another factor between the machinery of government (MoG) announcement and the finalisation of the split. The formation of the ICS (Integrated Corporate Services) within DESNZ comprising former BEIS Corporate Services staff also required formal setup and agreement. ICS provides agreed Corporate Services to DESNZ. These circumstances mean that any attempt to re-calculate prior year comparatives for DESNZ could be imprecise and therefore could be misleading to a reader of these disclosures.

2022-23 calculations have been disclosed as published for BEIS, given all DESNZ staff were formerly from BEIS. Rather than re-calculating restated comparatives for DESNZ, we have disclosed the 2022-23 calculations from BEIS. These prior year figures for BEIS were based on an established employee list at the 31st March 2023 and therefore will allow readers to compare DESNZ's fair pay disclosures against comparatives that were subject to audit in 2022-23.

The banded remuneration of the highest-paid director in DESNZ in 2023-24 was £190,000 – £195,000 (2022-23 BEIS: £185,000-£190,000). This was 3.66 times (BEIS 2022-23: 4.4) the median remuneration of the workforce, which was £52,655 (2022-23 BEIS: £42,351).

In 2023-24, 18 (2022-23 BEIS: 97) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £17,973 to £268,180 (2022-23 BEIS: £16,090-£430,100).

The median pay ratio for the relevant financial year is consistent with the pay, reward and progression policies for the entity's employees taken as a whole.

The minor increase in median remuneration of the workforce is due to a pay increase in year for employees in the lowest pay scale.

The tables below show the percentage change from previous year in total salary and allowances and performance pay and bonuses for the highest paid director and for staff average.

DESNZ 2023-24

	Highest paid director	Staff average
Salary and allowances	3%	7%
Performance pay & bonuses	100%	11%

BEIS 2022-23

	Highest paid director	Staff average
Salary and allowances	3%	2.39%
Performance pay & bonuses	(85.91)%	2.34%

Notes

1. Highest paid director received a bonus of £17,500 in 2023-24.

The table below shows the ratio between the highest paid directors' total remuneration and the lower, median, and upper quartile for staff total pay and benefits for 2022-23. The slight decrease in ratio results from the use of BEIS in the comparatives as total number of staff included in DESNZ has fallen compared to BEIS. Pay Award also had not been fully implemented for DESNZ as at 31/3/24.

	DESNZ 2023-24			BEIS 2022-23		
	Lower quartile	Median	Upper quartile	Lower quartile	Median	Upper quartile
Total pay & benefits	39,793	52,646	61,125	32,290	42,531	57,005
Ratio	4.84:1	3.66:1	3.15:1	5.70:1	4.41:1	3.29:1
Salary	38,405	46,704	56,500	31,457	41,363	51,120

Notes to the remuneration report

The information in the remuneration report relates solely to the core department. Similar information relating to chief executives and most senior managers of other bodies of the departmental family is given in the individual annual reports and accounts of the relevant bodies.

Single total figure of remuneration

Salary

'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. 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 salary for their services as an MP £86,584 (from 1 April 2023) and various allowances to which they are entitled are borne centrally. However, 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. This 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.

Bonuses

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 2023-24 relate to performance in 2022-23 and the comparative bonuses reported for 2022-23 relate to the performance in 2021-2022.

Pension benefits

Ministerial pensions

Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute and the rules are set out in the Ministers' etc. Pension Scheme 2015, available at https://mypcpfpension.co.uk/wp-content/uploads/2019/09/ministerial-pension-scheme-rules.pdf.

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).

Benefits for Ministers are payable from State Pension age under the 2015 scheme. Pensions are re-valued annually in line with Pensions Increase legislation both before and after retirement. The contribution rate from May 2015 is 11.1% and the accrual rate is 1.775% of pensionable earnings.

The figure shown for pension value includes the total pension payable to the member under both the pre- and post-2015 Ministerial pension schemes.

Ministerial pensions – the Cash Equivalent Transfer Value (CETV)

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 arrangement 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 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.

Ministerial pensions – 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 increases due to inflation and contributions 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. Before 1 April 2015, the only scheme was the Principal Civil Service Pension Scheme (PCSPS), which is divided into a few different sections – **classic, premium, and classic plus** provide benefits on a final salary basis, whilst **nuvos** provides benefits on a career average basis. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis. All newly appointed civil servants, and the majority of those already in service, joined the new scheme.

The PCSPS and **alpha** are unfunded statutory schemes. Employees and employers make contributions (employee contributions range between 4.6% and 8.05%, depending on salary). The balance of the cost of benefits in payment is met by monies voted by Parliament each year. Pensions in payment are increased annually in line with the Pensions Increase legislation. Instead of the defined benefit arrangements, employees may opt for a defined contribution pension with an employer contribution, the **partnership** pension account.

In **alpha**, pension builds up at a rate of 2.32% of pensionable earnings each year, and the total amount accrued is adjusted annually in line with a rate set by HM Treasury. Members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004. All members who switched to **alpha** from the PCSPS had their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**.

The accrued pensions shown in this report are the pension the member is entitled to receive when they reach normal pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over normal pension age. Normal pension age is 60 for members of **classic**, **premium,** and **classic plus**, 65 for members of **nuvos**, and the higher of 65 or State Pension Age for members of **alpha**. The pension figures in this report show pension earned in PCSPS or **alpha** – as appropriate. Where a member has benefits in both the PCSPS and **alpha**, the figures show the combined value of their benefits in the two schemes but note that the constituent parts of that pension may be payable from different ages.

When the government introduced new public service pension schemes in 2015, there were transitional arrangements which treated existing scheme members differently based on their age. Older members of the PCSPS remained in that scheme, rather than moving to **alpha**. In 2018, the Court of Appeal found that the transitional arrangements in the public service pension schemes unlawfully discriminated against younger members.

As a result, steps are being taken to remedy those 2015 reforms, making the pension scheme provisions fair to all members. The public service pensions remedy[2] is made up of two parts. The first part closed the PCSPS on 31 March 2022, with all active members becoming members of **alpha** from 1 April 2022. The second part removes the age discrimination for the

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2 www.gov.uk/government/collections/how-the-public-service-pension-remedy-affects-your-pension

remedy period, between 1 April 2015 and 31 March 2022, by moving the membership of eligible members during this period back into the PCSPS on 1 October 2023. This is known as “rollback”.

For members who are in scope of the public service pension remedy, the calculation of their benefits for the purpose of calculating their Cash Equivalent Transfer Value and their single total figure of remuneration, as of 31 March 2023 and 31 March 2024, reflects the fact that membership between 1 April 2015 and 31 March 2022 has been rolled back into the PCSPS. Although members will in due course get an option to decide whether that period should count towards PCSPS or **alpha** benefits, the figures show the rolled back position i.e., PCSPS benefits for that period.

The **partnership** pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). 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 0.5% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill-health retirement).

Further details about the Civil Service pension arrangements can be found at the website **www.civilservicepensionscheme.org.uk**

Civil service pensions – Cash Equivalent Transfer Values

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

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

CETVs are worked out 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.

Civil service pensions – 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.

Parliamentary accountability report

Statement of Outturn against Parliamentary Supply (audited information)

Overview

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FReM) requires the Department for Energy Security and Net Zero to prepare a Statement of Outturn against Parliamentary Supply (SOPS) and supporting notes.

The SOPS and related notes are subject to audit, as detailed in the certificate and report of the comptroller and auditor general to the House of Commons.

The SOPS is a key accountability statement that shows, in detail, how an entity has spent against their supply estimate. Supply is the monetary provision (for resource and capital purposes) and cash (drawn primarily from the Consolidated Fund), that Parliament gives statutory authority for entities to utilise. The estimate details supply and is voted on by Parliament at the start of the financial year.

Should an entity exceed the limits set by their supply estimate, called control limits, their accounts will receive a qualified opinion.

The format of the SOPS mirrors the supply estimates, published on gov.uk, to enable comparability between what Parliament approves and the final outturn.

The SOPS contain a summary table, detailing performance against the control limits that Parliament have voted on, cash spent (budgets are compiled on an accruals basis and so outturn will not exactly tie to cash spent) and administration.

Non-voted Budgets generally comprise CFERs (Consolidated Fund Extra Receipts) that represent operating income or expenditure financed directly from the Consolidated Fund as a standing service or from the National Insurance Fund. Non-voted expenditure does not require Parliamentary authority, but is included within budgets set by HMT for completeness.

Estimates and outturn spend are disclosed gross (gross expenditure and income) for activities of the core department and net for the activities of the departmental group's arm's length bodies.

The supporting notes on pages 198 to 214 detail the following: outturn by estimate line, providing a more detailed breakdown (note 1); a reconciliation of Outturn to Net operating expenditure in the SoCNE, to tie the SOPS to the financial statements (note 2);

a reconciliation of Outturn to Net cash requirement (note 3); and an analysis of income payable to the Consolidated Fund (note 4).

The SOPS and estimates are compiled against the budgeting framework, which is similar to, but different from, IFRS. An understanding of the budgeting framework and an explanation of key terms is provided on page 46, in the financial review section of the performance report. Further information on the public spending framework and the reasons why budgeting rules are different to IFRS can also be found in chapter 1 of the Consolidated Budgeting Guidance, available on gov.uk.

The SOPS provides a detailed view of financial performance, in a form that is voted on and recognised by Parliament. The financial review, in the performance report, provides a summarised discussion of outturn against estimate and functions as an introduction to the SOPS disclosures.

DESNZ has had several prior period adjustments including machinery of government (MoG) change affecting its estimate and accounts for the year ended 31 March 2024 and the comparative information for the year ended 31 March 2023. Details of the changes are provided in note 25.

Summary table 2023-24

Figures in the areas outlined in thick line cover the voted control limits voted by Parliament. Refer to the Supply Estimates guidance manual, available on gov.uk, for detail on the control limits voted by Parliament. Significant variances between Outturn and the Estimate are explained in the financial review on pages 46 to 51.

		Outturn			Estimate			Outturn vs Estimate: saving/ (excess)		2022-23 outturn
		Voted	Non-voted	Total	Voted	Non-voted	Total	Voted	Total	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Departmental Expenditure Limit										
Resource	Note 1.1	2,348,147	(971,813)	**1,376,334**	2,798,310	(1,049,934)	**1,748,376**	450,163	372,042	**13,071,954**
Capital	Note 1.2	5,127,574	(129)	**5,127,445**	5,909,567	-	**5,909,567**	781,993	782,122	**6,199,689**
Total DEL		**7,475,721**	**(971,942)**	**6,503,779**	**8,707,877**	**(1,049,934)**	**7,657,943**	**1,232,156**	**1,154,164**	**19,271,643**
Annually Managed Expenditure										
Resource	Note 1.1	(13,546,623)	-	**(13,546,623)**	352,196	-	**352,196**	13,898,819	13,898,819	**(95,620,566)**
Capital	Note 1.2	82,489	(142,400)	**(59,911)**	118,099	(142,400)	**(24,301)**	35,610	35,610	**(143,354)**
Total AME		**(13,464,134)**	**(142,400)**	**(13,606,534)**	**470,295**	**(142,400)**	**327,895**	**13,934,429**	**13,934,429**	**(95,763,920)**
Total budget										
Resource	Note 1.1	(11,198,476)	(971,813)	**(12,170,289)**	3,150,506	(1,049,934)	**2,100,572**	14,348,982	14,270,861	**(82,548,612)**
Capital	Note 1.2	5,210,063	(142,529)	**5,067,534**	6,027,666	(142,400)	**5,885,266**	817,603	817,732	**6,056,335**
Total budget expenditure		**(5,988,413)**	**(1,114,342)**	**(7,102,755)**	**9,178,172**	**(1,192,334)**	**7,985,838**	**15,166,585**	**15,088,593**	**(76,492,277)**
Total budget and non-budget		**(5,988,413)**	**(1,114,342)**	**(7,102,755)**	**9,178,172**	**(1,192,334)**	**7,985,838**	**15,166,585**	**15,088,593**	**(76,492,277)**

Net cash requirement 2023-24

				2023–24	2022–23
	SOPS note	Outturn	Estimate	Outturn vs Estimate: saving/ (excess)	Outturn total
		£’000	£’000	£’000	£’000
Net cash requirements	3	12,774,130	17,157,538	4,383,408	48,299,813

Administration costs 2023-24

				2023–24	2022–23
	SOPS note	Outturn	Estimate	Outturn vs Estimate: saving/ (excess)	Outturn total Restated
		£’000	£’000	£’000	£’000
Administration costs	1.1	396,967	420,289	23,322	344,967

Although not a separate voted limit, any breach of the administration budget, will also result in an excess vote.

Notes to the SOPS, 2023-24 (audited information)

SOPS 1. Outturn detail, by estimate line

SOPS 1.1 Analysis of resource outturn by estimate line

Significant variances between outturn and estimate are explained in the financial review on pages 46 to 51.

		Resource outturn							Estimate			2023-24 Outturn vs Estimate: saving/ (excess)	2022-23 Outturn
		Administration			Programme			Total	Total	Virements	Total inc. virements		Total
		Gross	Income	Net	Gross	Income	Net						
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Spending in Departmental Expenditure Limits (DEL)													
Voted expenditure													
A	Delivering affordable energy for households and businesses	-	-	**-**	148,610	(9,913)	**138,697**	**138,697**	246,372	(3,113)	**243,259**	104,562	12,623,280
B	Ensuring that our energy system is reliable and secure	-	-	**-**	(183,109)	(7,016)	**(190,125)**	**(190,125)**	107,527	(17,382)	**90,145**	280,270	(589,628)

		Resource outturn							Estimate			2023-24 Outturn vs Estimate: saving/ (excess)	2022-23 Outturn
		Administration			Programme			Total	Total	Virements	Total inc. virements		Total
		Gross	Income	Net	Gross	Income	Net						
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
C	Taking action on climate change and decarbonisation	-	-	**-**	141,950	(331)	**141,619**	**141,619**	145,752	(4,133)	**141,619**	-	95,142
D	Managing our energy legacy safely and responsibly	-	-	**-**	174,616	-	**174,616**	**174,616**	183,270	-	**183,270**	8,654	40,849
E	Science and Research	-	-	**-**	3,029	-	**3,029**	**3,029**	5,872	(62)	**5,810**	2,781	2,954
F	Capability	406,941	(57,577)	**349,364**	36,405	(3,038)	**33,367**	**382,731**	375,269	7,462	**382,731**	-	320,487
G	Ensuring that our energy system is reliable and secure (ALB) net	-	-	**-**	9,880	-	**9,880**	**9,880**	1	9,879	**9,880**	-	332
H	Taking action on climate change and decarbonisation (ALB) net	6,692	-	**6,692**	30,472	-	**30,472**	**37,164**	29,918	7,246	**37,164**	-	20,796
I	Managing our energy legacy safely and responsibly (ALB) net	8,857	-	**8,857**	48,446	-	**48,446**	**57,303**	57,241	62	**57,303**	-	42,018
J	Science and Research (ALB) net	-	-	**-**	10,604	-	**10,604**	**10,604**	12,080	-	**12,080**	1,476	9,449
K	NDA and SLC expenditure (ALB) net	32,016	-	**32,016**	1,550,933	-	**1,550,933**	**1,582,949**	1,635,008	-	**1,635,008**	52,059	1,539,517
	Deliver an ambitious industrial strategy	-	-	**-**	(361)	-	**(361)**	**(361)**	-	-	**-**	361	-

		Resource outturn							Estimate			2023-24 Outturn vs Estimate: saving/ (excess)	2022-23 Outturn
		Administration			Programme			Total	Total	Virements	Total inc. virements		Total
		Gross	Income	Net	Gross	Income	Net						
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Government as Shareholder (ALB) net	38	-	**38**	3	-	**3**	**41**	-	41	**41**	-	76
Total voted DEL		**454,544**	**(57,577)**	**396,967**	**1,971,478**	**(20,298)**	**1,951,180**	**2,348,147**	**2,798,310**	**-**	**2,798,310**	**450,163**	**14,105,272**
Non-voted expenditure													
L	Nuclear Decommissioning Authority Income (CFER)	-	-	**-**	(92)	(971,721)	**(971,813)**	**(971,813)**	(1,049,934)	-	**(1,049,934)**	(78,121)	(1,033,318)
Total non-voted DEL		**-**	**-**	**-**	**(92)**	**(971,721)**	**(971,813)**	**(971,813)**	**(1,049,934)**	**-**	**(1,049,934)**	**(78,121)**	**(1,033,318)**
Total spending in DEL		**454,544**	**(57,577)**	**396,967**	**1,971,386**	**(992,019)**	**979,367**	**1,376,334**	**1,748,376**	**-**	**1,748,376**	**372,042**	**13,071,954**
Spending in Annually Managed Expenditure (AME)													
Voted expenditure													
M	Delivering affordable energy for households and businesses	-	-	**-**	835,564	(3,676)	**831,888**	**831,888**	2,078,720	(46,131)	**2,032,589**	1,200,701	31,137,612
N	Taking action on climate change and decarbonisation	-	-	**-**	19,731	(1,707)	**18,024**	**18,024**	5,200	12,824	**18,024**	-	(3,480)
O	Managing our energy legacy safely and responsibly	-	-	**-**	(113,924)	(14,099)	**(128,023)**	**(128,023)**	(232,890)	104,867	**(128,023)**	-	(57,181)
P	Science and Research	-	-	**-**	(16,192)	-	**(16,192)**	**(16,192)**	976,550	-	**976,550**	992,742	(69,240)

		Resource outturn							Estimate			2023-24 Outturn vs Estimate: saving/ (excess)	2022-23 Outturn
		Administration			Programme			Total	Total	Virements	Total inc. virements		Total
		Gross	Income	Net	Gross	Income	Net						
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Q	Capability	-	-	**-**	3,192	-	**3,192**	**3,192**	5,400	-	**5,400**	2,208	(9,526)
R	Renewable Heat Incentive	-	-	**-**	1,218,131	-	**1,218,131**	**1,218,131**	1,172,000	46,131	**1,218,131**	-	1,001,880
S	Taking action on climate change and decarbonisation (ALB) net	-	-	**-**	4,009,238	-	**4,009,238**	**4,009,238**	7,600,000	(12,824)	**7,587,176**	3,577,938	(13,507,265)
T	Managing our energy legacy safely and responsibly (ALB) net	-	-	**-**	(587,756)	-	**(587,756)**	**(587,756)**	639,286	(104,867)	**534,419**	1,122,175	(3,385,547)
U	Science and Research (ALB) net	-	-	**-**	504	-	**504**	**504**	1,430	-	**1,430**	926	(4,360)
V	Government as Shareholder (ALB) net	-	-	**-**	(86,285)	-	**(86,285)**	**(86,285)**	(80,000)	-	**(80,000)**	6,285	(87,548)
W	Nuclear Decommissioning Authority (ALB) net	-	-	**-**	(18,371,822)	-	**(18,371,822)**	**(18,371,822)**	(11,813,500)	-	**(11,813,500)**	6,558,322	(110,365,377)
	Deliver an ambitious industrial strategy	-	-	**-**	(478)	-	**(478)**	**(478)**	-	-	**-**	478	(14,051)
	Government as Shareholder	-	-	**-**	-	-	**-**	**-**	-	-	**-**	-	(256,483)
	Ensuring that our energy system is reliable and secure	-	-	**-**	(25,518)	(411,526)	**(437,044)**	**(437,044)**	-	-	**-**	437,044	-
Total voted AME		**-**	**-**	**-**	**(13,115,615)**	**(431,008)**	**(13,546,623)**	**(13,546,623)**	**352,196**	**-**	**352,196**	**13,898,819**	**(95,620,566)**
Non-voted expenditure													

	Resource outturn							Estimate			2023-24 Outturn vs Estimate: saving/ (excess)	2022-23 Outturn
	Administration			Programme			Total	Total	Virements	Total inc. virements		Total
	Gross	Income	Net	Gross	Income	Net						
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Total spending in AME	-	-	-	(13,115,615)	(431,008)	(13,546,623)	(13,546,623)	352,196	-	352,196	13,898,819	(95,620,566)
Total resource	454,544	(57,577)	396,967	(11,144,229)	(1,423,027)	(12,567,256)	(12,170,289)	2,100,572	-	2,100,572	14,270,861	(82,548,612)
Non-budget: voted												
Total Resource and non-budget spending	454,544	(57,577)	396,967	(11,144,229)	(1,423,027)	(12,567,256)	(12,170,289)	2,100,572	-	2,100,572	14,270,861	(82,548,612)

The total Estimate columns include virements. Virements are the reallocation of provision in the Estimates that do not require parliamentary authority (because Parliament does not vote to that level of detail and delegates to HM Treasury). Further information on virements is provided in the Supply Estimates Manual, available on gov.uk.

The outturn vs estimate column is based on the total including virements. The estimate total before virements have been made is included so that users can tie the estimate back to the Estimates laid before Parliament.

SOPS 1.2. Analysis of capital Outturn by Estimate line

		Capital Outturn			Estimate			2023-24 Outturn vs Estimate, savings/ (excess)	2022-23 Outturn
		Gross	Income	Net total	Total	Virements	Total inc. virements		Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Spending in Departmental Expenditure Limit (DEL)									
Voted expenditure									
A	Delivering affordable energy for households and businesses	775,882	(69,870)	**706,012**	895,331	-	**895,331**	189,319	**365,271**
B	Ensuring that our energy system is reliable and secure	55,326	(381,039)	**(325,713)**	568,401	(402,694)	**165,707**	491,420	**2,076,559**
C	Taking action on climate change and decarbonisation	624,034	(10,335)	**613,699**	622,405	-	**622,405**	8,706	**421,343**
D	Managing our energy legacy safely and responsibly	7,474	-	**7,474**	12,630	-	**12,630**	5,156	**9,131**
E	Science and Research	28,576	-	**28,576**	36,773	-	**36,773**	8,197	**-**

		Capital Outturn			Estimate			2023-24 Outturn vs Estimate, savings/ (excess)	2022-23 Outturn
		Gross	Income	Net total	Total	Virements	Total inc. virements		Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
F	Capability	133,676	-	**133,676**	93,153	40,523	**133,676**	-	**(1,147)**
G	Ensuring that our energy system is reliable and secure (ALB) net	1,274,171	-	**1,274,171**	912,000	362,171	**1,274,171**	-	**840,898**
H	Taking action on climate change and decarbonisation (ALB) net	3,602	-	**3,602**	9,593	-	**9,593**	5,991	**1,628**
I	Managing our energy legacy safely and responsibly (ALB) net	16,904	-	**16,904**	27,863	-	**27,863**	10,959	**24,311**
J	Science and Research (ALB) net	277,053	-	**277,053**	290,800	-	**290,800**	13,747	**264,318**
K	NDA and SLC expenditure (ALB) net	2,392,120	-	**2,392,120**	2,440,618	-	**2,440,618**	48,498	**2,192,595**
	Government as Shareholder	-	-	**-**	-	-	**-**	-	**4,782**

		Capital Outturn			Estimate			2023-24 Outturn vs Estimate, savings/ (excess)	2022-23 Outturn
		Gross	Income	Net total	Total	Virements	Total inc. virements		Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Total voted DEL	**5,588,818**	**(461,244)**	**5,127,574**	**5,909,567**	**-**	**5,909,567**	**781,993**	**6,199,689**
Non-voted expenditure									
L	Nuclear Decommissioning Authority Income (CFER)	-	(129)	(129)	-	-	129	-	**-**
Total non-voted DEL		**-**	**(129)**	**(129)**	**-**	**-**	**129**	**-**	**-**
Total spending in DEL		**5,588,818**	**(461,373)**	**5,127,445**	**5,909,567**	**-**	**5,909,696**	**781,993**	**6,199,689**
Spending in Annually Managed Expenditure (AME)									
Voted expenditure									
O	Managing our energy legacy safely and responsibly	14,099	-	**14,099**	14,099	-	**14,099**	-	**-**
P	Science and Research	76,500	-	**76,500**	104,000	-	**104,000**	27,500	**-**

		Capital Outturn			Estimate			2023-24 Outturn vs Estimate, savings/ (excess)	2022-23 Outturn
		Gross	Income	Net total	Total	Virements	Total inc. virements		Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
S	Taking action on climate change and decarbonisation (ALB) net	(74)	-	**(74)**	-	-	-	74	**74**
T	Managing our energy legacy safely and responsibly (ALB) net	(225)	-	**(225)**	-	-	-	225	**558**
U	Science and Research (ALB) net	(7,811)	-	**(7,811)**	-	-	-	7,811	**(1,586)**
	Ensuring that our energy system is reliable and secure								
Total voted AME		**82,489**	**-**	**82,489**	**118,099**	**-**	**118,099**	**35,610**	**(954)**
Non-voted expenditure									

		Capital Outturn			Estimate			2023-24 Outturn vs Estimate, savings/ (excess)	2022-23 Outturn
		Gross	Income	Net total	Total	Virements	Total inc. virements		Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
X	Managing our energy legacy safely and responsibly (CFER)	-	(142,400)	**(142,400)**	(142,400)	-	**(142,400)**	-	**(142,400)**
Total non-voted AME		**-**	**(142,400)**	**(142,400)**	**(142,400)**	**-**	**(142,400)**	**-**	**(142,400)**
Total spending in AME		**82,489**	**(142,400)**	**(59,911)**	**(24,301)**	**-**	**(24,301)**	**35,610**	**(143,354)**
Total capital		**5,671,307**	**(603,773)**	**5,067,534**	**5,885,266**	**-**	**5,885,395**	**817,603**	**6,056,335**
Non-budget									
Total capital and non-budget spending		**5,671,307**	**(603,773)**	**5,067,534**	**5,885,266**	**-**	**5,885,395**	**817,603**	**6,056,335**

Notes

The total Estimate columns include virements. Virements are the reallocation of provision in the Estimates that do not require parliamentary authority (because Parliament does not vote to that level of detail and delegates to HM Treasury). Further information on virements is provided in the Supply Estimates Manual, available on gov.uk. The outturn vs estimate column is based on the total including virements. The estimate total before virements have been made is included so that users can tie the estimate back to the Estimates laid before Parliament.

Significant variances between Outturn and Estimate are explained in the financial review on pages 46 to 51.

SOPS 2. Reconciliation of outturn to net operating expenditure

As noted in the overview to the SOPS, outturn and the estimates are compiled against the budgeting framework – which is similar to, but different from, IFRS. Therefore, this reconciliation bridges the resource outturn to net operating expenditure, linking the SOPS to the financial statements.

The prior year comparatives present the net operating expenditure as reported on 31 March 2023.

	SOPS note	2023-24 Outturn total £'000	2022-23 Outturn total £'000
Total resource Outturn in Statement of Outturn against Parliamentary Supply	**SOPS 1.1**	**(12,170,289)**	**(82,548,612)**
Add			
NDA remedial decommissioning costs which are capital in budgets but taken through the SoCNE		6,300,867	5,940,900
Share of profit/loss of joint ventures and associates		(73,179)	(340,565)
Other non-budget		179,337	104,691
Research and development costs		1,732,921	1,298,067
Total		**8,139,946**	**7,003,083**
Less			
NDA income scored in SOPS only		34,854	57,613
Capital income in SoCNE		(5,969)	(2,037)
Research and development income		(72,341)	(54,753)
Prior period adjustments		-	1,057,709
Other			
Impact of intra group transactions		(4,057,939)	(4,043,279)
Total		**(4,101,395)**	**(2,984,747)**
Net operating expenditure for the period in Consolidated Statement of Comprehensive Net Expenditure	**SoCNE**	**(8,131,738)**	**(78,530,266)**

Some NDA decommissioning utilisations are capital in nature and therefore not included in resource outturn, this results in them being a reconciling item.

Capital grants are budgeted for as capital departmental expenditure limit (CDEL) but accounted for as expenditure and income in the SoCNE, and therefore function as a reconciling item between resource and net operating expenditure.

Share of profit/loss of joint ventures and associates is accounted for in the SoCNE as a non-budget item and therefore function as a reconciling item.

Other non-budget includes intra group transactions where the cash payment is eliminated and the budget impact is therefore recognised as a reconciling item.

Research and Development is budgeted for as CDEL but accounted for as income and expenditure in the SoCNE and therefore functions as a reconciling item.

SOPS 3. Reconciliation of net resource outturn to net cash requirement

As noted in the overview to the SOPS, outturn and the estimates are compiled against the budgeting framework – not on a cash basis. Therefore, this reconciliation bridges the resource and capital outturn to the net cash requirement.

	SOPS note	Outturn	Estimate	Outturn vs Estimate: saving/ (excess)
		£'000	£'000	£'000
Total Resource Outturn	**SOPS 1.1**	**(12,170,289)**	**2,100,572**	**14,270,861**
Total Capital Outturn	**SOPS 1.2**	**5,067,534**	**5,885,266**	**817,732**
Adjustments for ALBs				
Remove voted resource and capital		9,382,440	(1,762,338)	(11,144,778)
Removal of intra-group transactions		(162,772)	-	162,772
Add cash in grant-in-aid		4,292,568	5,288,120	995,552
Add share purchase and loans		1,089,963		(1,089,963)
Less share capital repayment		(121,362)	-	121,362
Dividends from Joint ventures and associates		(86,272)	-	86,272
Adjustments to remove non-cash items				

	SOPS note	Outturn	Estimate	Outturn vs Estimate: saving/ (excess)
		£'000	£'000	£'000
Depreciation		(56,752)	(77,663)	(20,911)
New provisions and adjustments to previous provisions		(109,675)	2,055,238	2,164,913
Other non-cash items		787,301	(1,200)	788,501
Adjustments to reflect movements in working balances				
Increase/(decrease) in receivables		(2,288,573)	-	2,288,573
(Increase)/decrease in payables		2,464,477	2,281,658	(182,819)
Use of provisions		3,571,202	195,551	(3,375,651)
Total		**18,762,543**	**7,979,366**	**(10,783,177)**
Removal of non-voted budget items				
Other non-voted budget items		1,114,342	1,192,334	77,992
Total		**1,114,342**	**1,192,334**	**77,992**
Net cash requirement		**12,774,130**	**17,157,538**	**4,383,408**

SOPS 4. Amounts of income to the Consolidated Fund

SOPS 4.1 – Analysis of income payable to the Consolidated Fund

In addition to the income retained by the department, the following income is payable to the consolidated fund (cash receipts being shown in italics).

The type of income allowed to be retained by the department is set out in the ambit of the Supply Estimate. Income of a type not included in the Estimate, or in excess of amounts agreed with HM Treasury, is required to be surrendered to the Consolidated Fund. This includes the commercial income of the Nuclear Decommissioning Authority and receipts arising from Coal Pension surpluses, which forms the bulk of the amounts shown below, together with other miscellaneous receipts.

	2023-24		2022-23	
	Outturn total		Outturn total	
	Accruals	*Cash basis*	Accruals	*Cash basis*
	£'000	£'000	£'000	£'000
Operating income of the NDA within the Ambit	515,843	*398,208*	572,228	*562,000*
Income outside the ambit of the Estimate	30,656	*30,656*	42,544	*42,544*
[Excess] cash surrenderable to the Consolidated Fund	142,400	*142,400*	142,400	*142,400*
Total amount payable to the Consolidated Fund	**688,899**	***571,264***	**757,172**	***746,944***

SOPS 4.2: Consolidated Fund income

DESNZ also collects income as an agent for the consolidated fund. This income is disclosed separately in the trust statement, and is not included in SOPS 4.1 – income payable to the consolidated fund.

Other parliamentary disclosures (audited information)

Losses statement

	2023-24		2022-23	
	Core department	Departmental group	Core department	Departmental group
Total number of losses	576	43,049	359	314,683
Total value of losses – £m	-	4	-	33

Losses over £300,000 – core department

There were no losses over £300,000 for the core department in 2023-24.

Losses over £300,000 – departmental group

Store losses

A loss of £1.3m was reported by Magnox in 2023-24. This relates to the administration of a supplier and the resulting write off of stock with no economic value.

A loss of £1.9m was reported by the NDA in 2023-24. This relates to the administration of a supplier and the resulting write off of stock with no economic value.

A loss of £0.3m (£301,551) was reported by the NDA in 2023-24. This relates to Fruitless Payments.

Special payments

Special payments include extra-contractual, ex gratia, compensation, special severance payments, extra-statutory and extra-regulatory.

	2023-24 Departmental group	2022-23 Departmental group
Total number of special payments	2	5
Total value of special payments – £m	1	-

*Please note that the total value of special payments for 2023-24 was £546k.

Special payments over £300,000

Special payments totalling £377,207 were incurred by the Nuclear Decommissioning Authority relating to employment matters – relevant Data Protection Act considerations have been applied.

Gifts

Managing Public Money requires annual reports to report on gifts made by departments if their total value exceeds £300,000. Gifts with a value of more than £300,000 should be noted individually. During 2023-24, the core department did not give any reportable gifts above £300,000.

Fees and charges

Core department

Details of fees and charges generated by the core department can be found in note 6.1.

Details of charging polices relating to arm's length bodies may be found in their respective published accounts.

Remote contingent liabilities

In addition to contingent liabilities reported in the financial statements, under IAS 37, the department also reports remote contingent liabilities. These are liabilities that have a small, remote likelihood of resulting in a transfer of economic benefit by the department. The department has given the following guarantees, indemnities, or letters of comfort.

