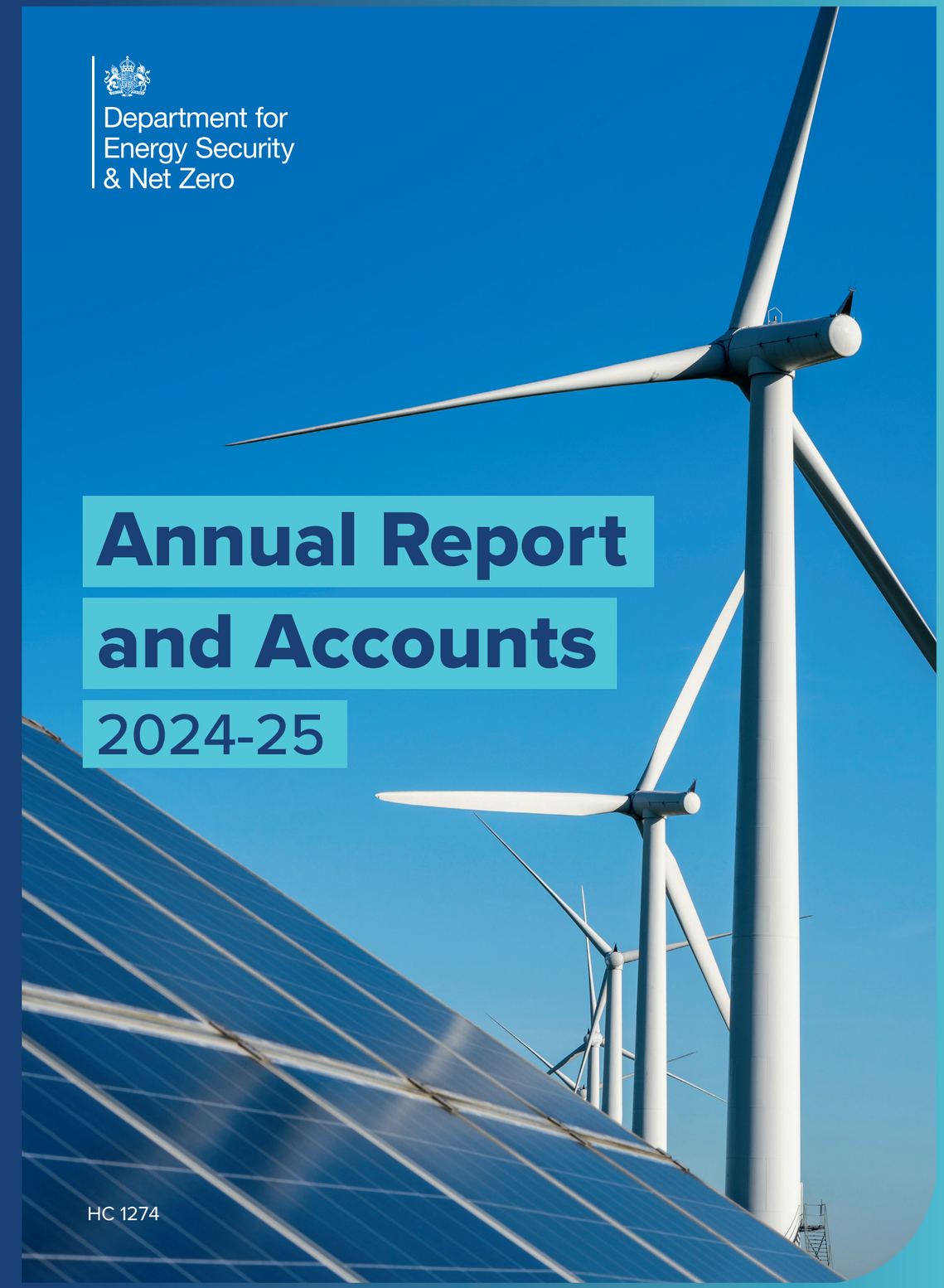
Department for Energy Security & Net Zero

Annual Report and Accounts 2024-25



HC 1274

Department for Energy Security and Net Zero – Annual Report and Accounts 2024-25

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Department for
Energy Security
& Net Zero

Annual Report and Accounts

2024-25

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This is part of a series of departmental publications which, along with the Main Estimates 2025–26 and the document Public Expenditure: Statistical Analyses 2024, present the government's outturn for 2024–25 and planned expenditure for 2025–26.

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Performance report

Performance overview

Purpose of the 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.

Foreword of the Permanent Secretary

This has been a big year for the department, as we have stepped up delivery to match the ambitions of the new Government's agenda. We founded Great British Energy in July last year, which has partnered with the Crown Estate and launched its headquarters in Aberdeen in September, in line with our Places for Growth programme. We have also launched the Clean Power Mission to deliver clean power by 2030 and accelerate to net zero.

In October we saw the last coal-fired power station close, an important moment in our move towards clean power. We have also seen the pension payments for former mineworkers increase, starting in November. Last year we announced the financial close for the East Coast Cluster of CCUS projects. This groundbreaking deal, unlocking £4bn worth of contracts, means that construction of the UK's first carbon capture industry started this year. We continue to support investment into new technologies, investing a record £360m into cutting edge fusion energy.

As well as welcoming a new Government, we have had some great corporate accomplishments. We are proud that DESNZ saw one of the largest improvements in our People Survey Scores across the Civil Service. We also hosted DESNZ live, a conference which discussed how the department would achieve the Prime Minister's mission to make Britain a clean energy superpower.

The department has achieved a huge amount this year, of which we can be extremely proud. I am certain that progress will continue in all these areas and more as we work to ensure the secure, clean and affordable energy our country needs.

Jeremy Pocklington

Permanent Secretary and Principal Accounting Officer

Foreword of the Secretary of State

From day one of this Government, our department has been moving at speed to deliver the Prime Minister's mission to make Britain a clean energy superpower. Every family and business in the country is paying the price of Britain's exposure to the rollercoaster of international fossil fuel markets. In an increasingly unstable and uncertain world, energy security is more important than ever.

That is why we haven't wasted a moment in our drive for clean homegrown energy that we control. We've already consented to enough clean energy to power the equivalent of 2 million homes, lifted the onshore wind ban, delivered a record-breaking renewables auction, set up Great British Energy, kickstarted Britain's carbon capture and hydrogen industries, and set out plans to make it easier to build new nuclear. In the process, we've secured over £40bn of private sector investment in clean energy announced since the General Election.

Now we are taking the next steps by implementing our Clean Power Action Plan, which will unlock £40bn a year of mostly private investment for the rest of the decade through our reforms to planning, grid connections, renewables auctions, supply chains and skills.

Every wind turbine, every solar panel, every piece of grid infrastructure we construct protects Britain from future shocks, while helping to power growth and create the next generation of good jobs across the country. From blade manufacturing in Hull, new nuclear in Somerset, floating wind off the coast of Scotland and the first CCUS clusters in Teesside and the North West, we are already seeing the clean energy revolution boost investment, revitalise industry and unlock export opportunities across the UK.

As we build an energy system that can bring down bills, our department is doing everything we can to support families and businesses struggling now. That includes bringing forward proposals to expand the £150 Warm Homes Discount to 6 million households next winter, moving ahead on our Warm Homes Plan to upgrade millions of homes to make them warmer and cheaper to run, and working with Ofgem to fix our broken energy system and deliver pro-consumer reforms.

I am incredibly proud of the progress our department has made over the last 10 months, but this is just the start. By continuing to drive forward our clean energy mission, we will deliver energy security, lower bills, good jobs and economic growth for the British people today, while working with other countries to deliver climate security for our children and grandchildren.

Ed Miliband

Secretary of State for Energy Security and Net Zero

Our purpose and priorities in 2024–25

Prior to the General Election the department's priorities were aligned with the previous Government's agenda, as set out in the **Powering up Britain plan**.

Since the election the department has had four strategic outcomes for our work and the Clean Energy Superpower Mission as a whole:

1. Enhance energy security
2. Protect billpayers
3. Create economic growth for the UK and generate and protect jobs
4. Reduce the UK's emissions

Our business model and environment

To deliver our departmental priorities, we:

- **devise and manage policies**, developing expertise on various energy and climate topics, and advising ministers on how to achieve their objectives
- **deliver public services,** implementing the policies decided by ministers for the benefit of citizens
- **manage taxpayer funds**, ensuring financial resources are allocated effectively to deliver public policy goals and implement programmes, while adhering to auditing, reporting, and compliance requirements to demonstrate value for money and proper use of public funds

The core department carries out policy development and delivery via a structured portfolio management approach, that ensures resources are managed and allocated to achieve policy goals effectively and efficiently.

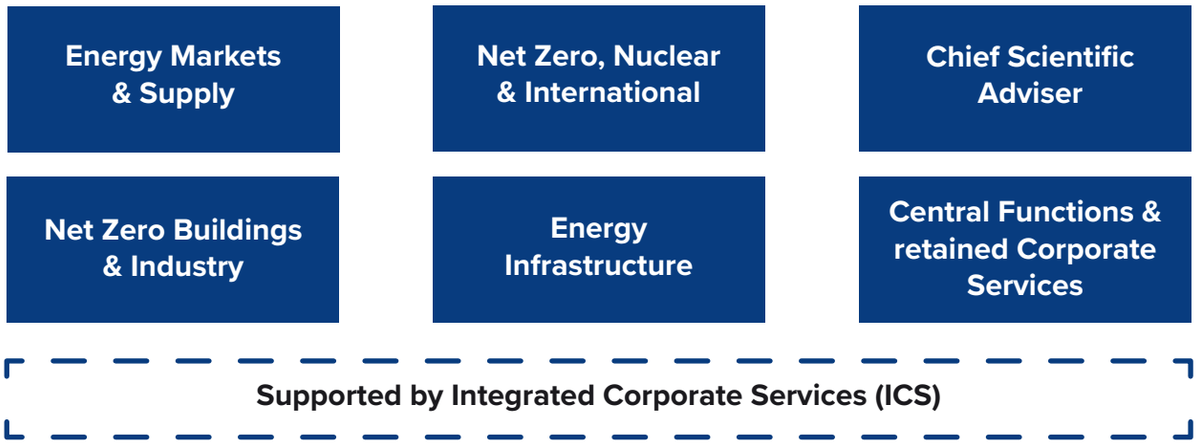
The department also collaborates with and delivers through public bodies, suppliers, local authorities, and regulators to achieve its priorities. DESNZ is supported by Integrated Corporate Services (ICS), which provides a range of corporate and support functions to DESNZ and other departments.

In our policy development and implementation, we engage with a diverse range of stakeholders, including businesses of all sizes, business representative organisations, unions, research institutions, citizen groups, and direct engagement with the public.

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.

The corporate delivery group is overseen by a Chief Operating Officer (COO) function. This is run by the Second Permanent Secretary, with the support of the Chief People Officer and Chief Finance Officer. This group provides corporate services, support and expert advice across DESNZ. Integrated Corporate Services (ICS) provides enabling services to a number of departments and is hosted within DESNZ.



Our group

The 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.

The departmental accounting boundary is similar to the concept of a group under International Financial Reporting Standards (IFRS) but is based on control criteria used by the Office for National Statistics (ONS) to determine the sector classification of the relevant sponsored bodies. The statistical guidance defines control as the ability to determine general corporate policy and this can be exercised through the appointment of directors, control of over half of the shareholders' voting power, through special legislation, decree or regulation. The difference between the public and private sector classification of the institutional units is determined by where control over the organisation lies, rather than by "ownership" or whether or not the entity is financed from public funds. Classification as public or private can therefore require judgement and ONS processes are designed to ensure that these judgements are appropriate, consistent and internationally comparable.

See note 26 of the financial statements on page 233 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 • Climate Change Committee1 • Committee on Fuel Poverty • Committee on Radioactive Waste Management • Mining Remediation Authority (formerly Coal Authority) • 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 Energy • Great British Nuclear (known as Great British Energy – Nuclear from June 2025) • Low Carbon Contracts Company Ltd • Net Zero North Sea Storage Ltd • Salix Finance Limited • Sizewell C Limited • Sizewell C (Holding) Limited

Notes

1. Body not consolidated on materiality grounds.

During 2024-25 the department successfully negotiated with strategic partners in the Oil and Gas Industry to establish a Carbon Capture, Usage & Storage (CCUS) Transport and Storage Company (T&SCo) – Net Zero North Sea Storage Limited, with the aim to facilitate the deployment of carbon dioxide transport and storage infrastructure. The deployment of CCUS infrastructure is expected to contribute to the achievement of carbon targets and budgets, and to economic growth in the United Kingdom's industrial heartlands, including a just transition for the industries operating on the United Kingdom Continental Shelf.

T&SCo is an incorporated joint venture between BP, Equinor, and TotalEnergies who provide the private capital to deliver the project. Once operational, the financing model for T&SCo will be based on the Regulated Asset Base (RAB) financing model with government support provided where needed to ensure the model's finance-ability. T&SCo received a licence under section 7 of the Energy Act 2023 which renders it eligible to receive an Allowed Revenue, recouped through system charges paid by users of their network. This provides them with long-term revenue certainty and is also paired with additional government support in the form of a Government Support Package and Revenue Support Agreement, mitigating significant cross-chain and leakage risks.

The agreed model with the additional government support mentioned above has been subject to a decision by ONS to provisionally classify T&SCo to the Central Government sub-sector. As a result of this, the costs incurred (and capitalised) by T&SCo are consolidated onto the DESNZ group balance sheet, even though the department and the public sector has no ownership or direct control over the company. At the time of laying these accounts, ONS have not yet released their final decision on the classification of T&SCo, but on the instruction of HM Treasury we have consolidated on the basis of the interim classification decision.

Wider departmental group

The Department for Energy Security and Net Zero has policy responsibility for two public corporations, 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 National Energy System Operator Limited*	Nuclear Liabilities Fund	Office of Gas and Electricity Markets

*National Energy System Operator Limited (NESO) is a new addition to the DESNZ group in 2024-25. Please see note 11.1 for more detail

Performance summary on priority outcomes

This section summarises some of our biggest achievements during 2024-25. See performance on priority outcomes in the performance analysis section for more details on performance, including metrics.

Spending Review

The Chancellor of the Exchequer presented the long-awaited multi-year Spending Review to Parliament on Wednesday 11 June covering day-to-day expenditure for the next three years and investment spending over four years.

Key headlines for DESNZ included:

- A confirmed capital budget of £62.8bn from 2025-26 to 2029-30 which provides a 5-year funding plan and represents a 16% average annual growth rate
- A confirmed resource budget of £7.6bn from 2025-26 to 2029-30
- £8.3bn capitalisation for Great British Energy and Great British Nuclear (*to be known as Great British Energy – Nuclear from June 2025*). This includes over £2.5bn for Small Modular Reactors
- £14.2bn for Sizewell C, the first new British-owned nuclear power station in 30 years
- £13.2bn for the Warm Homes Plan to improve people's homes and cut their bills
- £9.4bn for carbon capture projects, supporting the delivery of Track 1 clusters in Teesside and Liverpool Bay, as well as developing two new projects in Scotland (Acorn) and Yorkshire (Viking)

This is a historic settlement. It enables DESNZ to press forward on delivery of this Government's priorities, progressing Sizewell C and Small Modular Reactors, as well as funding two more carbon capture projects in Scotland and Yorkshire, and further funding for the development of nuclear fusion. These are new technologies that have never been seen before at this scale.

Our administration budget is reducing by 10% in real terms by 28-29 (from £425m in 25-26 to £402m in 28-29) in line with the Spending Review settlement. It is expected to reduce further by 15% in real terms (to £387m) by 29-30 as per the agreed profile from our admin target delivery plan. This will be delivered partly through steady reductions in our core DESNZ workforce, achieved through careful management of staff turnover and voluntary exit schemes in both 25-26 and 26-27, for which we will receive an additional £2.5m from the transformation fund in each of these years. There is also a commitment to reduce spend on consultancy and professional services.

Efficiency, savings and productivity will also play a central role in delivering our admin profile across future years, with specific initiatives across a variety of workstreams. These include the streamlining and standardising of digital platforms and processes, such as grant management or contact centres used by DESNZ schemes, and investment in office-based AI tools

(e.g. Microsoft 365 Copilot) with training for the workforce in using such tools, plus targeted interventions to fully embed and exploit AI. We are planning to transform our overall operating model, including how corporate functions interact with each other, policy groups and ALBs to further unlock efficiencies. We will continue to drive efficiency through automation and consolidating processes which we have already begun through Integrated Corporate Services and we intend to use this model to continue to prevent duplication of services and functions going forward.