Quantifiable remote contingent liabilities

	1 April 2023 £m	Increase / (decrease) in year £m	Crystallised in year £m	Expired in year £m	31 March 2024 £m	Amount reported to Parliament by Departmental Minute £m
The core department has indemnified the Coal Authority against potential claims arising from remunerated advisory work undertaken for other public sector bodies where settlement exceeds the Authority's professional indemnity insurance.	3	-	-	-	**3**	-

Unquantifiable remote contingent liabilities – core department

Statutory indemnities

- Indemnities have been given to the UK Atomic Energy Authority to cover certain indemnities provided by the authority to carriers and British Nuclear Fuels plc against certain claims for damage caused by nuclear matter in the course of carriage
- Indemnity has been given to National Grid's liabilities with regards to the interconnector linking the UK and France
- A statutory liability will arise under the Nuclear Installations Act 1965 (as amended by the Nuclear Installations (Liability for Damage) Order 2016) for third-party claims in excess of the operator's liability in the event of a nuclear accident in the UK
- Indemnities have been provided to certain nuclear site companies and the Nuclear Decommissioning Authority in respect of personal injury claims in the event of a nuclear incident
- Indemnities have been provided to the Energy Price Guarantee scheme administrators in relation to legal fees in case of a legal action against the administrators
- A contingent liability exists in relation to the possibility of claims for any exposure to ionising

radiation arising from the fusion activities of the UK Atomic Energy Authority

Legal costs

- A contingent liability exists in relation to various ongoing legal cases. The cost is dependent on the outcome of cases which currently cannot be estimated

Indemnities against personal liability

- Indemnities have been given to the directors appointed by the core department to wholly owned subsidiaries. These indemnities are against personal liability following any legal action against the companies
- Indemnities have been provided to directors appointed to the Low Carbon Contracts Company Limited and Electricity Settlements Company Limited against personal liability following any legal action against the companies, to be triggered only after all other means have been exhausted i.e. company and directors' insurance and recovery of costs through their levies
- Indemnities have been provided to the Low Carbon Contracts Company Limited and Electricity Settlements Company Limited in respect of their officers, to be triggered only after all other means have been exhausted i.e. company and directors' insurance and recovery of costs through their levies

- Indemnities have been provided to trustees of the Nuclear Liabilities Fund appointed by the Secretary of State against personal liability in the event of legal action against the Fund
- Indemnities have been provided to trustees of the Nuclear Liabilities Fund appointed by British Energy (now EDF Energy) against personal liability in the event of legal action against the Fund, to be triggered only in the event of failed recourse to indemnities from EDF Energy
- Indemnities have been provided to the Oil and Gas Authority (OGA) who operate as the North Sea Transition Authority (NSTA), in respect of certain liabilities that could arise from the actions or omissions of its directors and otherwise arising from a director holding or having held office in the company
- An indemnity has been provided to Elexon Limited against third party claims relating to the design and/or implementation of the contracts for difference and Capacity Markets settlement systems which are not covered by insurance and/or guarantees by their subcontractors
- Indemnities have been provided to the MCS Service Company Limited and trustees of the MCS Charitable Foundation for any liability that might arise as a result of actions taken and decisions made for which the core department was ultimately

responsible prior to transfer to the Company and Charitable Foundation of responsibility for the Microgeneration Certification Scheme (MCS) in April 2018

Losses or damages under agreements

- An indemnity has been provided for any losses or damages caused to other parties to the Energy Research Partnership consortium agreement

Environmental clean-up

- A contingent liability exists in relation to the costs of retrieving and disposing of sealed radioactive sources under the Environmental Permitting (England and Wales) Regulations 2016 in the event that a company keeping such sources becomes insolvent
- A contingent liability arises in relation to the remediation of land contaminated by a nuclear occurrence as the Secretary of State is deemed to be the appropriate person to bear responsibility under section 9 of The Radioactive Contaminated Land (Modification of Enactments) (England) (Amendment) Regulations 2007 SI 2007/3245
- The Nuclear Liabilities Fund was established in 1996 to meet certain costs of decommissioning eight nuclear power plants in the UK that have been owned and operated by EDF Energy Nuclear Generation Limited since 2009. A constructive

obligation was created in 2002 when the government undertook to underwrite the fund in respect of these liabilities to the extent that the assets of the fund might fall short; any surplus generated by the Fund would be paid over to the government once the liabilities have been met. The total undiscounted estimated liability as at 31 March 2024 of £26.7 billion (31 March 2023: £26.5 billion) has a present value of £13.5 billion (31 March 2023: £19.0 billion) which includes an allowance for future inflation. The value of the fund as at 31 March 2024 is £20.7 billion (31 March 2023: £20.5 billion). It is not possible to quantify the extent to which the government may be obliged to contribute to the fund, nor of any surplus that may arise, given the high level of uncertainty relating to estimation of decommissioning costs and investment returns on fund assets over a future period exceeding 100 years

- Under the United Nations Convention on the Law of the Sea (UNCLOS) 1982, OSPAR decision 98/3, the Energy Act 2004 and the Petroleum Act 1998, the department would become responsible for decommissioning most oil, gas and renewable energy installations in the event that operators are unable to fulfil their decommissioning commitments
- The department inherited responsibility from British Coal to reimburse certain third parties for costs incurred meeting statutory environmental standards in the restoration of particular coal-related sites

Others

- A contingent liability exists in respect of the risks associated with the core department assuming responsibility for uplifts in pension contributions for the UK Atomic Energy Authority's non-active pension scheme members
- The Secretary of State Investor Agreement (SOSIA) provides protections in certain scenarios where the Hinkley Point C nuclear plant is shut down for reasons that are political or due to certain changes in insurance arrangements or certain changes in law. Payments under the SOSIA would be expected in the first instance to be made using funds from the Supplier Obligation but in certain circumstances they could also come direct from the Secretary of State, relying on spending powers granted under the relevant Appropriation Act or, if payments were to be made over a period longer than two years, seeking a new spending power at the time. The payments could be up to £22 billion excluding non-decommissioning operational costs that may be incurred after any shutdown. However, the liability to make payments under the SOSIA is almost entirely within the control of HM Government

Unquantifiable remote contingent liabilities – departmental group

NDA

- The NDA has non-quantifiable contingent liabilities arising from indemnities given as part of the contracts for the management of the nuclear site license companies. 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. Indemnities are provided to the previous Parent Body Organisations (PBOs) of LLWR, Magnox, Sellafield and Dounreay covering the periods of their ownership. Post the PBO arrangement, Magnox and Dounreay & LLWR have now joined to form Nuclear Restoration Services

Other potential or expected liabilities (unaudited)

The department has entered into the following arrangements for which their details are provided in the interest of transparency. They are not contingent liabilities which require disclosure under IAS 37 or Managing Public Money, as the obligating events did not exist at the reporting date.

Hinkley Point C Funded Decommissioning Programme (FDP) and Waste Transfer Contracts (WTCs)

The contract with NNB Generation Company Limited (NNB) to build Hinkley Point C (HPC) nuclear power plant includes a Contract for Difference between NNB and the Low Carbon Contracts Company Ltd, an FDP and associated FDP documents including WTCs between NNB and the core department.

The FDP and related documents including WTCs require NNB to make prudent provision for their waste and decommissioning liabilities. To meet their liabilities, the operator must set up a fund with an independent governance framework and will pay into it so that it is on track to fund the liabilities that arise from decommissioning and waste management. The fund will report annually to the Secretary of State and a full review will be conducted every 5 years to ensure that the fund is on track to meet all its liabilities. If it is off track, the operator will be required to take corrective action. These liabilities are strictly the operator's responsibility and the probability of taxpayers picking up these liabilities is remote.

Alongside the FDP, the government has entered into 2 WTCs. These set out terms on which the government will take title to and liability for the spent fuel and intermediate level waste (ILW) from the site after decommissioning in order to dispose of the waste safely. The WTCs have generally been prepared in line with the government's published waste transfer pricing methodology.[3] Although the WTCs provide a default price based on today's best estimate, they allow the waste transfer price to be set after a specified later date. The final price agreed is subject to a cap, but the likelihood of the future costs exceeding the agreed cap is considered remote.

Capacity agreements

A capacity agreement is a regulatory and rule-based arrangement between National Grid, as System Operator, and a successful applicant in a Capacity Market auction. The capacity agreement provides a regular retainer payment to the successful applicant or "capacity provider".

At a Capacity Auction, applicants who offer the lowest bid can win a capacity agreement. A Capacity Auction relates to delivery of capacity approximately four years ahead (T-4). For instance, the capacity agreements resulting from the 2024 T-4 Capacity Auction will require capacity to be delivered in the Delivery Year commencing 2028/29

3 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/42629/3798-waste-transfer-pricing-methodology.pdf

There are currently 12 live capacity auctions out of a total of 19, which have been awarded from the start of the scheme in 2014 for the delivery year commencing 2016-17 and 8 active auctions in financial year 2023-24.

	Departmental group as at 31 Mar 2024				Departmental group as at 31 Mar 2023			
	Due within 1 year	Due within 2-5 years	Due over 5 years	Total	Due within 1 year	Due within 2-5 years	Due over 5 years	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Capacity Market – ESC	1,379	10,039	8,784	20,202	1,089	7,032	6,621	14,742
Income from levy – ESC	(1,379)	(10,039)	(8,784)	(20,202)	(1,089)	(7,032)	(6,621)	(14,742)
Total	-	-	-	-	-	-	-	-

The department has responsibility for administering the settlement process. This role is undertaken by the Electricity Settlements Company (ESC). The obligation for ESC to make capacity payments only arises when the respective levy is received from licensed suppliers and the generator provides the agreed level of capacity.

Reconciliation of contingent liabilities included in the supply estimate to the accounts (unaudited)

A reconciliation of differences between contingency liabilities reported in the supply estimates and those reported in the annual report and accounts are set out below. Further detail on the contingent liabilities can be found in note 22 Contingent Liabilities and in the Supplementary Estimates 2023-24.

Quantifiable contingent liabilities

Description	Amount per supply estimate £'000	Amount disclosed in ARA £'000	Variance
Core department – Energy Price Guarantee (EPG)	6,000	Unquantifiable	The remaining contingent liability relates to the amounts that might be payable following the completion of the reconciliation process. This amount cannot be reliably estimated.
Core department – Energy Bills Support Scheme and Alternative Fuel Payment in Northern Ireland (EBSS AFP NI)	3,125	Not disclosed	Contingent liability expired
Core department – Wave Hub transfer: The department has indemnified Cornwall Council up to 2028 in respect of the transfer of Wave Hub	5,000	Not disclosed	Contingent liability expired

Description	Amount per supply estimate £'000	Amount disclosed in ARA £'000	Variance
Core department – Wave Hub Transfer – The department has indemnified Cornwall Council for any liability relating to the European Regional Development Fund (ERDF) that might arise from the transfer (a) any breach of the ERDF Funding Agreements which occurred on or before the transfer date of 31 March 2017 and (b) any action or omission by the core department or Wave Hub in relation to the ERDF Funding Agreements prior to the transfer which leads to finding of an irregularity by any competent authority.	18,000	Not disclosed	Contingent liability expired

Reconciliation of contingent liabilities included in the supply estimate to the accounts (unaudited) – Continued

Unquantifiable contingent liabilities

Description	Included in the supply estimates	Disclosed in the ARA	Explanation of difference
Core department – Claims for judicial review – in relation to the transfer of the business of Bulb Energy Limited (in special administration)	Not disclosed	Unquantifiable	Contingent liability arose during the financial year 2022-23
CPNA – Multi Force Shared Service (MFSS): There is a partner commitment as part of the end of the MFSS collaboration, to cover any redundancy costs that arise	Unquantifiable	Not disclosed	Contingent liability expired
NDA – Uranic Material – Held inventories of reprocessed uranic material which may result in as-yet-unquantified liabilities	Not disclosed	Unquantifiable	Contingent liability arose during the period

The certificate and report of the Comptroller and Auditor General to the House of Commons

Opinion on financial statements

I certify that I have audited the financial statements of the Department for Energy Security and Net Zero (the Department) and of its Departmental Group for the year ended 31 March 2024 under the Government Resources and Accounts Act 2000. The Department comprises the core Department. 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 2023. The financial statements comprise: the Department's and the Departmental Group's:

- Statement of Financial Position as at 31 March 2024;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Department and the Departmental Group's affairs as at 31 March 2024 and its net expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2024 and shows that those totals have not been exceeded; and
- the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I am independent of the Department and its Group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

The framework of authorities described in the table below has been considered in the context of my opinion on regularity.

Framework of authorities	
Authorising legislation	Government Resources and Accounts Act 2000 The Energy Act 2004, The Energy Act 2008, The Energy Act 2010, The Energy Act 2011, The Energy Act 2013 The Energy Act 2016, and the Energy Act 2023. The Energy Price Act 2022. The Contracts for Difference Order and Regulations 2014. The Coal Industry Act 1994 The Energy Bills Discount Scheme Regulations 2023
Parliamentary authorities	Supply and Appropriations Act
HM Treasury and related authorities	Managing Public Money

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Department and its Group's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Department and its Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Department and its Group is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

Overview of my audit approach

Key audit matters

Key audit matters are those matters that, in my professional judgment, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon. I do not provide a separate opinion on these matters.

I have determined that there are no other key audit matters to communicate in our certificate and report.

This is not a complete list of all risks identified through the course of my audit but only those areas that had the greatest effect on my overall audit strategy, allocation of resources and direction of effort. I have not, for example, included information relating to the work I have performed around:

- management override of controls, other than to the extent where this was part of my work on significant estimates made by management as set out below;
- the valuation of the Bulb Support Loan;
- the valuation of the investment in Sizewell C;
- the valuation of accrued Renewable Heat Incentive expenditure;
- the regularity of energy scheme payments;
- estimation uncertainty in respect of Coal Authority provisions;
- the valuation of the United Kingdom Atomic Energy Authority (UKAEA) site restoration provision;
- the valuation of UKAEA property;

- the accuracy and completeness of group consolidation adjustments and eliminations;
- the presumed risk of fraud in revenue recognition in the Nuclear Decommissioning Authority (NDA);

where my work has not identified any matters to report.

The key audit matters were discussed with the Audit and Risk Assurance Committee; their report on matters that they considered to be significant to the financial statements is set out on pages 115-116.

As this is the first year that the Department has produced financial statements following a Machinery of Government Change, this is the first time I have completed a risk assessment.

First year production of the department's financial statements	
Description of risk	A Machinery of Government change was announced on 7 February 2023. DESNZ and its group was formed from the energy security and net zero activities of the former Department for Business, Energy and Industrial Strategy (BEIS). The functions of BEIS were split between DESNZ, the newly formed Department for Science Innovation and Technology and the newly formed Department for Business and Trade (the successor departments). Due to the timing of the announcement, HM Treasury directed that the departments' 2022–23 accounts should be prepared in line with the Supplementary Estimates in place for 2022–23. This is therefore the first year of account for the Department in its current form.

<table>
<tr><th colspan="2">First year production of the department’s financial statements</th></tr>
<tr><td></td><td>The Department took part in a process with the two other Departments, formed from BEIS to compile the data for the Department to prepare its first-year financial statements. Legacy BEIS systems, including underlying general ledger; payroll; cash management; and payables/receivables systems, continued to run for much of the year, as the successor departments managed the transition process. To prepare financial statements for 2023-24, the Department recognised its share of assets, liabilities and transactions from the former BEIS financial reporting systems. The Department did this by taking part in a process which mapped the 2023-24 transactions in the legacy financial systems to the successor departments, manually raising journals to transfer the transactions. Further detail of the exercise undertaken by the Department can be found in note 25.

I considered that the manual nature of this data transfer gave rise to a significant risk of material misstatement. The risks to misstatement being:

• inaccurate or incomplete data migration as a result of error in the scoping or execution of the mapping exercise;
• a pervasive opportunity for management override of controls due to the significant level of management judgement in the data transfer exercise; and
• misstatement in the cash and supply year-end balance, due to balancing adjustments posted in year. These balancing adjustments were required as the former BEIS bank account continued to be used for material transactions during the year,</td></tr>
</table>

First year production of the department’s financial statements	
	and as legacy balances were settled between the successor departments. Further, this is the first time the Department has produced these accounts, which have a significantly different focus, and a lower materiality level than the former BEIS accounts. I therefore considered that there was a significant risk that adjustments required to align the accounting policies across the new group would not be complete, and that the disclosures in the accounts would not be accurate or sufficient. This risk particularly applies to adjustments and disclosures relating to transactions or balances in components of the group which were not previously material to BEIS.
How the scope of my audit responded to the risk	In relation to the identified risks relating to the first-year production of the Department’s financial statements: • I assessed the design and implementation of controls in relation to: - the governance and high-level review of the data transfer exercise; - the posting of manual journals and adjustments; - the recognition of supply drawn down and the presentation of reserves; - bank reconciliation processes; and - group consolidation and accounting policy alignment. • I reviewed the data transfer process undertaken by management to ensure each step was supported by appropriate evidence and was calculated correctly. I reperformed the mapping exercise from the former BEIS financial reporting systems into the new Department systems.

First year production of the department's financial statements	
	I performed variance analysis to assess the reasonableness of key assumptions made and evaluated other potential ways of carrying out the exercise using available bases to either support or contradict the approach taken. I reconciled the mapped BEIS ledger to the journals posted into the department. • Throughout my audit, I performed classification testing to ensure that transactions and balances were in the correct department as at 31 March 2024. • I performed a stand back exercise to evaluate whether there was any evidence of management bias or manipulation of results through the data transfer exercise. • I vouched supply received (ie funding received) to cash records and tested all non-trivial manual journal adjustments to supply. I reperformed the department's bank reconciliation exercise and tested a sample of reconciling items. I reperformed the derivation of the Statement of Cash Flows. • I reviewed all non-trivial consolidation adjustments and assessed the completeness of adjustments made to align accounting policies across the departmental group. I reviewed the department's accounts to ensure they have appropriately included disclosures which arise from the components that are relevant at a group level. Where material, I have obtained representation from the component auditor to support those disclosures.

First year production of the department's financial statements	
	Key observations In the course of completing this work, I did not identify any material misstatements in the information transferred into the Department and disclosed in these financial statements. I noted no instances of irregularity. I found that management's exercise to transfer data from BEIS has been performed appropriately. I did not identify any indication of management bias or manipulation. I consider the disclosures included to be sufficient to enable users to understand the material risks and activities of the new departmental group.

Restatement of prior year figures	
Refer to Note 25 Restatement of Statement of Financial position and Statement of Comprehensive Net Expenditure as a result of Machinery of Government (MoG) changes, changes to the Designation Order and other restatements	
Description of risk	As the Machinery of Government change was a re-arranging of central government functions, the Department has treated this as a "transfer by merger". This means that this set of financial statements have been prepared as if the Department had always existed. This has necessitated the restatement of all prior year figures in the accounts. To prepare these figures, the Department took part in a process which identified all transactions and balances in the 2022-23 and 2021-22 BEIS financial statements and re-allocated these between the three successor departments. For transactions in the prior year's Statement of Comprehensive Net

Restatement of prior year figures	
	Expenditure, this exercise did not require a significant level of management judgement as it largely involved the mechanical application of the departments' ledger mapping. However, for balances on the prior years' Statements of Financial Position, this required detailed manual analysis utilising management's judgement and their understanding of the operations of the successor departments. This was particularly complex for areas where there was only a single balance in BEIS that needed to be spread across several successor departments including the Department, most notably standard payables and receivables, cash and supply. Further detail of the exercise undertaken by the Department can be found in note 25. As a result, I judged that there was a significant risk that restated prior period figures may not be accurately derived or were not appropriately presented or disclosed. This risk applied to all restated figures. I applied particular attention to considering the impact of any uncertainty introduced by management estimates across the restated Statements of Financial Position on the presentation of reserves.
How the scope of my audit responded to the risk	In relation to the restatement of prior year figures: • I assessed the design and implementation of the governance and high-level review of the restatement exercise. • I reperformed the restatement exercise using auditor knowledge, understanding of the three new departments' policy objectives and audited mappings of the BEIS ledger system to the new departments.

Restatement of prior year figures	
	• I performed an analytical procedure to compare any simplifying assumptions to other alternatives to confirm that management's choice of assumption was reasonable and did not create any significant uncertainty in the comparative amounts disclosed. • I inspected evidence confirming that the split of cash, supply, payables, and receivables had been agreed in writing between the three successor departments at an appropriately senior level. • I reconciled workings to all lines in the audited BEIS 2022–23 trial balance to confirm the full trial balance has been analysed and mapped. • I performed a reconciliation of the 2022–23 Department trial balance presented for audit to my independently split BEIS 2022–23 trial balance, and then to restated figures presented in the accounts. • I reviewed and challenged the disclosure in the department's accounts to ensure it is sufficient to enable a user to understand the exercise undertaken by management. • I performed a stand back exercise to consider management bias in any estimates made, and ensured journals posted reconciled to audited workings.

Restatement of prior year figures	
	Key observations In the course of completing this work, I did not identify any material misstatements in the restated figures disclosed in these financial statements. Following my analytical procedures, I do not consider there to be any material estimation uncertainty in the comparative figures, aside from cash and reserves as at March 2022, as disclosed in Note 25.

Group Valuation of nuclear provisions	
Refer to Note 18 Provisions for liabilities and charges – NDA nuclear decommissioning liabilities as at 31 March 2024 £105 billion.	
Description of risk	The Departmental Group holds nuclear decommissioning provisions from the Nuclear Decommissioning Authority (NDA) which is comprised of several individual estimates of the decommissioning costs associated with the NDA's subsidiaries and for several additional sites and entities. The nuclear provisions are valued at an undiscounted liability of £199 billion as at 31 March 2024 (see note 18.1 for further information). As a result, I judged that there was a significant risk that nuclear decommissioning figures may not be accurately derived or may not be appropriately presented or disclosed. I applied particular attention to considering the impact of any uncertainty introduced by management estimates across the nuclear decommissioning provisions. The nuclear provisions are inherently uncertain due to the requirement for management to estimate the cost of decommissioning facilities of uncertain content and condition over long timescales as the programme

Group Valuation of nuclear provisions	
	of decommissioning work is currently planned to take until 2137. Specifically, the Sellafield estimate is subject to a wide range of judgments, including uncertainties on plutonium strategy, adjustments to improve cost estimates associated with immature projects, and required savings to be achieved by Sellafield.
How the scope of my audit responded to the risk	In relation to the valuation of the nuclear provisions I performed the following procedures: • Reviewed the design and implementation of key controls surrounding the nuclear provision estimate. This includes testing the change controls process through which updates to the nuclear provision are made. • challenged the change control process by which changes are made to the Lifetime Plans underpinning each site's estimate; • assessed management's processes for challenging key assumptions across the nuclear provisions; • challenged the peer review process over the nuclear provision model; • tested the supporting evidence for key judgements and assumptions made by management in valuing nuclear provisions, including management's response to changes in circumstances since the prior year. In particular I monitored strategy developments, such as the approach to providing for the Geological Disposal Facility, and whether the provision represents management's best estimate based on evidence available at the reporting date;

Group Valuation of nuclear provisions	
	• assessed and challenged management on the key assumptions in respect of material amounts provided in-year, including using external experts to assess the reasonableness of the more technical assumptions; • agreed the inputs to the nuclear provision to supporting evidence, including change controls raised and annual submissions provided by subsidiaries; • assessed management's application of the data, methodology, and modelling previously agreed to revenue recognised from long term contracts; • assessed the NDA's approach to addressing estimation uncertainty in its cost estimates in the provision by taking a granular approach to assess the merits of the approaches used across the different elements of the provision; • assessed the accuracy and completeness of utilisation of the provision as reported within the financial statements; • assessed the completeness of the provision, by reference to sanction approvals and other developments; and • assessed the disclosures over the provision within the financial statements, particularly in how they address estimation uncertainty **Key observations** In response to my work, the department has made an adjustment to reduce the value of the provision by £6.8 billion. This related to efficiencies identified in respect of the provision, which were not supported by sufficient audit evidence.

Group Valuation of nuclear provisions	
	I also draw attention to the disclosures made in notes 1.22 and 18.1 to the financial statements concerning the uncertainties inherent in the nuclear decommissioning provisions. As set out in these notes, given the very long timescales involved and the complexity of the plants and materials being handled, a considerable degree of uncertainty remains over the value of the liability for decommissioning nuclear sites designated by the Secretary of State. Significant changes to the liability could occur as a result of subsequent information and events which are different from the current assumptions adopted by the Nuclear Decommissioning Authority

Group Valuation of Contracts for Difference	
Refer to Note 9 Derivative financial instruments – Net liability of Contracts for Difference as at 31 March 2024 £89.2 billion.	
Description of risk	The Departmental Group holds Contracts for Difference (CfD) which are financial instruments intended to support investment in low carbon energy generation. These are classified as derivatives under IFRS 9, with the fair value of the CfDs being determined using an income (discounted cash flow) approach which requires estimation of future payments which will be made, or received from, generators. At 31 March 2024, the disclosed fair value of the liability was £89.2 billion. The Statement of Financial Position disclosed £2.9 billion of contracts in an asset position, with £92.1 billion in a liability position.

Group Valuation of Contracts for Difference	
	The measurement of the fair value of CfD liabilities is a Key Audit Matter because of the degree of estimation uncertainty inherent in forecasting generation volumes and wholesale prices into the 2030s and the material values involved. The long-term forecasts used by the Low Carbon Contracts Company (LCCC) to value the CfD liabilities require a series of significant judgements that are both complex and highly subjective and are susceptible to developments in the energy markets and changes in government policy. Specifically, the Contract for Difference for Hinkley Point C (HPC) (fair value of liabilities was £56.5 billion at 31 March 2024), has a contract duration more than double (35 years) the length of other CfDs (typically 15 years) entered into by the company. The fair value estimate for the HPC CfD reflects the company's assumptions around start date, future nuclear generation volumes and specifically the construction of Sizewell C. The HPC CfD includes a clause which adjusts the contractual strike price if a CfD or equivalent support in relation to Sizewell C is entered into before the reactor one start date. LCCC is therefore required to estimate the likelihood of this occurring. The company has assessed this likelihood at 75% in March 2024, increased from 50% in March 2023 and this has been reflected in the HPC strike price, which is the agreed sale price per unit of electricity generated per the contract.

Group Valuation of Contracts for Difference	
How the scope of my audit responded to the risk	A key element of the CfD valuation is the forecast of future electricity prices, which is the most sensitive assumption in the CfD model. For the HPC CfD, the estimated start dates for reactors one and two of the Hinkley Point C power station is a material assumption with a large degree of uncertainty around the outcome of future events. The currently estimated start dates for both HPC reactors means that generation is expected to fall outside of their respective Target Commissioning Windows, resulting in contract erosion In relation to the valuation of the Contracts for Difference, I performed the following procedures: • assessed management's processes for challenging key assumptions across CfDs; • assessed the reasonableness of the future forecast electricity price series via consultation with industry experts. • reviewed other model assumptions and inputs, vouching these to contracts or benchmarking them to independent information and analysis where possible. reperformed the modelling to develop an auditor's valuation to evaluate management's point estimate. • compared the outputs from LCCC's valuation model to the workings and journals underpinning the financial statements; • reviewed the application of the new accounting policy arising from the adaptation of IFRS 9 (Financial Instruments) for the public-sector context, and

Group Valuation of Contracts for Difference	
	• reviewed the disclosures included in the financial statements in relation to the CfDs. **Key observations** At 31 March 2024, the CfD liability on the Statement of Financial Position is significantly larger following a change in the requirements of the Government Financial Reporting Manual which adapts IFRS 9 for the public sector. There are also CfDs with a positive fair value which are collectively material to the financial statements. I am content that management has made a reasonable estimate and presented the valuation, as well as the associated sensitivity disclosures, appropriately. I did not identify any material misstatements. I do, however, draw attention to the disclosures made in notes 1.20 and 9 to the financial statements concerning the measurement of liabilities relating to CfDs. As set out in these notes, there is a high degree of estimation uncertainty inherent in forecasting electricity generation volumes and wholesale electricity prices into the late 2030s (and 2060s for the purposes of the Hinkley Point C CfD) and there is a great deal of subjectivity involved in selecting a wholesale electricity price forecast input that conforms to the principles of fair value. The fair value estimate is particularly sensitive to other assumptions, including the rate applied to discount projected future difference payments. Significant changes to the liability could occur as a result of subsequent information and events which are different from the current assumptions adopted.

Valuation of defined benefit pension schemes (NDA)	
Refer to Note 19 Retirement benefit obligations – Group net pension surplus as at 31 March 2024 £663 million.	
Description of risk	The Departmental Group financial statements include assets and liabilities associated with eight funded defined-benefit pension schemes from the Nuclear Decommissioning Authority (NDA). The gross assets and liabilities of these schemes as at 31 March 2024 are £5.4 billion and £4.7 billion respectively. The net pension surplus is a material balance and relies on actuarial valuations of the pension liabilities, which are subject to estimation uncertainty and are based on significant assumptions, as well as estimations of the value of the pension asset portfolios, which include hard-to-value assets including private equity and investment funds.
How the scope of my audit responded to the risk	In relation to the valuation of the defined benefit pension schemes for NDA I performed the following procedures: • assessed the design and implementation of controls in respect of NDA defined benefit pension schemes; • assessed the independence, capability and competence of the scheme actuaries used to provide valuations of scheme liabilities to ensure the auditor can place reliance on their work as management's experts; • considered the appropriateness of key assumptions used to value scheme liabilities and benchmarking against similar assumptions set by other NAO audited bodies;

Valuation of defined benefit pension schemes (NDA)	
	• performed data verification testing on the scheme membership data; and • performed substantive testing of scheme assets using relevant reports from fund managers, audited fund accounts, transactions in the fund around the reporting date and relevant controls reports to ensure the valuations as at 31 March 2024 were appropriate. **Key observations** Review of the financial and demographic assumptions as at 31 March 2024 confirmed these assumptions as reasonable. Detailed sample testing of scheme assets found these to be materially accurate.

Application of materiality

Materiality

I applied the concept of materiality in both planning and performing my audit, and in evaluating the effect of misstatements on my audit and on the financial statements. This approach recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement or irregularity. A matter is material if its omission or misstatement would, in the judgement of the auditor, reasonably influence the decisions of users of the financial statements.

Based on my professional judgement, I determined overall materiality for the Department and its group's financial statements as a whole as follows:

Departmental Group	
Materiality for the group financial statements as a whole	£1.98 bn
Basis for determining materiality	2% of nuclear liabilities of £98,960 million
Rational for the benchmark applied	The nuclear decommissioning provision is the largest item in the Departmental Group Statement of Financial Position and is of primary interest to users of the accounts as the largest and most complex balance being managed by the Department. Its valuation is subject to significant uncertainty arising from both the complexity of the decommissioning work to be performed and the very long timescales involved. I have therefore set materiality at a level intended to reflect my view that a greater level of precision would potentially overstate the confidence that users may place on using this information for their decision making.
Particular classes of transactions, account balances and disclosures where an additional level of materiality has been applied	This materiality has been used to assess the material accuracy of the Nuclear Decommissioning Provision valuation and all non-cash adjustments made to the Nuclear Decommissioning Provision.
Reduced materiality for the group financial statements	£1.78 bn
Basis for determining materiality	2% of Contracts for Difference fair value of £89,151 million

Departmental Group	
Rationale for the benchmark applied	The fair value for Contracts for Difference is the second largest item in the Departmental Group Statement of Financial Position. The Contracts for Difference are of particular interest to users of the accounts as large financial instruments being used as a major policy intervention. The balances are highly volatile and sensitive to model assumptions outside of the Department's control. The high level of uncertainty in the valuation of these derivative contracts informs my judgement that a separate materiality be applied that is reflective of this uncertainty and does not obscure user interest in other drivers of the financial statements.
Particular classes of transactions, account balances and disclosures where an additional level of materiality has been applied	This materiality has been used to assess the material accuracy of the Contracts for Difference valuation and all non-cash adjustments made to the Contracts for Difference.
Residual materiality for the group financial statements	£132 million
Basis for determining residual account materiality	1.25% of adjusted gross expenditure

Departmental Group	
Rationale for the benchmark applied	The department's main activities result in grant expenditure in line with their policy objectives – a key area of user interest. I have therefore used expenditure as the materiality benchmark for balances and transactions not related to the nuclear decommissioning liabilities or contracts for difference. I have adjusted the expenditure benchmark to exclude movements relating to the Nuclear Decommission Provision and the Contracts for Difference, because this line reflects valuation movements sensitive to external market movements. I have used 1.25% as the basis for determining materiality as this is within the range normally used for departments.

Parent Department	
Materiality for the parent financial statements as a whole	£112 million
Basis for determining materiality	1.25% of gross expenditure
Rational for the benchmark applied	Expenditure is used as the materiality benchmark for the general group materiality level because the Department's main activities result in grant expenditure in line with their policy objectives – a key area of user interest.

Parent Department	
Particular classes of transactions, account balances and disclosures where an additional level of materiality has been applied	All balances within the Parent financial statements have been audited to this materiality, except for where we consider them to be material by nature eg certain disclosures such as the Remuneration report, and losses and special payments.

Performance Materiality

I set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality of the financial statements as a whole. Group performance materiality was set at 65% of Group materiality for the 2023-24 audit as the Department was a new engagement this year. This is in line with my usual approach to setting materiality, which recognises that there may be a higher risk of misstatement in a new engagement.

Other Materiality Considerations

Apart from matters that are material by value (quantitative materiality), there are certain matters that are material by their very nature and would influence the decisions of users if not corrected. Such an example is any errors reported in the Related Parties note in the financial statements. Assessment of such matters needs to have regard to the nature of the misstatement and the applicable legal and reporting framework, as well as the size of the misstatement.

I applied the same concept of materiality to my audit of regularity. In planning and performing my audit work to support my opinion on regularity and in evaluating the impact of any irregular transactions, I considered both quantitative and qualitative aspects that would reasonably influence the decisions of users of the financial statements.

Error Reporting Threshold

I agreed with the Audit and Risk Assurance Committee that I would report to it all uncorrected misstatements identified through my audit in excess of £1,000,000, as well as differences below this threshold that in my view warranted reporting on qualitative grounds. I also report to the Audit and Risk Assurance Committee on disclosure matters that I identified when assessing the overall presentation of the financial statements.

Total unadjusted audit differences reported to the Audit and Risk Assurance Committee would have decreased net expenditure by £34 million

Audit scope

The scope of my Group audit was determined by obtaining an understanding of the Department and its Group's environment, including Department and

Group-wide controls, and assessing the risks of material misstatement at the Group level.

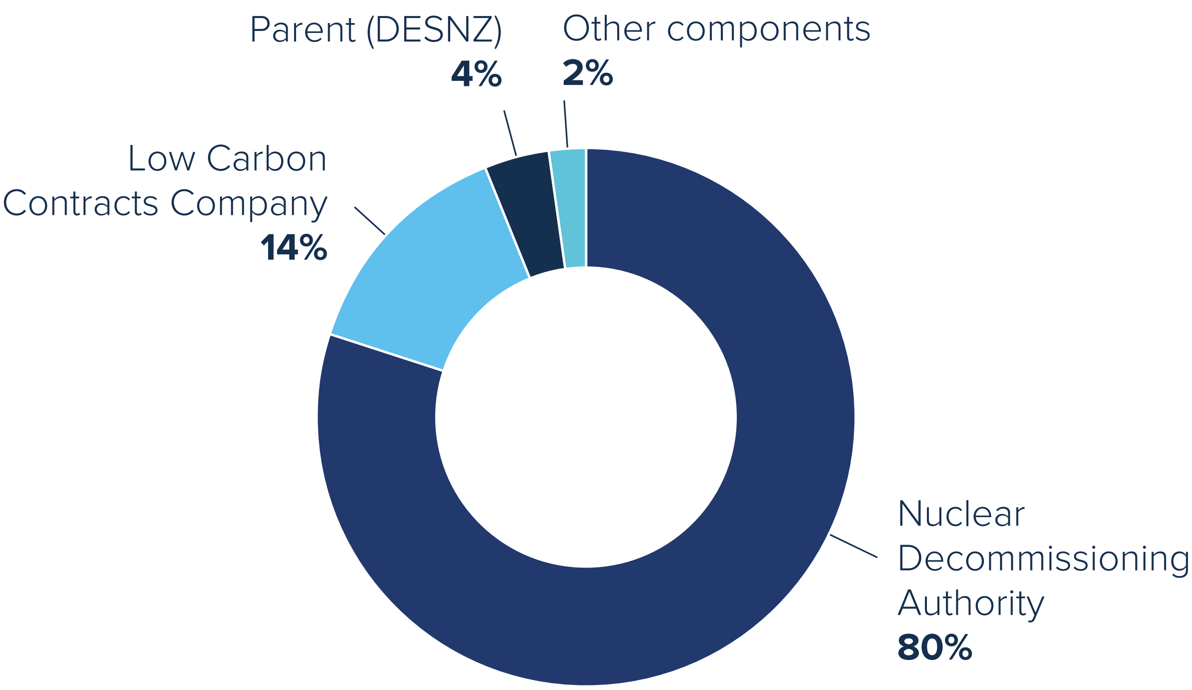
The Department has total liabilities of £159.8 billion. The group's significant components by size are the Nuclear Decommissioning Agency (NDA) and the Low Carbon Contracts Company (LCCC). These components hold the key assets and liabilities in the Group balances. I have audited the full financial information in the Core Department, as well as the group consolidation. The audits of the significant components were complete at the time of my completion of the group audit. As group auditor, I have gained assurance from the auditors of the significant and material components and engaged regularly on the group significant risks such as valuation of nuclear provisions in NDA; valuation of defined benefit pension schemes in NDA; presumed risk of fraud in revenue recognition in NDA; valuation of Contracts for Difference (excluding Hinkley C) in LCCC; and valuation of the Hinkley Point C Contract for Difference in LCCC.

I obtained assurance over the risks of non-compliance with the entity's framework of authorities through enquiries of component auditors. I also considered the audit opinions for evidence of material non-compliance. This gave me the assurances I required for my opinions on the group financial statements.

I also audited the Statement of Parliamentary Supply, which includes figures derived from the group financial statements. I obtained assurance over the classification of items within this statement and confirmed that these had been properly disclosed and classified. I also tested reconciling items/

I covered 94% of the group's gross expenditure and 98% of the group's gross liabilities through audit work on significant components, with the remainder covered by analytical procedures performed on non-significant components. For these non-significant components, audit of the financial information was complete at the point of my analytical procedures. Together with my audit work on consolidation adjustments, this work gave me the evidence I needed for my opinion on the group financial statements as a whole

Group coverage



Other Information

The other information comprises the information included in the Annual Report but does not include the financial statements and my auditor’s certificate and report thereon. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000.

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000;
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Department and its Group and their environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports.

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 by the Department and its Group or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to

the preparation of the financial statements such as records, documentation and other matters;

- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Department and its Group from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- preparing financial statements which give a true and fair view and are in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000;
- preparing the annual report, which includes the Remuneration and Staff Report, in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- assessing the Department and its Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Department and its Group will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the Department and its Group's accounting policies, and strategic priorities.
- inquired of management, the Department's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Department and its Group's policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Department and its Group's controls relating to the Department's compliance with the Government Resources and Accounts Act 2000, The Energy Act 2004, The Energy Act 2013 and the Energy Act 2023, The Energy Prices Act 2022, The Contracts for Difference Order and Regulations 2014,

Supply and Appropriations Act (Amended) and Managing Public Money;

- inquired of management, the Department's head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations;
  - they had knowledge of any actual, suspected, or alleged fraud,
- discussed with the engagement team including internal specialists and significant component audit teams regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Department and its Group for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. I have additionally considered the posting of adjustments moving transactions between the successor departments of the former Department for Business, Energy and Industrial Strategy following the Machinery of Government change, particularly where those adjustments aligned with incentives to manipulate the accounts to avoid a breach of control totals. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Department and Group's framework of authority and other legal and regulatory frameworks in which the Department and Group operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Department and its Group. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money, Supply and Appropriation (Main Estimates) Act 2023, The Energy Act 2004, The Energy Act 2013 and the Energy Act 2023, The Energy Prices Act 2022, The Contracts for Difference Order and Regulations 2014 and relevant employment law and pension legislation.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;

- enquired of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports;
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business; and

I considered the methodologies used by the Department for each grant stream, and re-performed a sample of checks performed by the Department to determine an estimate of fraud and error in these grant streams. I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/

auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain appropriate evidence sufficient to give reasonable assurance that the Statement of Outturn against 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 required to obtain sufficient appropriate audit evidence 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.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies **13th November 2024**

Comptroller and Auditor General

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

FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Net Expenditure

for the year ended 31 March 2024

		31 March 2024		31 March 2023	
		Core department	Departmental group	Core department	Departmental group
	Note	£m	£m	£m	£m
Revenue from contracts with customers	6.1	(72)	(4,096)	(16)	(1,873)
Other operating income		(13)	(39)	(6)	(7)
Total operating income		**(85)**	**(4,135)**	**(22)**	**(1,880)**
Staff costs	3	324	635	242	543
Purchase of goods and services	4.1	255	2,064	(538)	1,439
Depreciation and impairment charges	4.2	64	246	24	256
Provision, financial guarantee and other liabilities expenses	4.3	91	(17,066)	3,466	(105,190)
Grants	4.4	7,628	3,337	46,296	42,147
Other operating expenditure		-	(7)	1	1
Total operating expenditure		**8,362**	**(10,791)**	**49,491**	**(60,804)**
Net operating expenditure		**8,277**	**(14,926)**	**49,469**	**(62,684)**

		31 March 2024		31 March 2023	
		Core department	Departmental group	Core department	Departmental group
	Note	£m	£m	£m	£m
Finance income	6.2	(527)	(465)	(111)	(112)
Finance expense	5	31	1,456	(26)	(2,961)
Contracts for difference derivatives	9	-	5,874	-	(12,433)
Share of post-tax loss/(profits) of associates and joint ventures	13	-	(73)	-	(340)
Net expenditure for the year from operations		**7,781**	**(8,134)**	**49,332**	**(78,530)**
Net expenditure for the year		**7,781**	**(8,134)**	**49,332**	**(78,530)**
Other comprehensive income and expenditure					
Net (gain)/loss on:					
Revaluation of property, plant and equipment		-	(6)	-	(37)
Items that may be reclassified subsequently to net operating costs:					
Revaluation of investments		358	272	(19)	(19)
Actuarial (gains)/losses		-	(1)	-	(17)
Total other comprehensive net income and expenditure		**358**	**265**	**(19)**	**(73)**
Comprehensive net expenditure for the year		**8,139**	**(7,869)**	**49,313**	**(78,603)**

All operations are continuing.

The notes on pages 290 to 471 form part of these accounts.

Consolidated Statement of Financial Position

as at 31 March 2024

	Note	31 March 2024		31 March 2023		1 April 2022	
		Core department £m	Departmental group £m	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Non-current assets							
Property, plant and equipment	7	11	2,769	44	1,434	44	563
Right of use assets	8	125	201	21	95	31	103
Investment properties		-	63	-	60	-	58
Intangible assets		29	39	24	34	25	33
Investment and loans in public bodies	10	1,959	859	3,386	3,634	659	1,265
Other financial assets	11	258	258	341	341	320	320
Recoverable contract costs	12	-	582	-	992	-	3,071
Derivative financial instruments	9, 21	-	2,883	-	2,596	-	-
Investment in joint ventures and associates	13	-	921	-	938	-	628

		31 March 2024		31 March 2023		1 April 2022	
	Note	Core department £m	Departmental group £m	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Trade and other receivables	14	225	313	316	436	438	529
Retirement benefit obligations	19	-	663	-	920	-	-
Total non-current assets		**2,607**	**9,551**	**4,132**	**11,480**	**1,517**	**6,570**
Current assets							
Inventories		-	15	-	15	-	20
Non-current assets held for sale		-	-	-	1	-	1
Trade and other receivables	14	476	1,104	2,659	3,220	212	869
Investments and loans in public bodies	10	2,961	2,961	67	66	63	62
Derivative financial instruments	9,21	-	17	-	2	-	-
Cash and cash equivalents	15	1,025	2,737	1,098	2,083	2,232	2,995
Total current assets		**4,462**	**6,834**	**3,824**	**5,387**	**2,507**	**3,947**
Total assets		**7,069**	**16,385**	**7,956**	**16,867**	**4,024**	**10,517**
Current liabilities							

		31 March 2024		31 March 2023		1 April 2022	
	Note	**Core department £m**	**Departmental group £m**	**Core department £m**	**Departmental group £m**	**Core department £m**	**Departmental group £m**
Trade payables and other liabilities	16	(4,687)	(7,922)	(7,094)	(9,631)	(4,511)	(6,693)
Lease liabilities	17	(9)	(18)	(15)	(25)	(19)	(28)
Provisions for liabilities and charges	18	(342)	(4,427)	(3,660)	(7,654)	(191)	(3,395)
Financial guarantees, loan commitment liabilities and re-insurance contracts		-	-	-	-	(346)	(346)
Derivative financial instruments	9,21	-	(3,055)	-	(630)	-	-
Total current liabilities		**(5,038)**	**(15,422)**	**(10,769)**	**(17,940)**	**(5,067)**	**(10,462)**
Non-current assets plus/ less net current assets/ liabilities		**2,031**	**963**	**(2,813)**	**(1,073)**	**(1,043)**	**55**
Non-current liabilities							
Trade payables and other liabilities	16	-	(1,340)	-	(1,493)	(388)	(2,166)

		31 March 2024		31 March 2023		1 April 2022	
	Note	Core department £m	Departmental group £m	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Lease liabilities	17	(122)	(196)	(7)	(77)	(15)	(77)
Provisions for liabilities and charges	18	(1,405)	(104,830)	(1,553)	(125,004)	(1,329)	(241,020)
Derivative financial instruments	9, 21	-	(88,996)	-	(87,110)	-	(97,591)
Retirement benefit obligations	19	-	-	-	-	-	(197)
Total non-current liabilities		**(1,527)**	**(195,362)**	**(1,560)**	**(213,684)**	**(1,732)**	**(341,051)**
Total assets less total liabilities		**504**	**(194,399)**	**(4,373)**	**(214,757)**	**(2,775)**	**(340,996)**
Taxpayers' equity and other reserves							
General fund		415	(195,557)	(4,820)	(216,173)	(3,203)	(341,825)
Revaluation reserve		89	612	447	876	428	827
Non-controlling interests		-	546	-	540	-	2
Total equity		**504**	**(194,399)**	**(4,373)**	**(214,757)**	**(2,775)**	**(340,996)**

The notes on pages 290 to 471 form part of these accounts.

Jeremy Pocklington

Permanent Secretary and Principal Accounting Officer

6th November 2024

Consolidated Statement of Cash Flows

for the year ended 31 March 2024

The Statement of Cash Flows shows the changes in cash and cash equivalents of the department during the reporting period. The statement shows how the department generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of service costs and the extent to which these operations are funded by way of income from the recipients of services provided by the department. Investing activities represent the extent to which cash inflows and outflows have been made for resources which are intended to contribute to the department's future public service delivery.

		2023-24		2022-23	
	Note	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Cash flows from operating activities					
Net operating cost		(7,781)	8,134	(49,332)	78,530
Depreciation, impairment and amortisation		64	246	24	256
Provision expense		91	(17,062)	3,466	(105,190)
Other operating expenditure		-	(5)	-	-
Finance income		(535)	(448)	(111)	(112)
Finance expense		31	1,456	(26)	(2,961)
Expense relating to contracts for difference derivatives		-	5,874	-	(12,433)
Share of post-tax profits of associates and joint ventures		-	(73)	-	(340)
Other non-cash items		(266)	(166)	742	1,308
(Increase)/decrease in inventories		-	(1)	-	-
(Increase)/decrease in trade and other receivables	14	2,289	2,415	(2,886)	(2,231)
Increase/(decrease) in trade payables and other liabilities	16	(2,395)	(1,260)	2,202	2,220
Less movements in payables relating to items not passing through the Consolidated Statement of Comprehensive Net Expenditure		(70)	(337)	846	243
Use of provisions	18	(3,571)	(7,839)	(191)	(3,397)
Financial guarantees called in		-	-	(346)	(346)
Payments to retirement benefit obligations		-	(125)	-	(180)

		2023-24		2022-23	
	Note	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Net cash outflow from operating activities		**(12,142)**	**(9,191)**	**(45,612)**	**(44,633)**
Cash flows from investing activities					
Purchase of property, plant and equipment		(2)	(1,421)	(2)	(925)
Purchase of intangible assets		(8)	(12)	-	(5)
Investment in public sector shares		(1,089)	-	(363)	-
Investment in public sector loans		(14)	(14)	(2,047)	(2,047)
Public sector loans redemptions		331	331	67	67
Investment in private sector loans		-	-	(7)	(8)
Venture capital fund investments		(43)	(43)	(3)	(3)
Private sector loans redemptions		124	125	-	-
Dividends from Joint ventures and associates	13	86	86	88	88
Payments to the contracts for difference generators		-	(1,865)	-	(170)
Net cash outflow from investing activities		**(615)**	**(2,813)**	**(2,267)**	**(3,003)**

	Note	2023-24		2022-23	
		Core department £m	Departmental group £m	Core department £m	Departmental group £m
Cash flows from financing activities					
From Consolidated Fund (supply) – current year		12,831	12,831	46,897	46,897
Payment of lease liabilities		(18)	(26)	(13)	(25)
Grant-in-aid received from DESNZ		-	1		
Net cash flow from financing activities		**12,813**	**12,806**	**46,884**	**46,872**
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**56**	**802**	**(995)**	**(764)**
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		702	702	(130)	(148)
Payments of amounts due to the Consolidated Fund		(702)	(702)	-	-
Payments of amounts due to the Consolidated Fund for prior year		(130)	(148)	-	-
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**(74)**	**654**	**(1,125)**	**(912)**

		2023-24		2022-23	
	Note	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Cash and cash equivalents at the beginning of the period	15	1,098	2,083	2,223	2,995
Cash and cash equivalents opening balance		1,098	2,083	2,223	2,995
Cash and cash equivalents at the end of the period	15	1,024	2,737	1,098	2,083

The notes on pages 290 to 471 form part of these accounts.

Statement of Changes in Taxpayers' Equity (core department)

for the year ended 31 March 2024

	Note	General fund £m	Revaluation reserve £m	Taxpayers' equity £m	Total reserves £m
Balance at 1 April 2022		**(3,203)**	**428**	**(2,775)**	**(2,775)**
Net parliamentary funding – drawn down		46,897	-	**46,897**	**46,897**
Net parliamentary funding – deemed		1,958	-	**1,958**	**1,958**
Supply (payable)/receivable adjustment	16	(970)	-	**(970)**	**(970)**
Income payable to the Consolidated Fund		(142)	-	**(142)**	**(142)**
Net expenditure for the year		(49,332)	-	**(49,332)**	**(49,332)**
Non-cash adjustments					
Auditors' remuneration	4.1	1	-	**1**	**1**
Movement in reserves					
Other Comprehensive Net Expenditure/Income for the year			19	**19**	**19**
Other movements		(29)	-	**(29)**	**(29)**
Balance at 31 March 2023		**(4,820)**	**447**	**(4,373)**	**(4,373)**
					-

	Note	General fund £m	Revaluation reserve £m	Taxpayers' equity £m	Total reserves £m
Balance at 1 April 2023		**(4,820)**	**447**	**(4,373)**	**(4,373)**
Net parliamentary funding – drawn down		12,831	-	**12,831**	**12,831**
Net parliamentary funding – deemed		970	-	**970**	**970**
Supply (payable)/receivable adjustment	16	(1,025)	-	**(1,025)**	**(1,025)**
Income payable to the Consolidated Fund		(142)	-	**(142)**	**(142)**
Net expenditure for the year		(7,781)	-	**(7,781)**	**(7,781)**
Non-cash adjustments					
Auditors' remuneration	4.1	1	-	**1**	**1**
Movement in reserves					
Other Comprehensive Net Expenditure/Income for the year		343	(358)	**(15)**	**(15)**
Other movements		38	-	**38**	**38**
Balance at 31 March 2024		**415**	**89**	**504**	**504**

Consolidated Statement of Changes in Taxpayers’ Equity (departmental group)

for the year ended 31 March 2024

	Note	General fund	Revaluation reserve	Non controlling interest	Taxpayers’ equity	Total reserves
		£m	£m	£m	£m	£m
Balance at 1 April 2022		(341,825)	827	2	**(340,996)**	**(340,996)**
Net parliamentary funding – drawn down		46,897	-	-	**46,897**	**46,897**
Net parliamentary funding – deemed		1,958	-	-	**1,958**	**1,958**
Supply (payable)/receivable adjustment	16	(970)	-	-	**(970)**	**(970)**
Income payable to the Consolidated Fund		(715)	-	-	**(715)**	**(715)**
Net expenditure for the year		78,530	-	-	**78,530**	**78,530**
Amounts paid from distributable reserves		(88)	-	-	**(88)**	**(88)**
Non-cash adjustments						
Auditors’ remuneration	4.1	1	-	-	**1**	**1**
Movements in reserves						
Other Comprehensive net (expenditure)/ income for the year		17	56	-	**73**	**73**
Transfers between reserves		1	(1)	-	**-**	**-**
Minority interest		-	-	(1)	**(1)**	**(1)**

Other movements	10	21	(6)	539	**554**	**554**
Balance at 31 March 2023		**(216,173)**	**876**	**540**	**(214,757)**	**(214,757)**
Balance at 1 April 2023		**(216,173)**	**876**	**540**	**(214,757)**	**(214,757)**
Net parliamentary funding – drawn down		12,831	-	-	**12,831**	**12,831**
Net parliamentary funding – deemed		970	-	-	**970**	**970**
Grants from DESNZ (sponsoring department)		-	-	-	**-**	**-**
Supply (payable)/receivable adjustment	16	(1,025)	-	-	**(1,025)**	**(1,025)**
Income payable to the Consolidated Fund		(658)	-	-	**(658)**	**(658)**
Net expenditure for the year		8,134	-	-	**8,134**	**8,134**
Auditors' remuneration	4.1	1	-	-	**1**	**1**
Other comprehensive net (expenditure)/ income for the year		343	(265)	-	**78**	**78**
Transfers between reserves		(3)	-	3	**-**	**-**
Minority interest		-	-	-	**-**	**-**
Other movements	10	23	1	3	**27**	**27**
Balance at 31 March 2024		**(195,557)**	**612**	**546**	**(194,399)**	**(194,399)**

The notes on pages 290 to 471 form part of these accounts.

Notes to the accounts

1. Accounting policies, judgments, and estimates

1.1 Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adapted and interpreted by the HM Treasury 2023-24 Government Financial Reporting Manual (FReM) and as set out in the Accounts Direction to the department pursuant to section 5(2) of the Government Resources and Accounts Act 2000 (GRAA) except as described at 1.2 below. Where the FReM permits a choice of accounting policy, the policy selected is that judged to be most appropriate to the circumstances of the core department and its consolidated entities (the departmental group) for the purpose of giving a true and fair view. The policies adopted by the departmental group are described below; they have been applied consistently to items considered material to the accounts.

The Consolidated Statement of Financial Position (SoFP) shows significant net liabilities, primarily relating to Nuclear Decommissioning provision and Contracts for Difference derivatives which will be settled over many years. Any liabilities exceeding departmental group funding are expected to be met by future funding voted for by Parliament under Supply and Appropriation Acts. There is no reason to believe the resources required to settle these liabilities will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.2 Accounting convention

These financial statements have been prepared on an accruals basis under the historical cost convention, modified by the revaluation of property, plant and equipment (except specific waste management assets), intangible assets, investment properties and some financial instruments, such as Contracts for Difference, to fair value to the extent required or permitted under IFRS as set out in these accounting policies.

Shares in consolidated bodies held by the core department are carried at historical cost less any impairment in accordance with the FReM.

The department has agreed with HM Treasury that specific nuclear waste management assets should be measured at historical cost less any impairment losses where there is no reliable and cost-effective valuation methodology; this is a departure from the FReM requirement to report property, plant, and equipment at fair value.

1.3 Presentational currency

The financial statements are presented in pounds sterling, the functional currency of the departmental group. Transactions denominated in a foreign currency are translated into sterling at the rate of exchange on the date of each transaction. In preparing the financial statements, monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing at the reporting date. All translation differences of monetary assets and liabilities are included in net expenditure for the year. Values are rounded to the nearest million pounds (£m) unless the FReM requires a lower threshold.

1.4 Basis of consolidation

The departmental group accounts consolidate the balances of the core department and designated bodies listed in note 26, which fall within the departmental boundary as defined in the FReM and make up the departmental group, excluding transactions and balances between them. Where the Office for National Statistics (ONS) designates a body retrospectively such that the body should have been designated for consolidation in a prior period, the accounts are voluntarily restated to reflect the position from the effective date of classification. The consolidated bodies prepare accounts in accordance with either the FReM, or the Companies Act 2006 (for limited companies).

For those bodies that do not prepare accounts in accordance with the FReM, adjustments are made upon consolidation, if necessary, where differences would have a significant effect on the accounts. The core department and its designated bodies are all domiciled in the UK.

1.5 Machinery of government changes

On 7th February 2023, the prime minister announced a major machinery of government change which redistributed the activities of several existing government departments and created three new departments including the Department for Energy Security and Net Zero (DESNZ)

The creation of DESNZ is accounted for as a transfer by merger. This means that the group accounts reflect the combined entity's results as if DESNZ had always existed. The results and cash flows in these accounts relate to activities undertaken by the department from 1 April 2023 to 31 March 2024, adjusted to achieve uniformity of accounting policies. In accordance with the transfer by merger principles, prior year balances have been restated to aid comparability with 2022-23.

The Government Resources and Accounts Act (2000) requires departments to produce Annual Report and Accounts which follow the structures set out to Parliament at the relevant Supplementary Estimate. The 2022-23 Supplementary Estimates for BEIS

(Business, Energy, and Industrial Strategy) were presented before the machinery of government change took place. As a result, this annual report and accounts presents those activities paid out of the BEIS Vote for 2022-23.

See note 25 for details of all the machinery of government changes and the impact of these on the prior year comparatives.

1.6 Changes in accounting policies

Accounting policies that relate to DESNZ are unchanged compared to those in the 2022-23 BEIS departmental group financial statements.

1.7 New accounting standards adopted in the year and FReM changes.

During the year, the 2023-24 FReM was updated in relation to an IFRS 9 adaptation which is applicable to the Contacts for Difference in DESNZ group, specifically the CfDs held by the Low Carbon Contracts Company (LCCC). The FReM update explains that where an entity issues a financial instrument other than a financial guarantee, at an amount that is different to fair value, where recognising at fair value would not result in a gain or profit, and where no active market or observable equivalent exists, then the entity should instead measure the instrument at initial recognition at fair value.

This FReM update has resulted in the fair value of the CfDs being recognised within the departmental group accounts from day one. Prior to the IFRS 9 FReM adaptation, the department was permitted to exclude the deferred difference between the transaction value and fair value on the LCCC CfDs from the departmental consolidated statement of financial position i.e. held the deferred difference off the consolidated statement of financial position. The FReM adaptation now brings this previously deferred value onto the departmental consolidated statement of financial position for 2023-24. As this is an accounting policy change, the department is required to apply this IFRS 9 adaptation retrospectively as per IAS 8 which has resulted in the full fair value liability being recognised within the departmental group financial statements.

Please see note 1.20 below for more information on financial instruments including CfDs and note 9 for more information on CfDs.

There have been no other significant amendments to the FReM for 2023-24 and no new additional accounting standards which have been adopted and applied in these financial statements.

1.8 Applicable accounting standards issued but not yet adopted

IFRS 17 ‘Insurance Contracts’

IFRS 17 ‘Insurance Contracts’ replaces IFRS 4 ‘Insurance Contracts’, and establishes the principles for the recognition, measurement, presentation, and disclosure of insurance contracts within the scope of the Standard. IFRS17 is scheduled to be included in the FReM for mandatory implementation from 2025-26.

The departmental group is currently assessing the impact of the adoption of IFRS 17.

1.9 Operating income

Operating income relates directly to the operating activities of the departmental group and includes income from contracts with customers, levies and grants and income from coal pension schemes.

The departmental group is required to identify receipts which it collects on behalf of the Consolidated Fund; these are not recognised as income but instead are disclosed in a separate Trust Statement published alongside these accounts and in note 4 in the Statement of Outturn against Parliamentary Supply (SOPS) in the accountability report.

Operating income from contracts with customers

Income from contracts with customers is allocated to individual promises, or performance obligations, on a stand-alone selling price basis, and is recognised when the related performance obligation is satisfied, either over time or at a point in time.

The performance obligations are typically satisfied upon delivery of goods and services in accordance with the contractually defined timescales. The payment terms for the invoices are typically 30 days. Where the departmental group receives consideration prior to the transfer of goods and services, the amount is recorded as contract liabilities. Where the departmental group has transferred goods and services to a customer and the right to consideration is conditioned on something other than the passage of time, the amount is recorded as contract assets.

The measurement of income takes account of significant financing components, variable consideration, and any discounts or rebates.

Levies

Under statute or Treasury consent, an entity is permitted to retain the revenue collected from taxation, fines, and penalties. This revenue is treated as arising from a contract and accounted for under IFRS 15.

Levy income is recognised in the departmental group accounts when an event has occurred that creates an obligation on a counterparty to pay the levy, the amount can be reliably measured, and it is probable that economic benefits from the taxable event will flow to the departmental group. Levies are typically set on an annual basis, invoiced monthly, quarterly, or bi-annually, and accounted for in the period to which the invoices are related and performance obligations are satisfied.

The Low Carbon Contracts Company Ltd (LCCC) and Electricity Supply Company Ltd (ESC) are permitted to retain levies collected under statute and classified as taxes in the national accounts. This income is recognised by LCCC and ESC in the same period as the related expenditure. LCCC and ESC do not prepare their individual accounts under FReM and have judged that IFRS15 'Revenue from Contracts with Customers' does not apply to income from electricity suppliers. IFRS 15 is applicable to the departmental group's remaining levy income under FReM guidance.

The departmental group is not permitted by the FReM to recognise tax income relating to future years, whereas LCCC which does not apply the FReM, is able to. Adjustments are made on consolidation to ensure compliance with the departmental group accounting policy.

Grant income

Grant income can only be recognised by the department when there is reasonable assurance that there are no conditions attached, or that any such conditions have been complied with and there is reasonable assurance the grant will be received.

Under the FReM, grants and grants-in-aid should be accounted for in accordance with IAS 20 ‘Accounting for Government Grants and Disclosure of Government Assistance’ as interpreted by the FReM.

Income from the Mineworkers’ Pension Scheme

Income arising from the government guarantee of certain benefits payable to members and beneficiaries of the Mineworkers’ Pension Scheme is recognised when the core department becomes entitled to the income and the value can be reliably measured.

The government is entitled to a portion of any periodic valuation surpluses as determined by the Government Actuary’s Department. The cash amounts are to be received annually up to 2027. The Coal Pension receivables have been classified as held at amortised cost under IFRS 9 ‘Financial Instruments’. The associated income, therefore, is out of scope of IFRS 15.

1.10 Staff costs

Staff costs are recognised as expenses when the departmental group becomes obligated to pay them, including the cost of any untaken leave entitlement.

1.11 Grants payable

Grants payable are recognised when the grant recipient has performed the activity that creates an entitlement to the grant under the terms of the scheme and include estimates for claims not yet received. Where an intermediary acts as agent in distributing grant on behalf of the department, grants payable are recognised when the grant recipient becomes entitled to the grant.

A promissory note is a legally binding undertaking by the government to provide to the named beneficiary any amount up to the specified limit that the beneficiary may demand, at any time. They have been classified as financial liabilities measured at amortised cost and have been shown as due within 1 year, as they are legally payable on demand, so the maturity profile in the Consolidated Statement of Financial Position, and in note 16, shows the earliest date at which they could be payable.

Grant contributions to international organisations in the form of promissory notes are recognised as expenses when they become payable on demand with the department exercising no further control over disbursement. The only exception to this treatment is where promissory notes are used for investing in a fund. In this scenario, a financial asset is created at the point of a note being encashed.

1.12 Taxation

The core department is exempt from corporation tax by way of Crown exemption. Some consolidated bodies are subject to corporation tax on taxable profits. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to HM Revenue and Customs, based on tax rates and laws that are enacted or substantively enacted by the reporting date.

Value-added tax (VAT) is accounted for in the accounts, in that the amounts are shown net of VAT except for irrecoverable VAT, which is aggregated with the cost of purchased items.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognised for all tax-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 in future years against which they can be utilised.

1.13 Property, plant, and equipment (PPE)

Assets are capitalised as PPE if they are intended for use on a continuing basis and their original carrying value, on an individual or asset pool basis, exceeds the relevant capitalisation threshold which ranges from £1,000 to £10,000 across the departmental group. Exceptions are:

a. assets held by the NDA on designated nuclear sites are only recognised where the economic element of their value at the reporting date exceeds £100,000 and the proportion of asset value relating to commercial activity exceeds 10%

b. operational mine water schemes and subsidence pumping stations are held by the Coal Authority at £nil value because they are used to address pollution caused by past mining activities where the economic benefits have already been received.

To the extent that it has been recognised as a provision under IAS 37, the estimated cost of decommissioning facilities is recognised as part of the carrying value of the asset at initial recognition and depreciated over its useful life.

Valuation of PPE

PPE is carried at fair value except for nuclear waste management assets held at historical cost (see note 1.19) and assets under construction which are held at cost. In accordance with the FReM, assets that have short useful lives or are of low value are carried at depreciated historical cost less impairment as a proxy for fair value.

Non-specialist land and buildings are measured at current value in existing use using professional valuations. Specialist land and buildings are measured at depreciated replacement cost which represents the present value of the asset’s remaining service potential.

Revaluation of PPE

Any accumulated depreciation at the date of revaluation is eliminated and the resulting net book value 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 net expenditure for the year 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 de-recognition, any revaluation surplus remaining in the revaluation reserve attributable to the asset is transferred directly to the general fund.

Depreciation of PPE

PPE assets are depreciated to estimated residual values. This is done on a straight-line basis over their estimated useful lives, given in the table below. Residual values and useful lives are reviewed and adjusted if appropriate at each reporting date. Freehold and long leasehold land are not depreciated.

PPE	Estimated Useful Economic Life in Years
Freehold buildings	10 – 60
Leasehold improvements	Shorter of remaining useful life or outstanding term of lease
Computer equipment	2 – 10
Office machinery (included in plant and machinery), furniture, fixtures, and fittings	2 – 11
Agricultural buildings	Up to 60
Dwellings	Up to 60
Transport equipment	2 – 14
Plant and machinery	3 – 50
Assets under construction	Not depreciated until available for use as intended by management

1.14 Investment property

The departmental group holds properties which have been classified as investment properties and are measured using the fair value model specified in IAS 40. Gains and losses arising from changes in fair value are recognised in net expenditure for the year.

1.15 Intangible non-current assets

Intangible non-current assets are capitalised if they are intended for use on a continuing basis and their original carrying value, on an individual or asset pool basis, exceeds the relevant capitalisation threshold which ranges from £1,000 to £10,000 across the departmental group. There are no active markets for most the departmental group's intangible non-current assets which are valued at the lower of depreciated replacement cost and value in use using a valuation technique (for example for income-generating assets); where there is no value in use, depreciated replacement cost is used. Where there is an active market, the valuation is derived from the active market. Assets of low value or with short useful lives are carried at cost less accumulated amortisation and impairment losses as a proxy for fair value. They are amortised on a straight-line basis over the following periods:

Software licences	3 – 10 years
Internally developed software	Up to 10 years
Website development costs	2 – 5 years
Patents, licences, and royalties	7 – 15 years

1.16 Impairment of PPE and intangible non-current assets

The departmental group reviews carrying amounts at each reporting date. If an indicator for impairment occurs, then the recoverable amount of the asset (the higher of fair value less costs to sell and value in use) is estimated and an impairment loss recognised to the extent that it is lower than the carrying amount. Losses arising from a clear consumption of economic benefit are charged to net expenditure for the year. Losses that do not result from a loss of economic value or service potential are taken to the revaluation reserve to the extent that a revaluation reserve exists for the impaired asset, otherwise to net expenditure for the year.

1.17 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and other short-term highly liquid investments which are readily convertible to known amounts of cash are subject to insignificant risk of changes in value and have an original maturity of 3 months or less. Any bank overdraft amounts are included within trade payables and other liabilities.

1.18 Leases

Assumptions

The definition of a contract is expanded to include intra-UK government agreements where non-performance may not be enforceable by law. This includes, for example, Memorandum of Understanding (MoU) agreements.

The group has expanded the definition of a lease to include arrangements with £nil or significantly below market value consideration. Peppercorn leases are examples of these, they are defined by HM Treasury as lease payments significantly below market value. These assets are fair valued at initial recognition. On transition, any differences between the discounted lease liability and the right of use asset are included through equity. Any differences between the lease liability and right of use asset for new leases after implementation of IFRS 16 are recorded in income.

As mandated in the FReM, the group has elected not to recognise right of use assets and lease liabilities for the following leases:

- Low value assets (these are determined to be in line with the departmental group's capitalisation threshold, £10,000 de minimus)
- Leases with a lease term of 12 months or less

Measurement of right-of-use assets

Initial measurement

At the commencement date, the departmental group measures the right-of-use asset at cost, which comprises:

- The amount of the initial measurement of the lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs incurred
- An estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the lease terms and conditions

Subsequent measurement

The cost model for IFRS 16 is used as a proxy for valuation except where:

- A longer-term contract that has no provisions to assess lease payments for market conditions
- There is a significant period between these assessments
- The valuation of the underlying asset is likely to fluctuate significantly due to changes in market prices

Depreciation of right-of-use assets

Right-of-use assets are depreciated on a straight-line basis from commencement date to the earlier of the end of:

- Useful life of the right-of-use asset, assessed as the same as the class of PPE asset to which the lease relates
- Lease term

Impairment of right-of-use assets

The departmental group applies IAS 36 'Impairment of Assets' to determine whether a right-of-use asset is impaired and to account for any impairment loss identified.

Measurement of lease liabilities

Initial measurement

At the commencement date, the departmental group measures the lease liability at the present value of the lease payments that are not paid at that date. Lease payments are discounted using either:

- The interest rate implicit in the lease
- HM Treasury discount rate where interest rates implicit in the lease cannot be readily determined
- Another discount rate where the departmental group determines it more accurately represents the interest rate

The weighted average discount rate applied to the lease liabilities is 2.15%. Most of the departmental group entities have applied the HM Treasury discount rate prevailing at the time of adoption as shown in the table below:

Period	HM Treasury discount rate
1 April 2019 to 31 December 2019	1.99%
1 January 2020 to 31 December 2020	1.27%
1 January 2021 to 31 December 2021	0.91%
1 January 2022 to 31 December 2022	0.95%
1 January 2023 to 31 December 2023	3.51%
1 January 2024 to December 2024	4.72%

At the commencement date, lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the term not paid at the commencement date:

- Fixed payments, including any in-substance fixed payments less any lease incentives receivable
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date, for example, payments linked to a consumer price index or a benchmark interest rate
- Amount expected to be payable by the departmental group under residual value guarantees

- The exercise price of a purchase option if the departmental group is reasonably certain to exercise that option
- Payments of penalties for terminating the lease if the lease term reflects the departmental group exercising the option to terminate the lease and the departmental group is reasonably certain to exercise this option

Subsequent measurement

The lease liability is remeasured to reflect changes to the lease payments. The departmental group remeasures the lease liability by discounting the revised lease payments using a revised discount rate if there is a change in:

- Lease term
- The departmental group's assessment of an option to purchase the underlying asset, assessed considering events and circumstances in the context of a purchase option. The departmental group determines the revised lease payments to reflect the change in amounts payable under the purchase option
- Amount expected to be payable under a residual value guarantee
- Future lease payments resulting from a change in the index or rate used to determine these future lease payments, including a change to reflect

changes in market rental rates following a market rent review. The departmental group remeasures the lease liability to reflect those revised lease payments only when there is a change in the cash flows (this will be when the adjustment to the lease payments takes effect)

The amount of remeasurement of the lease liability is recognised as an adjustment to the right-of-use asset, where there is a balance on the right-of-use asset. However, if the carrying amount of the right-of-use asset is £nil and there is a further reduction in the measurement of the lease liability, the departmental group recognises the remaining amount of the remeasurement of the lease liability in the Statement of Comprehensive Net Expenditure.

Classification

The departmental group classifies leases where it is a lessor, as either an operating lease or a finance lease. The departmental group classifies a lease as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. If it does not, then the lease is classified as an operating lease.

Finance leases: recognition and measurement.

At the commencement date, the departmental group recognises assets held under a finance lease within the Statement of Financial Position and presents them as a receivable at an amount equal to the net investment in the lease using the interest rate implicit in the lease to measure the net investment in the lease. Initial direct costs are included in the net investment in the lease. Finance lease income is allocated over the lease term to reflect a constant periodic rate of return on the departmental group's net investment outstanding in respect of the leases.

Operating leases: recognition and measurement

The departmental group recognises lease payments from operating leases as income on a straight-line basis. The departmental group recognises costs, including depreciation incurred in earning the lease income, as expense. Initial direct costs incurred in obtaining the operating lease are added to the carrying amount of the underlying asset and these are expensed over the lease term on the same straight-line basis as the lease income.

1.19 Subsidiaries, associates, and joint ventures (note 13)

Subsidiaries and public sector joint ventures are consolidated where designated within the departmental group boundary (note 26); those subsidiaries, joint ventures and associates that are outside of the departmental group boundary are measured in accordance with IFRS 9 'Financial Instruments' or IAS 28 'Investments in Associates and Joint Ventures' as relevant. The financial asset is recognised when the departmental group becomes party to the contractual provisions of the instrument. Equity investments in associates or joint ventures outside the public sector are initially recorded at cost and subsequently adjusted to reflect the departmental group's share of net profit or loss of the associate or joint venture.

1.20 Financial instruments

Financial assets and liabilities are measured initially at fair value plus transaction costs unless measured at fair value through profit or loss in which case transaction costs are charged to net expenditure for the year. Fair value is determined by reference to quoted prices where an active market exists for the instrument; otherwise, it is determined using generally accepted valuation techniques including discounted estimated cash flows. A regular purchase or sale of financial assets shall be recognised and derecognised, as applicable, using settlement date accounting.

Financial assets

Classification and measurement of financial assets

The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in scope of the standard are never separated. Instead, the hybrid financial instrument is assessed for classification.