Enhance energy security

- In the first week of this Government, we removed the de facto ban on onshore wind. We are committed to radically increasing onshore wind energy by 2030 – there is currently around 15.45GW of onshore wind in the UK (Q1 2024), accounting for roughly a quarter of all electricity generated from renewables. We have also established an Onshore Wind Industry Taskforce to co-ordinate action across the system
- We have launched our Clean Power 2030 Action Plan which set out a detailed plan for achieving the target of clean power by 2030. That means 43-50GW of offshore wind, 27-29GW of onshore wind, and 45-47GW of solar power, significantly reducing our fossil-fuel dependency, and reforming the grid connections process to align with the plan and deprioritise speculative projects. Growing our clean energy system in this way will see once-in-a-generation levels of energy investment – an estimated £40bn on average per year between 2025-2030.
- We have consented to unprecedented amounts of nationally significant solar power (2GW) by approving four major solar farms. This reflects the government's ambition to generate more solar power by 2030
- We have published an update to market on the midstream gas system, setting out how we are planning to ensure that during the transition to Net Zero, our natural gas system remains resilient and affordable, and in the longer term there is a fair and orderly transition away from gas when and where it's no longer needed
- We have set up Great British Energy, a publicly owned company that will drive forward the Government's Plan for Change and clean energy superpower mission which, alongside Great British Nuclear, is backed by £8.3bn

Protect billpayers

- We launched the Warm Homes Plan which will help people find ways to save money on energy bills and deliver warmer, cleaner to heat homes, with up to 300,000 homes to benefit from upgrades next year. DESNZ is overseeing around £3.2bn of investment in warmer homes across 2025 to 2026 from government, social housing providers and supplier obligations
- We launched the first comprehensive review of the energy regulator. The review will establish Ofgem as a strong consumer champion, driving up standards for household and business consumers both now and as energy use evolves with smarter and greener technology
- Over 100,000 miners across the country received a 32% increase to their pensions after the government ended a historic injustice ensuring fair payouts for years to come

Create economic growth for the UK and generate and protect jobs

- We gave researchers developing cutting-edge fusion energy a record £360m investment, helping to kickstart economic growth as part of government's Plan for Change. Five construction and engineering bids have progressed to the next round of the UK Industrial Fusion Solutions competition to deliver the prototype fusion energy plant by 2040, driving progress

towards the commercialisation of fusion in the UK to supply families and businesses with secure, clean and unlimited energy

- We signed contracts to launch the first CCUS projects in the UK, at the East Coast Cluster in Teesside and Hynet in Merseyside. These will support thousands of jobs across the North East and North West. The recent commitment to back carbon capture industries with £9.4bn will ensure the vision for CCUS becomes a reality
- The Chancellor announced in October that the new National Wealth Fund will add £5.8bn to the UK Infrastructure Bank's existing £22bn capitalisation and re-affirmed support for the clean energy mission as a core objective in its Statement of Strategic Priorities published in March. The Prime Minister announced in February that the National Wealth Fund will provide £200m of investment to new opportunities in Grangemouth as part of a major intervention to ensure the long-term future of the industrial site. The funding will be available for co-investment with the private sector to help unlock Grangemouth's full potential and secure our clean energy future
- We launched new investment to support clean energy manufacturing and highly skilled jobs in industrial towns and cities through the Clean Industry Bonus Scheme and an initial £300m investment for offshore wind supply chains through Great British Energy

Reduce the UK's emissions

- We held the sixth Contracts for Difference auction (2024), which awarded contracts to a record number of new clean energy projects across Great Britain. This included the Hornsea 4, which Ørsted have since announced will be discontinued in its current form. Auction Round 6 (AR6) secured record solar capacity (3.3GW), representing a 20% increase to the UK's installed capacity
- We helped reached a new climate finance goal at COP29 in a historic moment for tackling climate change. The agreement reached sets a new goal of $1.3tr for developing countries by 2035 from all sources (public and private), and within that, a core goal for public and publicly mobilised finance of at least $300bn. The new goal also recognises new contributions from major economies (like China) who are in a position to support developing countries
- Britain became the first major economy to stop burning coal for power in October 2024, with the closure of the country's last coal-fired power station at Ratcliffe-on-Soar, following 50 years of service

Adverse events

Substandard Insulation

- Routine checks carried out by Trustmark, the independent body which oversees tradespeople working in homes, uncovered examples of substandard solid wall insulation fitted since 2022 under the Energy Company Obligation 4 and Great British Insulation Scheme Adverse events
- As soon as these issues were identified, the department took immediate steps to confirm appropriate action was being taken. Installers have been swiftly suspended (by Trustmark and certification bodies), expanded checks of solid wall insulation measures installed under both schemes have taken place, and a comprehensive plan is in place to begin an immediate repair process
- We instructed the energy regulator, Ofgem, to take oversight of this work to ensure it is swiftly delivered. Ofgem have now written to all the households affected, explaining that qualified professionals have started a system of checking every installation under these schemes
- Installers responsible for this substandard work should fix this at no cost to households and will remain suspended from working on any government insulation

scheme if they do not fulfil their obligation to put any issues right

- The department is reviewing at pace, measures undertaken on homes under other energy efficiency schemes (including the Local Authority Delivery, Social Housing Decarbonisation Fund and Home Upgrade Grant schemes) to determine any potential issues, which includes undertaking on-site visits to help provide a complete picture
- Despite the changes we have already made to increase oversight and provide clarity on responsibilities, we acknowledge that the system of protections currently in place is still fragmented and confusing, with too many organisations having different roles and responsibilities. We are committed to overhauling the system to drive up consistent quality and protect consumers through the Warm Homes Plan

Heathrow Power Outage

- Late on 20 March 2025, a large fire broke out at North Hyde Substation resulting in the loss of supply to 66,919 customers, including Heathrow Airport, which was non-operational on 21 March. The investigation has concluded, and the cause is not thought to be suspicious
- Alongside Ofgem, the Energy Secretary commissioned the National Energy System Operator (NESO) to investigate the power outage impacting Heathrow and the surrounding area, and to understand any wider lessons to be learned on energy resilience for critical national infrastructure
- Heathrow Airport Holdings Limited published the Kelly Review report on 28 May, which notes central conclusions on decisions taken following the outage, as well as preparedness and resilience of the airport as a whole. Findings from this report will be taken into consideration in the NESO full review
- The department continues to implement internal lessons from North Hyde including:
  - reviewing the Critical National Infrastructure knowledge base
  - adding newly identified critical sites
  - working with DfT on policy options to improve airports power resilience

Macroeconomic conditions

- Global factors such as inflation, supply chain constraints, interest rate rises, and wider geopolitical shifts are impacting investor appetite for clean energy projects around the world. This could have an impact on the amount of investment that the UK is able to attract. This year, a number of companies who have significant investments in the UK, such as BP, Shell, Equinor, Corio, RWE, SSE and Ørsted, have announced they are cutting back planned investment in renewable energy projects across their global portfolios. In the UK, Ørsted has announced the discontinuation of the Hornsea 4 offshore wind project off the Yorkshire coast
- We are working to ensure that the UK can continue to compete for, and win, investment from around the world. The UK has strong investible opportunities due to a combination of long-term policy signals, world leading financing mechanisms, transparent market frameworks, and targeted public investment. For instance, we are ensuring that instruments such as the Contract for Difference remain attractive to investors whilst ensuring value for consumers

Principal risks

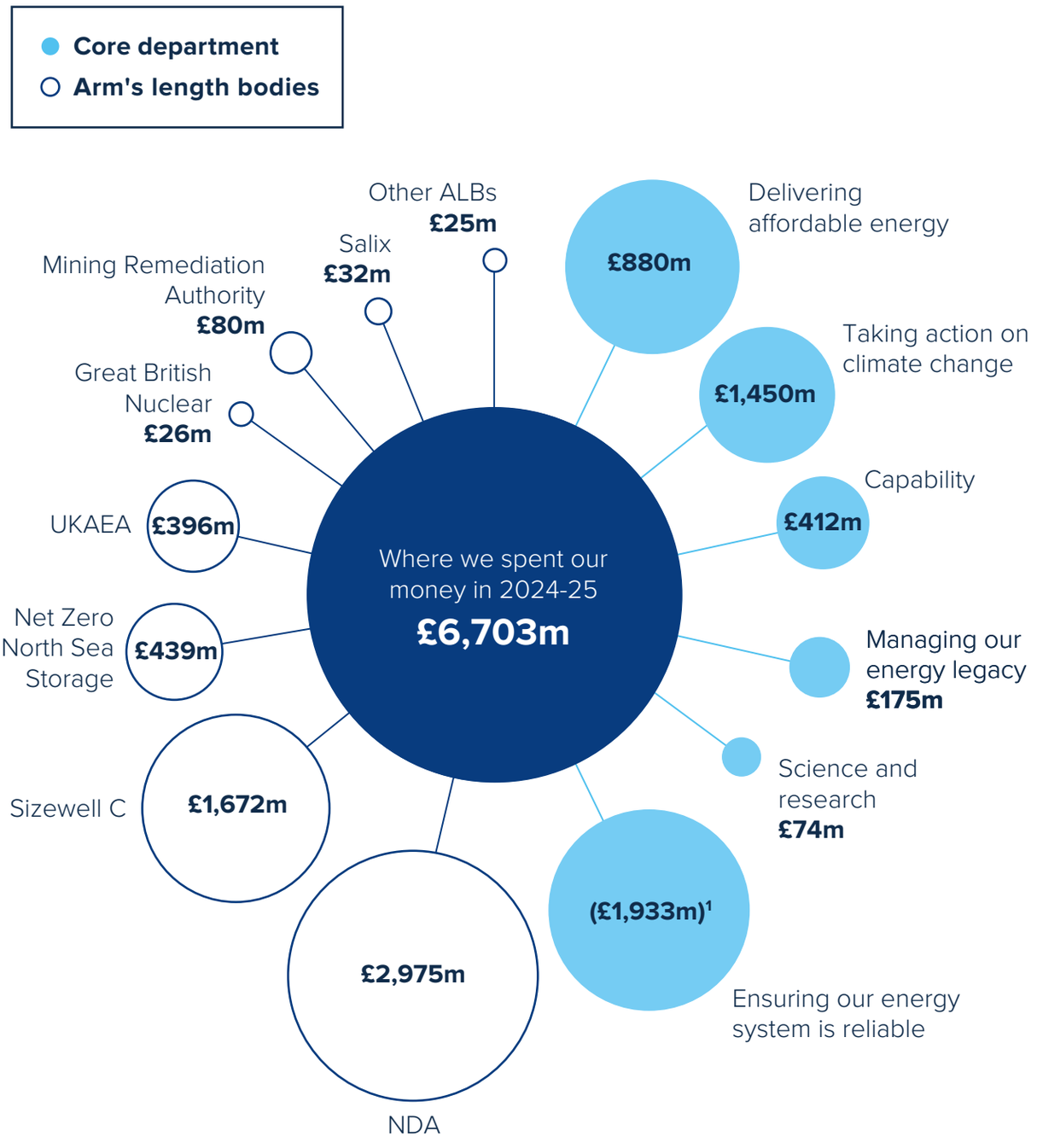
The department manages longer-term strategic risks and threats, either related to our core departmental commitments such as meeting the carbon budgets and maintaining energy security, and other more functional risks around information security, staffing and policy design. The key risks faced by the department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

1. Underlying energy supplies (gas/electricity/fuel) and/or the resilience of the energy system are disrupted or undermined due to a disorderly energy transition
2. Failure to meet our legally binding net zero commitments and interim climate targets (carbon budgets)
3. Failure of the UK to provide leadership and active international engagement
4. A reduction in, or delay to, net zero private sector investment
5. Unaffordable energy bills – gas price rises
6. Disruption to supplies of gas/electricity/fuel to meet near-term demand
7. Catastrophic or severe incident affecting energy or nuclear critical national infrastructure
8. Sensitive information is compromised or lost through cyber-attack (such as a ransomware attack), eavesdropping, theft, mistakes, or leaks
9. Potential of insufficient funding creates a risk that financial constraints could limit our ability to deliver our objectives and ambitions
10. Public Sector Equality Duty – systematic non-compliance
11. Structural gaps in the current and future workforce
12. Departmental Morale, Engagement and Wellbeing

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 2024-25, total DEL spend for the departmental group is shown in the diagram opposite. Major areas of spend are also shown by estimate line for the core department, and by entity for arm's length bodies.



1. Negative expenditure relates to repayment of Bulb loan

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

See the performance summary section for an overview of our biggest achievements during 2024-25. This section summarises delivery against the core metrics for each of our outcomes.

Enhance energy security: The UK's dependence on fossil fuels left us vulnerable to unstable energy prices and that energy insecurity was exposed by Russia's invasion of Ukraine. By producing the clean energy we need at home, and being more efficient in how we use it, we can boost our energy independence and end our reliance on foreign dictators.

We will continue working closely with key partners to make sure our system is safe, secure, and resilient by design. While fossil fuels remain necessary, we will ensure that supply remains reliable, secure, and affordable, and that the transition away from them is fair and orderly.

Metric	Description	Source	Rationale
Loss of Load Expectation forecasts (hours)	Represents the number of hours per year in which, over the long-term, it is statistically expected that supply will not meet demand	**NESO Winter Outlook** *Published, updated annually*	Provides a comparable quantification of electricity security of supply. Gives an indication of how likely it is for the National Energy System Operator to take emergency action, such as reducing voltage or implementing some demand disconnections. This aligns with the department's ambition to continue working closely with system operators, ensuring security of supply and the resilience of our energy system
N-1 Infrastructure Standard	The N-1 infrastructure test simulates the failure of the largest single piece of infrastructure and assesses whether the remaining gas system can continue to meet demand without interruption. The result is shown as a percentage, for example if the value is 110%, this means that on a peak demand day, there would still be 10% more supply than needed, even with that failure	**National Gas Winter Outlook** *Published, updated annually*	The N-1 test is a critical assessment used by National Gas to evaluate the resilience and reliability of the gas transmission network. This aligns with the department's ambition to continue working closely with system operators to ensure security of supply and the resilience of our energy system

Metric	Description	Source	Rationale
Fossil Fuel Demand as a Percentage of Total Energy Demand	Captures the proportion of total energy demand that comes from gas and oil	**DUKES** *Published, updated annually*	Lower reliance on fossil fuels translates to less dependency on volatile fossil fuel markets, allowing our energy system to be price secure. This aligns directly with the government's Clean Energy Superpower Mission of transitioning to a diverse, secure future energy system

Loss of Load Expectation	
Year	**Loss of Load Expectation (hours/year)**
2024-25	<0.1
2023-24	0.1

Source: Electricity System Operator Winter Outlook Report 2023-24
https://www.neso.energy/publications/winter-outlook

Release schedule: Annual

Loss Of Load Expectation 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 National Energy System Operator (NESO) will need to take emergency action, such as reducing voltage or implementing some demand disconnections.

LOLE was below 0.1 hours in 2024-25, compared to 0.1 hours in 2023-24, ie. for the year 2024-25, it supply was statistically expected that supply would not meet to fall short of demand for less than 0.1 hours.

N-1 Infrastructure Standard	
Year	**N-1 Infrastructure Standard**
2024-25	112%
2023-24	119%

Source: The N-1 infrastructure test simulates the failure of the largest single piece of gas infrastructure and assesses whether the remaining system can continue to meet peak demand without interruption. The N-1 Infrastructure Standard score has not been published by National Gas since 2022. However, the methodology for calculating this is provided in the UK National Risk Assessment on Security of Gas Supply 2022 **https://www.gov.uk/government/publications/uk-national-risk-assessment-on-security-of-gas-supply-2022.** The calculation involves adding the maximum technical capacities for UK's supply sources (domestic production, imports via Norway and the EU, storage and LNG) and taking away the impact of a failure of the UK's single largest gas infrastructure (100km Felindre pipeline connecting the South Hook and Dragon LNG terminals at Milford Haven to the NTS). This is then divided by the 1-in-20 peak day demand for the winter ahead and multiplied by 100 to arrive at the N-1 percentage score. We used the methodology provided and the latest values for maximum technical capacities and peak day demand from the NGT Winter Outlook 2023-24 to arrive at the N-1 score for 2023. The calculation has been approved by NGT.

The N-1 infrastructure test yielded scores of 119% in 2023-24 and 112% in in 2024-25, which would represent an expected 12% surplus in supply if the largest piece of gas infrastructure were to fail, on a peak demand day in 2024-25.