Under IFRS 9, the requirement for classifying and measuring financial assets is that:

- Loans and other debt instruments are classified as either amortised cost, FVTOCI (fair value through other comprehensive income) or FVTPL (fair value through profit or loss), depending on the business model and cash flow characteristics of the financial assets
- Investments in equity instruments are classified as FVTPL, unless an irrevocable election is made on initial recognition to recognise subsequent changes in fair value in Other Comprehensive Income (OCI) – the election is only available to equity instruments that are not held for trading
- Derivatives are classified as FVTPL

Categories of financial assets

Financial assets are categorised as one of the following:

- Amortised cost are financial assets whose contractual cash flows are solely payments of principal and interest and the objective of the business model is to hold financial assets to collect contractual cash flows only. They are initially recognised at fair value and thereafter at amortised cost using the effective interest method less any impairment – 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

- Fair Value Through Other Comprehensive Income (FVTOCI) are either:
  - Debt instruments whose cash flows are solely payments of principal and interest and the business model of which is to hold for both collecting contractual cash flows and selling.
  - Equity instruments that are neither held for trading nor contingent consideration recognised in a business combination, as the departmental group has made an irrevocable election at initial recognition.

After initial recognition, these assets are subsequently measured at fair value. Gains and losses in fair value are recognised directly in equity. On de-recognition, the cumulative gain or loss previously recognised in equity is recognised in net expenditure for the year for debt instruments and transferred to general fund for equity instruments.

- All financial assets which do not meet the criteria for classification to be recognised and measured at amortised cost and FVTOCI are recognised and measured at fair value through profit or loss (FVTPL). Transaction costs and any subsequent movements in the valuation of the asset are recognised in net expenditure for the year

Impairment of financial assets

Financial assets other than equity instruments and those at FVTPL are assessed for impairment at each reporting date using the expected credit loss (ECL) model. The 3-stage model based on the level of credit risk is applied to any financial assets other than long-term trade receivables, contract assets which do contain a significant financing component and lease receivables within the scope of IFRS 16 ‘Leases’ as follows:

- For financial assets with low credit risk or assets that have not had a significant increase in credit risk since initial recognition, 12-month ECL are recognised, and interest revenue is calculated on the gross carrying amount of the asset without the reduction of credit allowance
- For financial assets that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment, lifetime ECL is recognised, and interest revenue is calculated on the gross carrying amount of the asset
- For financial assets that have objective evidence of impairment at the reporting date, lifetime ECL is recognised, and interest revenue is calculated on the net carrying amount net of credit allowance

For impairment gains or losses, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised in accordance with the standard, is recognised in profit or loss.

For long-term trade receivables, contract assets which do not contain a significant financing component and lease receivables within the scope of IFRS 16 ‘Leases’, the simplified approach is applied and lifetime ECL are recognised as dictated by the FReM.

The impairment methodology is detailed in the financial instruments note 21.

Derecognition of financial assets

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

Financial liabilities

Classification and measurement of financial liabilities

The departmental group’s financial liabilities excluding derivatives and some financial guarantees are initially recognised at fair value including directly attributable transaction costs; they are subsequently measured at amortised cost using the effective interest rate method, except for:

- Financial liabilities at FVTPL, which is applied to derivatives and other financial liabilities designated as such at initial recognition
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer
- Financial guarantee contracts and loan commitments

Derecognition of financial liabilities

Financial liabilities are derecognised when the obligation is discharged, cancelled, or expires.

Derivative financial instruments

Derivatives are initially recognised, and subsequently measured, at fair value. Gains/losses in fair value are recognised in net expenditure for the year unless hedge accounting is applied.

The departmental group has 2 classes of derivative financial instrument, foreign exchange contracts to which hedge accounting is applied and Contracts for Difference (CfDs) contracts to which hedge accounting is not applied.

Forward foreign exchange contracts

Forward contracts are held as cash flow hedges to reduce exposure to foreign currency risk. The effective portions of changes in their fair values are recognised in equity. Gains and losses relating to ineffective portions are recognised immediately in net expenditure for the year. Amounts accumulated in equity are recycled to net expenditure for the year in the same period as the hedged item.

Derivative financial instruments – Contracts for Difference (CfDs)

CfDs are held to incentivise investment in low carbon electricity generation by agreeing strike prices with electricity generators which are counterparties to the contracts. The counterparty pays, or is paid, the difference between the strike price and the reference price (a measure of the average market price of electricity) at the time of electricity supply. CfDs are measured at FVTPL, initially at their transaction price (£nil) with subsequent changes in fair value (as measured by a valuation model) recognised in net expenditure for the year.

The department measures CfDs at initial recognition at fair value. This is a change from the department's policy in 2022-23 due to an update in the 2023-24 FReM. Please see note 9 for further explanation on the changes and the resulting impact on the department's financial statements.

1.21 Pensions

The accounting for each of the departmental group's pension plans is dependent on its nature.

Funded defined-benefit pension schemes

The departmental group has eight funded defined-benefit pension schemes, two schemes through the Nuclear Decommissioning Authority (NDA) and six schemes through the nuclear site licence companies.

The net assets/liabilities recognised in the SoFP for funded defined benefit schemes are calculated by independent actuaries by deducting the fair value of scheme assets (at market prices based on available market comparables) from the present value of defined benefit obligations (estimated using the projected unit credit method, less any amounts receivable from third parties). Where the scheme is in surplus, the asset recognised in these statements is limited to the present value of benefits available from future refunds from the plan, reductions in future contributions to the plan or on settlement of the plan and considers the adverse effect of any minimum funding requirements. Actuarial gains and losses are recognised as other comprehensive net income and expenditure except for site licence companies where they are included in provision expense relating to the nuclear decommissioning provision.

Unfunded defined benefit pension schemes

The departmental group contributes towards several unfunded defined benefit pension schemes of which employees are members: these include the Principal

Civil Service Pension Scheme (PCSPS), the Civil Servant and Other Pension Scheme (CSOPS) and the United Kingdom Atomic Energy Authority (UKAEA) combined pension scheme. The participating employers in these schemes are unable to identify their share of the underlying net liability; as such these schemes are accounted for as defined contribution pension schemes, with employers' contributions charged to the SoCNE in the period to which they relate. Further information regarding PCSPS and CSOPS is presented in the staff report.

Defined contribution pension schemes

Contributions are charged to the SoCNE when they become payable. The departmental group has no further liabilities in respect of benefits to be paid to members.

More information about the departmental group's pension schemes can be found in the accounts of the consolidated entities, including in note 3 for the core department, and of the pension schemes themselves.

1.22 Provisions

A provision is recognised when it is probable that an outflow of economic benefits will be required to settle a present obligation (legal or constructive) that can be reliably measured, and which results from a past event. Where the time value of money is material, the provision is measured at present value using discount rates prescribed by HM Treasury. HM Treasury issues nominal rates that do not take account of inflation, unlike real rates. Using these nominal rates, the cash flows are inflated using the following inflation rates provided by HM Treasury except where a more appropriate forecast has been identified for specific provisions.

	31 March 2024			31 March 2023		
	Nominal discount rate	Inflation rate	Equivalent real discount rate	Nominal discount rate	Inflation rate	Equivalent real discount rate
Cash outflows expected within 2 years	4.26%	3.60%	0.64%	3.27%	7.40%	(3.85%)
Cash outflows expected between 2 – 5 years	4.03%	1.80%	2.19%	3.27%	1.65%	1.59%
Cash outflows expected between 5 – 10 years	4.72%	1.80%	2.87%	3.20%	2.0%	1.18%
Cash outflows expected after 10 years	4.40%	2.00%	2.35%	3.08%	2.0%	1.06%

Nuclear decommissioning provisions

Where expenditure in settlement of a provision is expected to be recovered from a third party, the recoverable amount is treated as a separate asset (note 12). Provision charges in the SoCNE are shown net of changes in these recoverable amounts.

1.23 Contingent assets and liabilities

Contingent liabilities

Where an outflow of economic benefits from a past event is possible but not probable, the departmental group discloses a contingent liability. In addition to contingent liabilities disclosed in these financial statements in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote are disclosed in the accountability report for parliamentary reporting and accountability purposes. Remote contingent liabilities reported in the accountability report are stated at the amounts reported to Parliament.

Contingent assets

Where an inflow of economic benefits from a past event is probable, the departmental group discloses a contingent asset.

Estimates of the financial effects are disclosed where practicable; where the time value of money is material, contingent liabilities and assets are stated at discounted amounts and the amount reported to Parliament separately noted.

1.24 Judgements, estimates and assumptions

Preparation of financial statements requires management to make judgements, estimates and assumptions based on experience and expected events that affect the reported amounts of assets and liabilities, income, and expenditure. In accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', revisions to accounting estimates are recognised prospectively. Revisions of the estimates and assumptions below could cause material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Key accounting judgements and estimates applied in these statements are described below.

Funding to Bulb Energy Ltd (in special administration) (note 10.3)

The core department has provided funding to Bulb Energy Ltd (Bulb). Following ONS classification of Bulb to central UK government, the department recognises all identifiable assets and liabilities of Bulb in the core department's financial statements in line with IFRS 3. One of the identified assets is a financial asset in relation to the Wholesale Adjustment Mechanism Agreement (WAMA) with Octopus Energy Operations Limited. This financial asset has been recognised as measured at FVTPL under IFRS 9. It was measured at the date of recognition and has been assessed again for any changes to risk at the reporting date, significant judgements in relation to the fair value measurement of the financial asset are set out in note 10.3.

Energy Price Guarantee (notes 4.4, 18.2, 22, 25)

Suppliers apply judgements only in limited, specific areas of calculating the Energy Price Guarantee discount. For example, some suppliers use booked consumption volumes to determine their fixed tariff floor adjustments, other suppliers use the industry deemed position for consumption volumes and use this to determine consumption of fixed tariff customers and associated adjustments. For the latter, the value is reconciled as volume reconciliations are provided.

Under the Energy Price Guarantee, the amount customers could be charged per unit of gas or electricity was reduced to an annual equivalent of around £2,500 for a typical household in Great Britain and Northern Ireland. However, energy suppliers estimate the energy supplied to customers between the date of the last meter reading and the claim date. This is estimated through settlement systems, estimates of consumption not yet processed through selling systems, price estimates, billing systems, using historical consumption patterns, on a customer-by-customer basis, considering weather patterns, load forecasts and the difference between actual meter readings being returned and system estimates. Actual meter readings have continued to be compared to estimates between the end of the financial year and the date that the accounts were certified for issue. There is an ongoing industry standard volume reconciliation to address any over or under payment relating to the Energy Price Guarantee which will reconcile these estimates.

Energy Bill Relief Scheme (note 4.4)

Under the Energy Bill Relief Scheme, payments are made based on the amounts that are billed to customers for each claim period. As with the Energy Price Guarantee detailed above, some energy suppliers estimate the energy supplied to customers between the date of the last meter reading and the latest billing date upon which claims are based. There is an ongoing industry standard volume reconciliation to address any overpayment or underpayment relating to the Energy Bill Relief Scheme.

Energy Bill Discount Scheme (note 4.4)

Under the Energy Bill Discount Scheme, payments are made based on the amounts that are billed to customers for each claim period. As with the Energy Bill Relief Scheme detailed above, some energy suppliers estimate the energy supplied to customers between the date of the last meter reading and the latest billing date upon which claims are based. There is an ongoing industry standard volume reconciliation to address any overpayment or underpayment relating to the Energy Bill Discount Scheme.

Fair value measurement of Hinkley Point C CfD

Significant judgements in relation to the fair value measurement of Hinkley Point C CfD are set out in note 9 Derivative financial instruments.

Income recognition (note 6)

Several significant accounting judgements have been performed to apply IFRS 15 to the recognition of revenue and costs from contracts with customers held by the NDA, including the determination of transaction price of each contract, the allocation of transaction price to each performance obligation, the timing of satisfaction of performance obligations, and the accounting treatment of contract costs. Details are included in the NDA's financial statements.

Useful economic lives of non-current assets (notes 4.2, 7, 8)

There is uncertainty in relation to estimated useful economic lives of non-current assets; these are reviewed as at the reporting date and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence or legal or other limits on their use.

Impairment of assets (notes 4.2, 7, 10, 11, 13, 14, and 23)

Impairment of non-financial assets is measured by comparing the carrying value of the asset or cash generating unit with management's estimate of its recoverable amount. Impairment of financial assets is measured using the expected credit loss model.

CfD contracts (note 9)

The significant uncertainties affecting measurement of Financial Investment Decision Enabling for Renewables (FIDeR) and CfD contracts, which facilitate investment in low-carbon electricity generation, are described in the note.

Provisions (note 18)

Provision discount rates set by HM Treasury are updated annually and have a material effect on liabilities. There are other significant uncertainties in relation to measurement of the liabilities reported in note 18, in relation to future decommissioning costs to be incurred by the NDA, UKAEA and Coal Authority, which are described in that note.

Non-Domestic Renewable Heat Incentives Scheme Accruals (note 14)

The best estimate of Non-Domestic Renewable Heat Incentives (NDRHI) accrual is based on a modelling framework. The framework uses a number of assumptions to estimate spend where actual data is not available. There is a risk that the reality diverges from modelled estimates due to the model not accurately reflecting reality. This risk is considered to be low as most of the known uncertainties have been identified and assessed using statistical or scenario analysis. However, there may be some unknown factors that mean our model systematically over or underestimates spend spend. Modelling specification uncertainty is mitigated by periodically reviewing performance of past estimates against actual outcomes.

2. Reporting by operating segment

In accordance with the relevant reporting requirements, including IFRS 8 ‘Operating Segments’, the Statement of Outturn against Parliamentary Supply (SOPS) and supporting notes reflect net resource and capital outturn in line with the control totals voted by Parliament. The figures within SOPS 1.1 provide the income and expenditure totals associated with key business activities within the departmental group and therefore reflect the management information reporting to the board during the period.

3. Staff costs

			2023-24	2022-23
	Permanently employed staff £m	Others £m	Total £m	Total £m
Wages and salaries	417	73	**490**	**422**
Social security costs	51	-	**51**	**43**
Other pension costs	96	-	**96**	**80**
Sub total	**564**	**73**	**637**	**545**
Less recoveries in respect of outward secondments	(2)	-	**(2)**	**(2)**
Total net costs	**562**	**73**	**635**	**543**
Of which				
Core department	**309**	**15**	**324**	**242**
NDPBs and other designated bodies	**253**	**58**	**311**	**301**
Total net costs	**562**	**73**	**635**	**543**

See the staff report and remuneration report for further information on staff costs and numbers. The staff report also includes staff costs for nuclear site licence companies (SLCs). SLC staff costs are not included here as they are included in the amount shown for utilisation in the NDA's nuclear decommissioning provision in note 18.

4. Operating expenditure

4.1 Purchase of goods and services

	2023-24		2022-23	
	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Rentals under operating leases	(2)	(1)	-	1
Accommodation and office equipment costs	42	164	22	133
Legal, professional and consultancy costs	177	226	130	158
Finance, HR, IT and support costs	167	210	67	97
Training and other staff costs	6	15	3	10
Travel and subsistence costs	5	17	3	8
Advertising and publicity	11	13	18	22
Programme management and administration of grants and awards	73	318	64	784
Capacity Market payments	-	1,024	-	680
Professional and international subscriptions	30	32	29	31
Enforcement costs of employment related policies	(1)	(1)	-	1
Purchase of geographical and scientific equipment	-	26	-	41
Payment of taxes and levies	8	2	-	87

	2023-24		2022-23	
	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Energy intensive industries and other subsidies	(266)	(266)	(974)	(974)
Sponsorship costs	(1)	(1)	-	-
Other purchase of goods and services cost	6	286	100	360
Total	**255**	**2,064**	**(538)**	**1,439**

Core department

Energy intensive industries and other subsidies

The core department has provided support to energy intensive industries and for other energy-related purposes including funding to Bulb Energy Ltd, a supply company which entered into administration during 2021-22. Bulb's special administrators worked closely with the department and Ofgem to ensure that exit from special administration achieves the best outcome practicable for energy customers, taxpayers, and the industry. During 2022-23 the administrators completed the sale of Bulb assets and will continue to manage the company until the special administration regime comes to an end.

The funding to Bulb is repayable (note 10.3), but the repayment of the amounts provided during 2021-22 was not considered probable when the assessment was made as at 31 March 2022 and the funding was reported as subsidy in the table above. During 2023-24 the department reassessed the likelihood of the repayment, and recognised a reversal of the previously reported expenditure totalling £266 million (2022-23: – £727 million).

Departmental group

Capacity Market payments

Capacity Market payments of £1,024 million were recognised in 2023-24 (2022-23: £680 million).

Audit fees

Audit fees are included under the heading 'legal, professional and consultancy costs'

	31-Mar-24		31-Mar-23	
	Core department £	Consolidated ALBs £	Core department £	Consolidated ALBs £
Core department	825,000	1,623,469	1,350,000	1,142,526
UKAEA Pension Scheme accounts	50,685	-	50,685	-
Trust Statement	20,000	-	20,000	-
Nuclear Decommissioning Funding accounts	5,000	-	5,000	-
Total NAO audit services	900,685	1,623,469	1,425,685	1,142,526
NAO non-audit services	-	-	-	-
Non-NAO audit services	-	548,250	-	586,432
Non-NAO non-audit services	-	750	-	-
Total audit services	**900,685**	**2,172,469**	**1,425,685**	**1,728,958**

This table is reflected in absolute values, rather than millions

4.2 Depreciation and impairment charges

	2023-24		2022-23	
	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Amortisation of recoverable contract costs	-	116	-	139
Depreciation	52	97	21	70
Amortisation	5	7	3	5
Impairment of property, plant and equipment	-	19	-	40
Impairment of investments and remeasurement of expected credit losses	7	7	-	2
Total	**64**	**246**	**24**	**256**

4.3 Provisions and other liability expenses

	2023-24		2022-23	
	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Increase/(decrease) in nuclear provisions due to changes in discount rate	(64)	(25,921)	(115)	(113,485)
Increase/(decrease) in other provisions due to changes in discount rate	(45)	(920)	(116)	(5,382)
Increase/(decrease) in nuclear provisions due to other movements	104	9,449	88	9,080
Increase/(decrease) in other provisions due to other movements	96	326	3,609	4,597
Total increase/ (decrease) in provisions	**91**	**(17,066)**	**3,466**	**(105,190)**

The significant change in the provision expenses was primarily driven by the change in provision discount rates. The real discount rate for cash outflows expected after ten years, prescribed by HM Treasury increased from 1.70% at 31 Mar 2023 to 2.45% at 31 Mar 24. The change in discount rate has the impact of increasing the expected future costs of settling the department's liabilities, the actual costs of settling the department's liabilities could be different.

Further detail of the movements in the nuclear decommissioning provision can be found in note 18.1 for Nuclear Provisions.

The increase/decrease in other provisions due to changes in discount rate is also primarily driven by changes in the discount rate for Coal Authority's provisions.

Further detail of movements in other provisions can be found in note 18.2 for Other Provisions.

4.4 Grants expenditure

	2023-24		2022-23	
	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Grant in Aid	4,306	-	4,179	-
Advanced Nuclear Fund	50	50	-	-
Boiler Upgrade Scheme	89	89	50	50
Energy Bills Discount Scheme	241	241	-	-
Energy Bills Relief Scheme AME	29	29	7,480	7,480
Energy Bills Support Scheme	(94)	(94)	11,532	11,532
Energy Bills Support Scheme – NI	(4)	(4)	332	332
Energy Price Guarantee	589	589	20,253	20,253
EPG – Alternative Fuel Payment GB	7	7	383	383
EPG – Alternative Fuel Payment NI	(2)	(2)	166	166

	2023-24		2022-23	
	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Green Homes Grant	(30)	(30)	(176)	(176)
Heat Infrastructure Team	103	103	49	49
Home Upgrade Grant scheme	(96)	(96)	48	48
Innovation programme	104	103	147	147
International Climate Fund	316	316	220	220
Offshore wind manufacturing investment support scheme	-	-	58	58
Renewable Heat Incentive	1,218	1,218	1,001	1,001
Science and research	37	43	18	24
Social Housing and Public Sector Decarbonisation Grant schemes	622	622	409	409
Other grants	143	153	147	171
Total	**7,628**	**3,337**	**46,296**	**42,147**

Core department

Energy Affordability Schemes

During 2023-24, the core department continued to support energy users in light of significant increases to the cost of energy in the previous financial year.

Energy Bills Support Schemes

For the Energy Bills Support Schemes (EBSS), a reduction in expenditure of £98 million was recognised in 2023-24. This is the net result of £129 million of cash returned on EBSS and expenditure of £31 million on EBSS Alternative Funding, referenced below.

Under EBSS, payments of £11,821 million were made in 2022-23 to support domestic energy customers in Great Britain and Northern Ireland with the costs of rising energy bills by providing £400 to each eligible household through discounts applied to customers' bills or as vouchers. The eligibility period ended on 31 March 2023 and expenditure of – £129 million in 2023-24 related largely to cash returned through end-of-scheme reconciliations.

EBSS Alternative Funding was an application-based scheme for households that did not automatically receive the EBSS discount because they did not have a direct relationship with a domestic energy supplier. The application window closed on 31 May 2023. Expenditure during 2023-24 was £31 million.

Energy Bill Relief Scheme

Under the Energy Bill Relief Scheme (EBRS), payments of £7,480 million were made in 2022-23 to limit the price non-domestic customers pay for electricity and gas by providing grant funding to energy suppliers for discounts provided to their customers.

This scheme supported the price of energy consumed up to 31 March 2023 but expenditure of £29 million resulting from ongoing reconciliation activity was recognised in 2023-24.

Energy Bill Discount Scheme

At 1 April 2023, the Energy Bill Discount Scheme (EBDS) replaced EBRS. This scheme supported the price of energy consumed up to 31 March 2024. Expenditure of £241 million was recognised in 2023-24 to limit the price non-domestic customers pay for electricity and gas. This includes year-end accruals recognised in Note 16 and provisions relating to EBDS are shown in Note 18.

Energy Price Guarantee

Under the Energy Price Guarantee (EPG) payments of £20,253 million were made in 2022-23 to limit the price domestic customers pay for electricity and gas. This scheme's eligibility period ran up to 31 March 2024 but in practice only supported the price of energy consumed up to 30 June 2023 because the energy price cap fell below the UK government supported price after the first quarter of the 2023-24 financial year. Due to falling energy prices, expenditure for 2023-24 was £589 million which was a significant reduction from 2022-23. This amount includes year-end accruals recognised in Note 16 and is net of provision utilisation of £3,157m referenced in Note 18.

Green Homes Grant & Home Upgrade Grant Schemes

The reductions of expenditure of £30 million & £96 million respectively under the Green Homes Grant & Home Upgrade Grant schemes relate to clawbacks that were recognised on earlier phases of the schemes (2022-23: £176 million & £nil, respectively).

Renewable Heat Incentive

The Renewable Heat Incentive scheme (RHI) spend totalled £1,218 million in 2023-24. (2022-23 £1,001 million). RHI is a UK government environmental programme designed to increase the uptake of renewable heat to help reduce carbon emissions and meet the UK's renewable energy targets. The department closed the RHI scheme to new applicants. Accredited installations are eligible to receive payments over 20 years for the non-domestic and over 7 years for domestic based on the amount of eligible heat generated. The scheme operates within England, Scotland, and Wales.

5. Finance expense

	2023-24		2022-23	
	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Change in fair value – financial assets	12	12	-	-
Net loss/(gain) on foreign exchange	-	-	-	1
Borrowing costs on provisions	14	1,438	(27)	(2,964)
Interest charges under finance leases	5	6	-	1
Unrealised foreign exchange rate losses/(gains)	-	-	1	1
Total	**31**	**1,456**	**(26)**	**(2,961)**

Included in the borrowing costs are unwinding of discount provisions for nuclear decommissioning for £1,361m in 2023-24 (£2,970m, 2022-23).

HM Treasury's prescribed equivalent real discount rates moved from being negative in 2022-23 to positive in 2023-24. Further detail of the movements in provisions can be found in notes 4 and 18.

6. Income

6.1 Operating income

	2023-24		2022-23	
	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Fees, charges and recharges to/ from external customers and central government organisations	59	132	(1)	72
Levy income	-	2,945	-	744
Sales of goods and services	7	1,003	9	1,036
Miscellaneous income	1	10	-	12
Current grants and capital grants	5	6	8	9
Other operating income	13	39	6	7
Total	**85**	**4,135**	**22**	**1,880**

Core department

‘Fees, charges and recharges to/from external customers and central UK government organisations’ for the core department of £59 million (2022-23: – £1 million) includes Integrated Corporate Services (ICS) charges to other UK government departments of £48m.

The operating model for Corporate and Central services under the Department for Business, Energy and Industrial Strategy (BEIS) was reviewed following the machinery of government (MoG) announcements in February 2023 resulting in the creation of a new 'Shared Corporate Function' – Integrated Corporate Services (ICS).

ICS is hosted by the Department for Energy Security and Net Zero (DESNZ) but provides services equally to DESNZ and Department for Science, Innovation & Technology (DSIT) and some services to the Department for Business and Trade (DBT).

All costs incurred by ICS are charged at cost only to participating departments using a recharging methodology signed off by the Oversight Board co-chaired by the Second Permanent Secretary (DESNZ) and the Chief Operating Officer (DSIT).

Departmental group

Within levy income, Electric Settlements Company's (ESC) income from Capacity Market suppliers was £1,031 million (2022-23: £686 million) and LCCC's supplier obligation levy income was £1,864 million (2022-23: £16 million)

Within 'sales of goods and services', the NDA's revenue was £955 million (2022-23: £1,021 million). The NDA has two contracts with EDF Energy for managing their spent fuel.

1. The "Historic" contract which is a combination of spent fuel reprocessing and the subsequent treatment and management of the waste and products which arise from the reprocessing process.
2. The "Future" contract which relates to post 2005 spent fuel, in which the commercial arrangement is for the NDA to take ownership of (and therefore the liability for) further arisings of spent fuel, recognising revenue upon the receipt of fuel from EDF, a process which will continue until c. 2032.

Further details can be found in the NDA's annual report and accounts.

6.2 Finance income

		2023-24		2022-23
	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Effective Interest from amortised cost assets	21	21	21	21
Interest income from FVTPL assets	412	414	-	1
Interest income from amortised cost assets	8	30	2	2
Dividend income from investments in joint ventures, associates and public dividend capital	86	-	88	88
Total	**527**	**465**	**111**	**112**

Core department

In 2023-24 core department recognised finance income of £527 million (2022-23: £111 million). This included £412 million finance income relating to the financial asset held by Bulb (2022-23: £nil).

7. Property, plant and equipment

										Departmental group 2023-24
	Land	Buildings	Leasehold improvements	Information technology	Plant and machinery	Furniture, fixtures and fittings	Transport equipment	Assets under construction	Infrastructure assets	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Cost or valuation										
Balance at 1 April 2023	**75**	**371**	**81**	**36**	**4,366**	**8**	**11**	**982**	**-**	**5,930**
Additions	427	-	(1)	1	13	-	-	980	1	1,421
Disposals	-	-	(38)	-	-	(1)	(1)	-	-	(40)
Impairments	-	-	-	-	-	-	-	(1)	-	(1)
Reclassifications	-	34	-	10	7	1	-	(52)	-	-
Revaluations	5	(4)	1	-	2	-	-	-	-	4
At 31 March 2024	**507**	**401**	**43**	**47**	**4,388**	**8**	**10**	**1,909**	**1**	**7,314**
Depreciation										
Balance at 1 April 2023	**-**	**(238)**	**(45)**	**(23)**	**(4,177)**	**(6)**	**(6)**	**(1)**	**-**	**(4,496)**
Charged in year	-	(5)	(32)	(7)	(28)	(1)	(2)	-	-	(75)
Disposals	-	-	38	-	-	1	1	-	-	40
Impairments	-	-	-	-	(14)	-	-	-	-	(14)
At 31 March 2024	**-**	**(243)**	**(39)**	**(30)**	**(4,219)**	**(6)**	**(7)**	**(1)**	**-**	**(4,545)**
Carrying amount at 31 March 2024	**507**	**158**	**4**	**17**	**169**	**2**	**3**	**1,908**	**1**	**2,769**
Carrying amount at 1 April 2023	**75**	**133**	**36**	**13**	**189**	**2**	**5**	**981**	**-**	**1,434**
Asset financing										
Owned	507	158	4	17	169	2	3	1,908	1	2,769
Carrying amount at 31 March 2024	**507**	**158**	**4**	**17**	**169**	**2**	**3**	**1,908**	**1**	**2,769**
Of the total										
Core department	-	-	1	5	-	-	-	5	-	11
NDPBs and other designated bodies	507	158	3	12	169	2	3	1,903	1	2,758
Carrying amount at 31 March 2024	**507**	**158**	**4**	**17**	**169**	**2**	**3**	**1,908**	**1**	**2,769**

	Departmental group 2022-23									
	Land £m	Buildings £m	Leasehold improvements £m	Information technology £m	Plant and machinery £m	Furniture, fixtures and fittings £m	Transport equipment £m	Assets under construction £m	Infrastructure assets £m	Total £m
Cost or valuation										
Balance at 1 April 2022	**59**	**347**	**81**	**33**	**4,320**	**8**	**11**	**141**	**-**	**5,000**
Additions	2	-	-	1	16	-	-	904	-	923
Disposals	-	(1)	-	(1)	(1)	-	(2)	-	-	(5)
Impairments	-	-	-	-	-	-	-	(18)	-	(18)
Transfers	(2)	-	-	-	1	-	-	-	-	(1)
Reclassifications	(7)	17	-	3	29	-	2	(45)	-	(1)
Revaluations	23	8	-	-	1	-	-	-	-	32
At 31 March 2023	**75**	**371**	**81**	**36**	**4,366**	**8**	**11**	**982**	**-**	**5,930**
Depreciation										
Balance at 1 April 2022	**-**	**(236)**	**(45)**	**(21)**	**(4,123)**	**(6)**	**(7)**	**-**	**-**	**(4,438)**
Charged in year	-	(3)	-	(3)	(34)	-	(1)	(1)	-	(42)
Disposals	-	1	-	1	1	-	2	-	-	5
Impairments	-	-	-	-	(21)	-	-	-	-	(21)
At 31 March 2023	**-**	**(238)**	**(45)**	**(23)**	**(4,177)**	**(6)**	**(6)**	**(1)**	**-**	**(4,496)**
Carrying amount at 31 March 2023	**75**	**133**	**36**	**13**	**189**	**2**	**5**	**981**	**-**	**1,434**
Carrying amount at 1 April 2022	**59**	**111**	**36**	**12**	**197**	**2**	**4**	**141**	**-**	**562**
Asset financing										
Owned	75	133	36	13	189	2	5	981	-	1,434
Carrying amount at 31 March 2023	**75**	**133**	**36**	**13**	**189**	**2**	**5**	**981**	**-**	**1,434**
Of the total										
Core department	-	-	34	5	-	-	-	5	-	44
NDPBs and other designated bodies	75	133	2	8	189	2	5	976	-	1,390
Carrying amount at 31 March 2023	**75**	**133**	**36**	**13**	**189**	**2**	**5**	**981**	**-**	**1,434**

Departmental group

The professional valuations of land and buildings undertaken within the departmental group were prepared in accordance with the Royal Institute of Chartered Surveyors (RICS) Valuation Standards (6th Edition), the 'Red Book'. Unless otherwise stated, land and buildings are professionally revalued every 5 years and where appropriate in the intervening period, relevant indices are used. The most significant land and buildings at 31 March 2024 were held by Nuclear Decommissioning Authority (NDA), UKAEA and Sizewell C.

Assets under construction additions as at 31st March 2024 include £918.5 million (31st March 2023: £839 million) relating to nuclear new build activities at Sizewell C. This includes costs incremental and necessary to the development of low carbon power generators, such as planning, site preparation, associated development, safety compliance and cost of developing supply chain contracts. Construction at Sizewell C is subject to the government's final investment decision.

In accordance with the FReM the majority of leasehold improvements, information technology, furniture, fixtures and fittings and plant and machinery are held at depreciated historic cost as a proxy for fair value as the assets have short useful lives or low values. Land, freehold buildings, dwellings, transport equipment and the remainder of plant and machinery are held at fair value based on professional valuations.

Within the departmental group, a variety of valuation techniques are used depending upon whether the PPE asset is a specialised asset or a non-specialised asset. Where the PPE asset is a specialised asset, then a depreciated replacement cost valuation is used, for example by research facilities. Where the PPE asset is a non-specialised asset, then an existing-use valuation is used, for example for land and office buildings. Depreciated replacement cost (DRC) valuations are based on a number of unobservable inputs; these would be classified as level 3 in accordance with IFRS 13. Existing-use value (EUV) valuations are based on a number of market corroborated but unobservable inputs e.g. land valuations are based on similar prices per hectare adjusted for the specific location of the land, whilst other EUV valuations use specific unobservable inputs, e.g. rental yields. The EUV valuations inputs are classified as level 2 and level 3 in accordance with IFRS 13.

Further information can be found in the financial statements of the individual bodies' accounts.

8. Right of use assets

	Departmental group 2023-24				
	Land £m	Buildings £m	Plant and machinery £m	Transport equipment £m	Total £m
Cost or valuation					
Balance at 1 April 2023	**11**	**108**	**8**	**24**	**151**
Additions	4	124	1	6	135
Disposals	1	(34)	-	(10)	(43)
Impairments	(1)	-	-	-	(1)
Remeasurements	1	-	-	-	1
At 31 March 2024	**16**	**198**	**9**	**20**	**243**
Depreciation					
Balance at 1 April 2023	**(1)**	**(37)**	**(7)**	**(12)**	**(57)**
Charged in year	(1)	(21)	(1)	(6)	(29)
Disposals	-	33	-	9	42
Revaluations	-	2	-	-	2
At 31 March 2024	**(2)**	**(23)**	**(8)**	**(9)**	**(42)**
Carrying amount at 31 March 2024	**14**	**175**	**1**	**11**	**201**
Carrying amount at 31 March 2023	**10**	**71**	**1**	**12**	**95**
Of the total					
Core department	-	118	-	8	125
NDPBs and other designated bodies	14	57	1	3	76
Carrying amount at 31 March 2024	**14**	**175**	**1**	**11**	**201**

	Departmental group 2022-23				
	Land £m	Buildings £m	Plant and machinery £m	Transport equipment £m	Total £m
Cost or valuation					
At 31 March 2022	10	104	8	12	**134**
Balance at 1 April 2022	**10**	**104**	**8**	**12**	**134**
Additions	-	16	-	13	29
Disposals	-	(10)	-	(1)	(11)
Transfers	-	1	-	-	1
Revaluations	-	(1)	-	-	(1)
At 31 March 2023	**10**	**110**	**8**	**24**	**152**
Depreciation					
At 31 March 2022	-	(18)	(6)	(7)	(31)
Balance at 1 April 2022	**-**	**(18)**	**(6)**	**(7)**	**(31)**
Charged in year	-	(22)	(1)	(6)	(29)
Disposals	-	3	-	1	4
At 31 March 2023	**-**	**(37)**	**(7)**	**(12)**	**(56)**
Carrying amount at 31 March 2023	**10**	**73**	**1**	**12**	**95**
Carrying amount at 31 March 2022	**10**	**86**	**2**	**5**	**103**
Of the total					
Core department	-	12	-	9	21
NDPBs and other designated bodies	10	61	1	3	75
Carrying amount at 31 March 2023	**10**	**73**	**1**	**12**	**95**

Additions to right-of-use assets during the year were £135 million (2022-23: £29 million). During the year, DESNZ assumed the lease for 3 Whitehall Place, London, the department’s headquarters location.

9. Derivative financial instruments

The most significant items included within Derivatives on the Consolidated Statement of Financial Position (SoFP) are the Contracts for Difference.

9.1 Contracts for Difference – accounting policies

Contracts for difference (CfDs) are a mechanism introduced to support investment in low carbon generation projects. CfDs have been established as a private law contract between the 'Generator' and the Low Carbon Contracts Company Ltd (LCCC), a company wholly owned by the government and consolidated within the DESNZ departmental group accounts.