UK fossil fuel dependency 2019-23 (%)	
Year	**UK fossil fuel dependency 2019-23 (%)**
2023 (difference vs 2022)	76.8% (-1.5%)
2022 (difference vs 2021)	78.3% (+0.3%)
2021 (difference vs 2020)	78.0% (+1.0%)
2020 (difference vs 2019)	77.0% (-2.3%)
2019 (difference vs 2018)	79.3% (-0.6%)

Source: DESNZ Digest of UK Energy Statistics (DUKES): Energy, Table 1.1.1.C: Inland consumption of primary fuels and equivalents for energy use, percentage shares on an energy supplied basis.

Fossil fuel dependency (comprising of coal, manufactured fuels, primary oil, petroleum products and natural gas) is calculated as the sum of primary demand for fossil fuel divided by the sum of primary demand for all fuels. Primary demand is defined as the sum of transfers, transformation, energy industry use, losses and final consumption less non-energy use.

UK fossil fuel dependency dropped to 76.8% in 2023, down 2.5 percentage points since 2019.

The metrics provided were the most up to date available at the time this report was compiled.

Protect billpayers: Families are still gripped by the worst cost-of-living crisis in a generation. Building a diverse energy system based on renewables and nuclear will help to protect consumers from future price shocks.

Metric	Description	Source	Rationale
Average household gas and electricity bill	This shows the average annual gas and electricity bill for the typical dual-fuel household, and a gas and electricity breakdown	**DESNZ Annual Domestic Energy Bills** *Published, updated quarterly* Next update expected after publication	This is a useful metric to show cost to households of gas and electricity. This assumes average gas and electricity consumption for households using gas for heat. Households using other heating systems than gas boilers (e.g. heat pumps or electric heaters) are not represented by this metric
Number of households in fuel poverty	Fuel poor households are defined as having a fuel poverty energy efficiency score below band C and disposable income below the poverty line after accounting for housing and energy costs	**Fuel Poverty Statistics** *Published, updated annually* Next update expected after publication	This is the metric used to define fuel poverty according to the Low-Income, Low Energy Efficiency definition (LILEE). It is also used to report progress against the Government's statutory fuel poverty target for England. The metric is effective at measuring progress at alleviating structural, long-term fuel poverty because it is not subject to major changes following energy price fluctuations (like the 10% affordability metric)
10% metric	This shows how many households are required to spend over 10% of their income, net of housing costs, on energy	**Fuel Poverty Statistics** *Published, updated annually* Next update expected after publication	This is different to fuel poverty but is widely accepted as a measure of energy affordability. Variants of this metric are used to define fuel poverty in Wales, Scotland and Northern Ireland

Metric	Description	Source	Rationale
Average gas price for industrial users (across all size bands)	This shows the average gas price for industrial users, across all consumption bands	**Industrial energy price statistics** *Published, updated quarterly* Next update expected after publication	This shows the average price of gas and electricity for the average non-domestic user. Businesses differ greatly in terms of energy consumption, and energy prices change depending on consumption levels (energy intensive, medium, and small businesses). Some energy intensive users also benefit from exemptions, which lower their energy costs
Average electricity price for industrial users (across all size bands)	This shows the average electricity price for industrial users, across all consumption bands	**Industrial energy price statistics** *Published, updated quarterly* Next update expected after publication	

Average household dual-fuel total, electricity and gas bills (£)			
Year	**Average household dual-fuel bill, total**	**Average household electricity bill**	**Average household gas bill**
2024	£1,728	£983	£745
2023	£2,051	£1,086	£965
2022	£1,903	£1,008	£895
2021	£1,286	£744	£542
2020	£1,211	£676	£535
2019	£1,200	£649	£551

Source: **DESNZ Annual Domestic Energy Bills** (tables 2.2.5 and 2.3.5) *Published, updated quarterly*

This shows the average annual household dual-fuel total, electricity, and gas bills, based on average annual consumption in a dual-fuel household. The average annual household dual-fuel bill has dropped to c. £1,730 in 2024, but remains significantly higher than levels seen before the energy crisis.

Fuel poor households in England (LILEE) and Households required to spend more than 10% of after housing costs (AHC) income on energy		
Year	**Fuel poor households in England (LILEE)**	**Households required to spend more than 10% of AHC income on energy**
2025 (projection)	2.78m (11.2%)	7.38m
2024	2.73m (11.0%)	8.99m
2023	2.80m (11.4%)	8.73m
2022	3.18m (13.1%)	6.66m
2021	3.16m (13.1%)	4.93m
2020	3.16m (13.2%)	4.30m
2019	3.18m (13.4%)	4.11m

Source: Fuel poverty annual statistics (**27 March 2025**).

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 a Fuel Poverty Energy Efficiency Rating (FPEER) 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.

Approx, 11% of households in England were estimated to be fuel poor in 2024, with the figure projected to increase slightly in 2025. Nearly 9 million households were required to spend over 10% of their income after housing costs on energy in 2024. This figure is expected to decrease to c. 7.4 million in 2025.

Average electricity and gas prices for industrial users (across all size bands), including Climate Change Levy		
Quarter ending	**Average electricity price for industrial users (across all size bands), p/kWh)**	**Average gas price for industrial users (across all size bands), p/kWh)**
March 2025	25.9	5.5
December 2024	25.5	5.5
September 2024	25.7	5.3
June 2024	26.0	5.4
March 2024	27.8	6.3
December 2023	28.4	6.4
September 2023	28.3	5.9
June 2023	26.9	6.1
March 2023	25.4	7.2
December 2022	24.8	6.0
September 2022	22.2	6.7
June 2022	19.3	5.0
March 2022	18.1	4.2
December 2021	17.7	4.2
September 2021	13.9	3.1
June 2021	13.6	2.6
March 2021	14.8	2.5
December 2020	14.2	2.5
September 2020	12.9	2.3
June 2020	13.4	2.4
March 2020	14.3	2.6
December 2019	14.0	2.5
September 2019	12.4	2.4
June 2019	12.3	2.4

Source: **Industrial energy price statistics** (table 3.4.2) *Published, updated quarterly*

This shows the average price of gas and electricity for the average non-domestic user.

Businesses differ greatly in terms of energy consumption, and energy prices change depending on consumption levels (energy intensive, medium, and small businesses). Some energy intensive users also benefit from exemptions, which lower their energy costs.

Average electricity and gas prices for industrial users have fallen since the energy crisis, but remain at a high level compared with pre-crisis levels. In the quarter to March 2025, the average price was 25.9p/kWh for electricity and 5.5p/kWh for gas.

Create economic growth for the UK and generate and protect jobs: There is a need to drive growth and productivity with skilled, well-paid jobs, particularly in our industrial heartlands. Through investing in a huge wave of clean energy projects, we can drive growth with new supply chains and infrastructure and creating hundreds of thousands of skilled jobs across the UK.

Metric	Description	Source	Rationale
UK low carbon and renewable energy employment	Number of FTE employees in a low-carbon and renewable energy sector	**Low Carbon and Renewable Energy Economy (LCREE) Survey** *Published, updated annually*	This is a survey-based estimate of employment in a low carbon and renewable energy sector among a list of 17 pre-defined sectors in the survey. The Low Carbon and Renewable Energy Economy (LCREE) survey is the primary source of official information on LCREE activity in the UK. The survey only collects data on direct LCREE activity and not indirect activity (that is, the additional activity in the economy generated because of demand for the products of LCREE-active firms, the wages they pay to employees, or the increase in demand for the inputs used by businesses directly active in the LCREE)
UK low carbon and renewable energy turnover	Turnover from economic activity in a low-carbon and renewable energy sector	**Low Carbon and Renewable Energy Economy (LCREE) Survey** *Published, updated annually*	
UK annual energy transition investment	This provides data on total investment into low-carbon industries, which enables the tracking of high-level investment trends	*BNEF energy transition investment dataset* *Unpublished*	This dataset is an annual review of global investment in the low-carbon energy transition. It covers a wide scope of sectors central to the transition. The report also tracks investment in the clean energy supply chain

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**
2023 (difference vs 2022)	314,300 full-time equivalents (FTEs) (11.5% increase from 2022)
2022 (difference vs 2021)	281,900 full-time equivalents (FTEs) (11.8% increase from 2022)

Source: **ONS Publication of the LCREE Survey**

This is a survey-based estimate of employment in a low carbon and renewable energy sector among a list of 17 pre-defined sectors in the survey. The Low Carbon and Renewable Energy Economy (LCREE) Survey is the primary source of official information on LCREE activity in the UK. The survey only collects data on direct LCREE activity and not indirect activity (that is, the additional activity in the economy generated because of demand for the products of LCREE-active firms, the wages they pay to employees, or the increase in demand for the inputs used by businesses directly active in the LCREE)

The data in this table was the most recent available at the time this report was compiled. The 2025 release, from which this information was taken, was based on data from 2023

Total low carbon and renewable energy economy exports	
Time period	**Direct turnover in low carbon and renewable energy economy (LCREE) in the UK and constituent countries**
2023 (difference vs 2022)	£10.8bn (18.7% increase from 2022)
2022 (difference vs 2021)	£9.1bn (1.1% decrease from 2021)

Source: **ONS Publication of the LCREE Survey**

This is a survey-based estimate of employment in a low carbon and renewable energy sector among a list of 17 pre-defined sectors in the survey. The Low Carbon and Renewable Energy Economy (LCREE) Survey is the primary source of official information on LCREE activity in the UK.

The survey only collects data on direct LCREE activity and not indirect activity (that is, the additional activity in the economy generated because of demand for the products of LCREE-active firms, the wages they pay to employees, or the increase in demand for the inputs used by businesses directly active in the LCREE)

The data in this table was the most recent available at the time this report was compiled. The 2025 release, from which this information was taken, was based on data from 2023

UK annual energy transition investment	
Time period	**Energy transition investment, £bn**
2024	51.1
2023	58.1
2022	31.5
2021	29.8
2020	29.6
Source: DESNZ analysis of Bloomberg NEF Energy Transition Investment, 2025. These figures have been converted into GBP using OECD exchange rates. Values are expressed in nominal terms. Investment figures reported for the UK refer to CAPEX spending on projects that are based in the UK. BNEF measure investments when a final investment decision (FID) is reached, which means there is a time lag between investment announcements and BNEF's figures UK annual energy transition investment was £51.1bn in 2024, down from £58.1bn in 2023 but significantly higher compared to the early 2020s. Figures are expressed in nominal terms and don't account for inflation	

Reduce the UK's emissions: The climate crisis gets more urgent by the day. If we don't show leadership now, we face an unstable future marked by food shortages, extreme weather and mass migration. Through leading the way on Net Zero domestically, we can inspire global climate action and protect the planet for future generations.

Metric	Description	Source	Rationale
UK territorial greenhouse gas emissions	Measures the progress of the UK territory in reducing overall GHG emissions in million tonnes of CO_2 equivalent both in terms of outturn emissions and projected emissions against targets	**UK greenhouse gas emissions statistics** *Published, updated annually*	These are the main statistics on domestic greenhouse gas emissions. They are helpful in tracking emissions reduction progress over time
UK territorial greenhouse gas emissions, sector breakdown			

Metric	Description	Source	Rationale
Low carbon power generation as a share of GB consumption	This metric is used to track progress against the Clean Power Action Plan generation target – By 2030 clean sources produce at least as much power as GB consumes in total	**Energy Trends: UK electricity Dec 2024** Supply and consumption of electricity, table ET5.2	In line with independent advice from the National Energy System Operator (NESO), our clean power target means transitioning to an electricity system with the following characteristics in a typical weather year: • Clean sources produce at least as much power as Great Britain *consumes* in total, and • Clean sources produce at least 95% of Great Britain's energy generation
Low carbon share of electricity generation	This metric is used to track progress against the Clean Power Action Plan generation target – By 2030 clean sources produces at least 95% of GB's generation	**Energy Trends: UK electricity Dec 2024** Fuel used in electricity generation and electricity supplied, table ET5.1	
Grid emissions intensity (gCO_2e/kWh)	This metric is used to track progress against the Clean Power Action Plan target – Emissions intensity of well below 50gCO_2e/kWh by 2030	**DUKES** Estimated carbon dioxide emission intensity of electricity supplied, table 5.14	

Total UK greenhouse gas emissions (million tonnes CO_2 equivalent)	
Time period	**Total UK greenhouse gas emissions (million tonnes CO_2 equivalent)**
2024 (difference vs 2023, provisional)	371.4 (-3.5%)
2023 (difference vs 2022)	385.0 (-4.9%)
Source: DESNZ Final UK greenhouse gas emissions national statistics: 1990 to 2023, Table 1.1, available **here**. DESNZ Provisional UK greenhouse gas emissions national statistics 2024, Table 1a, available **here**. Excludes emissions from the UK's share of international aviation and shipping	

UK territorial greenhouse gas emissions by sector, 2023, $mtCO_2e$ (% of total territorial emissions)	
Sector	**UK territorial greenhouse gas emissions by TES sector, 2023, $MtCO_2e$ (% of total territorial emissions)**
Power	43.9 (11.4%)
Fuel supply	30.1 (7.8%)
Domestic transport	111.8 (29.0%)
Buildings	78.5 (20.4%)
Industry	53.1 (13.8%)
Agriculture	46.6 (12.1%)
Waste	19.9 (5.2%)
Land use, land use change and forestry (LULUCF)	1.1 (0.3%)
Source: **DESNZ final UK greenhouse gas emissions national statistics: 1990 to 2023**, Table 1.2 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 Domestic transport, buildings and industry are the largest sectors in terms of emissions, accounting for over 60% of UK territorial greenhouse gas emissions in 2023	

Low carbon power generation as a share of GB consumption (%)	
Time period	**Low carbon share of electricity generation (%)**
2024	58.1
2023	55.7
2022	57.1
2021	50.7
2020	56.0
Source: **Energy Trends: UK electricity, March 2025** – **Fuel used in electricity generation and electricity supplied**, table ET5.1 This is the correct reference for the 'closest official statistic' published alongside the headline metrics in the Clean Power Action Plan in December. The precise methodology and definition for the official statistics for these headline metrics is currently under review	

Low carbon share of electricity generation (%)	
Time period	**Low carbon share of electricity generation (%)**
2024	65.0
2023	60.3
2022	56.3
2021	54.8
2020	59.3
Source: **Energy Trends: UK electricity, March 2025** – **Fuel used in electricity generation and electricity supplied**, table ET5.1 This is the correct reference for the 'closest official statistic' published alongside the headline metrics in the Clean Power Action Plan in December. The precise methodology and definition for the official statistics for these headline metrics is currently under review	

Grid emissions intensity (gCO_2e/kWh)	
Time period	**Grid emissions intensity (gCO_2e/kWh)**
2023	172
2022	192
2021	199
2020	179
Source: **DUKES** – estimated carbon dioxide emission intensity of electricity supplied, table 5.14 The emissions intensity of the GB electricity grid has decreased since 2020, dropping to 172 gCO_2e/kWh in 2023 The data above was the most recent available at the time this report was compiled	

UN Sustainable Development Goals

The Sustainable Development Goals (SDGs) were agreed by UN member states – they consist of 17 goals for 2016–2030, which are fundamental to social, environmental and economic development. Departments are required to identify in their ARAs where their performance contributes to the SDGs. DESNZ contributes directly to SDGs 7, 9 and 13. The table below provides a summary, with more details in the performance narrative above.



UN SDGs	DESNZ Performance
Goal 7: Affordable and Clean Energy Ensure access to affordable, reliable, sustainable, and modern energy for all	**DESNZ Work Strands:** Clean Power by 2030 is the first pillar of the Clean Energy Superpower Mission. **Specific outputs include:** • Set up Great British Energy • Secured record pipeline of clean cheap energy projects through Contracts for Difference Allocation Round 6 • Clean sources produced 60% of the UK's power generation in 2023 • Published the Clean Power 2030 Action Plan • Tackling fuel poverty • Drafting of an Energy Independence Bill
Goal 9: Industry, Innovation and Infrastructure Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation	**DESNZ Work Strands:** • Launched Industrial Energy Transformation Fund Phase 3 • Investment in the industries of the future, such as CCUS and Hydrogen • Building clean energy industries into the Industrial Strategy • Supported R&D through the Net Zero Innovation Portfolio
Goal 13: Climate Action Take urgent action to combat climate change and its impacts.	**DESNZ Work Strands**: Accelerating to Net Zero is the second pillar of the Clean Energy Superpower Mission. **Specific outputs include:** • Delivering clean power by 2030 • Continued rollout of the Warm Homes Plan • Building clean energy industries into the Industrial Strategy

Risk profile

The department has a highly challenging agenda, including several first-of-a-kind projects, which creates a higher risk environment. To properly manage this, DESNZ adopted a portfolio management approach in September 2024. Programmes and projects undertake first line risk management, identifying and mitigating risks to their local delivery, but Portfolio Boards now sit above them to undertake assurance of programme risk management and to take ownership of risks which need a broader mitigation approach. The portfolios also own and manage those risks that impact across multiple programmes and thus need a co-ordinated response. Where risks sit across multiple portfolios or where the portfolio cannot mitigate the risk on their own, escalation to the departmental strategic risk register is then considered.