CfDs have been classified as derivatives in accordance with IFRS 9 'Financial Instruments', designated as FVTPL and are stated at their 'fair value', which is equal to lifetime expected credit losses (ECL) in accordance with the requirements of IFRS 9. This means that the difference between fair value and the transaction price (nil) which was previously deferred is now included in the fair value. Any resultant gain or loss in fair value is recognised in the Consolidated Statement of Comprehensive Net Expenditure (SoCNE).

The fair value of any derivative is assessed by reference to IFRS 13 'Fair Value Measurement', which provides three options for assessment. Fundamentally, the value should always reference an open marketplace but where no marketplace exists, an option is available for internally generated fair value. The different options are hierarchical and classed as level 1, 2, or 3 inputs, where level 1 is based on market prices, level 2 is based on observable data other than market prices and level 3 is used where level 1 or 2 data is unavailable.

The fair value of the CfDs has been calculated using the income approach based on level 3 inputs, which reflects the present value of future cash flows that are expected to occur over the contract term of the CfD. To calculate future cash flows, LCCC makes its best estimate of the payments which it will be committed to make, when the generators supply low carbon electricity in accordance with the contractual terms of the CfD. LCCC does this by selecting the discounted cash flow model, and applying inputs and assumptions, to obtain a reliable estimate of future electricity prices which LCCC concludes results in the fair value measurement. The fair value measurement reflects what a market participants would consider when establishing the price, and assumes an orderly transaction between market participants, at the measurement date.

The difference between the fair value of the liability at initial recognition (day one) and the transaction price (nil), is no longer deferred at departmental group level due to IFRS 9 FReM adaptation. See note 1.7 Accounting policies, judgments, and estimates.

The contract payment period is typically for 15 years, although contracts relating to biomass conversion have an expiration date in 2027 and the bespoke Hinkley Point C (HPC) contract has a contract payment period of 35 years. CfDs may be signed many years in advance of actual generation. The main benefit to generators is the fact that they can derive economic value from these contracts over the payment period life of the contract.

Typically, if generators start generating within their Target Commissioning Window (TCW) which is specified in the contract, then the generation period starts from the date of generation and, subject to all conditions being met, the generator can extract benefit for the full term of the contract. If generators miss the end of their TCW (and it is not extended under the terms of the contract) then the payment life period commences at the end of their TCW even if the generator is not in a position to generate. If the generator does not achieve the required minimum generation capacity by the contractual Longstop Date, LCCC has a right to terminate the CfD.

Subsequent changes in fair values are recognised in the reporting period that they occur and are accounted for in the Consolidated Statement of Comprehensive

Net Expenditure and in the Consolidated Statement of Financial Position as they arise.

9.2 Estimates – valuation of CfD liabilities and assets

The fair value of the unquoted CfD contracts is calculated using the income approach (discounted cash flow model) and represents LCCC's best estimate of the payments which LCCC will be committed to make or payments receivable from generators, when the generators supply low carbon electricity in accordance with their contractual terms.

Annual cash flow is estimated as strike price minus forecast reference price, multiplied by estimated eligible generation volume. The series of periodic net operating expense is then discounted using a real discount rate based on the HM Treasury nominal rate of 2.05% adjusted by the latest OBR CPI inflation forecasts for each modelled year.

The valuation requires management to make certain assumptions about the model inputs, including cash flows, the discount rate, credit risk and volatility.

One of the key inputs into the cash flow model is the estimate of future electricity prices which is derived by applying certain inputs and assumptions such as overall electricity demand, commodity prices, carbon prices, government policy, technology, and deployment of new generating capacity. Most commercial and public sector modelling of the electricity system for long-term forecasting takes a very similar approach, but the detailed assumptions and methodology may differ.

Given the complexity, range of possible inputs, and long-term nature of the modelling, and to some extent the iterative relationship between the expectations of overall system cost and long-term demand (especially industrial demand), long-term system forecasts are not generally seen as a single “most likely” outcome with degrees of uncertainty either side. In fact, there are multiple sets of inputs that are internally consistent, and credible.

Often a set of these inputs will be used as a “scenario,” and multiple deliberately different scenarios are used to illustrate different possible futures when undertaking long-term forecasting. The range of uncertainty can be significant when forecasting but does not necessarily mean that an individual scenario is not reasonable. The departmental group has used an independent industry recognised price series for the CfD valuation at 31 March 2024. The independent industry recognised price series applied was not an outlier of other industry recognised price series

9.3 Significant areas of judgement

Fair value measurement of Hinkley Point C CfD

LCCC entered into the Hinkley Point C CfD on 29 September 2016. This project has a maximum lifetime generation cap of 910,000,000MWh. The contract will expire at the earlier of 35 years after the start date of the second reactor or when the total CfD payments made have reached the generation cap.

The Hinkley Point C CfD duration is more than double (35 years) the length of other CfDs (15 years) entered into by LCCC. This has made it considerably more challenging for management to provide a reliable single point fair value estimate for Hinkley Point C CfD, however in recent years (since 2019/20), the availability of third-party price forecasts has improved to the extent that the departmental group has been able to recognise Hinkley Point C in a similar manner to other CfDs.

9.4 CfDs

Under the legislation there is an obligation placed on licensed electricity suppliers to fund the CfD liabilities as they crystallise through the Supplier Obligation Levy.

The future levy amounts which will be received from the licensed suppliers will be accounted for within LCCC and will be triggered by the generation and supply of low carbon electricity.

As at 31 March 2024 LCCC was counterparty to 240 contracts, including Hinkley Point C.

In 2022-23, high market prices caused a number of CfDs to move to an asset position. This is reflected in the presentation on the primary statements and in the Fair Value of CfDs table below where the CfD portfolio is split between assets and liabilities.

Fair value measurement of CfDs

The fair values of CfDs represent LCCC's best estimate of the payments which the departmental group will be committed to make, if and when the generators supply low carbon electricity in accordance with their contractual terms. They are based upon the estimates of future electricity prices using an independent price series.

Should no low carbon electricity be supplied in accordance with the contractual terms, then LCCC is not under any obligation to make these payments.

Fair value of CfDs (financial liabilities at fair value through profit and loss)

The following table provides an analysis of financial instruments which are measured subsequent to initial recognition at fair value and grouped into input levels 1 to 3 within the fair value hierarchy based on the degree to which the fair value is observable:

	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Liabilities	**-**	**-**	87,740	87,740
Assets	**-**	**-**	(2,598)	(2,598)
As at 31 March 2023 (restated)	**-**	**-**	**85,142**	**85,142**
Liabilities	**-**	**-**	92,051	92,051
Assets	**-**	**-**	(2,900)	(2,900)
As at 31 March 2024	**-**	**-**	**89,151**	**89,151**

9.4.1 Key inputs and underlying assumptions for CfDs

Estimated future forecast wholesale electricity prices

Forecast wholesale electricity prices used to estimate the fair value of CfDs are derived from an independent price series. Energy price series estimates the wholesale price by:

- calculating the short run marginal cost (SRMC) of each plant (including a representation of plants in interconnected markets), taking account of start-up and shut-down costs;
- calculating the available output of intermittent renewables;
- calculating the half hourly demand for electricity by taking into account demand side response; and
- determining the marginal plant required to meet demand

Economic, climate, policy, generation, and demand assumptions are external inputs to the model including demand load curves for both business and non-business days and seasonal impacts. Specific assumptions can also be modelled for domestic and non-domestic sectors and smart meter usage.

The forecast trajectory of electricity prices is uncertain. In the valuation, LCCC management has used an industry recognised independent price series which is not an outlier. The internal model used to calculate the fair value has been updated for short-term prices, installed capacities, TLM, and load factors.

In the valuation, the wholesale price has been reduced to reflect the price the wind generator is likely to receive. Additionally, wholesale electricity forward prices have been used for the liquid trading horizon (covering the nearest 2 years period). On windy days, the price that wind generators receive is likely to be reduced.

Estimated future electricity generation

a. Transmission Loss Multiplier (TLM)

TLM reflects the fact that electricity is lost as it passes through the transmission system from generators to suppliers. If the TLM is incorrect, this will have implications for the volume of electricity subject to CfD payments. Any change in TLM will be corrected through adjustments in strike prices although the change in TLM is expected to be immaterial.

b. Start date

Generators nominate a Target Commissioning Date (TCD) in their binding application form for a CfD, and this date is specified in their CfD, following contract award. However, the generator is free to commission at any time within their Target Commissioning Window (TCW), a period of one year from the start of the TCW for most technologies, with no penalty, or after the end of the TCW and up to their “Longstop Date” (one to two years after the end of the TCW depending on technology and seven years for HPC) with a penalty in the form of reduction of contract length for each day they are late in commissioning after the end of the TCW. The contract can be terminated if the generator has not commissioned 95% (or 85% for Investment Contracts and offshore wind) of their revised installed capacity estimate by the Longstop Date. The valuation uses the latest estimate from generators on the start date.

The estimated start dates for reactor one and reactor two of the Hinkley Point C project are 1 June 2029 and 1 June 2030, respectively. The TCW for reactor one is 1 May 2025 to 30 April 2029. The TCW for reactor two is 1 November 2025 to 31 October 2029.

Given the length of time until the estimated start date there remains a degree of uncertainty and significant change to the start date will change the timing of future cash flows and have a material impact on the discounted fair value.

The HPC start date utilised is the projects view and the basis of the schedule they are utilising. An EDF SA press release in January 2024 included further unfavourable scenarios seeing operations not start until 2030 or 2031 if certain risks materialise, it is currently not possible to reasonably estimate if these will occur. These scenarios are included in the sensitivity analysis note below.

c. Installed capacity

The figure for the maximum installed capacity was provided by the generator in its application for a CfD and specified in its CfD contract following allocation. Thereafter the installed capacity figure can only be reduced by the generator for a permitted contractual construction event (which is a narrowly defined concept) or by the difference by which the relevant project has an installed capacity of 95% (or 85% in the case of Investment Contracts and offshore wind) of its current contractual installed capacity figure and 100%. The actual output of the generator will depend on the load factor.

The Hinkley Point C CfD does not have an installed capacity cap and is only entitled to CfD payment support up to a generation cap of 910,000,000 MWh.

d. Load factor

Load Factor 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). Load factor assumptions are based on reference factors published by DESNZ for given technology types; however, actual power outputs are sensitive to technological and environmental factors which may impact actual cash flows. Plant specific load factors (where a minimum of 6 months' generation data is available) is also available for consideration when valuing the CfDs.

For Hinkley Point C CfD the generator – Nuclear New Build Generation Company (HPC) Limited (NNB GenCo) provides LCCC with a generation profile, which forecasts the generation over the life of the contract.

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.

The relevant strike price is specified in each CfD and 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. The strike price used in the valuation of the CfDs is the 2024/25 strike price and reflects the CPI rate for January 2024, in line with the requirements of the CfD contract.

The announcement made by Ofgem in April 2022 stating that from the 1st April 2023 generators will no longer pay BSUoS charges has been incorporated into the strike price forecast as at the 31st March 2024.

If a Contract for Difference (or equivalent support) in relation to Sizewell C is entered into before the reactor one start date, then the applicable strike price shall be reduced with effect from the date of satisfaction of the Sizewell C condition by £3/MWh. There have been legal developments around RAB and government investment during the year and LCCC management recognise that the likelihood of Sizewell C entering into a Contract for Difference (or equivalent) is greater than the prior year. LCCC management have taken a view that the Sizewell C is more like to occur than not and have recognised 75% of the strike price adjustment, using £90.25/MWh (2022-23 – £91.00/MWh) in the valuation. The impact of the strike price adjustment crystalising either way is included in the sensitivity analysis in the sensitivity analysis below.

Equity gain share for Hinkley Point C

The equity gain share mechanism consists of two separate components: (i) a mechanism to capture gains above specified levels where the Hinkley Point C project outperforms relative to the original base case assumptions; and (ii) a mechanism to capture gains above specified levels arising from the sale of equity and economic interests (direct or indirect) in the Hinkley Point C project.

In each case, as and when the Internal Rate of Return (IRR) thresholds are reached:

- If the relevant IRR is more than 11.4%, LCCC will receive 30% of any gain above this level
- If the relevant IRR is more than 13.5%, LCCC will receive 60% of any gain above this level

No adjustment to the valuation has been made for equity gain share on the grounds that none of the conditions outlined above have been met and it is currently not possible to reasonably estimate if they will be met in the future.

Construction gain share for Hinkley Point C

If the construction costs of Hinkley Point C come in under budget, the strike price will be adjusted downwards so that the gain (or saving) is shared with LCCC. The gain share is 50/50 for the first billion pounds, with savings in excess of this figure being shared 75% to LCCC and 25% to NNB Generation Company.

Reducing the strike price will reduce the amounts paid out to NNB Generation Company under the CfD will reduce and hence the benefit of the lower construction costs is shared between NNB Generation Company and ultimately consumers. There is, however, no similar upward adjustment if the construction cost of Hinkley Point C is over budget.

No adjustment to the valuation has been made for construction gain share on the grounds that there has not been any construction gain share during the year, and none is forecasted to occur in the future.

OPEX reopener for Hinkley Point C

The strike price may be adjusted upwards if the operational expenditure costs are more than assumed and downwards if they are less. There are two operational expenditure reopener dates, at 15 years and 25 years after the first reactor start date. The rationale behind the reopener is that the strike price is based on long-term assumptions on operational expenditure costs. The reopener provides a way of mitigating long-term cost risks for both parties.

No adjustment to the valuation has been made for OPEX reopener on the grounds that the opex reopener dates have not been reached yet and there is no evidence that original assumptions are invalid.

9.4.2 Sensitivity analysis

Long-term system forecasts are not generally seen as a single most likely outcome with degrees of uncertainty either side. Rather there are multiple sets of inputs that are internally consistent and credible. A set of these inputs is usually used as a ‘scenario’ and multiple deliberately different scenarios are used to illustrate different possible futures when undertaking long-term forecasting. Therefore, individual forecasts may use a very different set of assumptions such as generation mix, carbon and fuel costs, electricity demand and interconnector capacity, but still be within what we would describe as the ‘universe of reasonableness’.

LCCC management has decided to use the reference case scenario of an industry recognised independent forecast that is not an outlier.

An additional element in the calculation of the CfD liability is the discount rate that is applied. Uncertainty increases with time and so the choice of discount rate plays a significant part in determining how much uncertainty is weighted into a present value calculation, a higher discount rate places less weight on increasingly more uncertain years of a present value calculation.

In line with 2022-23, LCCC has this year derived a real discount rate from the HM Treasury nominal discount rate of 2.05% adjusted by the latest CPI inflation forecasts for each modelled year, given that the strike price is indexed to CPI, resulting in the following real discount rates:

2024/25	0.49%
2025/26	0.44%
2026/27	0.38%
2027/28 and thereafter	0.05%

For future year-on-year comparability an undiscounted valuation of the CfDs has been included

	CfDs exc.HPC	HPC CfD	Total
	£m	£m	£m
As at 31 March 2021	**38,865**	**61,221**	**100,086**
As at 31 March 2022	**34,844**	**58,381**	**93,225**
As at 31 March 2023	**25,627**	**60,424**	**86,051**
As at 31 March 2024	**33,003**	**57,716**	**90,719**

The following table shows the impact on the fair value of CfDs, classified under level 3, by applying reasonably possible alternative assumptions. Due to the significance and uniqueness of Hinkley Point C CfD the impact (and certain assumptions) has been shown separately.

	Favourable/ (unfavourable) HPC CfD	Favourable/ (unfavourable) Other CfDs	Favourable/ (unfavourable) Total impact
	£m	£m	£m
Change in fair value of CfDs if:			
Highest price third party series	29,525	46,608	76,133
Lowest price third party series	(18,373)	(27,727)	(46,100)
Discount rate of 3.5%	29,099	5,818	34,917
2022-23 Discount rate	(199)	598	399
Undiscounted	(1,191)	(377)	(1,568)
Specific to Other CfDs:			
2% more load factor	-	(652)	(652)
4% more load factor	-	(1,305)	(1,305)
2% less load factor	-	652	652
4% less load factor	-	1,305	1,305
Estimated Commissioning Date moves backward by one year	-	(831)	(831)
Generation starts at the earliest possible date	-	496	496
Specific to HPC CfD:			
10% less load factor	5,653	-	5,653
Generation cap	(528)		(528)
Generation brought forward one year	255	-	255
Generation start date delayed one year from estimated start date	1,521	-	1,521
Generation start date delayed two years from estimated start date	3,077	-	3,077
Sizewell C strike price adjustment (100%, £3)	914	-	914
Sizewell C strike price adjustment (0%, £nil)	(2,741)	-	(2,741)

The fair value is highly dependent upon the actual capacity generated once the plant is built and the electricity prices which will prevail at the time of generation. The favourable and unfavourable changes show how the impact of changes in capacity and prevailing electricity prices will affect the fair value of CfDs due to the change in the level of cash flows.

Significant unobservable inputs

The following table discloses the valuation techniques and significant unobservable inputs for CfDs recognised at fair value and classified as level 3 along with the range of actual values used in the preparation of the financial statements.

	Fair value of CfDs	Valuation technique	Significant unobservable input	Range min-max	Units
	£m				
2021	88,930	DCF	Electricity prices	24.62-77.77	£/MWh
2022	97,591	DCF	Electricity prices	37.84-244.00	£/MWh
2023 (restated)	85,142	DCF	Electricity prices	39.07-141.35	£/MWh
2024	89,151	DCF	Electricity prices	25.54 – 78.94	£/MWh

The table below represents the movement in CfDs valuation at 31st March 2024.

	LCCC CfDs assets	LCCC CfDs liabilities	Departmental group total
	£m	£m	£m
CfD liability as at 31 March 2022 recognised on the Consolidated Statement of Financial Position	**-**	**(97,591)**	**(97,591)**
(Gain) / loss reclassification	(2,144)	2,144	**-**
Change in fair value during the year	4,741	7,707	**12,448**
Payments to the CfD generators	-	16	**16**
CfDs terminated in prior year	-	(15)	**(15)**
CfD liability as at 31 March 2023 recognised on the Consolidated Statement of Financial Position	**2,598**	**(87,740)**	**(85,142)**
Gain / Loss reclassification	(115)	115	**-**
Change in fair value during the year	172	(6,367)	**(6,195)**
Payments to the CfD generators	-	1,865	**1,865**
CfDs terminated during the year	245	76	**321**
CfD liability as at 31 March 2024 recognised on the Consolidated Statement of Financial Position	**2,900**	**(92,051)**	**(89,151)**
CfDs movement recognised in SoCNE, comprising of:			**4,009**
CfDs levy income recognised under other income	-	(1,865)	(1,865)
Remeasurement of contracts for difference derivatives	302	(6,176)	(5,874)

The movement in CfDs is comprised of revaluation, terminated CfDs and payments made to generators in year.

The table below represents the split of all CfD assets and liabilities between current and non-current. The entire Hinkley Point C liability is included in non-current liabilities.

	CfDs as at 31 March 2024	CfDs as at 31 March 2023
	£m	£m
LCCC CfD assets		
Current	17	2
Non-current	2,883	2,596
Total LCCC CfD assets	**2,900**	**2,598**
LCCC CfD liabilities		
Current	(3,055)	(630)
Non-current	(88,996)	(87,110)
Total LCCC CfD liabilities	**(92,051)**	**(87,740)**

10. Investments and loans in other public sector bodies

	Ordinary shares	Other investments and loans	Core department	Elimination of shares and other investments and loans held in NDPBs	NDPBs ordinary shares	Departmental group total
	£m	£m	£m	£m	£m	£m
Balance at 1 April 2022	**440**	**282**	**722**	**(6)**	**611**	**1,327**
Additions	363	2,047	**2,410**	(363)	-	**2,047**
Disposals	(5)	-	**(5)**	5	-	**-**
Redemptions	-	(67)	**(67)**	-	-	**(67)**
(Impairments) / Impairment reversal	-	(247)	**(247)**	1	-	**(247)**
Revaluations	10	629	**639**	-	-	**639**
Unwinding of discount	-	1	**1**	-	-	**1**
Balance at 31 March 2023	**808**	**2,645**	**3,453**	**(363)**	**611**	**3,700**
Transfers from Non-Current	-	-	**-**	(343)	-	**(343)**
Additions	1,089	14	**1,103**	(1,089)	-	**14**
Redemptions	-	(331)	**(331)**	-	-	**(331)**
Revaluations	(5)	695	**690**	-	85	**775**
Unwinding of discount	-	5	**5**	-	-	**5**
Balance at 31 March 2024	**1,892**	**3,028**	**4,920**	**(1,796)**	**696**	**3,820**

10.1 Ordinary shares in other public sector bodies

	31 March 2024		31 March 2023	
	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Balance at 1 April	**808**	**1,055**	**440**	**1,046**
Transfers In/(Out)	-	(343)	-	-
Additions	1,089	-	363	-
Disposals	-	-	(5)	-
Revaluations	(5)	81	10	9
Balance at 31 March	**1,892**	**793**	**808**	**1,055**
Comprising				
Ordinary shares held within the departmental boundary – held at cost	1,795	-	363	-
Ordinary shares held outside the departmental boundary – held at fair value	97	793	445	1,055
Balance at 31 Mar	**1,892**	**793**	**808**	**1,055**

Core department: ordinary shares in other public sector bodies held within the departmental boundary

In accordance with the FReM, ordinary shares held within the departmental boundary are carried at historical cost less any provision for impairment. They are eliminated on consolidation.

Sizewell C (Holding) Ltd (SZC)

- The core department through the Secretary of State (SoS) holds 37,289,810 ordinary shares (31 March 2023: 11,468,409), each with a nominal value of £1. The core department invested in additional share capital during the year of £1,089 million (31 March 2023: £363 million). The core department's holding had a cost of £1,452 million at 31 March 2024 (31 March 2023: £363 million)
- The principal objective of the company is the development of the Sizewell C nuclear power station in Suffolk

- The material asset held by the subsidiary company, NNB Generation Company (SZC) Ltd, is the asset under construction of £2,016 million (31 March 2023: £839 million) included in note 7 Plant, Property and Equipment. Non-controlling interest of £542 million (31 March 2023: £539 million) is recognised in relation to the investment and is included in Consolidated Statement of Changes in Taxpayers' Equity (departmental group)

UK Green Infrastructure Platform (UKGIP)

- The core department through the SoS holds 90% of the share capital of UK Green Infrastructure Platform Limited in the form of 900 ordinary shares (31 March 2023: 900), each with a nominal value of £1
- The core department's holding had a cost less provision for impairment of £Nil at 31 March 2024 (31 March 2023: £Nil)
- UKGIP was established to enable the UK government to retain an interest in five existing Green Investment Bank (GIB) investments. The Green Investment Group is the remaining 10% shareholder. Following Special Resolutions passed on 06 April 2022 UKGIP is being wound up, via a Members' Voluntary Liquidation, having fulfilled its objectives to manage the UK government's interests in the unsold assets from the Green Investment Bank

Low Carbon Contracts Company Limited (LCCC)

- The core department through the SoS holds one ordinary share in LCCC with a nominal value of £1
- The principal objective of the company is to be the counterparty to and manage Contracts for Difference (CfDs) throughout their lifetime

Electricity Settlements Company Limited (ESC)

- The core department through the SoS holds one ordinary share in ESC with a nominal value of £1
- The principal objective of the company is to oversee settlement of the Capacity Market agreements

Enrichment Holdings Limited (EHL)

- The core department through the SoS holds two shares of £1 each in EHL with a nominal value of £2
- EHL has been set up as a holding company, along with a subsidiary company, Enrichment Investments Limited (EIL), solely to hold the UK government's one third share in Urenco Limited, an entity operating in the civil uranium enrichment sector

Great British Nuclear (GBN), previously British Nuclear Fuels Limited (BNFL)

- The core department holds 50,000 ordinary shares in GBN at a nominal value of £1 each. 49,999 of these shares are held through the Secretary of State (SoS) and the Treasury Solicitor holds one ordinary share. The core department's holding had a cost of £343 million at 31 March 2024 (31 March 2023: £343 million)
- Shares in GBN were previously held outside of the departmental boundary and were brought within the departmental boundary on 1 April 2023

Core department: ordinary shares held outside of the departmental boundary

Shares held outside of the departmental boundary are carried at fair value through other comprehensive income.

NNL Holdings Limited (NNLH)

- The core department through the SoS holds two shares of £1 each in NNLH with a nominal value of £1 each
- NNLH has been set up as a holding company, to hold all the shares in the National Nuclear Laboratory Limited

- The shareholding is held at fair value, but because there is no active market for these shares the net asset value of NNLH is considered to be a reasonable approximation for fair value. The fair value as at 31 March 2024 was £97 million (31 March 2023: £102 million)

Departmental group

NDA subsidiaries

The NDA controls the following subsidiaries, all of which are outside the departmental group boundary and not consolidated into these accounts. The holdings are valued at fair value. As there is no active market, the net assets of the entities are considered the most appropriate approximation for fair value and amounted to £684 million as at 31 March 2024 (31 March 2023: £610 million).

Name	Nature of business	Country of incorporation	Holding entity	Proportion of ordinary shares held
Rutherford Indemnity Limited	Nuclear insurance	Guernsey	NDA	100%
Direct Rail Services Limited	Rail transport services within the UK	UK	NDA	100%
Pacific Nuclear Transport Limited (i)	Transportation of spent fuel, reprocessing products and waste	UK	NDA	72.00%
International Nuclear Services Limited	Contract management and the transportation of spent fuel, reprocessing products and waste	UK	NDA	100%
Radioactive Waste Management	Responsible for planning and delivering geological disposal in the UK	UK	NDA	100%
NDA Properties Limited	Property management	UK	NDA	100%
NDA ARCHIVES LIMITED (ii)	Archives activities	UK	NDA	100%
Sellafield	Cleaning-up the UK's highest nuclear risks and hazards to safeguarding nuclear fuel, materials and waste	UK	NDA	100%

Name	Nature of business	Country of incorporation	Holding entity	Proportion of ordinary shares held
Dounreay Site Restoration Ltd (DSRL)	responsible for the clean-up and decommissioning of the Dounreay fast breeder reactor research site on the north coast of Scotland.	UK	NDA	100%
Magnox	Responsible for the safe and secure clean-up of 12 nuclear sites and operation of one hydro-electric plant	UK	NDA	100%
Low Level Waste Repository Ltd	Waste management across the UK	UK	NDA	100%
International Nuclear Services France SAS (i)	Transportation of spent fuel	France	NDA	100%
International Nuclear Services Japan KK (i)	Transportation of spent fuel	Japan	NDA	100%

(i) Ownership through International Nuclear Services Limited.

(ii) Included in the departmental boundary but excluded from consolidation on materiality grounds.

10.2 Loans in public sector bodies

	31 March 2024		31 March 2023	
	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Balance at 1 April	**2,645**	**2,645**	**282**	**281**
Additions	14	14	2,047	2,047
Repayments	(331)	(331)	(66)	(66)
Unwinding of Discount	5	5	1	1
Impairments	-	-	(248)	(248)
Revaluations	694	694	629	629
Balance at 31 March	**3,027**	**3,027**	**2,645**	**2,645**
Out of which:				
Due within 12 months	2,961	2,961	67	66
Due after 12 months	66	66	2,578	2,579

Core department

The most significant loans are detailed below.

Energy Efficiency Loans Scheme and Recycling Funds

The core department's Energy Efficiency Loans Scheme was 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.

The total carrying amount at 31 March 2024 was £188 million (31 March 2023: £238 million). All outstanding loans are to public sector organisations and are reported at amortised cost under IFRS 9.

The loans are to non-consolidated bodies and not eliminated on consolidation.

Bulb Energy Ltd (in special administration) WAMA agreement with Octopus Energy Operations Limited

Following ONS classification of Bulb to central government, the department recognises the financial asset held by Bulb in relation to WAMA agreement in the core department's financial statements in line with IFRS 3. The initial funding to Bulb to enable it to enter into WAMA agreement with Octopus was provided by the core department during 2022-23. The objective was to ensure that special administration regime and exit from administration achieves the best outcome practicable for energy customers, taxpayers, and the industry. The financial asset is measured at fair value through profit or loss under IFRS 9. The fair value at 31 March 2024 was £2,838 million (31 March 2023: £2,406 million).

The fair value was calculated using the income approach. The objective of using a valuation technique is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. Given the close proximity of the due date for repayment under the terms of the WAMA we have considered the value of contractual cashflows less financial income to be the most appropriate methodology.

The loan is to a non-consolidated body and not eliminated on consolidation.

10.2 Special shares

The Secretary of State holds one special share in each of the entities listed below. The list includes a summary of the significant terms of shareholding, and not a comprehensive record. Further details can be obtained from the annual report and financial statements of each body or their Articles of Association. The core department does not recognise the special or 'golden' shares on its SoFP.

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, Security and Net Zero 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
  - 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 Generation Ltd) – £1 Special Share

- British Energy Generation Ltd Special Share created in 1996 is held solely by the Secretary of State for Energy, Security and Net Zero
- 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
  - prior to the permanent closure of such a station, the disposal of any asset which is necessary for the station to generate electricity

Nuclear Liabilities Fund Ltd – £1 Special Rights Redeemable Preference Share

- Created in 1996
- The Secretary of State for Energy, Security and Net Zero 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
  - the company to change its accounting reference date

11. Other financial assets

	Note	31 March 2024		31 March 2023	
		Core department £m	Departmental group £m	Core department £m	Departmental group £m
Balance at 1 April		**341**	**341**	**320**	**320**
Additions		43	43	10	10
Repayments		(125)	(125)	-	-
Unwinding of Discount		2	2	2	2
Revaluations		5	5	9	9
Impairments		(8)	(8)	-	-
Balance at 31 March		**258**	**258**	**341**	**341**

Core department

The most significant balances are detailed below.

Private sector loans: Sizewell C (Holding) Ltd (SZC)

The core department had a £106 million loan balance with SZC brought forward from previous financial years. The whole amount, which after charging effective interest for the year, stood at £119 million, was converted to equity in the year so the carrying value at 31 March 2024 was £Nil (31 March 2023: £106 million). This balance is now therefore reflected in note 10.1 Ordinary Shares.

Private sector loans: Heat Networks Investment Project (HNIP)

HNIP is a government funding programme that aims to increase the number of heat networks being built, deliver carbon savings and help create the conditions necessary for a sustainable heat network market to develop. The core department issued loans under the project in the 2020-21 & 2021-22 financial years, which at 31 March 2024 had a carrying value of £68 million (31 March 2023: £79 million). In accordance with IFRS 9, the loans are reported at amortised cost.

Investment funds: Mobilising Finance for Forests (MFF)

MFF was established in 2021 as a blended finance investment programme to combat deforestation and other environmentally unsustainable land use practices contributing to global climate change. The core department invested a further £25 million in the year and inclusive of previous investments and revaluations, the carrying value of the asset at 31 March 2024 was £115 million (31 March 2023: £95 million). In accordance with IFRS 9, the investment is measured at ‘fair value through profit and loss’ with fair value movements going directly to the SoCNE.

11.1 Other loans and investments

	Term deposits £m	Private sector loans £m	Private sector shares	Investment funds £m	Total £m
Balance at 1 April 2022	**-**	**178**	**40**	**102**	**320**
Additions	1	7	-	2	**10**
Revaluations	-	-	9	-	**9**
Unwinding of Discount	-	2	-	-	**2**
Balance at 1 April 2023	**1**	**187**	**49**	**104**	**341**
Additions	-	14	-	29	**43**
Redemptions	(1)	(124)	-	-	**(125)**
Revaluations	-	-	(10)	15	**5**
Unwinding of Discount	-	2	-	-	**2**
Impairments	-	(8)	-	-	**(8)**
Balance at 31 March 2024	**-**	**71**	**39**	**148**	**258**
Of the total					
Core department	-	71	39	148	**258**
NDPBs and other designated bodies	-	-	-	-	-
Balance at 31 March 2024	**-**	**71**	**39**	**148**	**258**

12. Recoverable contract costs

The departmental 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. Net recoverable costs at 31 March 2024 were £582 million (31 March 2023: £992 million). Further details can be found in the NDA’s annual report and accounts.

	Departmental group	Departmental group
	31 March 2024	31 March 2023
Recoverable contract costs relating to nuclear provisions	**£m**	**£m**
Gross recoverable contract costs	**3,911**	**4,461**
Less applicable payments received on account	(3,315)	(3,452)
Less associated contract loss provisions	(14)	(17)
Balance at 31 March	**582**	**992**

The balances above relate to the NDA. The table below shows the movements in gross recoverable contract costs during the year.

Movements in gross recoverable contract costs

	Departmental group	Departmental group
	31 March 2024	31 March 2023
	£m	£m
Gross recoverable contract costs at 1 April	**4,461**	**6,781**
Increase/(decrease) in year	(33)	(1,855)
Unwinding of discount	29	(72)
Release in year – continuing operations	(430)	(254)
Amortisation of recoverable contract costs	(116)	(139)
Balance at 31 March	**3,911**	**4,461**

The gross balance of recoverable contract costs of £3,911 million (31 March 2023: £4,461 million) comprises £1,048 million (31 March 2023: £1,164 million) of past costs which were incurred before the revenue recognition period of the related contracts and will be amortised in future years in line with revenue and £2,863 million (31 March 2023:

£3,297 million) of probable future costs which form part of the nuclear decommissioning provision (note 18.1) and will be released as they are incurred.

The movements in the gross recoverable contract costs during the year broken down by the type of costs are detailed in the table below.

	Departmental group			Departmental group		
	31 March 2024			31 March 2023		
	Historic costs	Future costs	Total costs	Historic costs	Future costs	Total costs
	£m	£m	£m	£m	£m	£m
Balance at 1 April	**1,164**	**3,297**	**4,461**	**1,303**	**5,478**	**6,781**
Increase/(decrease) in the year	-	(33)	**(33)**	-	(1,855)	**(1,855)**
Unwinding of discount	-	29	**29**	-	(72)	**(72)**
Amortisation	(116)	-	**(116)**	(139)	-	**(139)**
Release in year	-	(430)	**(430)**	-	(254)	**(254)**
Balance at 31 March	**1,048**	**2,863**	**3,911**	**1,164**	**3,297**	**4,461**

The historic costs within the above are deemed contract assets under IFRS 15 ‘Revenue from Contracts with Customers’. The opening balances, amortisation in period and closing balances for each main contract type are shown below.

	Departmental group			Departmental group		
	31 March 2024			31 March 2023		
	Spent fuel reprocessing and associated waste management	Spent fuel receipt and management	Total	Spent fuel reprocessing and associated waste management	Spent fuel receipt and management	Total
	£m	£m	£m	£m	£m	£m
Balance at 1 April	**726**	**438**	**1,164**	**808**	**495**	**1,303**
Amortisation	(54)	(62)	**(116)**	(82)	(57)	**(139)**
Balance at 31 March	**672**	**376**	**1,048**	**726**	**438**	**1,164**

Contract assets under IFRS 15 are deemed financial instruments for the purposes of IFRS 9 ‘Financial Instruments’ and, therefore, are ordinarily required to be reviewed for expected credit loss impairment. The above contract asset balances comprise costs which have been previously incurred and are now being amortised in each reporting period. They are not related to or dependent on the future payments still to be made under each contract and therefore a credit loss impairment is not required.

13. Investments in joint ventures and associates

	31 March 2024		31 March 2023	
	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Balance at 1 April	**-**	**938**	**-**	**628**
Dividends	-	(86)	-	(86)
Profit/(loss)	-	73	-	340
Revaluations	-	(4)	-	56
Balance at 31 March	**-**	**921**	**-**	**938**

Urenco

Urenco is an international supplier of enrichment services. The department holds 33% (31 March 2023: 33%) of the ordinary share capital through Enrichment Holdings Limited. The department accounts for its investment in Urenco as an associate using the equity method. At 31 March 2024, the departmental group's holding was valued at £819 million (31 March 2023: £839 million).

Urenco's group financial statements are prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRS as issued by the IASB. The financial statements are prepared to 31 December and are presented in euros.