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 Executive Committee managed these risks is included in the governance report.

Risks continued on the Departmental Strategic Risk Register from 2023-24

Risk and mitigating activities	DESNZ priorities impacted by this risk
Failure to meet our legally binding net zero commitments and interim climate targets (carbon budgets) due to insufficient / 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 • We continue to look at how transition financial services can best support the aims of the Green Finance Strategy	• Deliver on our mission to achieve clean power by 2030 and accelerate to net zero • Lead the fight on climate change and galvanise global action

Risk and mitigating activities	DESNZ priorities impacted by this risk

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 play a leading role in promoting international action on climate change, including sharing our own expertise on low carbon growth
• This included a successful UK presence at COP29 with:
  • Strong attendance from the Prime Minister and ministers
  • The UK Pavilion, packed with events, which re-enforced our position as a global leader for climate action
• COP29 concluded with successful agreement of the New Collective Quantified Goal, as well as final rules on Article 6, and other outcomes in line with UK objectives
	• Deliver on our mission to achieve clean power by 2030 and accelerate to net zero
	• Lead the fight on climate change and galvanise global action

Unaffordable energy bills – gasprice rises • We have managed a range of domestic and industrial energy consumer support mechanisms across the last three winters, 2022-23, 2023-24 and 2024-25 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 • Longer-term reform of the energy markets is also underway with consultations through REMA and other mechanisms into how we can transition the UK energy market to a low cost, low carbon basis	• Get a fairer deal for consumers and lowering bills

Risk and mitigating activities	DESNZ priorities impacted by this risk
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	• Establish a just and orderly transition away from fossil fuels
Sensitive information is compromised or lost through cyber-attack (such as a 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	• Corporate risk. Enabler for delivering all departmental priorities

Risk and mitigating activities	DESNZ priorities impacted by this risk
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	• Corporate risk. Enabler for delivering all departmental priorities
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 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	• Corporate risk. Enabler for delivering all departmental priorities

Risk and mitigating activities	DESNZ priorities impacted by this risk
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 from which will be and to, and monitored through ongoing tracking of, our people plans	• Corporate risk. Enabler for delivering all departmental priorities
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 advisors 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	• Corporate risk. Enabler for delivering all departmental priorities

Risks newly added in 2024-25

Risk and mitigating activities	DESNZ priorities impacted by this risk
Underlying energy supplies (gas/electricity/fuel) and/or the resilience of the energy system are disrupted or undermined due to a disorderly energy transition • Stakeholder engagement and action planning through the Energy Security Board • Programmes for the future of electricity and gas and to improve relevant supply chains • Resilience planning for actions if a shortfall were to occur	• Deliver on our mission to achieve clean power by 2030 and accelerate to net zero • Establish a just and orderly transition away from fossil fuels
A reduction in, or delay to, the net zero private sector investment that is needed to achieve UK energy and net zero transition • Financial investor engagement and relationship management, including our offer to land supply chain investments • Coordination with National Wealth Fund and British Business Bank to encourage blended finance products and net zero themes • Encouraging sector teams to use blended finance design in policy development	• Deliver on our mission to achieve clean power by 2030 and accelerate to net zero • Make Great British Energy a success and create good British jobs • Establish a just and orderly transition away from fossil fuels • Lead the fight on climate change and galvanise global action
Disruption to supplies of gas/electricity/fuel to meet near-term demand • Capacity Market reform to improve capacity adequacy at lowest cost to consumers • Ongoing capacity discussion with NESO and Ofgem • Market monitoring of capacity • Contingency planning for actions if a shortfall were to occur	• Get a fairer deal for consumers and lowering bills • Establish a just and orderly transition away from fossil fuels

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: is 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.

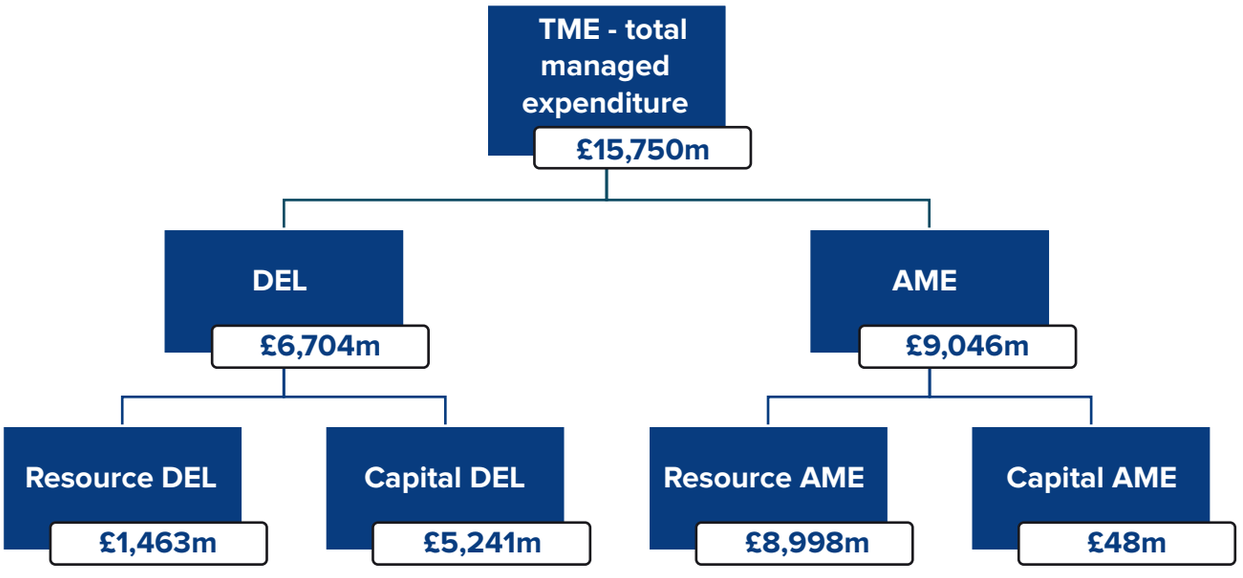
Budgets are also split into resource and capital categories:

- 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 programme.
- Capital: captures new investment and financial transactions.

The budgeting system is not based on cash accounting, but accruals accounting. Total Managed Expenditure (TME) is made up of DEL, AME, plus accounting adjustments.

Outturn for 2024-25

The diagram below shows the departmental outturn for 2024-25.



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' on page 18.

				2024-25
	Outturn £m	Budget £m	Variance £m	Variance %
DEL				
Total DEL	**6,704**	**7,447**	**(743)**	**(10.0%)**
Resource DEL	1,463	1,657	(194)	(11.7%)
Capital DEL	5,241	5,790	(549)	(9.5%)
AME				
Total AME	**9,046**	**56,341**	**(47,295)**	**(83.9%)**
Resource AME	8,998	56,123	(47,125)	(84.0%)
Capital AME	48	218	(170)	(78.0%)
TME				
TME	**15,750**	**63,788**	**(48,038)**	**(75.3%)**

Variance analysis

Resource DEL

The underspend of £0.2bn (11.7%) was primarily due to:

- £50m underspend due to additional income receipts related to nuclear income and underspend against budget due to the utilisation of income from the sale of Bulb in year
- £20m underspend due to a reconciliation between forecast and delivered projects in Net Zero Buildings grant spending
- £20m underspend in CCUS and Hydrogen due to a shifting right of the delivery timeline for projects in year
- £15m underspend due to a reduction in costs as the departments Energy Affordability schemes were closed down efficiently
- £10m underspend due to efficiencies in delivery of feasibility studies and delivery of Net Zero Industry work

Capital DEL

The underspend of £0.5bn (9.5%) was primarily due to:

- £200m underspend against the budget for Carbon Capture, Usage & Storage (CCUS) & Hydrogen, due to the Final Investment Decision (FID) being moved into April 2025, with budget exchanged accordingly
- £90m underspend against the budget for Net Zero Innovation due to slippage of projects into FY 2025-26 and the closure of several more, and a reduction in number of Hydrogen Village Trial schemes
- £70m underspend against the budget for Sizewell C due to weather-related delays in construction and increased forecast certainty against initial budget
- £60m underspend against the budget for Net Zero Buildings and Heat resulting from slower delivery of the Home Upgrade Grant and Social Housing Decarbonisation Fund, and a number of withdrawals from the Public Sector Decarbonisation Scheme

Resource AME

The underspend of £47.1bn (84.0%) was primarily due to:

- £0.5bn underspend against the budget for the Energy Affordability schemes in grants and subsidies
- £1.4bn underspend against the budget for Mining Remediation Authority provisions
- £30.7bn underspend driven by uncertainties at the time of budgeting for the CfD valuation.
- £15.4bn underspend driven by uncertainties at the time of budgeting for the nuclear decommissioning provision

Capital AME

The underspend of £0.2bn (78.0%) was primarily driven by the budget for working capital loans to NESO not being required.

Outturn trend

	2024-25 £m	2023-24 £m	2022-23 £m	2021-22 £m	2020-21 £m
DEL					
Resource DEL	1,463	1,376	13,228	2,483	1,395
Capital DEL	5,241	5,127	6,200	10,712	8,995
AME					
Resource AME	8,998	(13,547)	(95,616)	114,878	2,164
Capital AME	48	(60)	(144)	(122)	(117)

Outturn trend – biggest areas of net expenditure

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

	2024-25 £m	2023-24 £m	2022-23 £m	2021-22 £m	2020-21 £m
NDA	8,548	(15,369)	(107,667)	103,362	3,473
CfDs	2,499	4,009	(13,507)	10,286	468
Coal Authority	193	(521)	(3,328)	3,168	274
RHI	1,213	1,218	1,002	920	848
ICF	406	366	231	432	582
Nuclear Liabilities fund	-	-	-	5,610	5,070
Sizewell C	1,728	1,179	841	-	-
Energy SAR	(2,858)[1]	(930)	1,157	2,136	-
Energy price support	(55)	897	43,531	-	-
UKAEA	391	280	267	239	155
Net Zero buildings and heat	1,404	739	523	1,259	1,250
Great British Nuclear	30	181	-	-	-
Net Zero buildings and heat	687	-	-	-	-
CCUS	396	36	17	11	-
Other	1,167	812	600	528	314
Total	**15,750**	**(7,103)**	**(76,332)**	**127,951**	**12,436**

1. Negative expenditure relates to repayment of Bulb loan

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 120.

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.

DESNZ's ODA expenditure (provisional) in 2025 was £408m. This expenditure supports climate and energy projects designed to help countries tackle climate change impacts. The table below shows a breakdown by sector.

DESNZ's International Climate Finance (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]

Sector	Sector code	2025 ICF Total £m	2024 ICF Total £m
Energy policy	231	(9.0)	(13.8)
Energy generation, renewable sources	232	128.4	127.8
Banking & financial services	240	2.0	3.9
Business & other services	250	1.3	0.7
Forestry	312	244.3	237.3
General environment protection	410	19.4	11.6
Other Multisector	430	0.1	52.4
Administrative costs of donors	910	9.1	7.3
Unallocated / unspecified	998	12.6	13.0
Total		**408.2**	**440.2**

Notes

1. These figures are provisional. The final 2024 Statistics on International Development (SID) is due to be published by the Foreign, Commonwealth and Development Office (FCDO) in late September 2025.

   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 2025, the department remains in a net liability position. Net liabilities have increased by £6.7bn from (£194.4bn) at 31 March 2024 to (£201.1bn) at 31 March 2025. The biggest effect on the change in the financial position this year comes from the changes in discount rates for provisions, changing price levels and underlying cost estimates (in relation to NDA – see their annual report for full details) and Contracts for Difference (CfDs, in relation to LCCC – see their annual report for details). Further details on provisions and CfDs can be found in notes 19 and 10.

	31-Mar-25 £m	31-Mar-24 £m	31-Mar-23 £m
Assets	17,414	16,385	16,867
Liabilities	(218,493)	(210,784)	(231,624)
Net assets/(liabilities)	(201,079)	(194,399)	(214,757)

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 19 and 10.

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

	2024-25	2024-25	2024-25	2023-24	2023-24	2023-24
	No discounting £m	With discounting £m	Impact of discounting £m	No discounting £m	With discounting £m	Impact of discounting £m
Assets						
Financial asset: Bulb	0	0	0	2,933	2,838	(95)
Financial asset: Coal pension receivable	346	335	(11)	346	323	(23)
Liabilities						
NDA nuclear provision	215,954	110,101	(105,853)	198,898	105,256	(93,642)
Mining Remediation Authority provision	11,709	1,709	(10,000)	10,915	1,609	(9,306)
CfD liabilities (included within derivative financial instruments on SoFP, with assets and liabilities presented separately)	128,229	90,405	(37,824)	90,719	89,151	(1,568)
LCHA liabilities (included within derivative financial instruments on SoFP, with assets and liabilities presented separately)	1,255	1,243	(12)	-	-	-

Sustainability report

The Greening Government Commitments

The Greening Government Commitments (GGCs) relates to environmental sustainability. They are a framework for departments to reduce the environmental impact of their operations. The targets are set by the Department for Environment, Food & Rural Affairs (Defra).

The current GGC framework is for 2021–25. It has a baseline year of 2017–18 with targets to achieve by March 2025. Departments report GGCs for the core department and their public bodies in scope, collectively known as the DESNZ family. The DESNZ public bodies in scope consist of these 6 entities, as determined by Defra:

- Mining Remediation Authority (MRA) – *formerly The Coal Authority*
- Nuclear Decommissioning Authority (NDA)
- UK National Nuclear Laboratory (UKNNL)
- North Sea Transition Authority (NSTA)
- Ofgem
- Climate Change Committee (CCC)

A proportion of DESNZ occupies the estate managed by the Government Property Agency (GPA). GPA are responsible for ensuring their estate is sustainable and delivers on GGCs on behalf of DESNZ, facilitating achievement of DESNZ's GGC targets. DESNZ performs an assurance role to support the GPA to achieve DESNZ's GGC targets.

Summary of targets and progress

	GGC targets by March 2025	Outcomes in 2024-25 compared to 2017-18 baseline
Overall emissions	62% reduction (BEIS target)	35% reduction
Direct building emissions (scope 1)	30% reduction (BEIS target)	71% reduction
Ultra-low emission vehicles (ULEV): less than 50g CO_2 per km	25% of fleet by 31 Dec 2022	82% of fleet
Emissions from domestic flights	Reduce emissions by 30%	45% reduction
Overall waste	15% reduction	36% reduction
Waste to landfill	Reduce to less than 5% of overall waste	16% of overall waste
Recycling	Increase to 70% of overall waste	57% of overall waste
Finite resource: paper use	Reduce by 50%	58% reduction
Finite resource: water use	Reduce by 8%	38% reduction

Greenhouse gas emissions

Most of the core department and some public bodies occupy estates managed by the GPA. The GPA are running a net-zero programme to reduce carbon emissions and energy use across its estate. Public bodies who do not occupy the GPA estate have also made efforts to reduce emissions.

The DESNZ family has not reached the reduction target for overall emissions but has made significant progress in reducing direct building emissions, exceeding the target reduction. The targets for emissions are bespoke to each department, while other targets are generic for all departments.

The targets were inherited from the Department for Business, Energy and Industrial Strategy (BEIS) when DESNZ was created. Therefore, these were tailored for the BEIS profile and BEIS' opportunities to reduce overall emissions and direct building emissions, and not DESNZ's. Despite this, the direct building emissions reduction target was still exceeded. Looking forward, the new targets under the future 2025-30 GGC framework should be more appropriate for DESNZ's profile, and therefore more achievable.

The core department continues to work with the GPA to improve the sustainability of their London estate. This aligns with the Government Property Strategy 2022–30 mission to move to a smaller, better, and greener estate.

The core department also developed and implemented a sustainability strategy to integrate sustainability into its operations. This involved creating and executing a plan that addresses environmental, social, and economic aspects of its activities.

Emissions from domestic flights have reduced significantly and exceeded the target reduction. Flight data was not wholly available for 2017-18, therefore 2018-19 has been used as the baseline year here as per guidance from Defra. Overall, the total distance travelled by domestic air travel was 1,344,266km, and international air travel was 12,957,328km.