The principal place of business is Bells Hill, Stoke Poges, Buckinghamshire.

Summarised financial information	2023-24 £m	2022-23 £m
Non-current assets	5,126	5,332
Current assets	2,466	2,038
Current liabilities	(934)	(396)
Non-current liabilities	(4,073)	(4,326)
Revenue	(1,672)	(1,463)
Income tax expense	69	104
(Profit)/loss from continuing activities	(235)	(1,000)

Other financial information	2023-24 £m	2022-23 £m
Cash and cash equivalents	767	654
Current financial liabilities (excluding trade and other payables and provisions)	(511)	(148)
Non-current financial liabilities (excluding trade and other payables and provisions)	(778)	(1,252)
Depreciation and amortisation	(404)	(315)
Interest income	(108)	(188)
Interest expense	189	247

Other

There are other joint ventures and associates which are not material and further information can be found in the financial statements of UKAEA.

14. Trade and other receivables

	2023-24		2022-23	
	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Amounts falling due within 1 year				
Trade receivables	134	215	1,843	1,894
Other receivables:				
VAT and other taxation	33	310	19	210
Staff receivables	1	1	-	1
Other	208	341	760	1,002
Contract assets	-	33	-	30
Prepayments and accrued income	100	204	37	83
	476	**1,104**	**2,659**	**3,220**
Amounts falling due after more than 1 year				
Trade receivables	-	52	-	51
Other receivables	219	225	312	351
Prepayments and accrued income	6	36	4	34
	225	**313**	**316**	**436**
Total receivables at 31 March	**701**	**1,417**	**2,975**	**3,656**

Core department

Other receivables due within one year held by the core department include £104 million (2022-23: £140m) in relation to Mineworkers' Pension Scheme.

Other receivables due after more than one year held by the core department of £220m (2022-23: £312m) relate to the Mineworkers’ Pension Scheme.

The Mineworkers’ Pension Scheme was guaranteed by the government after privatisation of the British Coal Corporation in 1994. The agreement relating to the guarantee entitles the government to a portion of any periodic valuation surpluses as determined by the Government Actuary’s Department, most recently as at September 2020. Amounts receivable have been measured initially at fair value, estimated by discounting future receipts at the nominal rate of 3.7% as prescribed by HM Treasury, and subsequently at amortised cost. The total (undiscounted) amount in cash terms due to the department as at 31 March 2024 is £346m (2022-23: £488 million) as annual receipts to FY2027-28.

Contingent assets are also recognised in relation to the Mineworkers’ Pension Scheme Investment Reserve and British Coal Staff Superannuation Scheme Guarantor Fund, disclosed in note 23.

15. Cash and cash equivalents

	31 March 2024		31 March 2023	
	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Balance at 1 April	**1,098**	**2,083**	**2,232**	**2,995**
Net change in cash and cash equivalent balances	(73)	654	(1,134)	(912)
Balance at 31 March	**1,025**	**2,737**	**1,098**	**2,083**
The following balances were held at				
The Government Banking Service (GBS)	884	1,835	683	1,394
Commercial banks and cash in hand	142	902	415	689
Balance at 31 March	**1,025**	**2,737**	**1,098**	**2,083**

16. Trade payables and other liabilities

	31 March 2024		31 March 2023	
	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Amounts falling due within 1 year				
VAT, social security and other taxation	22	118	100	197
Trade payables	122	399	45	268
Other payables	470	1,131	324	1,016
Contract liabilities (see note 16.1)	-	758	-	736
Other accruals and deferred income	3,048	4,355	5,525	6,296
Amounts issued from the Consolidated Fund for supply but not spent at year end	1,025	1,025	970	970
Consolidated Fund extra receipts due to be paid to the Consolidated Fund: Received	-	136	130	148
	4,687	**7,922**	**7,094**	**9,631**
Amounts falling due after more than 1 year				
Trade payables	-	22	-	4
Contract liabilities (see note 16.1)	-	1,261	-	1,437
Other payables, accruals and deferred income	-	57	-	52
	-	**1,340**	**-**	**1,493**
Total payables at 31 March	**4,687**	**9,262**	**7,094**	**11,124**

16.1 Contract liabilities

	31 March 2024		31 March 2023	
	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Balance at 1 April	**-**	**2,173**	**-**	**2,262**
Additions	-	254	-	277
Change in measurement	-	317	-	306
Release to SoCNE	-	(725)	-	(672)
Balance at 31 March	**-**	**2,019**	**-**	**2,173**
Of the total				
Due within 1 year	-	758	-	736
Due in over 1 year	-	1,261	-	1,437
Balance at 31 March	**-**	**2,019**	**-**	**2,173**

Promissory note liabilities of £1,940 million (31 March 2023: £1,893 million) which relate to various ODA (official development assistance) programmes to which the department has contributed.

Other accruals and deferred income amounts falling due within 1 year include £519 million (31 March 2023: £348 million) for Renewable Heat Incentive schemes.

Departmental group

The majority of contract liabilities are the sums received on account by the Nuclear Decommissioning Authority relating to income from long-term contracts to be recognised within one year of £758 million (31 March

2023: £736 million) and after one year of £1,261 million (31 March 2023: £1,437 million).

These are payments received on account which relate to amounts which customers have paid the NDA 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. Payments on account not yet recognised as revenue are adjusted for inflation each year (known as revalorisation).

17. Lease liabilities

	31 March 2024 £m		31 March 2023 £m	
	Core department	Departmental group	Core department	Departmental group
Land				
Not later than one year	-	1	-	1
Later than one year and not later than 5 years	-	4	-	3
Later than 5 years	-	16	-	12
	-	**21**	-	**16**
Less interest element	-	(3)	-	(3)
Present value of obligations	**-**	**18**	-	**13**
Buildings				
Not later than one year	5	9	11	19
Later than one year and not later than 5 years	31	45	2	20
Later than 5 years	143	190	-	47
	179	**244**	**13**	**86**
Less interest element	(56)	(60)	-	(9)
Present value of obligations	**123**	**184**	**13**	**77**
Other				
Not later than one year	4	6	4	6
Later than one year and not later than 5 years	4	6	5	6
Later than 5 years	-	-	-	-
	8	**12**	**9**	**12**
Less interest element	-	-	-	-

	31 March 2024 £m		31 March 2023 £m	
	Core department	Departmental group	Core department	Departmental group
Present value of obligations	**8**	**12**	**9**	**12**
Total present value of obligations	**131**	**214**	**22**	**102**
Current	9	18	15	25
Non-current	122	196	7	77

	31 March 2024 £m		31 March 2023 £m	
Lease liability – additional analysis	**Core department**	**Departmental group**	**Core department**	**Departmental group**
Interest on lease liabilities	4	7	-	1
Expenses relating to short-term liabilities	-	4	-	1
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	-	1	-	4
Gains or losses arising from sale and leaseback transactions	-	-	-	-

18. Provisions for liabilities and charges

	Note	31 March 2024		31 March 2023	
		Core department £m	Departmental group £m	Core department £m	Departmental group £m
Current liabilities					
Not later than 1 year		342	4,427	3,660	7,654
Total current liabilities		**342**	**4,427**	**3,660**	**7,654**
Non-current liabilities					
Later than 1 year and not later than 5 years		734	16,662	746	16,209
Later than 5 years		671	88,168	807	108,795
Total non-current liabilities		**1,405**	**104,830**	**1,553**	**125,004**
Total at 31 March		**1,747**	**109,257**	**5,213**	**132,658**
Total provisions					
Nuclear	18.1	1,104	106,866	1,183	126,348
Other	18.2	643	2,391	4,031	6,310
Total at 31 March		**1,747**	**109,257**	**5,213**	**132,658**

The provision liabilities have been discounted to present value using discount rates as provided by HM Treasury.

Discounting as at 31 March 2024 and 31 March 2023 has been applied to nominal cash flows which include allowance for future inflation using a forecast of consumer price inflation provided by HM Treasury except where a more appropriate forecast has been identified for specific provisions.

The impact of the change in the discounting approach is included in the “change in discount rate” movement of provisions.

	31 March 2024			31 March 2023		
	Nominal discount rate	Inflation rate	Equivalent real discount rate	Nominal discount rate	Inflation rate	Equivalent real discount rate
Cash outflows expected within 2 years	4.26%	3.60%	0.64%	3.27%	7.40%	(3.85%)
Cash outflows expected between 2-5 years	4.26%	1.80%	2.19%	3.27%	1.65%	1.59%
Cash outflows expected between 5-10 years	4.03%	2.00%	2.87%	3.20%	2.00%	1.18%
Cash outflows expected after 10 years	4.72%	2.00%	2.35%	3.08%	2.00%	1.06%

Allowances for future inflation and discounting can impact on reported liabilities significantly; uninflated, undiscounted equivalent values are provided in the descriptions of the provisions below to illustrate the effect.

18.1 Nuclear provisions

	British Energy £m	UK Atomic Energy Authority Decommissioning £m	Core department Total £m	NDA Decommissioning £m	Contract loss £m	Departmental group Total £m
Balance at 1 April 2022	**570**	**490**	**1,060**	**236,766**	**432**	**238,258**
Net amount deducted from recoverable contract costs	-	-	**-**	-	387	**387**
Unwinding of discount	(16)	(7)	**(23)**	(3,042)	(3)	**(3,068)**
Change in discount rate	(73)	292	**219**	(115,953)	113	**(115,621)**
Provided in the year	88	-	**88**	10,536	-	**10,624**
Provisions not required written back	(26)	(12)	**(38)**	-	(919)	**(957)**
Provisions utilised in the year	(123)	-	**(123)**	(3,142)	(10)	**(3,275)**
Balance at 31 March 2023	**420**	**763**	**1,183**	**125,165**	**-**	**126,348**
Net amount deducted from recoverable contract costs	-	-	-	-	4	**4**
Unwinding of discount	7	3	10	1,390	(7)	**1,393**
Change in discount rate	6	(70)	(64)	(26,318)	1	**(26,381)**
Provided in the year	22	80	102	9,163	-	**9,265**
Provisions not required written back	-	-	-	-	8	**8**
Provisions utilised in the year	(99)	(28)	(127)	(3,638)	(6)	**(3,771)**
Balance at 31 March 2024	**356**	**748**	**1,104**	**105,762**	**-**	**106,866**

Core department

British Energy

As a result of the restructuring of British Energy (BE) in January 2005, the UK government assists BE (now EDF Energy Nuclear Generation Limited) 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 core department. The discounted liability at 31 March 2024 is £357 million (31 March 2023: £420 million). Payments are adjusted in line with the Retail Prices Index and the liability includes allowance for future inflation based on a forecast for the Index published by the Office for Budget Responsibility. The undiscounted liability at 31 March 2024, at prices as at the reporting date so excluding the impact of future inflation, is £356 million (31 March 2023: £420 million).

UK Atomic Energy Authority (UKAEA) Decommissioning

The provision represents the estimated costs of decommissioning the Joint European Torus facility at UKAEA's Culham site, including the storage, processing and eventual disposal of radioactive wastes. The core department retains the liability for these costs. Cost estimates in the detailed Life Time Plan for decommissioning are reviewed annually and include an element of uncertainty given that much of the work will not be undertaken until well into the future. The facility closed at the end of 2023, and the decommissioning phase is expected to last for c. 17 years. The discounted liability at 31 March 2024 was £749 million (31 March 2023: £763 million); the undiscounted liability at 31 March 2024, at prices as at the reporting date so excluding the impact of future inflation, was £864 million (31 March 2023: £434 million).

Departmental group

NDA Decommissioning

The NDA's nuclear decommissioning liability represents the NDA's best estimate of the costs of decommissioning plant and equipment on each of the designated nuclear licensed sites in accordance with the published strategy. The programme of decommissioning work will take until 2137 but, in preparing the estimate, the NDA has focused in particular on the first 20 years.

The estimates are necessarily based on assumptions about the processes and methods likely to be used to discharge the obligations and reflect the latest technical knowledge, existing regulatory requirements, UK government policy and commercial agreements. Given the very long timescale and the complexity of the plants and material being handled, considerable uncertainty remains in the cost estimate, particularly in the later years. Discounting of the forward cash flow estimates to present value also has a significant impact on the liability reported in the statement of financial position of £105 billion at 31 March 2024 (31 March 2023: £124 billion). The undiscounted equivalent of this reported liability is £199 billion at 31 March 2023 (31 March 2023: £173 billion).

The NDA reviews the cost estimates each year, reflecting changes in the site lifetime plans and other assumptions. Major changes applied in the reporting period included:

- a further change in the estimate of the cost of decommissioning Magnox sites by NRS, reflecting current assumptions on the timing and duration of each site's decommissioning activity. The impact of this was an increase of £5 billion
- updates to the Sellafield lifetime plan, reflecting multiple changes in the estimates of the cost, duration and timing of projects, operations and decommissioning on the site. The impact of this was an increase of £7 billion

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 future cost estimates of discharging these particular elements are therefore matched by a change in recoverable contract costs. In accordance with IAS 37, these recoverable amounts are not offset against the decommissioning provision but are treated as a separate asset (note 12).

Sensitivity analysis

Analysis of expected timing of discounted cash flows for the NDA Nuclear Provision is as follows:

	Sellafield £m	Nuclear Restoration Services £m	Nuclear Waste Services £m	Nuclear Transport Services £m	2023-24 Total £m	2022-23 Total £m
Up to 1 year	3,018	830	171	-	**4,019**	**3,933**
2 to 5 years	11,684	3,142	816	3	**15,645**	**15,255**
6 to 20 years	31,601	8,723	3,222	63	**43,609**	**43,180**
21 to 50 years	20,740	8,589	2,388	-	**31,717**	**40,775**
50 years +	6,480	2,813	973	-	**10,266**	**21,252**
	73,523	**24,097**	**7,570**	**66**	**105,256**	**124,395**

	Sellafield	NRS	NWS	NTS
Sensitivity	**£m**	**£m**	**£m**	**£m**
Increase	40,832	2,409	9,109	3
Reduction	(6,805)	(2,409)	(1,688)	(6)

The NDA calculates its provision based on management’s best estimate of the future costs of the decommissioning programme, which is expected to take until 2137 to complete. The NDA also considers credible risks and opportunities which may increase or decrease the cost estimate, but which are deemed less probable than the best estimate. These are the basis of the sensitivities identified above, and the key sensitivities are as follows:

- Sellafield represents activities associated with operation of the site, reprocessing and eventual decommissioning, and includes all site overheads. Principal sensitivities are around the cost of delivering the plan, particularly the costs of new construction, decommissioning and post operational clean out (POCO) work in the long-term (beyond the next twenty years). The potential costs range from a £6,805 million reduction against the current estimate, to a £40,832 million increase
- The programme of work carried out by Nuclear Restoration Services includes a combination of hazard reduction, a Care and Maintenance period (at certain sites) followed by final site clearance. The current cost estimate represents management's assessment of the most probable estimate of the required duration and cost of decommissioning and long-term management of the sites. A 10% variation in the cost estimate would increase or decrease costs by £2,409 million
- Waste activities cover the Geological Disposal Facility (GDF), the Low Level Waste Repository, and activities at the Springfields and Capenhurst sites with the key sensitivities being in the timing and costs of constructing and operating the GDF, which have sensitivities ranging from a reduction

of £1,503 million to an increase of £9,016 million dependent on the location and construction requirements of the facility. The current planned date for the facility to receive waste is 2050. The NDA has identified a risk that the construction and opening of the facility may be delayed beyond 2050 (see the Governance Statement on page 102). A delay to this date may increase the cost of the facility itself, along with the cost of interim storage of waste at sites across the NDA estate. A delay of a small number of years is considered to be within the overall tolerance of the estimate for GDF construction and waste transfer, and is not considered to have a material impact on the provision estimate

Sensitivities for the other elements of waste activities range from a reduction of £186 million to an increase of £93 million

Further details are reported in the NDA's annual report and accounts.

18.2 Other provisions

	Concessionary fuel £m	Energy Schemes £m	Legacy ailments £m	Other £m	Core department total £m	Coal Authority £m	Early departure costs and restructuring £m	Other £m	Departmental Group total £m
Balance at 31 March 2022	283	-	144	35	**462**	5,619	66	14	**6,161**
Change in discount rate	(59)	-	(30)	(6)	**(95)**	(4,467)	6	-	**(4,556)**
Provided in the year	176	3,301	68	193	**3,738**	1,062	-	3	**4,803**
Provisions not required written back	-	-	-	-	**-**	-	(8)	(1)	**(9)**
Provisions utilised in the year	(35)	-	(12)	(21)	**(68)**	(43)	(7)	(4)	**(122)**
Unwinding of discount	(4)	-	(2)	-	**(6)**	40	(1)	-	**33**
Balance at 31 March 2023	**361**	**3,301**	**168**	**201**	**4,031**	**2,211**	**56**	**12**	**6,310**
Balance at 1 April 2023	361	3,301	168	201	4,031	2,211	56	12	**6,310**
Change in discount rate	(26)	-	(18)	(1)	(45)	(875)	3	-	**(917)**
Provided in the year	2	83	26	17	128	246	-	78	**452**
Provisions not required written back	-	-	-	(31)	(31)	-	(2)	-	**(33)**

	Concessionary fuel	Energy Schemes	Legacy ailments	Other	Core department total	Coal Authority	Early departure costs and restructuring	Other	Departmental Group total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Provisions utilised in the year	(40)	(3,277)	(13)	(114)	(3,444)	(45)	(6)	(2)	**(3,497)**
Other movements	3	-	1	1	4	71	1	-	**76**
Balance at 31 March 2024	**300**	**107**	**164**	**73**	**643**	**1,608**	**52**	**88**	**2,391**

Core department

Energy schemes

The provision covers the cost to the core department relating to:

a. The Energy Bills Discount Scheme (EBDS) – On 9 January 2023, the government announced the Energy Bills Discount Scheme which came into force on the 26 April 2023. The scheme was designed to support businesses with high energy costs and it ran until 31 March 2024. Claims windows will remain open into the 2024/25 financial year, creating a future obligation for the department and hence the recognition of a provision.

   The value of the provision is based on the difference between total forecasted scheme spend and expenditure recognised to date. The total liability as at 31 March 2024 was £107 million (31 March 2023: £144 million).

b. The Energy Price Guarantee (EPG) – On 8 September 2022, the government announced the Energy Price Guarantee for domestic users on existing variable and fixed rate tariffs to take effect from 1 October 2022 across Great Britain and 1 November 2022 in Northern Ireland, with the scheme running until 31 March 2024.

   Although the scheme ran until 31 March 2024, the Ofgem price cap was below the Energy Price

Guarantee for the remainder of the scheme after 30 June 2023, meaning no new claims were made after this date.

The value of the provision in 2022-23 was based on the cost to the department to compensate energy suppliers for the discounts applied to consumer tariffs and is based on the difference between the reference price (i.e., the Ofgem price cap) and the Energy Price Guarantee price. The total liability as at 31 March 2024 was therefore nil (31 March 2023: £3,157 million).

Concessionary fuel

The provision covers the cost of the core department's responsibility, arising from government announced guarantees, to provide either solid fuel or a cash alternative to ex-miners formerly employed by British Coal and their dependants and to certain former employees who lost their entitlement as a consequence of the restructuring and run down of UK Coal in 2013 and 2015; it includes administration costs. Of the total of 29,749 beneficiaries at 31 March 2024, 26,073 have opted for the cash alternative at an average cost per beneficiary of £1,288 per annum; the average annual cost of solid fuel for the remainder is £1,244 per beneficiary excluding delivery costs and VAT. The provision is based on standard female mortality rates and assumes beneficiaries will continue to switch their entitlement from solid fuel to cash in line with rates observed in the recent past. Costs are expected to be incurred up to 2082. The discounted liability as at 31 March 2024 was £300 million (31 March 2023: £361 million); the undiscounted liability as at 31 March 2024, at prices as at the reporting date so excluding the impact of future inflation, was £342 million (31 March 2023: £379 million).

Legacy ailments

The provision is an estimate of the cost to the core department of future personal injury compensation claims relating to:

Former British Coal mineworkers who suffered personal injuries between 1947 and 1994. Responsibility for payment of compensation transferred to the department on 1 January 1998 by a restructuring scheme under the Coal Industry Act 1994. The discounted liability as at 31 March 2024 is £164 million (31 March 2023: £168 million). The undiscounted liability, at prices as at the reporting date so excluding the impact of future inflation, is £197 million (31 March 2023: £178 million). The estimate is based on forecasts of settlement of claims, taking account of discussion with the department's legal advisers and claim handlers and recent actuarial estimates. The current estimate is that liabilities will extend up to 2050.

The estimates include legal and administrative costs and are subject to some uncertainty.

Departmental group

Coal Authority

The Coal Authority provision relates predominantly to the Coal Authority's responsibilities for mine water treatment, public safety and subsidence, and subsidence pumping stations. Significant uncertainties are associated with estimation of likely costs in respect of these liabilities. The discounted liability at 31 March 2024 was £1,608 million (31 March 2023: £2,211 million). The forecasted cash flows before inflation and discounting at 31 March 2024 is £3,729 million (31 March 2023: £3,350 million). This increase is mainly driven by mine water scheme costs. Further details are reported in the Coal Authority annual report and accounts.

NDA

Restructuring provisions have been recognised in the NDA to cover continuing annual payments to be made under early retirement arrangements to individuals working for subsidiaries who retired early, or had accepted early retirement, before 31 March 2024. The provision is calculated using UK life expectancy estimates published by the Office of National Statistics and is subject to the uncertainty inherent in those estimates.

Contract loss provisions have been recognised in the NDA to cover the anticipated shortfall between total income and total expenditure on relevant long-term contracts. The amounts are disclosed net after deduction of amounts relating to recoverable contract costs.

Provisions for insurance claims and maintenance requirements have also been made.

19. Retirement benefit obligations

The departmental group consolidates eight defined benefit pension arrangements from its designated bodies including:

- Nuclear Decommissioning Authority (NDA)
- Nuclear site licence companies (SLCs)

All schemes are accounted for in accordance with IAS 19 ‘Employee Benefits’. They are subject to the UK regulatory framework and under the scope of the scheme specific funding requirement. The schemes’ trustees are responsible for operating these defined benefit plans and have a statutory responsibility for ensuring the schemes are sufficiently funded to meet current and future benefit payments.

Defined benefit scheme liabilities expose the departmental group to material financial uncertainty, arising from factors such as changes in life expectancy and in the amount of pensions payable. Some scheme investments, such as equities, should offer long-term growth in excess of inflation, but can be more volatile in the shorter term than government bonds.

The details of each scheme are discussed below.

Nuclear Decommissioning Authority (NDA)

Two defined benefit pension schemes relate to the NDA – the Closed and Nirex sections of the Combined Nuclear Pension Plan (CNPP). Both are closed to new entrants. Full actuarial evaluations were undertaken as at 31 March 2019. The actuaries rolled forward the results to determine approximate positions as at 31 March 2024.

As at 31 March 2024, the weighted average duration of the combined schemes is 13.5 years.

Further details regarding the nature of the benefits provided, regulatory framework, actuarial assumptions, sensitivity analysis, key risks and risk management policy including asset-liability matching strategies, and any funding arrangements or funding policy that may affect future contributions can be found in the accounts of the NDA.

Nuclear site licence companies (SLCs)

There are 6 defined benefit final salary pension schemes relating to the 4 SLCs comprising:

a. the LLWR section of the CNPP (for LLW Repository Limited)

b. the SLC section of the Magnox Electric Group of the Electricity Supply Pension Scheme (ESPS) and the Magnox Section of the CNPP (for Magnox Limited)

c. the Group Pension Scheme SLC section of the CNPP and the Sellafield section of the CNPP (for Sellafield Limited)

d. the Dounreay Section of the CNPP (for Dounreay Site Restoration Limited).

All are closed to new entrants. The underlying accounting valuations were carried out on 31 March 2022 for all SLC schemes. The actuaries rolled forward the results to determine approximate positions as at 31 March 2024.

Further details regarding the nature of the benefits provided, regulatory framework, key risks and risk management policy including asset-liability matching strategies, and any funding arrangements or funding policy that may affect future contributions can be found in the CNPP Statement of Investment Principles at **https://www.cnpp.org.uk/document-library/**, and in the Electricity Supply Pension Scheme's Annual Reports at https://www.espspensions.co.uk/#useful-documentation.

	31 March 2024 Funded pension schemes £m	31 March 2023 Funded pension schemes £m
Present value of defined benefit obligation at 1 April	**4,463**	**6,842**
Interest cost	206	179
Current service cost	110	197
Benefits paid, transfers in and expenses	(201)	(236)
Actuarial (gains)/losses in financial assumption	(79)	-
Actuarial (gains)/losses on defined benefit obligation due to demographic assumptions	(68)	(2,543)
Actuarial (gains)/losses arising from experience adjustments	250	7
Employee contributions	17	17
Present value of defined benefit obligation at 31 March	**4,698**	**4,463**
Fair value of assets at 1 April	**5,383**	**6,646**
Expected return on plan assets	249	174
Employer contributions	125	180
Benefits paid, transfers in and expenses	(201)	(236)
Actuarial gains/(losses)	(212)	(1,398)
Employee contributions	17	17
Fair value of assets at 31 March	**5,361**	**5,383**
Net (asset)/liability at 31 March	**(663)**	**(920)**

The combined net asset value has decreased to £663 million as 31 March 2024 (£920 million at 31 March 2023). This is primarily due to significant movements in actuarial gains/losses and changes in the discount rate applied to all defined benefit obligations between 31 March 2023 and 31 March 2024.

Net (asset)/liability by scheme

	31 March 2024			31 March 2023		
	Present value of defined benefit obligation £m	Fair value of assets £m	Net liability/ (asset) £m	Present value of defined benefit obligation £m	Fair value of assets £m	Net liability/ (asset) £m
LLW Repository Ltd – LLWR section of CNPP[(a)]	35	39	(4)	28	34	(6)
Magnox Ltd – SLC section of Magnox Electric Group of ESPS[(b)]	2,132	2,306	(174)	2,203	2,519	(316)
Magnox Ltd – Magnox section of CNPP[(a)]	132	151	(19)	109	140	(31)
Sellafield Ltd – Group Pension Scheme SLC section of CNPP	463	595	(132)	417	592	(175)
Sellafield Ltd – Sellafield section of CNPP[(a)]	1,698	1,997	(299)	1,492	1,832	(340)
Dounreay Site Restoration Ltd – Dounreay section of CNPP	145	156	(11)	125	145	(20)
Nuclear Decommissioning Authority[(a)]	93	117	(24)	89	121	(32)
Total net (asset)/ liability at 31 March	**4,698**	**5,361**	**(663)**	**4,463**	**5,383**	**(920)**

Pension scheme assets are recognised to the extent that they are recoverable and pension scheme liabilities are recognised to the extent that they reflect a constructive or legal obligation. The accounting judgements applied in recognising net assets for each pension scheme are summarised below:

(a) Accounting surpluses in respect of NDA and NDA Group businesses' participation in the non-GPS Sections of the CNPP can be recognised as an asset because the employers have an unconditional right to a refund of surplus.

(b) The principal employer (with any other participating employer in respect of the relevant section) has an unconditional right to a refund of surplus.

Asset allocation

	31 March 2024 £m	31 March 2023 £m
Equities	1,369	1,238
Property	676	711
Government bonds	667	595
Corporate bonds	338	344
Other growth assets	804	768
Other	1,507	1,727
Balance at reporting date	**5,361**	**5,383**

As at 31 March 2024, the Magnox schemes had a total asset balance of £2,457 million (31 March 2023: £2,656 million), of which £30 million (31 March 2023: £25 million) are government bond assets, £349 million (31 March 2023: £382 million) are other growth assets which are not quoted in an active market, £362 million (31 March 2023: £378 million) are property assets and £171 million (31 March 2023: £175 million) are corporate bonds.

The Sellafield schemes had £2,592 million at 31 March 2024 (31 March 2023: £2,424 million) of total assets, the majority of which, excluding the amount held in the Trustees' bank account and some private equity investments due to their illiquid nature, had a quoted market value in an active market.

Expected contribution over the next accounting period

It is possible that the actual amount paid might be different to the estimated amount. This may be due to contributions, benefits payments or pensionable payroll differing from expected amounts, changes to scheme benefits or settlement/curtailment events that are currently unknown.

	31 March 2024 £m	**31 March 2023 £m**
LLW Repository Ltd – LLWR section of CNPP	2	2
Magnox Ltd – SLC section of Magnox Electric Group of ESPS	20	21
Magnox Ltd – Magnox section of CNPP	5	5
Sellafield Ltd – Group Pension Scheme SLC section of CNPP	5	5
Sellafield Ltd – Sellafield section of CNPP	83	90
Dounreay Site Restoration Ltd – DSRL section of CNPP	7	10
Nuclear Decommissioning Authority	0	0
Total	**122**	**133**

Major actuarial assumptions for SLC schemes

	Dounreay Site Restoration Limited		LLW Repository Limited		Magnox Limited (ESPS)		Magnox Limited (CNPP)		Sellafield Limited (CNPP)		Sellafield Limited (GPS)	
	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23
Discount rate	4.8%	4.7%	4.8%	4.7%	4.7%	4.7%	4.8%	4.7%	4.8%	4.7%	4.8%	4.7%
Inflation (Retail Price Index)	3.1%	3.1%	3.1%	3.1%	3.3%	3.3%	3.1%	3.1%	3.1%	3.1%	3.2%	3.2%
Life expectancy in years at 65, currently aged 65 (male)	20.7	21.3	20.7	21.3	21.8	22.3	20.7	21.3	20.7	21.3	20.7	21.3
Life expectancy in years at 65, currently aged 45 (male)	22	22.6	22	22.6	22.4	22.9	22.0	22.6	22.0	22.6	22.0	22.6
Life expectancy in years at 65, currently aged 65 (female)	23.3	23.7	23.3	23.7	23.7	24.1	23.3	23.7	23.3	23.7	23.3	23.7
Life expectancy in years at 65, currently aged 45 (female)	24.7	25.1	24.7	25.1	24.5	24.9	24.7	25.1	24.7	25.1	24.7	25.1
Life expectancy in years at 60, currently aged 60 (male)	25.3	25.9	25.3	25.9	26.3	26.9	25.3	25.9	25.3	25.9	25.3	25.9

	Dounreay Site Restoration Limited		LLW Repository Limited		Magnox Limited (ESPS)		Magnox Limited (CNPP)		Sellafield Limited (CNPP)		Sellafield Limited (GPS)	
	2023-24	**2022-23**	**2023-24**	**2022-23**	**2023-24**	**2022-23**	**2023-24**	**2022-23**	**2023-24**	**2022-23**	**2023-24**	**2022-23**
Life expectancy in years at 60, currently aged 40 (male)	26.8	27.4	26.8	27.4	27.2	27.7	26.8	27.4	26.8	27.4	26.8	27.4
Life expectancy in years at 60, currently aged 60 (female)	28.1	28.6	28.1	28.6	28.5	28.9	28.1	28.6	28.1	28.6	28.1	28.6
Life expectancy in years at 60, currently aged 40 (female)	29.6	30.1	29.6	30.1	29.3	29.8	29.6	30.1	29.6	30.1	29.6	30.1

Major actuarial assumptions for NDA

	Nuclear Decommissioning Authority (Closed)		Nuclear Decommissioning Authority (Nirex)	
	2023-24	2022-23	2023-24	2022-23
Discount rate	4.8%	4.7%	4.8%	4.7%
Inflation (Retail Price Index)	3.2%	3.2%	3.2%	3.2%
Life expectancy in years at 65, currently aged 65 (male)	20.7	21.3	20.7	21.3
Life expectancy in years at 65, currently aged 45 (male)	22	22.6	22	22.6
Life expectancy in years at 65, currently aged 65 (female)	23.3	23.7	23.3	23.7
Life expectancy in years at 65, currently aged 45 (female)	24.7	25.1	24.7	25.1

Sensitivity analysis

The table shows the increase in liability that would result from changes in these actuarial assumptions:

	Dounreay Site Restoration Limited £m	LLW Repository Limited £m	Magnox Limited £m	Sellafield Limited £m	Nuclear Decommissioning Authority £m
0.5 percentage point decrease in annual discount rate	14	4	152	205	7
0.5 percentage point increase in inflation assumption	13	4	150	203	7
1 year increase in life expectancy	3	1	99	47	2

20. Capital and other commitments

Total minimum payments for capital and other commitments

		Core department	Departmental group	Core department	Departmental group
		2023-24	2023-24	2022-23	2022-23
	Note	£m	£m	£m	£m
Contracted capital commitments	20.1	3	301	2	161
Other financial commitments	20.2	556	655	357	357
Total		**559**	**956**	**359**	**518**

20.1 Capital commitments

	31 March 2024	31 March 2023
	Departmental group £m	Departmental group £m
Contracted capital commitments not otherwise included in these financial statements		
Property, plant and equipment	299	158
Intangible assets	2	3
Total	**301**	**161**

Departmental group

Capital commitments as at 31 March 2024 include purchase commitments of £254 million and land commitments of £2 million in respect of construction activities related to the development of the Sizewell C nuclear plant.

20.2 Other financial commitments

The financial commitments payable in future years include payments due under non-cancellable contracts to the organisations below.

		Within one year	Later than one year and not later than 5 years	Later than 5 years	Total 31 March 2024	Total 31 March 2023
Organisation	**Note**	**£m**	**£m**	**£m**	**£m**	**£m**
Various suppliers		131	-	-	131	54
Other		58	39	13	110	69
International subscription – IAEA		16	73	114	203	165
International subscription – Other		10	42	60	112	69
Total core department		**215**	**154**	**187**	**556**	**357**
East Suffolk and Suffolk County Councils		-	-	99	99	-
Total departmental group		**215**	**154**	**286**	**655**	**357**

Core department

The core department has entered into contractual commitments with various suppliers in relation to the Net Zero Innovation Programme and Energy Innovation Programme, which provide funding for low-carbon technologies and systems to tackle climate change.

The core department is responsible for paying in the UK's annual subscriptions to the International Atomic Energy Agency (IAEA). The IAEA is the UN-affiliated organisation responsible for ensuring the safe, secure and peaceful use of civil nuclear technologies, through monitoring nuclear safeguards, setting international standards and guidance for nuclear safety and security promoting nuclear applications for development.

Departmental group

The departmental group has entered into non-cancellable contracts (which are not leases, PFI contracts or other service concession arrangements) arising from Sizewell C Limited's commitments of £99 million under the Deed of Obligation.

On the 8 October 2021, East Suffolk Council, Suffolk County Council and NNB Generation Company Limited (now Sizewell C Limited) entered into a Deed of Obligation (DOO) pursuant to section 1 of the Localism Act 2011 and section 111 of the Local Government Act 1972. The DOO related to all aspects of the Sizewell C project and outlines a number of payments that SZC is required, or could be required, to make to the councils and funding for Suffolk communities throughout the construction phase of the project, to mitigate the impacts of construction.

21. Financial instruments

The carrying amounts of financial instruments in each of the IFRS 9 categories are shown below.

		31 March 2024		31 March 2023	
	Note	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Financial assets **At amortised cost**					
Cash and cash equivalents	15	1,025	2,737	1,098	2,083
Receivables (i)	14	562	835	2,916	3,298
Loans to public sector bodies (ii) & (iii)	10.2	188	188	238	238
Other financial assets and private sector loans	11.1	70	70	187	187
Total financial assets at amortised cost		**1,845**	**3,830**	**4,439**	**5,806**
Elected at fair value through other comprehensive income (FVTOCI)					
Ordinary shares in public sector companies (iv)	10.1	97	793	445	1,055
Other financial assets	11.1	40	40	49	49
Total financial assets elected at FVTOCI		**137**	**833**	**494**	**1,104**
Mandatory at fair value through profit or loss (FVTPL)					
Derivatives – Contracts for Difference (CfD)	9	-	2,900	-	2,598
Loans to public sector bodies (ii) & (iii)	10.2	2,837	2,837	2,406	2,406
Other financial assets and private sector loans (vii)	11.1	148	148	104	104
Total financial assets mandatory at FVTPL		**2,985**	**5,885**	**2,510**	**5,108**

		31 March 2024		31 March 2023	
	Note	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Financial liabilities **At amortised cost**					
Payables (ii)	16	(591)	(1,553)	(369)	(1,290)
Total financial liabilities at amortised cost		**(591)**	**(1,553)**	**(369)**	**(1,290)**
Mandatory at fair value through profit or loss (FVTPL)					
Derivatives – Contracts for Difference (CfD)	9	-	(92,051)	-	(87,740)
Total financial liabilities mandatory at FVTPL		**-**	**(92,051)**	**-**	**(87,740)**
Designated at fair value through profit or loss (FVTPL)					

Notes

(i) The amounts disclosed above as payables and receivables exclude any assets or liabilities which do not arise from a contractual arrangement.

(ii) Loans to public sector bodies comprises the loans detailed in note 10.2.

(iii) Ordinary shares in public sector companies excludes bodies that are consolidated in the departmental group, as these are held at cost, see note 10.1.

(iv) Specific valuation techniques used to value financial instruments include:

– the fair value of public sector shares are based upon net assets and classified as level 2

- the fair value of the CfD has been calculated using the income approach based on level 3 inputs, which reflects the present value of future cash flows that are expected to occur over the contract term of the CfD
- other techniques, such as discounted cash flow analysis or for non-quoted ordinary shares and investment funds that are not actively traded, the net assets of the company/ underlying fund are used – these are classified as level 3

The different levels are defined as:

- Level 1 – uses quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – uses inputs for the assets or liabilities other than quoted prices, that are observable either directly or indirectly;
- Level 3 – uses inputs for the assets or liabilities that are not based on observable market data, such as internal models or other valuation method.

(v) Transfers between levels of the fair value hierarchy are deemed to occur at the end of the reporting period. There were no transfers between levels during the year.

Financial risk management

IFRS 7 'Financial Instruments: Disclosures' requires the disclosure of information which will allow users of financial statements to evaluate the significance of financial instruments on the departmental group's financial performance and position and the nature and extent of its exposure to risks arising from these instruments.

As the cash requirements of the departmental group are largely met through the estimates process, financial instruments play a more limited role in creating risk than would apply to a private sector body of a similar size.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Significant credit risks can be summarised below.

Investment funds and loan portfolios

Investee companies may not perform as expected and the departmental group may not recover its initial investment. The core department minimises the risk by monitoring the overall performance of the funds and loan portfolios to secure value for the core department as an investor. This includes a full evaluation of each business case submitted prior to committing funds.

Cash and cash equivalents

The departmental group held cash and cash equivalents of £7,888 million as at 31 March 2023 (31 March 2022: £2,083 million). The cash and cash equivalents are held with banks and financial institutions. The departmental group considers that cash and cash equivalents have a low credit risk based on the external credit ratings of the holding parties.

Credit risk rating and loss allowance

The departmental group has these financial assets subject to the expected credit loss model.

- trade receivables, contract assets, and lease receivables
- loans, bonds, and term deposits
- cash and cash equivalents

The credit risk and loss allowances have been insignificant for loans, bonds, term deposits, cash and cash equivalents.

Trade receivable, contract assets and lease receivables

The core department applies the IFRS 9 simplified approach using an allowance matrix to measure the lifetime expected loss allowance for trade receivables in accordance with the FReM guidance.

Trade receivables are grouped based upon credit risk characteristics and the number of past due days. Default is defined as 90 days past due. The loss rates are estimated using the historic data for each aging group. Forward-looking information such as macroeconomic factors and entity specific situations are considered for entities with significant outstanding balances. Balances with other core central government departments are excluded from recognising stage-1 and stage-2 impairments following the FReM adaptions.

There are no material expected credit losses in the reporting period.

Market risk

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

The departmental group undertakes very few foreign currency transactions and is not exposed to significant foreign currency risk.

The impact of interest rates affects the discount rate used to arrive at the fair value of the CfD liability held by LCCC. Changes in interest rates which affect the discount rate would therefore affect the SoFP valuation. However, the departmental group is not financially exposed to this risk because the liability is funded through a levy on suppliers.

The departmental group is exposed to wider risks relating to the performance of the economy as a whole. The main risks resulting from a downward movement in the economy include failures of investee companies of investment funds and loan defaults.

Inflation risk

The amounts payable under the CfD contracts will be affected by the indexation of strike prices to reflect inflation and changes to wholesale electricity prices resulting from inflation. While inflation rates have seen an increase during the year, the group is not financially exposed to this risk because the liability is funded through a levy on suppliers.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

In common with other government departments, the future financing of its liabilities is to be met by future grants of supply, voted annually by Parliament. There is no reason to believe that future approvals will not be forthcoming, therefore, on this basis the liquidity risk to the core department is minimal.

The departmental group's potential exposure to liquidity risk in relation to CfDs is mitigated by the funding arrangements under the legislation i.e., LCCC has no obligation to pay the generators until it receives adequate funds from suppliers to perform its obligations.

Commodity price risk

Commodity price risk is the risk or uncertainty arising from possible price movements. The amounts payable under the CfD contracts are exposed to price risk through the fluctuations in future actual wholesale electricity prices, specifically, on how they will differ from the current forecast of future prices in the central scenario. However, the LCCC and the departmental group are not financially exposed to this risk because the liability is funded through a levy on suppliers.

22. Contingent liabilities

Core department – unquantifiable contingent liabilities

Deeds relating to the Mineworkers' Pension Scheme and British Coal Staff Superannuation Scheme 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 privatisation of the coal industry. They are legally binding contracts between the scheme Trustees and the Secretary of State for Energy Security and Net Zero. The guarantees ensure that 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. If, at any periodic valuation, the assets of the Guaranteed Fund of either scheme were to be insufficient to meet its liabilities, the assets must be increased to bring the Fund back into balance. This is a long-term contingent liability dependent on the performance of the schemes' investments and their mortality experience. Further details regarding the schemes can be found in note 14.

Indemnity to Public Appointment Assessors

The Cabinet Secretary has provided a government-wide indemnity to Public Appointments Assessors (PAAs) against personal civil liabilities incurred in the execution of their PAA functions.

Compensation for exclusion from grant scheme

The core department may become liable for funding the costs of compensation to certain claimants whose applications to the GB Non-Domestic Renewable Heat Incentive scheme had been rejected, following a court judgment that their applications for accreditation had not been processed in full accordance with scheme regulations.

Claims for judicial review

A contingent liability exists in relation to claims for judicial review in relation to the transfer of the business of Bulb Energy Limited (in special administration). British Gas and E.ON were granted the permission to appeal the judgment of the High Court which found in favor of the department. The financial impact is dependent on the outcome of cases which currently cannot be reliably estimated.

Energy Price Guarantee

The core department may face future cash flows in relation to The Energy Price Guarantee (EPG) until end of scheme reconciliations are completed, which is expected to be done by the end of the 2024/25 financial year. EPG supported the price of domestic energy consumed up to 30 June 2023 and the scheme's grant expenditure will be finalised around 18 months after this date, in line with the sector's reconciliation timelines for household energy consumption.

Departmental group – unquantifiable contingent liabilities

The departmental group has the following unquantifiable contingent liabilities. Other liabilities are disclosed in our arm's length bodies' accounts.

Coal Authority – Environmental legal claims

Under the Environmental Information Regulations 2004 – The Coal Authority is aware of potential legal proceedings in respect of past fees paid for Mining Information. In the eventuality of receiving formal notification to commence legal proceedings, the Coal Authority will strongly defend its position.

Coal Authority – Legal claims

The Coal Authority is subject to various claims and legal actions in the ordinary course of its activities. Where appropriate, provisions are made in the accounts on the basis of information available and in accordance with guidance provided under the FReM and IFRS. The Coal Authority does not expect that the outcome of the above issues will materially affect its financial position.

Coal Authority – Restructuring scheme

Where liabilities transferred under the various Coal Authority Restructuring Schemes (CARS) have crystallised due to planning conditions, agreements, claims etc. a provision has been made in these financial statements. It has not, however, been possible to quantify contingent liabilities that may arise in the future. It is expected that any costs will be covered by future allocations of grant in aid.

Coal Authority – 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 Coal Authority is responsible for making good subsidence damage. Where an area of responsibility is extinguished this would transfer to the Coal Authority who would become responsible for the discharge of outstanding subsidence liabilities. The Coal Authority also has an ongoing liability to secure and keep secured the majority of 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. The above liabilities have been provided for within the Public Safety and Subsidence provision 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.

CNPA – Legal claims

There are a number of potential liabilities in respect of claims from employees. The timing and amounts of any payment are uncertain. These liabilities have not been provided for as the CNPA believes that the claims are unlikely to be successful and unlikely to lead to a transfer of economic benefits.

NDA – Pension Schemes

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 and the Magnox section of the ESPS. Provisions for known deficits are included within Nuclear Provisions. 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.

NDA – Uranic Material

At 31 March 2024, the NDA held inventories of reprocessed uranic material. These are potentially saleable materials, although there is currently no commercial demand and are held at £nil value. Due to uncertainty over their future use, it is possible that the material will be declared as waste by the government, requiring treatment and disposal, which may result in as yet unquantified liabilities for the NDA.

Departmental group – quantifiable contingent liabilities

The departmental group has the following contingent liabilities quantifiable contingent liabilities of more than £1 million in either this financial year or prior financial year. Other liabilities are disclosed in our arm's length bodies' accounts.

NDA – AGR Transfer (£17,780 million)

On 23 June 2021 the NDA, government and EDF Energy entered into new decommissioning arrangements for seven Advanced Gas-cooled Reactor (AGR) stations in which government has directed the NDA to take on the future ownership of the stations for decommissioning. The work will be undertaken by the NDA subsidiary Magnox Limited. The NDA will recognise the estimated future liability in its financial statements for each of the stations at the respective points at which the NDA takes ownership. The completion and timing of the transfer of ownership is currently uncertain and contingent on the fulfilment of a number of conditions by the parties involved. The NDA therefore recognises a contingent liability for the future decommissioning costs of the stations. This has been estimated by the current owner of the stations at £17,780 million (undiscounted) in its most recently published financial statements.

23. Contingent assets

Core department – quantifiable contingent assets

Deed relating to the British Coal Staff Superannuation Scheme (BCSSS) under Paragraph 2(9) of Schedule 5 to the Coal Industry Act 1994 (£1.9 billion)

Within 12 months of 31 March 2033, the trustee of the BCSSS shall pay to 'the Guarantor' (the Secretary of State) any surplus remaining on the scheme net of any amount retained for the obligation. The value of the surplus will depend on the value of scheme assets in relation to outstanding obligations. Based on the Government Actuary's Department's estimate of a £1.9 billion surplus as at 31 March 2024, the core department considers a receipt from the scheme to be possible.

Mineworkers' Pension Scheme Investment Reserve

The Mineworkers' Pension Scheme Investment Reserve contains the unused element of the surplus from the scheme valuation as at 30 September 1993 that was allocated to British Coal. In accordance with the provisions set out in the pension scheme and rules, if it is not required to make good any shortfall, it will be released to the Guarantor over a period of time. Government Actuary's Department estimates the

Investment Reserve as £1.5bn at 31 March 2024. The payments are expected to be made in the FY2029-30.

Departmental group – unquantifiable contingent assets

Coal Authority – restructuring schemes

By virtue of the seventh and ninth Coal Authority Restructuring Schemes (CARS 7 and 9) the Coal Authority is the beneficiary of restrictive covenants and clawback provisions relating to land and properties sold by the British Coal Corporation. In the event that the purchasers 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.

24. Related party transactions

The core department is the parent of the bodies listed in note 26 'List of bodies within the departmental group' – these bodies are regarded as related parties and various material transactions have taken place during the reporting period between members of the departmental group. The related parties of the consolidating bodies are disclosed in their respective accounts. The core department is also the sponsor of NNL Holdings Limited.

The core department has engaged in material transactions with other consolidated bodies, other government bodies, and devolved administrations (the Northern Ireland Executive, Scottish government and Welsh government). The most significant of these transactions have been with the Exchequer Consolidated Fund and Contingencies Fund and Nuclear Decommissioning Authority.

Ministers, board members, key managers of the departmental group or other related party who have undertaken any material transactions with the core department during the year are listed below. Details of the department's ministers and senior managers are shown in the Remuneration Report.

The Second Permanent Secretary of the core department, Clive Maxwell, is a director of Sizewell C Holding Company. The core department's shareholding in Sizewell C Holding Company increased by £1,089 million in the year.

25. Restatement of Statement of Financial Position and Statement of Comprehensive Net Expenditure as a result of machinery of government (MoG) changes, changes to the Designation Order and other restatements

1. Machinery of government (MoG) changes (accounted for as transfer by merger)

MoG changes result in functions or responsibilities being merged or transferred within government. A function is an identifiable business operation with an integrated set of activities, staff and recognised assets and liabilities, and changes are accounted for using merger accounting in accordance with the FReM. This requires the restatement of the primary statements and the associated notes to the accounts.

In February 2023, the Prime Minister announced a MoG change which led to split of the Department for Business, Energy and Industrial Strategy (BEIS) to create three new government departments: The Department for Energy Security and Net Zero (DESNZ); The Department for Science, Innovation and Technology (DSIT); and The Department for Business and Trade (DBT) – to replace the Department for Business, Energy, and Industrial Strategy (BEIS) and the Department for International Trade (DIT). The restructuring also involved the Investment Security Unit (ISU), the unit responsible for operating the UK's investment screening regime under the UK National Security and Investment Act 2021 (NSIA), being moved to sit within the Cabinet Office.

The departmental changes affecting its estimate and accounts became effective from 1 April 2023. DESNZ is focused on the energy portfolio from the former BEIS.

In addition to the split of BEIS and as a result of Spending Review 2021, the transfer of several International Climate Finance (ICF) programmes from BEIS to Foreign, Commonwealth and Development Office (FCDO) was implemented in 2023-24.

Each of the three new departments were required to produce an annual report with consolidated accounts for the period ending 31 March 2024. To facilitate this, the opening SoFP balances at 1 April 2023 had to be offboarded from the BEIS core ledger, split between the new departments and onboarded to the new departmental ledgers.

The three new departments were also required to restate prior year financial statements on the basis that three departments had always existed, with restatement of the SoFP covering both 31 March 22 and 31 March 23.

Allocation of balances at 1 April 2023

Allocation of former BEIS balances at 1 April 2023 to the three new departments was undertaken via two separate stages:

- Cost centre allocation – Balances at 31 March 2023 were first allocated based on cost centre. Cost centres directly attributable to the three new departments were identified, isolated, and transferred accordingly
- Detailed analysis – The remaining balances at 31 March 2023 underwent detailed analysis with input from other teams within the department where necessary, allocating all remaining account lines within the SoFP to the relevant the new departments. For example, items on the receivables ledger without a cost centre or programme code required invoice analysis to ascertain which department the receivable belonged to

31 March 2023 general bank account cash in the former BEIS core department has been allocated to DESNZ, DSIT and DBT on the basis of 2023-24 Vote on Account (VOA) splits of supply drawn down between the 3 departments; these splits have been submitted to HM Treasury. This resulted in 53% of cash in the general bank account of the former BEIS department being allocated to DESNZ. The department considered alternative ways of splitting the former BEIS general bank account balance, such as using the split of

working capital between DESNZ, DSIT and DBT as a basis for the split. This analysis did not produce a materially different allocation of cash between the 3 departments as at 31 March 2023.

Development of the 31 March 2022 SoFP

Development of the Allocation of balances at 1 April 2023 for the three new departments from the former BEIS core department was undertaken via three separate stages:

- Cost centre allocation – Approached in the same manner as 1 April 2023 allocation
- Allocation based on understanding of business – The remaining balances at 31 March 2022 were reviewed to determine whether further direct allocations to departments could be made based on the understanding of the business of each of the three new departments. In addition, trade receivables, trade payables (including goods received not invoiced), PPE and intangible assets were analysed in detail to split between the three new departments
- Split using 31 March 2023 allocations – Following the first two stages a residual balance remained where the cost centre approach and understanding of business approach proved unsuccessful. For this residual balance, the split of remaining balances between the three departments was actioned based on the percentage splits calculated for the 31 March

2023 SoFP. The largest balances allocated based on 31 March 2023 percentage splits were cash (and therefore supply payable) and general fund reserves. If a different assumption had been made, for example splitting cash on the basis of expenditure, then the cash and general fund reserves figures would both be lower by approximately £280 million

Allocation of 2022-23 and 2023-24 SoCNE transactions

Similar to allocation of balances at 31 March 2023, allocation of former BEIS transactions for 2022-23 and 2023-24 to the three new departments was undertaken via two separate stages (the former BEIS ledger remained open until accounting period eight in 2023-24, with some immaterial balances continuing to impact the ledger until accounting period twelve):

- Cost centre allocation – 2022-23 and 2023-24 transactions were first allocated based on cost centre. Cost centres directly attributable to the three new departments were identified, isolated, and transferred accordingly
- Detailed analysis – The remaining transactions underwent detailed analysis with input from other teams within the department where necessary, allocating all remaining transactions from the general ledger to the relevant the new departments. This included shared costs for areas

such as Corporate Services, with costs split on a transactional basis

2. Accounting Policies changes

Accounting policies are disclosed in note 1 to the accounts. On the creation of DESNZ there were no changes to the accounting policies from BEIS for the activities that transferred into the new department. Certain BEIS accounting policies not applicable to DESNZ, i.e. for those activities that transferred to DSIT and DBT, have been removed accordingly from the DESNZ accounting policies note.

The 23-24 Financial Reporting Manual (FReM) has been updated to include an adaptation of IFRS 9 ‘Financial Instruments’ for the public-sector context. The original IFRS 9 adaptation was published in 21-22 FReM and focussed on financial guarantee contracts. The latest adaptation encompasses a wider range of financial instruments in the scope of IFRS 9.

The Contracts for Differences (CfD) scheme is a government mechanism for supporting low-carbon electricity generation. It is designed to incentivise investment in renewable energy by providing protection from volatile wholesale prices, guaranteeing electricity producers a flat (indexed) rate for the electricity they produce by paying or receiving the difference between an agreed strike price and a reference price. These contracts give rise to a material difference between the transaction price (£nil consideration) and fair value of the financial instrument, with the difference deferred and not recognised as an asset (or liability) on former BEIS, now DESNZ (or LCCC's) SoFP (however, there are extensive disclosures).

The FReM adaptation will now bring the previously deferred and held off SoFP value onto the SoFP. As proposed by HM Treasury and supported by the FRAB, the IFRS 9 adaptation is to be applied retrospectively and adopted from 23-24. This required a restatement of the 22-23 SoFP and supporting notes in the 23-24 DESNZ annual report and accounts, accounted for via a prior period adjustment.

3. Changes to the departmental boundary

As a result of an ONS classification decision, Bulb Energy Ltd was designated as a central government body. Bulb Energy Ltd was added to the Designation and Amendment Order in 2023-24, with a retrospective classification, that affects the prior year figures. The prior year figures have therefore been restated to reflect the change in the departmental boundary.

4. Prior period restatements

Several prior period errors and omissions were identified and resulted in the restatement of prior period comparatives. Those include:

1. The estimated fair value of CfD liabilities has been understated by £636 million as a result

of management using a real discount rate to discount near term projected future difference payments that are expressed in nominal terms. The department has restated the position as at 31 March 2023 by increasing the derivatives liability and expense relating to contracts for difference derivatives by £636 million.

2. The valuation of the core department's provision in relation to the decommissioning of the JET facility and the provision in relation to the contractual historic fuel liabilities of British Energy were performed based on the information that did not take into account the latest forecast payment schedules. As a result, the reported provisions in 2022-23 accounts were understated by £313 million. The department has restated the position as at 31 March 2023 by increasing the provisions liability and provisions expense by £313 million.
3. The calculation of the Energy Price Guarantee spend for 2022-23 was overstated by £170m and the related provision was understated by the same amount due to a repayment for £170 million being incorrectly allocated to the 2023-24 period. The department has restated the position as at 31 March 2023 by reducing the spend classified as Grants and increasing the provisions liability and provisions expense by £170 million.

4. A restatement was required to correctly eliminate the intra-group revenue that arises from services provided to the Site Licence Companies (SLCs). In prior years the elimination of the revenue was incorrectly applied to the Minority Interest Reserve which resulted in its overstatement by £140 million. All costs of SLCs represent the cost in relation to the Nuclear Decommissioning Provision and should not impact the net expenditure for the reporting periods. The appropriate elimination of the intra-group revenue that arises from services provided to the SLCs is to eliminate it against the costs incurred when providing these services. The department has restated the position as at 31 March 2023 by reducing the Minority Interest Reserve and cost on staff and goods and services by £140 million.
5. As part of the BEIS MoG change, legacy consolidation adjustments were allocated to DESNZ although the evidence confirming their nature and purpose could not be identified. In line with FReM requirements the department can only recognise in their accounts the balances that can be supported by evidence. To ensure that the department's accounts provide true and fair representation of its activities and transactions, legacy consolidation adjustments were cleared down. As a result the General Fund balance as at 31 March 2023 was reduced by £51 million.

6. During 2022-23 UK Green Infrastructure Platform Limited (UKGIP) paid out the remaining dividends resulted from the disposal of the investments it held on behalf of its shareholders. DESNZ (previously BEIS) holds 90% of UKGIP shares. The Minority Interest Reserve was recognised in BEIS accounts to present the share of UKGIP net assets belonging to the minority shareholder. Following the dividend payments in 2022-23, the value of UKGIP net assets was reduced to £nil million. As a result, the Minority Interest Reserve should have been eliminated, but was omitted in 2022-23 accounts. The department has restated the position as at 31 March 2023 by reducing the Minority Interest Reserve and increasing the General Fund Reserve by £16 million.
7. The department changed the classification of promissory notes from non-current liabilities to current liabilities. This is due to the fact they are legally payable on demand, so the maturity profile in the Consolidated SOFP shows the earliest date at which they could be payable. This resulted in an adjustment of £1,875 million between non-current liabilities and current liabilities.

Impact of restatements on opening balances for core department at 31 March 2023

		Nature of restatement				
	Balance at 31 March 2023 per 2022-23 published accounts £m	Machinery of government changes £m	Accounting policy changes £m	Departmental Boundary changes £m	Prior period adjustments £m	Restated balance at 31 March 2023 £m
Consolidated Statement of Comprehensive Net Expenditure						
Net expenditure for the period	62,548	(13,371)	-	(158)	313	**49,332**
Other comprehensive net income and expenditure	(16)	(3)	-	-	-	**(19)**
Total comprehensive expenditure	62,532	(13,374)	-	(158)	313	**49,313**
Consolidated Statement of Financial Position						
Non-current assets	10,694	(6,562)	-	-	-	**4,132**
Current assets	5,890	(2,574)	-	338	170	**3,824**
Current liabilities	(21,599)	13,748	-	(560)	(2,358)	**(10,769)**
Non-current liabilities	(3,586)	214	-	(63)	1,875	**(1,560)**
General fund	8,992	(4,770)	-	285	313	**4,820**
Revaluation reserve	(391)	(56)	-	-	-	**(447)**

Impact of restatements on opening balances for the departmental group at 31 March 2023

		Nature of restatement				
	Balance at 31 March 2023 per 2022-23 published accounts £m	Machinery of government changes £m	Accounting policy changes £m	Departmental Boundary changes £m	Prior period adjustments £m	Restated balance at 31 March 2023 £m
Consolidated Statement of Comprehensive Net Expenditure						
Net expenditure for the period	(65,843)	(14,394)	1,058	(158)	807	**(78,530)**
Other comprehensive net income and expenditure	(697)	624	-	-	-	**(73)**
Total comprehensive expenditure	(66,540)	(13,770)	1,058	(158)	807	**(78,603)**
Consolidated Statement of Financial Position						
Non-current assets	27,953	(12,945)	(3,533)	-	7	**11,482**
Current assets	8,726	(3,821)	-	338	142	**5,385**
Current liabilities	(29,718)	15,356	-	(560)	(2,384)	**(17,310)**
Non-current liabilities	(148,980)	1,655	(68,168)	(63)	1,242	**(214,314)**

		Nature of restatement				
	Balance at 31 March 2023 per 2022-23 published accounts £m	Machinery of government changes £m	Accounting policy changes £m	Departmental Boundary changes £m	Prior period adjustments £m	Restated balance at 31 March 2023 £m
General fund	(145,496)	2,145	71,701	285	836	**216,173**
Revaluation reserve	(2,289)	1,416	-	-	(3)	**(876)**
Charitable funds	(426)	426	-	-	-	-
Minority interest	(762)	62	-	-	160	**(540)**

26. List of bodies within the departmental group

The table below shows the list of DESNZ organisations included in the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2023 – known as the Designation Order. And amendments from the Government Resources and Accounts Act 2000 (Estimate and Accounts) (Amendment) Order 2023 – known as the Amendment Order.

As a result of changes made in the 2023-24 Designation Order and Amendment Order some additional bodies are now included in the departmental group accounts boundary. Where boundary changes have an impact on previous reported financial results, these are shown in note 25.

(a) Bodies consolidated in departmental group accounts for 2023-24

Designated body	Status	Notes
NDPBs and other designated bodies		
Bulb Energy Ltd	Other public body	Assets and liabilities are included in the core department's figures
British Nuclear Fuels Limited	Other public body	
Civil Nuclear Police Authority[1]	NDPB	-
Coal Authority[1]	NDPB	-
Committee on Fuel Poverty	NDPB	Costs are included in the core department's expenditure
Committee on Radioactive Waste Management	NDPB	Costs are included in the core department's expenditure
Enrichment Holdings Ltd	Other public body	-
Enrichment Investments Limited		Consolidated by Enrichment Holdings Limited.
Electricity Settlements Company Ltd	Other public body	-
Great British Nuclear Limited	Other public body	-
Low Carbon Contracts Company Ltd	Other public body	-
Nuclear Decommissioning Authority[1]	NDPB	-

Designated body	Status	Notes
NDPBs and other designated bodies		
Magnox Limited		Consolidated by Nuclear Decommissioning Authority
Radioactive Waste Management Limited		
Sellafield Limited		
Dounreay Site Restoration Limited		
LLW Repository Limited		
Nuclear Waste Services Limited		Consolidated by LLW Repository Limited
Nuclear Liabilities Financing Assurance Board	Expert committee	Costs are included in the core department's expenditure.
Oil and Gas Authority operating as North Sea Transition Authority	NDPB	-
Salix Finance Ltd	NDPB	-
Sizewell C Limited	Other public body	-
Sizewell C (Holding) Limited	Other public body	-
UK Green Infrastructure Platform Limited	Other public body	Investment vehicle managed by UK Green Investment Bank Limited on behalf of DESNZ.
United Kingdom Atomic Energy Authority1	NDPB	gov.uk/government/organisations/uk-atomic-energy-authority (corporate)
		ccfe.ukaea.uk (fusion research)
AEA Insurance Limited		Consolidated by United Kingdom Atomic Energy Authority
UK Industrial Fusion Solutions Ltd		
UK Fusion Solutions Ltd		

(b) Bodies not consolidated in departmental group accounts for 2023-24

Designated body	Status	Notes and website
Climate Change Committee (formerly the Committee on Climate Change)[1]	NDPB	Turnover and net assets are not material to departmental group accounts.
NDA Archives Limited	Other public body	Subsidiary of the NDA. Turnover and net assets are not material to departmental group accounts.
Research Sites Restoration Limited	Other public body	Subsidiary of NDA. No costs or activities incurred in 2023-24 as the activities transferred to Magnox in 2016-17.

Notes

1. Entities fall in scope of the Trade Union (Facility Time Publication Requirements) Regulations 2017. Disclosure regarding Facility Time can be found in the relevant accounts.

27. Events after the reporting period

Non-adjusting events

National Energy System Operator (NESO)

On 13th September 2024, the launch of NESO was announced. This will be a publicly owned body that will support the UK's energy security, help to keep bills down in the long term and accelerate the government's clean power mission. On the same day, the government announced that an agreement had been reached with National Grid PLC to acquire the Electricity System Operator.

The enterprise value of £630 million that the government has agreed with National Grid to acquire the Electricity System Operator will be subject to customary closing adjustments.

Great British Energy

On 25th July 2024, a Bill was introduced to Parliament and a founding statement published for Great British Energy, a publicly owned company to invest in clean, home-grown energy. As set out in the founding statement, Great British Energy will be backed by a capitalisation of £8.3 billion of new money over this Parliament.

Mineworkers' Pension Scheme (MPS)

The department has disclosed a contingent asset in respect of the MPS Investment Reserve, estimated at £1.5bn as at 31 March 2024. The value of the investment reserve was due to be returned to the department in 2029-30. At her Budget on 30 October 2024, the Chancellor of the Exchequer confirmed that the c.£1.5bn surplus in the MPS would be transferred out of the Investment Reserve Fund to the Bonus Augmentation Fund. This will be used to pay bonus pensions directly to members, benefitting thousands of families across the country. Payments will start from the end of November 2024.

The department reports a total receivable of £324m as at 31 March 2024 in relation to the MPS surplus sharing arrangements. A press release on 31 October 2024 announced a Government review of the surplus sharing arrangements. While the review is ongoing the reported £104m current receivable in the 2023-24 financial statements will not now be received in 2024-25. Until the review nears completion an estimate of the overall effect on reported receivables cannot be made.

27.1 Date accounts authorised for issue

DESNZ's Accounting Officer has authorised these accounts to be issued on the same day as they were certified.

TRUST STATEMENT

Foreword by the Accounting Officer

The Trust Statement accounts for the income DESNZ collects as an agent of the HMT Consolidated Fund. In 2023-24, DESNZ collected income for the 5 schemes listed below.

EU emissions trading system

EU emissions trading system (EU ETS) is the largest emissions trading system to reduce GHG emissions. It caps the amount of GHG emissions participants can emit and allows trading of allowances so that total emissions stay within the cap. The UK left EU ETS on 31 December 2020, after the end of the transition period. Northern Ireland electricity generators remain in EU ETS by virtue of the Ireland/Northern Ireland Protocol. So, EU ETS remains an income stream.

UK emissions trading scheme

UK Emissions trading scheme (UK ETS) replaced the UK's participation in the EU ETS on 1 January 2021. The UK ETS caps the total amount of certain GHG that can be emitted by participants. Participants can buy emission allowances at auction or on the secondary market which they can trade with other participants as needed. Participants at risk of carbon leakage receive free allowances.

Carbon reduction commitment

Carbon reduction commitment (CRC) is an energy efficiency scheme, mandatory for large, non-energy intensive organisations. CRC closed at the end of the 2018-19 compliance year to simplify the landscape for energy efficiency tax on businesses. In April 2019, the reporting element of CRC was replaced by the Streamlined Energy and Carbon Reporting (SECR) framework.

Climate change agreements

Climate change agreements (CCA) is a voluntary energy efficiency scheme for businesses in energy intensive sectors. CCA is an agreement to meet stretching targets in exchange for a reduced Climate Change Levy (CCL) of up to 93%. The scheme was launched in April 2013 and runs until 31 March 2025.

Energy saving opportunity scheme

Energy saving opportunity scheme (ESOS) is a mandatory energy assessment scheme for all large organisations in the UK. Qualifying organisations must audit the energy use of their buildings, industrial processes and transport every 4 years, to identify cost-effective energy saving measures. The scheme runs until 5 December 2027. Phase III runs until 5 December 2023.

Governance statement

The department's governance statement covers the accounts and the Trust Statement.

Auditors

These financial statements have been audited, under the Exchequer and Audit Departments Act 1921, by the Comptroller and Auditor General, who is appointed under statute and reports to Parliament. The audit opinion is on pages 479 to 490. The auditor's notional remuneration is included within the department's accounts.

Statement of accounting officer's responsibilities for the Trust Statement

Under section 2 of the Exchequer and Audit Departments Act 1921, HM Treasury has directed the **Department for Energy, Security and Net Zero (DESNZ)** 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 DESNZ 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 ETS and UK ETS including conducting the auction of the Allowances, 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 CRC Allowances and CCA buy-out payments for onward transmission to the Consolidated Fund, and the collection of civil penalties levied under the EU ETS, UK ETS, CCA, CRC and ESOS schemes 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 statement of affairs of the EU ETS, UK ETS, CCA Schemes and penalties issued under the EU ETS, UK ETS, ESOS, CCA 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
- 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
- **prepare** the Trust Statement on a going concern basis

Accounting Officer's confirmation

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the department's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware. The annual report and accounts as a whole is fair, balanced and understandable. I take personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

Jeremy Pocklington

Permanent Secretary and Principal Accounting Officer

6th November 2024

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

Opinion on financial statements

I have audited the financial statements of the Department for Energy Security and Net Zero Trust Statement ("the Trust Statement") for the year ended 31 March 2024 under the Exchequer and Audit Departments Act 1921.

The financial statements comprise: the Trust Statement's

- Statement of Financial Position as at 31 March 2024;
- Statement of revenue, other income and expenditure, and Statement of Cash Flows for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Trust Statement's affairs as at 31 March 2024 and its net revenue for the Consolidated Fund for the year then ended; and

- have been properly prepared in accordance with the Exchequer and Audit Departments Act 1921 and HM Treasury directions issued thereunder.

Opinion on regularity

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

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my report.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I am independent of the Trust Statement in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Trust Statement's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Trust Statement's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this Report.

The going concern basis of accounting for the Trust Statement is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

Other information

The other information comprises information included in the Performance Report, Accountability Report and Foreword to the Trust Statement, but does not include the financial statements and my auditor’s report thereon. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions issued under the Exchequer and Audit Departments Act 1921.

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions issued under the Exchequer and Audit Departments Act 1921;
- the information given in the Performance and Accountability Reports and the Foreword to the Trust Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Trust Statement and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports or the Foreword to the Trust Statement.

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 by the Trust Statement or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to

the preparation of the financial statements such as records, documentation and other matters;

- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Trust Statement from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- preparing financial statements which give a true and fair view and are in accordance with HM Treasury directions issued under the Exchequer and Audit Departments Act 1921;
- preparing the annual report, which includes the Remuneration and Staff Report in accordance with HM Treasury directions issued under the Exchequer and Audit Departments Act 1921; and
- assessing the Trust Statement's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Trust Statement will not continue to be provided in the future.

Auditor’s responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Exchequer and Audit Departments Act 1921.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the Trust Statement's accounting policies.
- inquired of management, and those charged with governance, including obtaining and reviewing supporting documentation relating to the Trust Statement's policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Trust Statement's controls relating to the Trust Statement's compliance with the Exchequer and Audit Departments Act 1921, and Managing Public Money;
- inquired of management, and those charged with governance whether:

  - they were aware of any instances of non-compliance with laws and regulations;
  - they had knowledge of any actual, suspected, or alleged fraud,
- discussed with the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Trust Statement for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, and complex transactions. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Trust Statement's framework of authority and other legal and regulatory frameworks in which the Trust Statement operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Trust Statement. The key laws and regulations I considered in this context included Exchequer and Audit Departments Act 1921, Managing Public Money, the Greenhouse Gas Emissions Trading Scheme Order 2020 and the Greenhouse Gas Emissions Trading Scheme Auctioning Regulations 2021.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Committee concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board; and internal audit reports;
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial

Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain sufficient appropriate audit evidence 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.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies **13th November 2024**
Comptroller and Auditor General

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

Statement of revenue, other income and expenditure

for the period ended 31 March 2024

	Note	2023-24 £'000	2022-23 £'000
Revenue			
License fees and taxes			
EU ETS auction income	2.1	68,240	57,003
UK ETS auction income	2.1	3,407,068	6,048,951
CRC allowance sales	2.1	-	(191)
CCA buy-out payments income	2.1	45,314	47
Total licence fees and taxes		**3,520,622**	**6,105,810**
Fines and penalties			
Civil penalties – EU ETS		31,172	46,658
Civil penalties – ESOS		667	1,514
Civil penalties – CRC		2	2
Civil penalties – CCA		2	2
Total fines and penalties	2.2	**31,843**	**48,176**
Total revenue and other income		**3,552,465**	**6,153,986**
Expenditure			
Foreign exchange and interest – EU ETS	3.1	(11)	(157)
Credit losses – debts written off	3.2	-	39,035
Total expenditure		**(11)**	**38,878**
Net revenue for the Consolidated Fund		**3,552,476**	**6,115,108**

The notes on pages 494 to 506 form part of this statement.