GHG emissions data

	Unit	2024-25	2023-24	2017-18
Emissions scope 1 (sources owned or controlled)	Tonnes CO_2 equivalent	569	624	1,931
Related gas consumption scope 1 (includes self-generated energy)	kWh	3,346,002	3,627,586	7,916,227
Emissions scope 2 (supplied by another party)	Tonnes CO_2 equivalent	9,428	10,262	13,977
Related energy consumption scope 2	kWh	46,621,440	50,754,513	44,597,200
Emissions scope 3 (official business travel) – international	Tonnes CO_2 equivalent	2,467	2,108	566
Emissions scope 3 (official business travel) – domestic	Tonnes CO_2 equivalent	2,079	2,044	2,632
Expenditure on scopes 1 and 2 emissions: purchase of energy[1]	£'000	11,519	16,126	6,226
Expenditure on scope 3: official business travel	£'000	6,573	6,893	6,188

Notes

1. Ofgem estimated costs for 2024-25 based on the previous year's figures

Waste minimisation and management

Significant progress has been made against some of the GGC waste targets across DESNZ. The overall waste reduction target has been exceeded. Steady progress has been made to reduce the amount of waste sent to landfill.

Recycling rates have not yet reached the 70% target. However, DESNZ aims to improve on this for the upcoming GGC framework for 2025-30. DESNZ continues to work with its public bodies to find ways to reduce the quantity of waste produced. DESNZ is also working with GPA. For example, DESNZ supports the GPA to provide a range of waste recycling streams at the new London headquarters to ensure the correct segregation of waste for recycling and reducing the risk of contamination.

Waste minimisation and management data

	Unit	2024-25	2023-24	2017-18
Total waste arising, of which:	Tonnes	367	253	573
Recycled	Tonnes	192	132	364
ICT waste recycled, reused and recovered (externally)	Kg	6,272	26,232	-
Composted/ food waste from 2022	Tonnes	17	9	-
Incinerated with energy recovery	Tonnes	99	66	117
Incinerated without energy recovery	Tonnes	-	-	-
To landfill	Tonnes	59	29	91
Expenditure on total waste arising, of which:	£'000	204	50	54
Recycled[1]	£'000	14	-	-
ICT waste recycled, reused and recovered (externally)[2]	£'000	15	-	-
Composted / food waste from 2022[3]	£'000	1	-	-
Incinerated with energy recovery[4]	£'000	7	-	-
Incinerated without energy recovery	£'000	-	-	-
To landfill	£'000	-	-	-

Notes

1. Only includes NDA, other departments' data is unavailable.
2. Only includes NDA & Ofgem (estimated costs for 2024-25 based on the previous year's figures) other departments' data is unavailable.
3. Only includes NDA, other departments' data is unavailable.
4. Only includes NDA, other departments' data is unavailable.

Hazardous Waste

The department disposed of 47 tonnes of hazardous waste during the financial year, all of which was from one ALB.

Paper use

Paper usage across DESNZ has continued to reduce year upon year, significantly exceeding the framework target.

Paper use data

	Unit	2024-25	2023-24	2017-18
Quantity of paper purchased	A4 reams equivalent	5,604	5,783	13,268

Finite resource consumption

GPA continues to implement water efficiency measures across the estate. Usage has decreased since last year, and this target has been successfully achieved.

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

Finite resource consumption data

	Unit	2024-25	2023-24	2017-18
Water consumption	cubic meters m^3	20,698	22,708	33,588
Water supply and sewage costs	£'000	223	144	55

Consumer single use plastics and re-use schemes

The core department has eliminated a wide range of consumer single-use plastics such as plastic cutlery, cups and unsustainable stationery items, for several years now. The public bodies are progressing in a similar direction. They have made significant reductions in usage from last year.

Nature recovery and biodiversity action planning

The GPA continues to work towards the targets in their Nature Recovery Plan for their DESNZ occupied estate. They facilitate protection, and where possible, enhance biodiversity across the estate. The core department also has a Nature Recovery Plan, which feeds into the GPA's plan, and supports provision of an assurance role. Many public bodies also have their own Nature Recovery Plans which feed into the GPA plan where they occupy the GPA estate, and are implemented across their own estate not managed by the GPA.

Climate change adaptation plan

The GPA has completed a climate change adaptation strategy and action plan for their DESNZ occupied estate. It helps to mitigate against the impacts of climate change. Roll-out of the action plan will continue into 2025 and beyond.

The core department has also developed a climate change adaptation plan to support the GPA. It consists of a climate change risk assessment across the relevant proportion of GPA's estate, and a climate adaptation plan. It aims to feed into GPA's plan, and support DESNZ's assurance role.

Sustainable construction

GPA construct and fit-out the estate on behalf of the core department and many public bodies. Therefore, they are wholly responsible for sustainable construction. DESNZ plays an assurance role to ensure the GPA are aiming for the appropriate levels of sustainability accreditation and certification.

In 2024-25, GPA updated their published design guide with a Net Zero and Sustainability Annex. This sets out the ambitions for both new buildings and major refurbishments they undertake for their clients, including DESNZ. The guide considers carbon emissions from construction and operations. It also considers BREEAM and NABERS UK accreditations. For example, it is aiming for BREEAM "Very Good" for the refurbishment of the new core department headquarters at 22-26 Whitehall, London.

Sustainable procurement

DESNZ has a supplier code of conduct and a departmental environmental policy. Both documents outline our expectations for suppliers and the supply chain, in relation to minimising social and environmental impacts.

The department has prepared guidance to support the implementation of sustainable procurement practices. The guidance and resources reference the Government Buying Standards (GBS).

Training has been provided for commercial colleagues and contract managers on topics including tackling modern slavery, social value and supply chain diversity. We have a dedicated team to provide coaching to major projects. This supports teams to embed sustainability into their sourcing approaches.

At year-end, DESNZ is in the process of setting spend targets for Small & Medium Enterprises (SMEs) and Voluntary, Community and Social Enterprises (VCSEs).

Reducing environmental impacts from ICT and digital

DESNZ's main ICT suppliers, Dell and Apple, are using more recycled and renewable materials in their products. Dell is also reducing packaging by implementing multipacks, packing five laptops in one box. DESNZ will continue to improve its ICT waste management by reducing the overall amount of waste generated and increasing the proportion which is reused and recycled with no waste going to landfill.

As part of the Greening Government Commitment, DESNZ will take actions to reduce its environmental impact. DESNZ will ensure its suppliers are committed to its sustainability goals, such as reducing carbon emissions, and will provide DESNZ with their CO_2e data.

Taskforce on Climate-Related Financial Disclosures

Background

The Taskforce on Climate-Related Financial Disclosures (TCFD) was created in December 2015, recognising the increasing need for stakeholders to understand climate-related risks. The taskforce's recommendations, published in June 2017, provide a framework for companies and, since 2024, public sector bodies, to disclose information in a clear and comprehensive manner. The Annual Report return is part of this framework, ensuring that organisations regularly update their climate-related financial disclosures, thereby promoting transparency and informed decision-making.

Strategy

For TCFD reporting, DESNZ is in a somewhat unique position. Our mission and objectives are directly articulated in terms of encouraging reduction of climate change globally, and the delivery of carbon reductions within the UK, while ensuring the affordability and security of energy provision.

Our mission is to "Make the UK a clean energy superpower by achieving clean power by 2030 and accelerating to net zero" and, within that, our objectives are to:

- Enhance energy security
- Protect billpayers
- Create economic growth for the UK and generate and protect jobs
- Reduce the UK's emissions

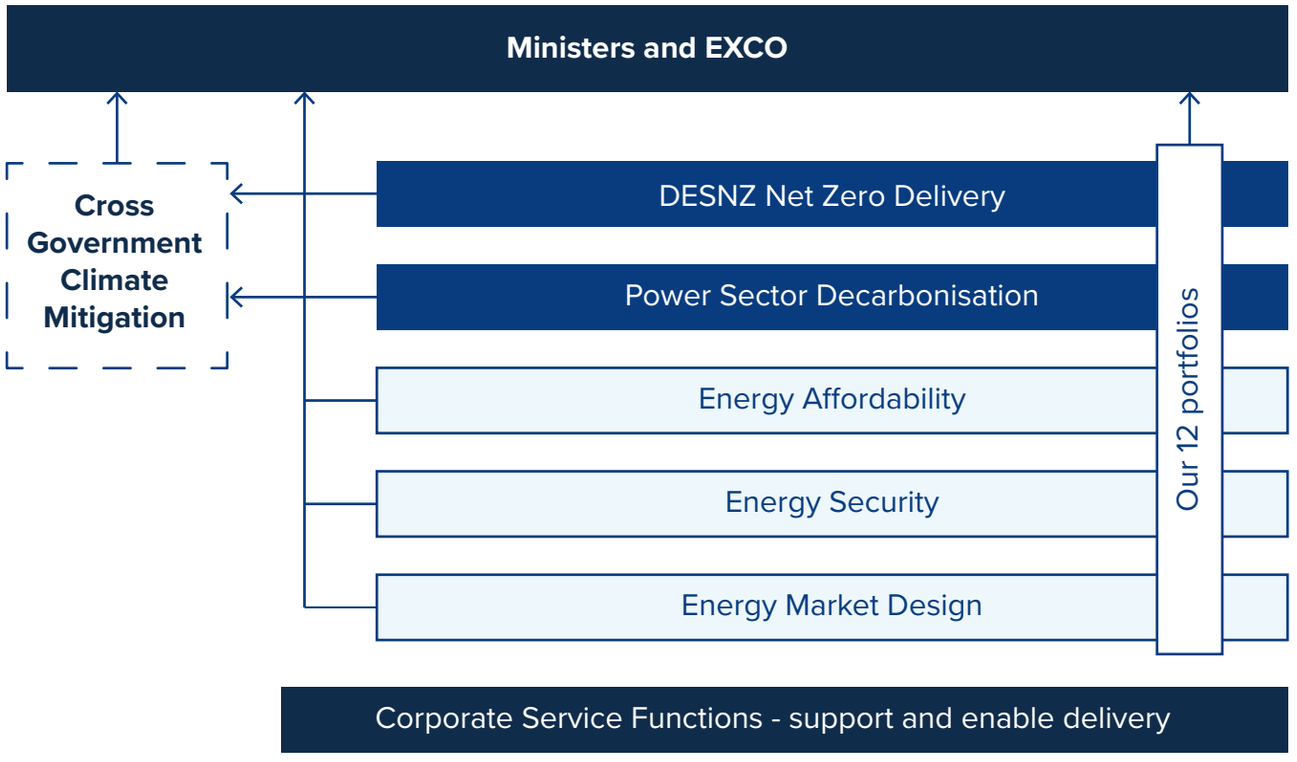
Governance

Our mission-based approach sets out what we want to achieve as an end result and focuses on outcomes, allowing for a more innovative and flexible approach to achieving them.

The Clean Energy Superpower mission (CESM) is made up of two pillars: Clean Power by 2030 and Accelerate to Net Zero. The CESM utilises a 'Cabinet Committee Level' Mission Board as the principal senior governance mechanism to provide strategic direction, unblock challenges and organise key departments to deliver on the mission.

Within DESNZ, both pillars utilise additional governance mechanisms to support and track delivery of their workstreams. Successful delivery of the mission and its various priorities will be a shared endeavour requiring extensive engagement and investment from citizens, business and industry.

In addition to the department's central and mission governance, it has five cross-cutting outcome boards as shown on the governance map:



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. They have a role in assessing the risks and issues impacting delivery of those objectives, their 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 portfolio performance, but take their collective performance into account when assessing progress against objectives.

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.

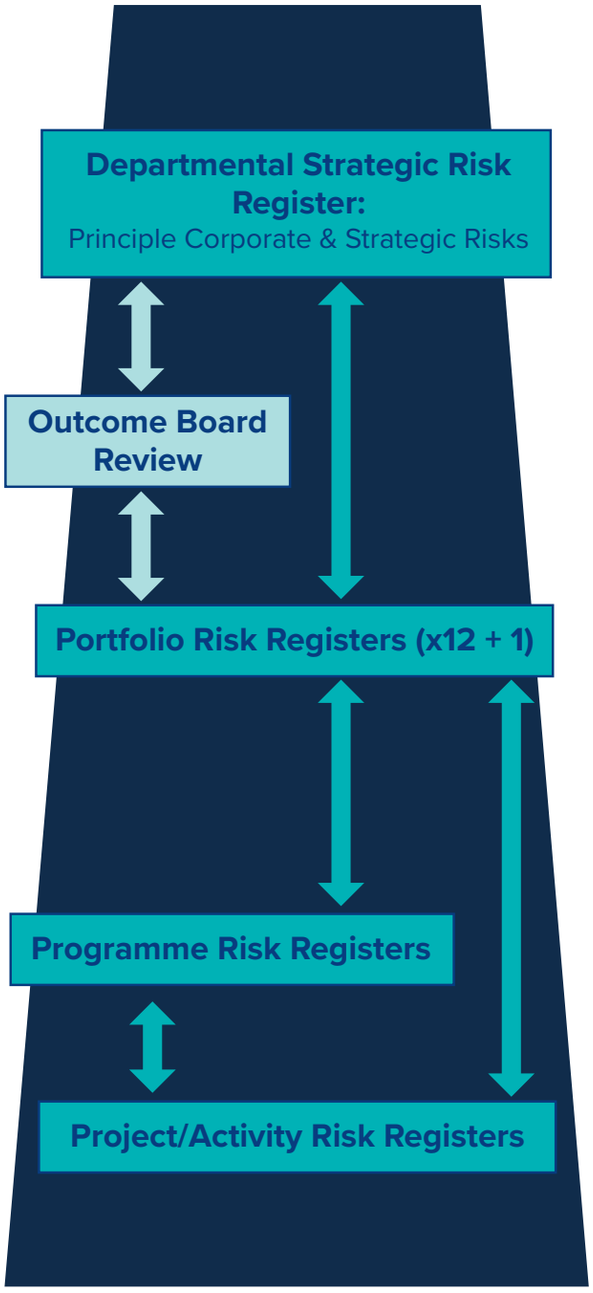
We additionally have a strategic risk relating to management of the transition to a clean energy system.

Within our portfolio management governance structure, which continues to mature, our 12 delivery portfolios will directly manage risks to the achievement of their individual policy outcomes, including their contributions to net zero, 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.

Risk Management

As described in the governance section, DESNZ's risk management framework is established around a portfolio structure, with each level of that structure being responsible for delivery of their own risk management.

By the very nature of the department's objectives, this will include the management of climate-related risk, globally, within the UK and related to delivery of our programmes and projects.



PDD Risk Team r**eview the DESNZ Strategic Risks and report them to ExCo & ARAC**. **Consider escalations and aggregation from the 12 Portfolios** and propose the board to review them, i.e. whether this is ExCo or the level below – Strategic Boards or POpCo.
Outcome Boards (Power Sector, Energy Security, Affordability and Markets, and Net Zero). Strategy Offices **review risks on the 12 delivery Portfolio Registers to see if there are aggregated themes** impacting their strategic outcomes. If there are themes, they will discuss them (but not hold them as risks on a "Board-level" register) and consider escalation to Departmental Strategic Risk Register.
Project Business Partners/DD Group Risk Champions **help review risk on the Portfolio Registers under their DG and coordinate review at Group SLT (as agreed by each DG);** provide advice and guidance to Portfolio Offices' Teams on risk management best practice.
The **13 Portfolio Offices/Teams review the risks on their registers at their agreed governance body** and consider whether there is an impact on the Strategic "Lenses" to flag for discussion; or a **formal escalation to ExCo Departmental Strategic Register.** NOTE: Directorate level is no longer part of DESNZ governance.
Programmes and Projects **manage their key risks in ORB**, updating them each month and **escalating to Portfolio when necessary**.

In addition to the outcome boards' cross-cutting review of risk to our departmental ambition, specific portfolios and policy teams manage aspects of our efforts to reduce climate impacts and our delivery response to those impacts.

Strategy teams across DESNZ set and monitor delivery of the UK's Carbon Budgets on behalf of government, and international and energy teams invest in technologies, at home and abroad, based on their climate impact and resilience to climate change. As part of this, the department commissions independent research into these themes to amend policy and to set funding criteria.

The department also contributes heavily to government's long-term climate and energy scenarios, previously articulated as the chronic risks in the National Risk Register.

Metrics and Targets

Net Zero and UK Energy

As the lead department for UK net zero policy and monitoring, most of our metrics and targets are already published. These include:

Key DESNZ products:

- **UK Carbon Budget Targets, the data used to set them, and our plans to achieve them**

- **Energy and climate change: evidence and analysis** Including "UK Energy Trends" and "Digest of UK Energy Statistics" products for total energy and energy supply/demand balance, as well as for specific areas of electricity, renewables, gas, etc
- **Annual domestic energy bill statistics**
- **DESNZ Public Attitudes Tracker** This triannual survey collects data on public awareness, behaviours and attitudes relating to the department's policy areas

Commissioned and independent products:

- **Clean Power 2030** A National Energy System Operator report looking at supply and demand and network operability as we move to clean power
- **The Seventh Carbon Budget – Climate Change Committee** A statutory report from the Climate Change Committee providing advice to the UK government on the level of the Seventh Carbon Budget (2038 to 2042)
- **Energy price cap information from Ofgem**
- **UK Low carbon and renewable energy economy** Office for National Statistics publications on UK's low carbon and renewable energy economy, including turnover and employment

Direct DESNZ Emissions

Disclosures on Scope 1, Scope 2, and Scope 3 greenhouse gas (GHG) emissions are included in the Sustainability Report, on page 48.

Future Direction

As awareness of climate-related risks continues to grow, it is expected that the role of TCFD statements will become even more critical. DESNZ will enhance our disclosures on the management of climate-related risks, and we will work to identify specific metrics and targets from within our published data to include in future years' returns.

Performance in other areas

Fraud and error analysis

Fraud prevention, detection and estimates

Fraud and error present significant challenges to public funds. During 2024-25, DESNZ administered a variety of grant schemes making up a significant proportion of the department's expenditure, which required robust controls and processes to mitigate risks to public funds.

Counter Fraud Expert Services (CFES)

Counter fraud provision for DESNZ is delivered by CFES, part of 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. During 2024-25, CFES ensured that DESNZ was compliant with the government's functional standard for counter fraud (GovS013). This included drafting the fraud, bribery and corruption strategies and developing the DESNZ enterprise fraud risk assessment.

Energy Affordability Schemes

The department set out its detailed approach towards fraud and error on the Energy Affordability schemes in pages 41-43 of the DESNZ 2023-24 Annual Report.

Error estimations for the portfolio were completed in 2023-24, with the exclusion of Energy Bills Discount Scheme (EBDS), which was completed subsequently in 2024-25 due to the timing of when it operated as a scheme (it was the last of the Energy Affordability schemes to continue offering financial support to energy users which meant that it was too early to produce a statistically valid error estimate in 2023-24).

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 table below summarises the estimate of irregular payments on EBDS, 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 estimate was done on a scheme basis, not a financial year basis. As a result, scheme expenditure may not directly align with the figures presented at summary level in the grants expenditure note 4.4.

Total scheme expenditure to date	Irregular payments central estimate	Lower bound	Upper bound	Sample size
£403m	£3.6m (0.91)%	£1.3m (0.33%)	£6.9m (1.70%)	1,118

Renewable Heat Incentive (RHI) Scheme

The value of payments made in error during 2024-25 under the core department RHI Scheme is estimated at £9.8m (0.9% of total payments) within a 95% confidence interval of £6.5m to £13m. Applied to the expenditure total of £1,213m (which represents the value of payments made in 2024-25, adjusted for net movements on accrued amounts payable) this would give an estimate of potential error of £10.6m within a 95% confidence interval of £7m to £14m. 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 2023-24 under the same scheme was estimated at £3.2m (0.3% of total payments) within a 95% confidence interval of £2.1m to £4.3m.

Boiler Upgrade Scheme (BUS)

The value of payments made in error during 2024-25 under the Boiler Upgrade Scheme is estimated at £4.6m (2.47% of total payments) within a 95% confidence interval of £1.8m to £7.4m.

The value of payments made in error during 2023-24 under the same scheme was estimated at a restated amount of £1.9m (2.44% of total payments) within a 95% confidence interval of £0.7m to £3.1m.

Complaints to the Parliamentary Ombudsman

Number of complaints accepted for investigation by the Parliamentary Ombudsman in 2024-25	0
Number of investigations reported on in 2024-25*	0
(a) Investigations fully upheld**	1
(b) Investigations partly upheld	0
(c) Investigations not upheld	0
Number of Ombudsman recommendations in 2024-25	
Complied with	0
Not complied with	0

These figures have been obtained directly from the Parliamentary and Health Service Ombudsman for the period 2024-25. 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. Only a small percentage of complaints we receive are escalated to the Ombudsman. Investigations may be completed after the financial year they were received/created.

**A complaint related to the Green Homes Grant Voucher Scheme was upheld, following an initial contractor error regarding eligibility. The department acted on the recommendation of the Ombudsman, issuing the claimant with a scheme voucher aligned with the values set out in the conditions of the scheme, and compensation for the department's timeliness of response.

Performance in responding to public correspondence

We aim to respond to 80% of our correspondence in 15 working days. In 2024-25, we received 2,724 written enquiries from members of the public. We responded to 50% within 15 working days (2023-24: 68%).

The table below shows our monthly performance. The 2024 General Election and incoming new government saw an expected slowdown in the handling of enquiries. This was whilst the direction of departmental policy was being established. Winter 2024-25 response times were impacted while key policies were announced. Moving forward we expect an upward performance trajectory for 2025-26.

	No. of written enquiries received	No. with response within 15 days	% with response within 15 days
Apr-24	254	231	91%
May-24	109	90	83%
Jun-24	43	41	95%
Jul-24	150	8	5%
Aug-24	137	10	7%
Sep-24	165	15	9%
Oct-24	319	159	50%
Nov-24	367	308	84%
Dec-24	266	207	78%
Jan-25	352	101	29%
Feb-25	307	37	12%
Mar-25	255	153	60%
Total	**2,724**	**1,360**	**50%**

DESNZ Equality Objectives & 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
- advance equality of opportunity
- foster good relations

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 public functions (as a public authority) and how we treat our staff internally (as an employer). We are taking an evidence-based approach, and we regularly review progress against our equality objectives.

Our equality objectives reflect our four key priorities for the upcoming year as we make the UK a clean energy superpower.

External equality objectives

1. Enhance energy security	
Equality Objective	• Endeavour that people with different protected characteristics, and people in different parts of the country, are impacted equitably by the system costs and benefits of increasing our energy independence.
Actions	• We will support the National Energy System Operator to develop and improve their capability to consider the cross-cutting impacts of their work areas 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 aim to uphold our equality objectives and obligations under PSED across all parts of the value chain for the Carbon Capture, Usage & Storage (CCUS) Programme, and we will consider the impact of the locational aspects of electricity market reform (REMA).
2. Protect billpayers	
Equality Objective	• Where possible, reduce disadvantages faced by vulnerable energy consumers (including the elderly and those with a disability) when making decisions that affect all consumers, including decisions on domestic energy bills. The development of a strategy to ensure the delivery of our statutory fuel poverty target for England.
Actions	• We will deliver the Warm Home Discount Scheme, which provides more than 3 million rebates off the energy bills for households in or 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 due course. We will develop potential new commitments for inclusion in the updated fuel poverty 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 billpayers, in particular low-income and vulnerable consumers.

3. Create economic growth for the UK, and generate and protect jobs	
Equality Objective	• Promote equal access to employment in the energy sector.
Actions	• Encourage and support industry in increasing the proportion of representation across the nine protected characteristics employed in the new CCUS industry, by engaging industry through the CCUS Council and the Carbon Capture & Storage Association (CCSA). • 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. • 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. • Ensure equality is embedded across Great British Energy's programme. GBE will work with DESNZ HR to build PSED capability and capitalise on opportunities to promote equality throughout our work and processes.
4. Reduce the UK's carbon emissions	
Equality Objective	• Ensure that the transition to net zero is fair and affordable, and does not negatively impact disadvantaged groups (particularly women, children, ethnic minorities, indigenous groups, and those with disabilities).
Actions	• 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. • We will strengthen the gender-responsiveness and inclusivity of UK climate finance for both adaptation and mitigation. We aim to encourage an increase in 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 Gender Equality, Disability and Social Inclusion (GEDSI) sensitive approach, ensuring that programmes deliver positive outcomes for people and nature.

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 underrepresented protected characteristics, regardless of where staff are based. This includes supporting increased representation of women, ethnic minority staff and disabled staff at senior grades.
Actions	• Progress towards departmental goals to increase representation of women, ethnic minority staff and disabled staff at senior grades. • Seek to increase baseline diversity data completion rates to at least 80% across all characteristics. • Explore avenues and job platforms to reach diverse pools of candidates, in line with our representation goals and departmental diversity data. • Develop the DESNZ Equality, Diversity and Inclusion Strategy 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 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, and assist policy teams to better assess their PSED duties/support providing data where there are gaps. • 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, who are in turn supported by the Culture and Engagement team in Human Resources by raising awareness and capability among staff through 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, which is available to all staff. We will continue to improve the capability and understanding of the PSED 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, Audit and Risk Assurance Committee) on the department's progress on embedding equality considerations into all policy and corporate services workstreams.

We are also working to explore additional local opportunities to embed PSED governance. We aim to build a comprehensive local picture which can feed into group-level reporting, senior boards and forums.

When working on policy, our officials are expected to look at the impact each option might have on people sharing any of the nine 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 PSED and progress of Equality Objectives on a quarterly basis, to which all senior civil servants contribute.

We aim to continue to improve the department's assurance processes to ensure the PSED is considered throughout the policy development process, and it is clearly set out how we have paid due regard to the PSED.

Respect for human rights and social matters

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 also contributed to the development of a refreshed modern slavery risk assessment tool.

We continued to implement Social Value Model default priority themes (linked to PPN 06/20 and PPN 002) aimed at improving the quality and added value of social value propositions. We also developed a supplier diversity action plan and are in the process of setting SME/VCSE spend targets.

Advertising

Our communications work supports the delivery of the department's priorities. Where necessary, we use paid publicity and advertising. For 2024-25, the department ran one campaign encouraging take up of heat pumps via the £7,500 Boiler Upgrade Scheme grant.

'Warm and Fuzzy' heat pump campaign

The 'Warm and Fuzzy' campaign encourages people to upgrade their existing boiler or heating system to a heat pump, with the help of the £7,500 government grant. The campaign helps homeowners better understand the benefits of heat pumps and how they can prepare their homes for low carbon heating. Content is generally targeted at homeowners in England and Wales (due to the £7,500 Boiler Upgrade Scheme grant eligibility), who are interested in investing in more energy efficient technologies to heat their homes. The campaign drives people to our website where homeowners can find further information on heat pumps and guidance on the grant: **www.gov.uk/heatpumps**

Running from early 2025 to March 2025, the campaign was promoted through industry, partnerships, PR, and paid advertising channels including TV, video-on-demand, digital, paid social, search and door drops.







Jeremy Pocklington

Permanent Secretary and Principal Accounting Officer

5th September 2025

Accountability report

Purpose of the accountability report

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

The corporate governance report

- provides the 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 Instruments 2024 No. 295 and 2024 No. 1323** (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 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

5th September 2025

Directors' report

The directors' report covers the period from 1 April 2024 to 31 March 2025. It provides names and ministerial titles of those who served as ministers. It also provides names of non-executive board members and executive directors.

Joiners and leavers refer to those who joined or left 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 (CoI) procedure, including declaring interests at the start of board meetings. No CoIs were declared during board meetings in 2024-25.

The **Register of Board Members' Interests** is published on GOV.UK.

Ministers:

- The Rt Hon Ed Miliband MP, Secretary of State for Energy Security and Net Zero – from 5 July 2024
- The Rt Hon Claire Coutinho MP, Secretary of State for Energy Security and Net Zero – to 5 July 2024
- Sarah Jones MP, Minister of State (Minister for Industry) – from 8 July 2024
- The Rt Hon Lord Hunt of Kings Heath OBE, Minister of State (Minister for Energy Security and Net Zero) – from 9 July 2024
- Justin Tomlinson, Minister of State (Minister for Energy Security and Net Zero) – from 12 April 2024 to 5 July 2024
- The Rt Hon Graham Stuart MP, Minister of State (Minister for Energy Security and Net Zero) – to 12 April 2024
- Kerry McCarthy MP, Parliamentary Under Secretary of State (Minister for Climate) – from 9 July 2024
- Michael Shanks MP, Parliamentary Under Secretary of State (Minister for Energy) – from 9 July 2024
- Miatta Fahnbulleh MP, Parliamentary Under Secretary of State (Minister for Energy Consumers) – from 9 July 2024
- Lord Martin Callanan, Parliamentary Under Secretary of State (Minister for Energy Efficiency and Green Finance) – to 5 July 2024
- Andrew Bowie MP, Parliamentary Under Secretary of State (Minister for Nuclear and Renewables) – to 5 July 2024

- Amanda Solloway MP, Parliamentary Under Secretary of State (Minister for Energy Consumers and Affordability) – to 5 July 2024

Non-Executive Board Members:

- Humphrey Cadoux-Hudson, Lead NEBM, Board and NomCo Chair
- Mary Archer, Departmental Board
- Peter Mather, Departmental Board, ARAC – to 29 March 2025
- Vikas Shah, Departmental Board, ARAC Chair

Non-Executive Independent Members:

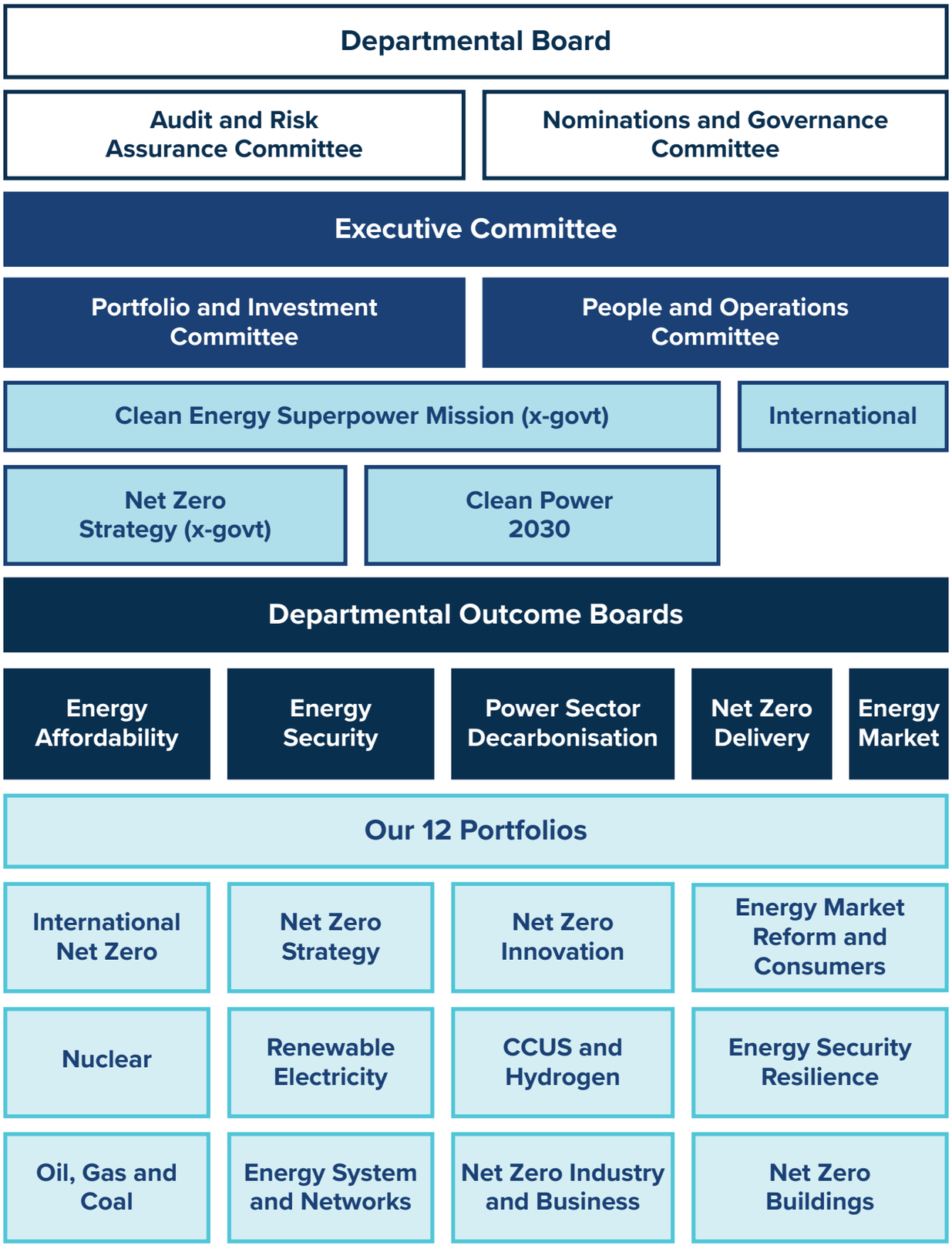
- Elaine Clements, ARAC
- Alison Rodwell, ARAC – to 1 May 2024
- Andre Katz, ARAC
- Anne Marie Millar, ARAC
- David Scott, ARAC
- Tristan Morgan, ARAC
- Andrew Jamieson, PIC
- Erik Wilson, POpCo – from 1 September 2024
- Sam Ulyatt, PIC (non-remunerated)
- Jill Adam, PIC (non-remunerated)

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 for Portfolio and Data
- Alice Hurrell, Chief People Officer
- Donna Leong, Director of Analysis and Chief Economist
- Johanna Cowan, Director Strategy
- James Sorene, Director of Communications (Standing Member)
- Wendy Hardaker, Legal Director (Standing Member)

Our governance structure

Our governance



Departmental Board

Chair

Rt Hon Ed Miliband MP, Secretary of State and Chair, Departmental Board

Meeting Attendance

Total number of meetings held	1
x/x = number attended/number eligible to attend	
Ministers	
Secretary of State, Ed Miliband (from 5 July 2024)	1/1
Minister Jones (from 8 July 2024)	1/1
Lord Hunt (from 9 July 2024)	1/1
Secretary of State, Claire Coutinho (to 5 July 2024)	0/0
Minister Tomlinson (from 12 April 2024 to 5 July 2024)	0/0
Lord Callanan (to 5 July 2024)	0/0
Minister Solloway (to 5 July 2024)	0/0
Minister Stuart (to 12 April 2024)	0/0
Non-executive directors	
Humprey Cadoux-Hudson	1/1
Peter Mather	1/1
Vikas Shah	1/1
Mary Archer	1/1
Senior officials/executive directors	
Jeremy Pocklington	1/1
Clive Maxwell	1/1
David Thomas	1/1
Jonathan Mills	1/1
Lee McDonough	0/1

Role

The departmental 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. The departmental board is supported by two delegated committees: The Audit and Risk Assurance Committee (ARAC) and the Nominations and Governance Committee (NomCo).