Statement of Financial Position

as at 31 March

	Note	31 March 2024 £'000	31 March 2023 £'000
Current assets			
Receivables and accrued fees	4	12,642	11,123
Cash and cash equivalents	5	40,780	37,939
Total current assets		**53,422**	**49,062**
Current liabilities			
Payables	6	2,836	634
Total current liabilities		**2,836**	**634**
Net current assets		**50,586**	**48,428**
Total net assets			
Represented by:			
Balance on Consolidated Fund Accounts		**50,586**	**48,428**

The notes on pages 494 to 506 form part of this statement.

Statement of Cash Flows

for the period ended 31 March

	Note	2023-24	2022-23
		£'000	£'000
Net cash flows from operating activities	A	**3,553,159**	**6,114,597**
Cash paid to the Consolidated Fund	7	(3,550,318)	(6,106,124)
Increase/(decrease) in cash in this period	B	**2,841**	**8,473**
Notes to the Statement of Cash Flows			
	Note	**2023-24**	**2022-23**
		£'000	**£'000**
A: Reconciliation of Net Cash Flow to Movement in Net Funds			
Net Revenue for the Consolidated Fund	7	3,552,476	6,115,108
(Increase)/decrease in receivables and accrued fees	4	(1,519)	(774)
Increase/(decrease) in payables	6	2,202	263
Net cash flows from operating activities		**3,553,159**	**6,114,597**
B: Analysis in changes in Net Funds			
Increase/(decrease) in cash in this period		2,841	8,473
Net Funds as at 1 April (net cash at bank)	5	37,939	29,466
Net Funds as at 31 March (closing balance)	5	**40,780**	**37,939**

Notes to the Trust Statement

1. Accounting policies

1.1 Basis of accounting

The Trust Statement is prepared in accordance with the accounts direction issued by HM Treasury under section 2 of the Exchequer and Audit Departments Act 1921. The Trust Statement is prepared in accordance with the accounting policies detailed below. These have been agreed between DESNZ (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 departmental Trust Statement are those flows of funds which the department administers 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

The FReM extends the definition of a contract under IFRS 15 para 9 to include legislation and regulations which enable an entity to obtain revenue that is not classified as a tax by the Office of National Statistics (ONS). As EU ETS auction income, UK ETS auction income and CRC allowances sales are classified as taxes by ONS, and CCA income meets the definition of a tax under ONS's guidance, IFRS 15 is not applicable to the revenue streams of the DESNZ Trust Statement.

Income from these schemes is recognised as follows:

- EU ETS receipts represent proceeds from the auction of carbon allowances. Revenue is recognised at the close of each competitive auction, when the revenue can be measured reliably
- UK ETS receipts represent proceeds from the auction of carbon allowances. Revenue is recognised at the close of each competitive auction, when the revenue can be measured reliably
- Revenue in respect of CCA buy-out payments is recognised on an accruals basis, albeit the recognition point is when the income is received

- Revenue in respect of civil penalties is recognised when the penalty is imposed

All result in a cash flow to the Consolidated Fund. This has resulted in no difference to the income recognition methodology applied in previous years.

CRC participants may request refunds for over-surrendered allowances (note 9 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

For the purposes of this Trust Statement, the department holds financial assets in the following categories:

- receivables held at amortised cost
- cash and cash equivalent held at amortised cost

Receivables held at amortised cost comprise:

- for EU ETS and UK 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 calculated at the close of each auction and have a maturity of less than three months
- civil penalties levied against participants in the EU ETS, UK ETS, ESOS, CCA and CRC schemes, amounts for which have not been received at the financial year end

Cash and cash equivalents comprise 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.

1.6 Financial liabilities

For the purposes of this Trust Statement the department holds financial liabilities in the following category:

- Other financial liabilities – which comprise – Payables in the Statement of Financial Position. Payables are amounts established as due at the reporting date, but where payment is made subsequently. Since these balances are expected to be settled within 12 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 Revenue

	2023-24 £'000	2022-23 £'000
EU ETS		
EU ETS – auctions income	68,240	57,003
UK ETS		
UK ETS – auctions income	3,407,068	6,048,951
CRC		
CRC allowance sales	-	(191)
CCA		
CCA buy-out payment income receivable	45,315	47
Total	**3,520,623**	**6,105,810**

EU ETS

Auction dates and units auctioned for EUA Phase III are available on The European Energy Exchange (EEX) website on the auction calendar link at: **www.eex.com/en/market-data/environmental-markets/eua-primary-auction-spot-download**

UK ETS

Auction dates for UK Emission Allowances are available on the Intercontinental Exchange website at **www.theice.com/emissions/auctions/uk-emission-allowances**

CCA

In 2023-24, the income from buy-out payments generated £45.3 million (2022–23: £47,310). This increase is due to 2023-24 being the primary reporting period income for Target Reporting Period V.

2.2 Revenue from civil penalties

	2023-24				2022-23
	Number of penalties	Revenue before adjustments and refunds[1] £'000	Revenue £'000	Number of penalties	Revenue £'000
Levied under EU ETS	383	31,672	31,172	153	46,658
Levied under CRC	1	2	2	1	2
Levied under CCA	1	2	2	3	2
Levied under ESOS	1	2	667	89	1,514
Total	**386**	**31,678**	**31,843**	**246**	**48,176**

Notes

1. Revenue before adjustments and refunds in relation to prior years

3. Expenditure and disbursements

3.1 Costs incurred in the collection of receipts

	2023-24 £'000	2022-23 £'000
Foreign currency translation (gains)/losses – EU ETS	(11)	(157)
Total	**(11)**	**(157)**

3.2 Credit losses

	2023-24 £'000	2022-23 £'000
De-recognition of EU ETS penalties	-	37,639
Impairment of doubtful debts during the year	-	1,396
Total	**-**	**39,035**

No write-offs were required during the current financial year.

Expenditure incurred to administer the schemes are provided below. These costs are included in the DESNZ accounts because there is no express statutory provision to deduct them from the revenue collected and paid to the Consolidated Fund.

	2023-24 £	2022-23 £
EU ETS	288,629	293,673
UK ETS	2,112,970	1,837,085
CRC	TBC	76,677
CCA	TBC	370,025
ESOS	TBC	1,102,727

4. Receivables and accrued fees

	2023-24 £'000	2022-23 £'000
Civil Penalties receivable	12,642	11,123
Total	**12,642**	**11,123**

5. Cash and cash equivalents

	2023-24 £'000	2022-23 £'000
Balance as at 1 April	37,939	29,466
Net change in cash and cash equivalent balances	2,841	8,473
Balance at 31 March 2024	**40,780**	**37,939**
The following balances at 31 March were held at		
Government Banking Service	40,780	37,939
Total	**40,780**	**37,939**

6. Payables

	2023-24 £'000	2022-23 £'000
Other	2,836	634
Total	**2,836**	**634**

7. Balance on the Consolidated Funds accounts

	2023-24 £'000	2022-23 £'000
Balance on the Consolidated Fund as at 1 April	48,428	39,444
Net revenue for the Consolidated Fund	3,552,476	6,115,108
Less amounts paid to the Consolidated Fund	(3,550,318)	(6,106,124)
Balance on the Consolidated Fund as at 31 March	**50,586**	**48,428**

8. Financial instruments

8.1 Classification and categorisation of financial instruments

	2023-24 £'000	2022-23 £'000
Financial assets		
Cash	40,780	37,939
Civil penalties receivable	12,642	11,123
Total financial assets	**53,422**	**49,062**
Financial liabilities		
Other Payables	(2,836)	(634)
Total financial liabilities	**(2,836)**	**(634)**

8.2 Risk exposure to financial instruments

EU ETS

EU ETS is exposed to foreign currency risk due to the timing difference in recognising proceeds at the auction and converting proceeds into sterling 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 rate gain of £11,266 incurred as at 31 March 2024 (31 March 2023: gain of £157,000).

EU ETS is not exposed to interest rate or liquidity risk. It's exposure to market risk is limited due to there being a current demand for carbon allowances. Civil penalties are subject to credit risk. The level of credit risk varies depending on the level of penalties being issued, and increases when they relate to entities in administration.

UK ETS

UK ETS is not exposed to foreign currency risk, interest rate or liquidity risk. It’s exposure to market risk is limited due to there being a current demand for carbon allowances.

CCA

CCA buy-out payment revenue is subject to credit risk, but this risk is assessed by management as low, due to the nature of participants in the scheme. All fees under the regime are received in sterling minimising any other risks.

Information to help 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 can be found in note 21 to the department’s accounts.

9. Contingent liability

CRC

A contingent liability exists for refunds the department may have to pay to CRC participants who have over-surrendered allowances. This is as a result of legislation included in the CRC Order 2013. The refunds are contingent upon participants being able to prove 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.

CCA

A contingent liability exists in the secondary reporting phase of each Target Reporting Period. This is where a participant has undergone review or audit procedures and it is deemed they have overpaid. Thus, the participant is due a refund. The department must retain sufficient funds to cover these refunds.

10. Events after the reporting period

There are no events after the reporting period to report on.

11. Date accounts authorised for issue

The Accounting Officer has authorised these accounts to be issued on the same day as they were certified.

Annexes to the Trust Statement

Annex D

Accounts Direction given by HM Treasury in accordance with Section 2 of the Exchequer and Audit Departments Act 1921

1. This direction applies to those government departments listed in appendix 2.

2. The department shall prepare a Trust Statement ("the Statement") for the financial year ended 31 March 2024 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 Government Financial Reporting Manual (FReM) 2023-24.

3. The Statement shall be prepared, as prescribed in appendix 1, so as to give a true and fair view of (a) the state of affairs relating to the collection and allocation of taxes, licence fees, fines and penalties and other income by the department as agent and of the expenses incurred in the collection of those taxes, licence fees, fines and penalties insofar as they can properly be met from that revenue and

other income; (b) the revenue and expenditure; and (c) the cash flows for the year then ended.

4. The Statement shall also be prepared so as to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.

5. When preparing the Statement, the department shall comply with the guidance given in the FReM (Chapter 11). The department shall also agree with HM Treasury the format of the Principal Accounting Officer's Foreword to the Statement, and the supporting notes, and the accounting policies to be adopted, particularly in relation to revenue recognition. Regard shall also be given to all relevant accounting and disclosure requirements in Managing Public Money and other guidance issued by HM Treasury, and to the principles underlying International Financial Reporting Standards.

6. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and

fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with HM Treasury.

7. The Statement shall be transmitted to the Comptroller and Auditor General for the purpose of his examination and report by a date agreed with the Comptroller and Auditor General and HM Treasury to enable compliance with the administrative deadline for laying the audited accounts before Parliament.

8. The 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 2 of the Exchequer and Audit Departments Act 1921 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.

Charlotte Goodrich
Deputy Director, Government Financial Reporting
His Majesty's Treasury
14th December 2023

Appendix 1 to annex D

Trust Statement for the year ended 31 March 2024

1. The Trust Statement shall include:

- a Foreword by the Principal Accounting Officer
- a Statement of the Principal Accounting Officer's Responsibilities
- a Governance Statement
- a Statement of Revenue, Other Income and Expenditure
- a Statement of Financial Position
- a Cash Flow Statement
- 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
- any other notes agreed with HM Treasury and the National Audit Office

Appendix 2 to annex D

Sponsoring department	Income stream	Responsible entity
Department for Energy, Security and Net Zero	UK Emissions Allowance	DESNZ
	EU Emissions Allowance	DESNZ
	Fines and Penalties	DESNZ
	CRC allowances	DESNZ
	Climate Change Agreements	DESNZ
	Energy Saving Opportunity Schemes	DESNZ

ANNEXES

Annex A: Common core tables

Table 1 – Total departmental spending, 2019-20 to 2024-25

This table provides a summary of departmental net expenditure using the same headings as voted within the Estimate.

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans
	£'000	£'000	£'000	£'000	£'000	£'000
Resource DEL						
Delivering affordable energy for households and businesses	38,974	83,933	90,113	12,623,280	138,697	227,406
Ensuring that our energy system is reliable and secure	4,723	5,789	903,253	(589,628)	(190,125)	99,899
Taking action on climate change and decarbonisation	105,743	143,965	215,060	95,142	141,619	212,176
Managing our energy legacy safely and responsibly	234,186	216,909	195,797	196,708	174,616	165,948
Science and Research	3,397	3,131	2,984	2,954	3,029	3,224
Deliver an ambitious industrial strategy	-	-	6,525	-	(361)	-
Capability	222,037	257,620	275,984	320,487	382,731	294,215
Ensuring that our energy system is reliable and secure (ALB) net	(2,756)	(2,297)	(3,039)	332	9,880	(20)
Taking action on climate change and decarbonisation (ALB) net	8,260	11,217	15,734	20,851	37,164	17,602

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans
	£'000	£'000	£'000	£'000	£'000	£'000
Managing our energy legacy safely and responsibly (ALB) net	28,719	32,055	39,668	42,063	57,303	61,684
Science and Research (ALB) net	2,036	3,404	7,727	9,449	10,604	11,830
Government as Shareholder (ALB) net	(6,464)	(6,908)	(404)	76	41	-
NDA and SLC expenditure (ALB) net	1,330,218	1,245,231	1,427,905	1,539,517	1,582,949	1,818,919
Nuclear Decommissioning Authority Income (CFER)	(748,104)	(599,466)	(693,854)	(1,033,318)	(971,813)	(1,298,852)
Total Resource DEL	**1,220,969**	**1,394,583**	**2,483,453**	**13,227,913**	**1,376,334**	**1,614,031**
Of which:						
Current grants to persons and non-profit (net)	73,109	74,472	84,324	12,488,008	(7,116)	23,511
Depreciation	21,619	21,853	36,515	46,528	78,472	56,300
Income from sales of goods and services	(760,801)	(611,898)	(710,000)	(1,049,659)	(982,845)	(1,307,605)
Net public service pensions	(8)	(11)	-	-	-	-
Other resource	(1,672,619)	(1,282,093)	(979,860)	(921,014)	(1,125,033)	(124,742)
Purchase of goods and services	3,127,666	2,667,744	2,609,252	2,675,850	3,109,594	2,541,881
Rentals	18,435	24,137	(1,389)	(1,528)	(3,640)	585
Staff costs	354,660	400,510	437,428	496,809	447,325	280,614
Subsidies to private sector companies	-	-	-	60,978	662	-
Subsidies to public corporations	-	-	895,000	(628,943)	(266,057)	-
Take up of provisions	(373)	9,067	(1,817)	1,186	7,936	-
Change in pension scheme liabilities	348	71	(3)	1	60	-

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans
	£'000	£'000	£'000	£'000	£'000	£'000
Current grants abroad (net)	48,784	72,551	95,439	34,495	45,613	125,987
Current grants to local government (net)	10,149	18,180	18,564	25,202	71,363	17,500
Resource AME						
Delivering affordable energy for households and businesses	478	(4,108)	338,849	31,137,612	831,888	-
Ensuring that our energy system is reliable and secure	-	-	-	(256,446)	(437,044)	-
Taking action on climate change and decarbonisation	701	(550)	(462)	(3,480)	18,024	510
Managing our energy legacy safely and responsibly	(203,397)	(208,322)	(78,851)	(52,207)	(128,023)	(130,806)
Science and Research	2,209	14,715	43,988	(69,240)	(16,192)	39,000
Capability	(60,966)	(44,441)	3,368	(9,526)	3,192	(807)
Government as Shareholder	-	-	21	(37)	-	-
Renewable Heat Incentive	846,092	848,139	919,555	1,001,880	1,218,131	1,203,000
Deliver an ambitious industrial strategy	-	-	2,814	(14,051)	(478)	-
Taking action on climate change and decarbonisation (ALB) net	3,543,428	468,485	10,015,257	(13,507,265)	4,009,238	25,000,000
Managing our energy legacy safely and responsibly (ALB) net	22,826	231,227	3,112,786	(3,385,547)	(587,756)	1,530,457
Science and Research (ALB) net	7,864	(11,361)	174	(4,360)	504	2,680
Government as Shareholder (ALB) net	(48,243)	(157,341)	(84,810)	(87,548)	(86,285)	(80,000)

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Outturn	**Outturn**	**Outturn**	**Outturn**	**Outturn**	**Plans**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Nuclear Decommissioning Authority (ALB) net	4,371,679	1,027,590	100,605,107	(110,365,377)	(18,371,822)	12,835,287
Total Resource AME	**8,482,671**	**2,164,033**	**114,877,796**	**(95,615,592)**	**(13,546,623)**	**40,399,321**
Of which:						
Current grants to persons and non-profit (net)	11,185	8,879	926,014	20,378,499	1,966,761	17,658
Depreciation	5,549,251	2,815,109	10,437,384	(13,282,806)	6,040,892	25,060,287
Other resource	(1,922,024)	(2,395,362)	82,711	680,638	(2,126,648)	(80,000)
Purchase of goods and services	139,466	118,942	2,754	6,963	3,284,645	-
Release of provision	(3,012,067)	(3,073,934)	(3,304,065)	(3,281,469)	(7,215,332)	(144,924)
Staff costs	-	-	-	4	-	-
Subsidies to private sector companies	846,092	848,139	-	8,361,800	115,149	1,203,000
Subsidies to public corporations	-	-	345,889	(345,889)	-	-
Take up of provisions	6,870,768	3,842,260	106,387,109	(108,133,332)	(15,612,090)	14,343,220
Unwinding of discount rate on pension scheme liabilities	-	-	-	-	-	80
Total Resource Budget	**9,703,640**	**3,558,616**	**117,361,249**	**(82,387,679)**	**(12,170,289)**	**42,013,352**
Of which:						
Current grants to persons and non-profit (net)	84,294	83,351	1,010,338	32,866,507	1,959,645	41,169
Depreciation	5,570,870	2,836,962	10,473,899	(13,236,278)	6,119,364	25,116,587
Income from sales of goods and services	(760,801)	(611,898)	(710,000)	(1,049,659)	(982,845)	(1,307,605)

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans
	£'000	£'000	£'000	£'000	£'000	£'000
Net public service pensions	(8)	(11)	-	-	-	-
Other resource	(3,594,643)	(3,677,455)	(897,149)	(240,376)	(3,251,681)	(204,742)
Purchase of goods and services	3,267,132	2,786,686	2,612,006	2,682,813	6,394,239	2,541,881
Release of provision	(3,012,067)	(3,073,934)	(3,304,065)	(3,281,469)	(7,215,332)	(144,924)
Rentals	18,435	24,137	(1,389)	(1,528)	(3,640)	585
Staff costs	354,660	400,510	437,428	496,813	447,325	280,614
Subsidies to private sector companies	846,092	848,139	-	8,422,778	115,811	1,203,000
Subsidies to public corporations	-	-	1,240,889	(974,832)	(266,057)	-
Take up of provisions	6,870,395	3,851,327	106,385,292	(108,132,146)	(15,604,154)	14,343,220
Unwinding of discount rate on pension scheme liabilities	-	-	-	-	-	80
Change in pension scheme liabilities	348	71	(3)	1	60	-
Current grants abroad (net)	48,784	72,551	95,439	34,495	45,613	125,987
Current grants to local government (net)	10,149	18,180	18,564	25,202	71,363	17,500
Capital DEL						
Delivering affordable energy for households and businesses	44,502	1,184,722	1,256,202	365,271	706,012	1,550,169
Ensuring that our energy system is reliable and secure	291	277	1,005,678	2,076,559	(325,713)	603,720
Taking action on climate change and decarbonisation	420,099	732,132	581,542	421,343	613,699	1,273,472

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans
	£'000	£'000	£'000	£'000	£'000	£'000
Managing our energy legacy safely and responsibly	3,461	5,074,050	5,620,909	9,131	7,474	2,770
Science and Research	-	-	230	-	28,576	141,500
Capability	15,591	28,716	21,363	3,635	133,676	72,368
Ensuring that our energy system is reliable and secure (ALB) net	-	-	-	840,898	1,274,171	1,931,000
Taking action on climate change and decarbonisation (ALB) net	27	284	2,500	1,628	3,602	9,340
Managing our energy legacy safely and responsibly (ALB) net	12,919	17,915	25,769	24,311	16,904	32,020
Science and Research (ALB) net	114,751	166,958	233,724	264,318	277,053	243,500
Government as Shareholder (ALB) net	(29,614)	(10,232)	(59,398)	-	-	-
NDA and SLC expenditure (ALB) net	1,797,184	1,799,723	2,023,096	2,192,595	2,392,120	2,439,000
Nuclear Decommissioning Authority Income (CFER)	-	-	-	-	(129)	-
Total Capital DEL	**2,379,211**	**8,994,545**	**10,711,615**	**6,199,689**	**5,127,445**	**8,298,859**
Of which:						
Current grants to persons and non-profit (net)	76	28	2,902	47,703	139,950	95,500
Income from sales of assets	(367)	(8,063)	(159)	(7,444)	(173)	-
Income from sales of goods and services	(61,069)	(42,977)	(42,787)	(54,752)	(72,110)	-
Net lending to the private sector and abroad	1,481	89,184	277,550	9,538	(81,581)	470,000

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans
	£'000	£'000	£'000	£'000	£'000	£'000
Other capital	35,172	5,066,195	5,566,017	885	25,430	580
Purchase of assets	1,778,339	1,861,409	110,077	923,537	1,473,349	4,301,008
Purchase of goods and services	243,075	224,596	2,250,186	2,463,520	2,731,066	645,885
Staff costs	59,804	78,241	109,814	126,771	164,200	-
Take up of provisions	-	-	125	-	-	-
Capital grants abroad (net)	238,564	423,780	198,924	209,404	280,060	323,600
Capital grants to persons and non-profit (net)	(85)	16,496	4,063	(70)	71,546	5,000
Capital grants to private sector companies (net)	83,581	142,945	254,520	150,403	179,842	1,107,072
Capital support for local government (net)	215	1,142,709	641,001	(153,663)	57,743	1,180,584
Capital support for public corporations	425	-	1,339,382	2,483,857	158,094	28,130
Current grants abroad (net)	-	2	-	-	29	141,500
Capital AME						
Ensuring that our energy system is reliable and secure	-	-	-	-	-	205,000
Managing our energy legacy safely and responsibly	29,419	29,382	23,091	-	14,099	10,030
Ensuring that our energy system is reliable and secure (ALB) net	-	-	-	-	76,500	-
Taking action on climate change and decarbonisation (ALB) net	-	-	54	74	(74)	-

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans
	£'000	£'000	£'000	£'000	£'000	£'000
Managing our energy legacy safely and responsibly (ALB) net	-	-	-	558	(225)	-
Science and Research (ALB) net	(5,064)	(3,941)	(2,342)	(1,986)	(7,811)	-
Managing our energy legacy safely and responsibly (CFER)	(142,400)	(142,400)	(142,400)	(142,400)	(142,400)	(105,400)
Total Capital AME	**(118,045)**	**(116,959)**	**(121,597)**	**(143,754)**	**(59,911)**	**109,630**
Of which:						
Net lending to the private sector and abroad	(142,400)	(142,400)	(142,400)	(142,400)	(142,400)	(105,400)
Other capital	29,419	29,382	23,091	-	14,099	10,030
Purchase of assets	-	-	-	-	76,500	-
Purchase of goods and services	(5,064)	(3,941)	(2,342)	(1,986)	(7,811)	-
Take up of provisions	-	-	54	632	(299)	-
Capital support for public corporations	-	-	-	-	-	205,000
Total Capital Budget	**2,261,166**	**8,877,586**	**10,590,018**	**6,055,935**	**5,067,534**	**8,408,489**
Of which:						
Current grants to persons and non-profit (net)	76	28	2,902	47,703	139,950	95,500
Income from sales of assets	(367)	(8,063)	(159)	(7,444)	(173)	-
Income from sales of goods and services	(61,069)	(42,977)	(42,787)	(54,752)	(72,110)	-
Net lending to the private sector and abroad	(140,919)	(53,216)	135,150	(132,862)	(223,981)	364,600

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans
	£'000	£'000	£'000	£'000	£'000	£'000
Other capital	64,591	5,095,577	5,589,108	885	39,529	10,610
Purchase of assets	1,778,339	1,861,409	110,077	923,537	1,549,849	4,301,008
Purchase of goods and services	238,011	220,655	2,247,844	2,461,534	2,723,255	645,885
Staff costs	59,804	78,241	109,814	126,771	164,200	-
Take up of provisions	-	-	179	632	(299)	-
Capital grants abroad (net)	238,564	423,780	198,924	209,404	280,060	323,600
Capital grants to persons and non-profit (net)	(85)	16,496	4,063	(70)	71,546	5,000
Capital grants to private sector companies (net)	83,581	142,945	254,520	150,403	179,842	1,107,072
Capital support for local government (net)	215	1,142,709	641,001	(153,663)	57,743	1,180,584
Capital support for public corporations	425	-	1,339,382	2,483,857	158,094	233,130
Current grants abroad (net)	-	2	-	-	29	141,500
Total departmental spending [3]	**11,964,806**	**12,436,202**	**127,951,267**	**(76,331,744)**	**(7,102,755)**	**50,421,841**
Of which:						
Total DEL	**3,600,180**	**10,389,128**	**13,195,068**	**19,427,602**	**6,503,779**	**9,912,890**
Total AME	**8,364,626**	**2,047,074**	**114,756,199**	**(95,759,346)**	**(13,606,534)**	**40,508,951**

Referenced notes

1 Includes impairments

2 Pension schemes report under FRS 17 accounting requirements. These figures therefore include cash payments made and contributions received, as well as certain non-cash items

3 Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.

Other note

The large increase in spend in 2022-23 on Delivering affordable energy for households and businesses Resource DEL and Resource AME is due to the Energy prices support schemes.

The large increase in spend in 2021-22 and subsequent credits in 2022-23 and 2023-24 on Ensuring our energy system is reliable and secure Resource DEL is due to the Energy Special Administration Regime.

The credits in 2022-23 and 2023-24 on Ensuring our energy system is reliable and secure Resource AME are due to the Energy Special Administration Regime.

The large increase in spend in 2021-22 and 2022-23 and credit in 2023-24 on Ensuring our energy system is reliable and secure Capital DEL is due to the Energy Special Administration Regime.

The large increase in spend in 2020-21 and 2021-22 on Managing our energy legacy safely and responsibly Capital DEL is due to the Nuclear Liabilities Fund.

The increases in spend since 2022-23 on Ensuring that our energy system is reliable and secure (ALB) net Capital DEL is due to Sizewell C and Great British Nuclear.

The figures for Depreciation in Resource AME include the movement in fair value for contracts for difference, shown against Taking action on climate change and decarbonisation (ALB).

The large movements in take up of provisions within Resource AME is due to movements in the long-term discount rate for provisions. This largely impacts the lines for Nuclear Decommissioning Authority and Managing our energy legacy safely and responsibly (ALB).

In their role as administrator of the government's GB Renewable Heat Incentive scheme, Ofgem made payments to scheme participants totalling £1,046,847,653 in the financial year 2023-24. Based on Ofgem's sampling of the population and subject to our detailed assumptions, we can be 95% confident that the estimated value of error for GB Renewable Heat Incentive scheme payments made or accrued in the financial year 2023-24 is between the upper and lower limits of £2,097,422 and £4,275,371. Based on the same assumptions, the most likely estimated value of error for the same period is £3,186,396. This is less than 1% of scheme spend.

Table 2 – Administration budget, 2019-20 to 2024-25

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans
	£'000	£'000	£'000	£'000	£'000	£'000
Resource DEL						
Capability	215,314	250,004	251,851	302,717	349,364	297,669
Taking action on climate change and decarbonisation (ALB) net	5,354	4,465	4,099	6,047	6,692	5,185
Managing our energy legacy safely and responsibly (ALB) net	4,833	5,112	4,485	5,671	8,857	6,791
Government as Shareholder (ALB) net	26	33	36	35	38	-
NDA and SLC expenditure (ALB) net	52,929	54,925	35,456	30,497	32,016	33,750
Total administration budget	**278,456**	**314,539**	**295,927**	**344,967**	**396,967**	**343,395**
Of which:						
Current grants to persons and non-profit (net)	317	814	394	751	785	171
Depreciation	11,928	14,339	18,804	25,842	53,789	26,800
Income from sales of goods and services	(2,546)	(2,151)	(1,979)	(2,545)	(1,679)	(173)
Net public service pensions	(8)	(11)	-	-	-	-
Other resource	(141,899)	(136,979)	(140,117)	(152,230)	(76,110)	(122,341)
Purchase of goods and services	103,917	103,246	104,266	133,885	128,489	179,700
Rentals	19,480	20,846	239	(14)	(202)	585
Staff costs	286,848	314,059	314,074	338,940	291,580	258,653
Subsidies to private sector companies	-	-	-	-	94	-
Take up of provisions	3	-	-	-	-	-
Change in pension scheme liabilities	115	56	2	-	-	-
Current grants abroad (net)	301	320	244	338	221	-

Annex B: Financial information by ALB

The table below shows the total operating income, total operating expenditure, net expenditure for the year, and staff numbers and costs for each of our ALBs.

The figures below will not tie directly to the published ALB accounts as they include some adjustments which would have been captured in the ALB's accounts in the previous year.

The staff costs and numbers for nuclear site licence companies (SLCs) are not included in the table below – as they are included in the amount shown for utilisation in the NDA's nuclear decommissioning provision in note 18.

Financial Information by ALB

							2023-24
				Permanently employed staff		Other staff	
	Total Operating income £m	Total Operating expenditure £m	Net expenditure for the year (including financing) £m	Number of employees	Staff costs £m	Number of employees	Staff costs £m
Core department	(86)	8,362	7,780	4,124	310	141	15
United Kingdom Atomic Energy Authority	(295)	297	6	1,681	109	528	44
Enrichment Holdings Limited	-	-	(78)	-	-	-	-
Oil And Gas Authority	(39)	39	-	211	22	5	-
NDA	(933)	(15,752)	(15,336)	363	51	63	7
Coal Authority	(18)	(592)	(538)	329	22	29	1
Civil Nuclear Police Authority	(137)	139	2	970	24	18	1
Radioactive Waste Management							
Electricity Settlements Company	(1,031)	1,031	-	-	-	-	-
Sellafield Limited							
Dounreay Site Restoration Ltd							
Magnox Limited							
Low Carbon Contracts Company	(5,678)	26	222	171	14	-	1
Great British Nuclear	-	22	8	-	1	3	3
LLW Repository Ltd							
UK Green Infrastructure Platform Ltd							
Salix	(1)	28	27	189	9	-	1
Sizewell C	-	1	(5)	2	-	-	-
Consolidation adjustments	4,083	(4,389)	(220)	-	-	-	-
Total departmental group	**(4,135)**	**(10,788)**	**(8,132)**	**8,040**	**562**	**787**	**73**

Annex C: Glossary

AFP NI: Alternative Fuel Payment Northern Ireland

AGR: Advanced Gas-cooled Reactor

ALB: Arm's-Length Bodies

AME: Annually Managed Expenditure

AQuA: Analytical Quality Assurance

ARAC: Audit and Risk Assurance Committee

ARG: Additional Restrictions Grants

BCSSS: British Coal Staff Superannuation Scheme

BEIS: Department for Business, Energy and Industrial Strategy

BNFL: British Nuclear Fuels Ltd

CARS: Coal Authority Restructuring Schemes

CCA: Climate Change Agreements

CCC: Climate Change Committee

CCUS: Carbon Capture Usage and Storage

CDEL: Capital Departmental Expenditure Limit

CETV: Cash Equivalent Transfer Values

CFER: Consolidated Fund Extra Receipts

CfD: Contracts for Difference

CNPA: Civil Nuclear Police Authority

CNPP: Civil Nuclear Pension Plan

CO: Cabinet Office

COVID-19: Coronavirus pandemic

CRC: Carbon Reduction Commitment

CSOPS: Civil Servant and Other Pension Scheme

DA: Devolved Administration

DBT: Department for Business and Trade

DDM: Dynamic Dispatch Model

DEL: Departmental Expenditure Limit

DESNZ: Department for Energy Security and Net Zero

DLUHC: Department for Levelling Up, Housing and Communities

DSIT: Department for Science, Innovation and Technology

EBRS: Energy Bill Relief Scheme

EBSS: Energy Bills Support Scheme

EBSS NI: Energy Bills Support Scheme Northern Ireland

ECL: Expected Credit Loss

EDI: Equality Diversity and Inclusion

EPG: Energy Price Guarantee

ESC: Electricity Settlements Company

EU: European Union

EU ETS: EU Emissions Trading Scheme

EUV: Existing-Use Value

FCDO: Foreign Commonwealth and Development Office

FDP: Funded Decommissioning Programme

FF: Future Fund scheme

FIDeR: Financial Investment Decision Enabling for Renewables

FRA: Fraud Risk Assessment

FREM: Government Financial Reporting Manual

FVTOCI: fair value through other comprehensive income

FVTPL: fair value through profit or loss

GBN: Great British Nuclear

GDF: Geological Disposal Facility

GDP: Gross Domestic Product

GIAA: Government Internal Audit Agency

GID: Government Investment Decision

GGC: Greening Government Commitments

GHG: Green House Gas

GMPP: Government Major Projects Portfolio

GRAA: Government Resources and Accounts Act

GSG: Government Security Group

HMG: HM Government

HMT: HM Treasury

HPC: Hinkley Point C

IAS: International Accounting Standards

ICF: International Climate Fund

IETF: Industrial Energy Transformation Fund

IFRS: International Financial Reporting Standards

INSS: Insolvency Service

IPEV: International Private Equity and Venture Capital

IRIG: Integrated Review Implementation Group

LADGF: Local Authority Discretionary Grant Fund

LCCC: Low Carbon Contracts Company Ltd

LCREE: Low Carbon and Renewable Energy Economy

LRSG: Local Restriction Support Grants

MOG: Machinery Of Government

MPM: Managing Public Money

MRC: Medical Research Council

NAO: National Audit Office

NATIS: National Investigation Service

NDA: Nuclear Decommissioning Authority

NDPB: non-departmental public bodies

NIF: National Insurance Fund

NLF: Nuclear Liabilities Fund

NaLF: National Loans Fund

NNBG: NNB Generation Company (HPC) Limited

NNHL: National Nuclear Holdings Ltd

NSTA: North Sea Transition Authority

OCI: Other Comprehensive Income

ODA: Official Development Assistance

Ofgem: Office of Gas and Electricity Markets

OGA: Oil and Gas Authority

OHLG: Omicron Hospitality and Leisure Grant

ONS: Office for National Statistics

PCFP: Parliamentary Contributory Pension Fund

PCSPS: Principal Civil Service Pension Scheme

PDC: Public Dividend Capital

PES: Public Expenditure System

PIC: Projects and Investment Committee

PO: partner organisations

POPCO: People and Operations Committee

PPE: Property, Plant and Equipment

PSED: Public Sector Equality Duty

PSFA: Public Sector Fraud Authority

PV: Present Value

QA: Quality Assurance

R&D: Research and Development

RHLGF: Retail, Hospitality and Leisure Grant Fund

RSL: Replacement Sea Line

SBGF: Small Business Grant Fund

SCS: Senior Civil Servant

SDG: Sustainable Development Goals

SI: Statutory Instrument

SLC: Site Licence Company

SME: Small and Medium sized Enterprise

SoCNE: Statement of Comprehensive Net Expenditure

SoFP: Statement of Financial Position

SOPS: Statement of Outturn against Parliamentary Supply

SOSIA: Secretary of State Investor Agreement

TCA: Trade and Cooperation Agreement

TCD: Target Commissioning Date

TCW: Target Commissioning Window

TLM: Transmission Loss Multiplier

TME: Total Managed Expenditure

UKAEA: UK Atomic Energy Authority

UKSBS: UK Shared Business Services Ltd

VAT: Value-Added Tax

WTC: Waste Transfer Contract

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