On 5 July 2024 there was a General Election and a change in Secretary of State, which meant the departmental board did not take place again until 3 December 2024 when the Board was at full composition again.

Key Areas of Discussion

At the inaugural meeting of the departmental board, the key areas of discussion were around the objectives of the Clean Energy

Superpower Mission and how the department was organised to deliver its mission.

Other key areas of discussion included:

- The Spending Review
- Departmental performance, delivery and risk

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 for the requirement that the board meets at least quarterly. The board only met once during the year due to a change in Secretary of State, and in both Ministers of State. However, there was ongoing engagement between non-executive board members, ministers and the executive during the period.

Board Appointments

Ed Miliband was appointed as Secretary of State on 5 July 2024. Minister Jones was appointed as Minister of State on 8 July 2024 and Lord Hunt was appointed as Minister of State on 9 July 2024. Previous appointments can be found in the above table.

At end of 2024-25, the board's gender diversity was at 16.67% and ethnic minority members at 8.33%.

Board Effectiveness

An internal board effectiveness review was carried out in March 2025. This reviewed the effectiveness of the departmental board and its delegated committees and the effectiveness of the executive board and its newer delegated committees.

The key findings were that the role of the departmental board was well understood by its members and generated good discussion and actions. As the departmental board was in its relative infancy given the change in government, it would benefit from the development of a more comprehensive programme of work for the non-executives outside of formal board meetings to ensure their skills and experience were effectively used to deliver the department's mission.

Recommendations will be delivered over the next financial year.

Quality of Data Used by the Board

The papers received by the board were of high quality. The meeting was held in person and was 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

Chair

Humphrey Cadoux-Hudson, Lead Non-Executive and Chair, 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	2/2
Peter Mather	2/2
Senior officials/executive directors	
Jeremy Pocklington	2/2
Clive Maxwell	2/2
Alice Hurrell	1/2

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 and rewards.

Key Areas of Discussion

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

Audit and Risk Assurance Committee

Chair

Vikas Shah, Non-executive Board Member and Chair, 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	6/6
Peter Mather	6/6
Elaine Clements	5/6
Alison Rodwell	1/1
Andre Katz	6/6
Anne Marie Millar	6/6
David Scott	6/6
Tristan Morgan	6/6
Senior officials/executive directors	
Jeremy Pocklington	3/6
Clive Maxwell	6/6
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 risks, the risk management framework, and the departmental risk appetite
- Deep dives into each of the departmental risks covering:
  - people risks
  - security of supply
  - Public Sector Equality Duty
  - the loss of sensitive information
  - supply/network resilience
  - critical infrastructure
  - near-term disruption to gas/electricity/fuel
- The Clean Energy Superpower Mission
- The use of advance payment bonds in the Public Sector Decarbonisation Scheme
- The response to poor quality solid wall insulation installed under ECO4 and GBIS
- Portfolio management
- Health and Safety risks, arm's length bodies, physical security, reputational risk management and Integrated Corporate Services
- Corporate assurance including whistleblowing, functional standards, the annual assurance process and the governance assurance process

Executive Committee

Chair

Jeremy Pocklington, Permanent Secretary and Chair, Executive Committee

Meeting Attendance

Total number of meetings held	45
x/x = number attended/number eligible to attend	
Executive directors	
Jeremy Pocklington	42/45
Clive Maxwell	41/45
David Thomas	41/45
Simon Hulme	39/45
Paul Monks	39/45
Jonathan Mills	41/45
Johanna Cowan (on parental leave until September 2024)	24/25
Ben Golding (covering Johanna Cowan on parental leave until September 2024)	19/20
Ashley Ibbett	42/45
Lee McDonough	35/45
Ben Rimmington	38/45
Alice Hurrell	36/45
Donna Leong	42/45
Paro Konar (joined on 1 April 2025)	1/1
James Sorene (Standing Member)	42/45
Wendy Hardaker (Standing Member)	42/45

Role

The Executive Committee (ExCo) is responsible for 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 department's Spending Review return, delivering the department's mission and the department's Strategic Risk Register. 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 the 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 Investment 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 £50m 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, Co-Chair, People and Operations Committee

Alice Hurrell, Co-Chair, People and Operations Committee

Role

The People and Operations Committee (POpCo) is a delegated committee of ExCo and considers matters relating to operations, Human Resources (HR), accommodation, security, Equality, Diversity and Inclusion (ED&I), and Information Technology (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, POpCo has a specific responsibility of overseeing office moves and Places for Growth (PfG)
- Offering assurance through challenge and scrutiny of the delivery of the main operational strategies and programmes
- Considering people and operational risks on the departmental risk register and the corporate risk register

Key Areas of Focus

The Committee's key areas of focus include:

- Places for Growth
- People Survey results and actions
- HR matters
- Office management
- Equality, 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 to manage its work through DG groups, with governance and controls gradually updated during the year with a focus on the Clean Energy Superpower Mission.

Below our top tier governance, we look at our work in two ways:

- **Portfolios:** We previously had 13 portfolios (including Corporate Services). Following the Spending Review, this has been reduced to 11 portfolios. However, these have not yet been formally grouped. Our

policy and delivery work is organised into portfolios, which currently report progress to ExCo.

- **Outcome Boards:** Our five strategy boards (as outlined in the diagram above) take a cross-cutting view on the impact of our policy and delivery agenda towards our strategic outcomes. These boards are chaired by the SRO for our priority outcomes (DG, Energy Markets and Supply)

Management of outside interests

Register of interests for directors

See directors' report on page 67.

Process for managing outside interests

The department has a policy in place for the management and declaration of outside interests for all staff. This was updated following new Cabinet Office guidance issued in November 2024. The policy provides a framework to deal with any actual, potential or perceived conflicts of interest between staff, suppliers, and other stakeholders.

It provides guidance to employees holding any outside employment, work or appointment (paid or otherwise remunerated). The policy follows Cabinet Office guidance with a particular focus on political interest and aligning recruitment practices to ensure that Conflicts of Interest are addressed as early as the onboarding stage.

All staff must ensure declarations are made when they become 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 a 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 collation of SCS conflicts of interest declarations is conducted by HR, and we have steps in place to ensure central examination of all SCS declarations.

The DESNZ 2024-25 SCS annual collation process concluded at the end of May 2025. DESNZ had no SCS with remunerated outside employment during the monitoring period 2023-24. **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 the following relevant interests are set out in public:

Full name	Details of interest
Sophia True (employed until 24/05/2024)	*Father held a ministerial position in Cabinet Office*

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 employer's 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): 15

Number of BARs applications submitted to the department over the year (by grade – SCS3, SCS2, SCS1, SpAd and delegated grades): 29

Grade	No. submitted
SCS3	2
SCS2	0
SCS1	2
SpAd	2
Delegated Grade	23

Number of BARs applications approved by the department over the year (by grade – SCS3, SCS2, SCS1, SpAd and delegated grades): 27

Grade	No. approved
SCS3	2
SCS2	0
SCS1	2
SpAd	0
Delegated Grade	23

Number of BARs applications where conditions were set by the department over the year (by grade – SCS3, SCS2, SCS1, SpAd and delegated grades): 25

Grade	No. approved
SCS3	0
SCS2	0
SCS1	2
SpAd	0
Delegated Grade	23

Number of applications that were found to be unsuitable for the applicant to take up by the department over the year (by grade – SCS3, SCS2, SCS1, SpAd and delegated grades):

Grade	No. approved
SCS3	0
SCS2	0
SCS1	0
SpAd	0
Delegated Grade	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 portfolio and programme risk leads, Heads of Risk for DESNZ arm's length bodies, arm's length bodies sponsor teams and an annual consultation on the risk framework's

drafting. The department completes an annual Risk Control Framework Assessment, which is cross-referenced to the risk elements of the various functional standard self-assessments. This brings about continuous improvement and allows the risk framework to respond to changes in departmental structure and governance.

Processes and structure

Our principal risks in 2024-25, 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 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. Following several ExCo discussions, starting in October 2024, the Framework and Appetite Statement were approved in March and April 2025 respectively. Versions of both documents are available to all staff through the departmental intranet, as are screen-reader accessible versions of the documents.

Monitoring and assurance of risk

All risks, regardless of level, are evaluated and managed monthly using the department's online reporting systems, 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, who review the portfolio and DSRR risks and consider and flag potential escalations to the departmental leadership teams. The department's outcome boards also review risks across the DESNZ delivery portfolios in relation to the boards' policy focus.

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 quarterly 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, adding issue management to the system in Q4.

Compliance

The department's risk management practices are compliant with the requirements of the Orange Book's five principles. The Risk Control Framework (RCF) assessment has been enhanced by HMT for 2024-25, with 75 criteria, compared to 35 in 2023-24. Against this new test, DESNZ complies with 61 of the 75 criteria, including meeting all the criteria for the Orange Book principle of integration, with partial compliance for the remaining 14. We will include activity to address the areas of partial compliance under the principles of governance & leadership, collaboration & information, processes, and continuous improvement in our 2025-26 Risk Management Improvement Plan. We will also review each of the department's functional self-assessments, to identify areas to improve risk management in those functions and where there are shared improvement themes across functions.

Priorities will be to:

- Socialise the new issue management functionality with system users and begin reporting issues in ExCo, ARAC and DG Stocktake products
- Refresh the department's Risk Appetite Statement, to ensure that ExCo establish the department's baseline risk appetite

- Introduce the ability to set and manage against local risk appetites at the portfolio and programme/project level in our online reporting, ensuring that when we report risks as in/out of tolerance, local circumstance and appetite is reflected

Government Internal Audit Agency

The Government Internal Audit Agency (GIAA) provides the internal audit service for DESNZ. For 2024-25, 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 position of the core programmes, consistent senior leadership and maturing controls. GIAA noted that where core governance and assurance processes were inherited from BEIS, they have been broadly effective, and work was ongoing throughout the year to tailor them specifically for the needs of DESNZ.

GIAA noted that DESNZ faced a challenging environment in 2024-25, including the uncertainty of the Spending Review and political changes resulting from the general election. Nevertheless, the department achieved several major milestones, including publication of the Clean Power 2030 Action Plan, Royal Assent of the Great British Energy Bill and the launch of NESO (National Energy System Operator).

GIAA reflected positively on the design of DESNZ portfolio management approach and how governance and delivery structures continued to develop throughout the year, including evolution of the Assurance Panels, first mission board, and additional senior leadership through the creation of an additional DG role. They also commented that the department's decision to move the grants team to report to the Second Permanent Secretary should improve the team's ability to work across all aspects of the department.

Key areas of focus for the department in the next year according to GIAA include central oversight of grants activity, implementation of data governance improvements, and appropriate oversight of its growing portfolio of arm's length bodies.

The sub-opinion for ICS was assessed as limited, reflecting the dynamic and evolving nature of the organisation. However, GIAA acknowledged the positive trajectory of improvement, noting progress in governance and assurance processes. ICS will need to continue in this direction of travel to achieve its ambition of expanding further to encompass more activities and customers.

National Audit Office and the Public Accounts Committee

The National Audit Office (NAO) have shown continued interest in the work of the department, publishing three studies focusing on DESNZ-specific activities as well as one overview of the department between April 2024 and March 2025:

- 23 Jul 2024 – Carbon Capture, Usage & Storage programme
- 23 Oct 2024 – Decommissioning Sellafield: managing risks from the nuclear legacy
- 14 Nov 2024 – Energy bills support: an update
- 26 Nov 2024 – DESNZ Departmental Overview 2023-24

DESNZ has also been involved in the following cross-government studies, including four overviews, published between April 2024 and March 2025:

- 23 Jul 2024 – Government's general grants schemes
- 23 Jul 2024 – Government compensation schemes
- 29 Jul 2024 – Making public money work harder
- 15 Oct 2024 – Overview: Government's approach to the environment and climate change 2023-24

- 16 Oct 2024 – Achieving environmental improvement and responding to climate change
- 14 Nov 2024 – Overview: Regulation 2023-24
- 18 Nov 2024 – Overview: The impact of fraud and error on public funds 2023-24
- 5 Dec 2024 – Overview: How the NAO provides assurance on good governance and propriety 2023-24
- 16 Jan 2025 – Government's approach to technology suppliers: addressing the challenges
- 22 Jan 2025 – Maintaining public service facilities
- 14 Mar 2025 – Governance and decision making on megaprojects

Given the significance of DESNZ priorities, there have been five Public Accounts Committee (PAC) hearings drawn from DESNZ value for money studies and involving DESNZ witnesses, whose hearings were held between April 2024 and March 2025:

- 24 Apr 2024 – Decarbonising Home Heating
- 12 Dec 2024 – Carbon Capture, Usage & Storage
- 6 Feb 2025 – Energy Bills Support
- 3 Mar 2025 – The Government's Support for Biomass
- 20 Mar 2025 – Decommissioning Sellafield

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 National Audit Office (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 2024-25, programmes and projects continued to follow the department's Integrated Assurance and Approvals Framework. During 2024-25, 44 assurance reviews were conducted. As of March 2025, the department has 19 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 Portfolio Investment Committee as part of the approvals process. 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. The Modelling Integrity (MI) Team's system tracks the 66 models in use in DESNZ as at March 2025. 94% had the required very high level of assurance, with plans in place to achieve the required level of assurance for all models. The MI Team's second line assurance programme reinforces 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

No personal data breaches were reported to the Information Commissioner's Office (ICO).

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 most staff across our national estate, and we continue to work with the Government Property Agency 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 2024-25.

Effectiveness of our whistle blowing arrangements

Internal whistle blowing

In DESNZ, 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 in November 2024, with reinforcing messages from our Permanent Secretary 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 values are at the heart of everything we do and were reflected in the campaign. We have also introduced a suite of line manager resources to support leaders to sustain a speak-up culture.

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 have a cadre of 4 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 2024-25 we had one whistleblowing concern raised by an employee working in DESNZ. However, on further investigation this was not deemed to fall under the policy so was instead treated as a grievance. The 2024 People Survey highlighted that 77% of employees had confidence that any concerns raised under the Civil Service Code would be properly investigated (an increase from 76% the previous year).

External whistle blowing

In 2024-25, DESNZ received no direct reports of external whistleblowing. The department is in the process of reviewing its whistleblowing policies and procedures to ensure that they remain fit for purpose.

Any reports of external whistleblowing relating to ALBs will be disclosed in their respective annual reports and accounts. The Permanent Secretary, as accounting officer, ensures accountability throughout the group as any whistleblowing reports for ALBs are handled by DESNZ whistleblowing nominated officers and tracked centrally.

Governance of DESNZ's public bodies

The department sponsors a range of public bodies, referred to as arm's length bodies (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. The Permanent Secretary is appointed by HM Treasury as the Principal Accounting Officer for the department. They are personally responsible for safeguarding all public funds which fall under the auspices of the department.

Throughout this year we have continued to shape our oversight and we are working with ALBs to ensure sponsorship is fit for purpose and provides the optimum conditions for effective delivery. This includes refreshing the DESNZ sponsorship model, allowing for a proportionate approach to oversight and engagement and adjusting to new government priorities following the July 2024 General Election. This takes account of the size, nature, funding, and risk of different ALBs, and aligns with the Cabinet Office Sponsorship Code of Good Practice.

Each ALB has a designated senior sponsor at Senior Civil Service level, up to Director General, responsible for overseeing strategic engagement, performance, and delivery. They are closely supported by policy sponsor teams leading the day-to-day relationship with ALBs and a small central hub team including staff who manage regulated public appointments to ALB boards. Their activities help to facilitate strategic alignment between the department and the ALB, as well as support regular oversight of ALB performance, risk, and delivery.

For the 2024-25 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
- GIAA strategic reviews of DESNZ sponsorship arrangements, and response to pay breaches
- An annual audit for 2024-25 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
- A review of the Climate Change Committee, 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 Energy

Through audit and assurance exercises the department identified instances of breach of Treasury senior pay guidance in several ALBs. The department was fined £280,000 by the Treasury in respect of failing to recruit a permanent Chief Executive Officer (CEO) to Great British Nuclear by May 2024 as required by the Chief Secretary to the Treasury when the pay for the interim CEO was approved. The department has implemented a response plan to strengthen assurance and reduce the likelihood of future breaches.

For 2025-26, our focus will be on strong assurance and scrutiny of ALBs to ensure their alignment with the government's missions and priorities, value for money, and operational effectiveness and efficiency.

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 with each of the Directors General examined the evidence from their portfolios of their governance, risk, performance and financial management, oversight of the ALBs, implementation of NAO/PAC/GIAA recommendations, and internal control failures. Panels were also held with the Chief Operating Officer and the Integrated Corporate Services' Managing Director, to examine the self-assessments conducted by the functions within DESNZ against the relevant Government Functional Standards, and evidence of the governance arrangements. Each panel was chaired by the ARAC Chair, supported by other non-executive directors and our internal auditors.

The outcomes of the panels, as well as further evidence demonstrating various aspects of internal control of the department as a whole, have been presented to ARAC. ARAC agreed that based on the evidence gathered through the governance assurance exercise, and other inputs gathered by ARAC throughout the financial year 2024-25, in the Committee's opinion the department overall had a sound system of governance, assurance and internal control.

Key improvements flagged through the Governance Assurance Exercise included improved reporting of the legal risks, focus on management of the cybersecurity risk, and standardisation in documentation of governance bodies within the Director General groups.

Accounting officer's conclusion

Having reviewed the annual governance statement, the findings of the Government Internal Audit Agency (GIAA), and the independent scrutiny and advice of the Audit and Risk Assurance Committee (ARAC), I have considered the adequacy and effectiveness of the department's governance, risk management and internal control arrangements during the year ended 31 March 2025.

The department has continued to deliver against an ambitious and complex portfolio of programmes, whilst strengthening its internal governance and assurance processes in response to evolving risks and challenges. In line with the GIAA annual opinion, the department's overall assurance rating for 2024–25 is 'moderate'.

This rating reflects two component opinions:

- A 'moderate' opinion for the core department, underpinned by stable leadership, maturing controls and progress in tailoring inherited governance processes to the department's specific needs
- A 'limited' opinion for Integrated Corporate Services (ICS), which, despite noted improvements over the year, continues to require further development to meet the demands of its expanding remit

The internal audit work and ARAC's oversight have highlighted key areas requiring continued focus in 2025–26, including:

- Embedding and strengthening data governance and oversight mechanisms
- Improving grant oversight and ensuring consistent governance across the department's ALBs
- Completing and embedding improvements in ICS core processes, including financial planning, business continuity and governance maturity
- Developing the portfolio management framework further to support effective delivery of departmental priorities

I am satisfied that the department has made meaningful progress in strengthening its governance, assurance, and risk management arrangements this year, and responding to recommendations from internal and external assurance providers. I recognise that work remains to fully embed and mature controls, particularly in the areas identified above,

and I am committed to maintaining this focus through the coming year.

The department will build on the progress made to date, adapting and enhancing its governance and control arrangements to support the effective delivery of its priorities, ensure value for money, and respond to current and emerging risks.

Jeremy Pocklington

Permanent Secretary and Principal Accounting Officer

5th September 2025

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 2025. 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.

Range	As at 31 March 2025	As at 31 March 2024
SCS 3 (£135,000 – £185,000)	7	7
SCS 2 (£95,000 – £165,000)	41	37
SCS 1 (£70,000 – £120,000)	172	160
Total	**220**	**204**

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.

					2024–25	2023–24
	Permanently employed staff	Others	Ministers	Special advisers	Total	Total
Core department	4,399	97	6	3	**4,505**	**4,274**
Non-departmental public bodies (NDPBs)	4,289	692	-	-	**4,981**	**4,562**
Total	**8,688**	**789**	**6**	**3**	**9,486**	**8,836**

Staff costs (audited information)

			2024–25	2023–24
	Permanently employed staff	Others	Total	Total
	£m	£m	£m	£m
Wages and salaries	501	74	**575**	490
Social security costs	58	10	**68**	51
Other pension costs	115	-	**115**	96
Sub total	**674**	**84**	**758**	**637**
Less recoveries in respect of outward secondments	(2)	-	**(2)**	(2)
Total net costs	**672**	**84**	**756**	**635**
Core department	355	22	**377**	**324**
NDPBs and other designated bodies	317	62	**379**	**311**
Total net costs	**672**	**84**	**756**	**635**

Staff costs have increased by £121m during the current financial year. This is primarily due to an increase in staff numbers during the year.

Capitalised staff costs

In the departmental group, £11,072,683 of staff costs were capitalised (2023–24: £4,448,432). 108 employees were engaged on capital projects (2023–24: 67 employees).

The reason for the year on year increase in capitalised staff costs is due to the following:

Sizewell C – capitalised staff costs have increased by £2.7m during the current financial year. In the previous financial year, costs related to two managing directors, for part of the financial year. Costs for the current year reflect a full year of expenditure for an increased number of board members as the ALB has grown.

LCCC – capitalised staff costs have increased by £2m during the current financial year. This is due to the development of several in-house systems, including a Green Hydrogen settlement system, Contracts for Difference (CfD) management system and a contract management system. A new model to forecast cash flows is also in development.

UKAEA – capitalised staff costs have increased by £2m during the current financial year. The increase is largely due to the new LIBRTI (Neutron Source) project and the continuation of the Tritium Loop project.

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 £181,693 (2023–24: £229,076).

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 19, rather than being reported as staff costs in the Statement of Comprehensive Net Expenditure (SoCNE).

			2024–25	2023-24
	Permanently employed staff	Others	Total	Total
Number of staff (full time equivalent)	**17,140**	**1,133**	**18,273**	**17,239**
Costs				
Wages and salaries (£m)	1,165	57	**1,222**	**1,139**
Social security costs (£m)	132		**132**	**123**
Other pension costs (£m)	198		**198**	**198**
Total costs (£m)	**1,495**	**57**	**1,552**	**1,460**

Principal Civil Service Pension Scheme

Nuclear Site Licence Companies (SLCs) are not included in these pension schemes. Details of those are provided in note 20.

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS), known as "alpha", are unfunded multi-employer defined benefit schemes 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/**.

For 2024–25, employer contributions of £90,420,656 were payable to the PCSPS (2023–24: £79,147,894) at one of 4 rates in the range 26.6% to 30.3% (2023–24: 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 2024–25 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 £626,214 (2023–24: £537,421) 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 £20,022 (2023–24: £16,679), 0.5% (2023–24: 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 2025 were £5,404 (2023–24: £7,470). Contributions prepaid at that date were £nil (2023–24: £nil).

Ill-health retirement

In 2024–25, 21 persons (2023–24: 24 persons) across the departmental group retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £1,225,611 (2023–24: £2,161,240).

Other pension schemes

Employer contributions to other pension schemes in 31 March 2025, amounted to £37,580,525 (2023-24: £33,011,611). 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 2025.

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	2024-25	2023-24
All employees	4,781	4,356
Men	51%	50%
Women	49%	50%
Senior civil servants	236	212
Men	54%	57%
Women	46%	43%
Executive committee	14	16
Men	57%	69%
Women	43%	31%

Disability	2024-25	2023-24
Declaration rate	79%	79%
No	80%	82%
Yes	13%	12%
Prefer not to say	6%	6%

Ethnicity	2024-25	2023-24
Declaration rate	86%	85%
White	74%	74%
Ethnic minority	22%	22%
Prefer not to say	4%	4%

Sexual orientation	2024-25	2023-24
Declaration rate	86%	85%
Straight	80%	81%
LGBT+	11%	10%
Prefer not to say	9%	9%

*Please note that percentages may not add up to 100% due to rounding

Sickness absence data

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

	2024-25	2023-24
Core department	3.85%	3.7%

Staff turnover percentage

The table below shows the staff turnover percentage in 2024-25 for the core department as defined for the Civil Service statistics collection.

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

Prior year comparisons were estimated based on average workforce and leavers, due to the creation of the department in September 2023. The methodology requires a full twelve months of data, so leavers between September 2023 and March 2024 were used to estimate the full year position.

	2024-25		2023-24	
	Departmental turnover	Turnover	Departmental turnover	Turnover
Core department	9.9%	5.4%	15.3%	6.2%

Civil service people survey staff engagement scores

	2024	2023
Engagement score	67%	61%

The Civil Service People Survey ran from September to October 2024. The department achieved a response rate of 84% and an engagement index of 67%. This is DESNZ's second departmental People Survey since the machinery of government change in 2023.

The department has improved scores on six key areas, which are above the Civil Service benchmark score, namely:

- Inclusion and fair treatment (85%) is 4 points higher than the Civil Service benchmark, and 2 points higher than 2023 results
- Leadership and managing change (59%) is 7 points above the Civil Service benchmark, and 6 points higher than 2023 results
- My work (79%) is 2 points above Civil Service benchmark and 1 point higher than 2023 results
- Organisational objectives and purpose (86%) is 3 points above the Civil Service benchmark and 9 points higher than our 2023 results
- Pay and benefits (35%) and My manager (79%) are both 1 point higher than the Civil Service benchmark and 13 points and 1 point higher respectively than our 2023 results

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.

	2024-25	2023-24
	Total	Total
Relevant union officials		
Number of trade union representatives employed	20	22
Full-time equivalent	19	22
Percentage of time spent on facility time		
Working hours each representative spent on facility time		
0% of working hours	11	9
1 – 50% of working hours	9	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 (£)	£69,892	£49,977
Total pay bill (£m)	£343	£303
Facility time as a % of pay bill	0.02%	0.01%
Paid trade union activities		
(Hours spent on paid trade union activities ÷ total paid facility time hours) * 100	2.87%	0.00%

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 2024-25, 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
- 225 trained Mental Health First Aiders
- Staff networks to provide peer support

Equality, diversity and inclusion

Equality, Diversity and Inclusion matter to DESNZ. By drawing on a diverse range of skills, backgrounds and perspectives, we will be able to benefit from different experiences and ideas as well as transform to achieve our mission. During the year we have:

- Launched our first multi-year Equality, Diversity and Inclusion strategy
- Published our first departmental Equality Objectives
- Published our first departmental Gender Pay Gap Report

- Continued to improve our Inclusion and Fair Treatment score from 83% to 85%
- Set clear goals to support under-represented groups of colleagues at more senior grades, including women, disabled colleagues and ethnic minority colleagues
- Driven up confidence for colleagues to complete their diversity data across all areas, enabling us to take a data-led approach to EDI
- Continued to enable our staff networks to support and represent colleagues
- 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 2025.

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	2	-	-	-	2	-
HEO	2	-	-	6	2	6
SEO	4	-	-	2	4	2
G7	2	-	-	14	2	14
G6	2	-	-	15	2	15
SCS	1	-	-	4	1	4
Total	**13**	**-**	**-**	**41**	**13**	**41**

Loans out

	Non-Payroll		Payroll		Total	
	Short-term	Long-term	Short-term	Long-term	Short-term total	Long-term total
EO	-	-	-	-	-	-
HEO	-	2	-	-	-	2
SEO	-	5	1	-	1	5
G7	-	3	-	-	-	3
G6	-	3	-	-	-	3
SCS	-	2	-	-	-	2
Total	**-**	**15**	**1**	**-**	**1**	**15**

Consultancy and temporary staff expenditure

The departmental group's expenditure on consultancy in 2024–25 was £160.9m (2023–24: £122.9m). The consultancy expenditure relating to arm's length bodies was £31.3m (2023–24: £23.5m) of which £11.2m (2023–24: £12.5m) was related to Site Licence Companies (SLCs).

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

- where the department/body 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 2024–25 was £84m (2023–24: £73m), 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 NDA can be found within their annual report and accounts.

Table 1: Highly paid off-payroll worker engagements as at 31 March 2025, 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 2025	192	334	671	-
Of which, no. that existed for				
less than 1 year	124	143	175	-
between 1 and 2 years	25	78	103	-
between 2 and 3 years	5	45	51	-
between 3 and 4 years	10	30	39	-
4 or more years	28	38	303	-

Table 2: All highly paid off-payroll workers engaged at any point during the year ended 31 March 2025, 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 2025	192	445	858	1
Of which				
Not subject to off-payroll legislation	-	319	599	-
Subject to off-payroll legislation and determined as in-scope of IR35	144	79	201	-
Subject to off-payroll legislation and determined as out-of-scope of IR35	48	47	58	1
No. of engagements reassessed for compliance or assurance purposes during the year	-	2	28	-
Of which: No. of engagements that saw a change to IR35 status following review	-	2	28	-

Table 3: For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2024 and 31 March 2025

	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.	-	43	14	17

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.

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.

Under the terms of section 4 of the Ministerial and Other Pensions and Salaries Act 1991, ministers who cease to hold office are entitled to receive a statutory payment equivalent to one quarter of their annual salary.

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 (including compulsory redundancies and other departures) for permanently employed staff and ministers, agreed and accounted for in 2024-25. Of this, £1,265,256 exit costs were paid during the year (2023-24: £2,145,285), the year of departure.

	2024–25	2024–25	2024–25	2023–24	2023–24
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of other departures agreed	Total number of exit packages by cost band
Less than £10,000	1	21	22	20	20
£10,000 – £25,000	1	8	9	8	8
£25,000 – £50,000	-	4	4	3	3
£50,000 – £100,000	1	11	12	7	7
£150,000 – £200,000	-	-	-	1	1
More than £200,000	-	1	1	-	-
Total number	**3**	**45**	**48**	**39**	**39**
Of which					
Core department	-	14	14	4	4
NDPBs and other designated bodies	3	31	34	35	35
Total number	**3**	**45**	**48**	**39**	**39**
Total cost (£)	**58,005**	**1,353,053**	**1,411,058**	**960,785**	**960,785**
Of which					
Core department	-	567,135	567,135	226,234	226,234
NDPBs and other designated bodies	58,005	785,918	843,923	734,551	734,551
Total cost (£)	**58,005**	**1,353,053**	**1,411,058**	**960,785**	**960,785**

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 2024-25. For members of the House of Commons, this only reflects their pay as a minister, separate from their pay as an MP. 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 below.

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.

	2024-25				2023-24			
	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 Ed Miliband MP (from 5 Jul 2024)	49,903	67,505	13,000	**63,000**	-	-	-	-
The Rt Hon Claire Coutinho MP (to 5 Jul 2024)[3]	34,660	67,505	4,000	**39,000**	39,559	67,505	10,000	**50,000**
Ministers of State								
Sarah Jones MP (from 8 Jul 2024)[4]	23,079	31,680	6,000	**29,000**	-	-	-	**-**
The Rt Hon Lord Hunt of Kings Heath OBE (from 9 Jul 2025)[5]	-	-	-	**-**	-	-	-	**-**
Justin Tomlinson MP (from 13 Apr to 5 Jul 2024)[6]	15,210	31,680	2,000	**17,000**	-	-	-	**-**
The Rt Hon Graham Stuart MP (to 12 Apr 2024)[7]	8,976	31,680	-	**9,000**	31,680	-	8,000	**40,000**
Parliamentary Under-Secretaries of State								
Miatta Fahnbulleh MP (from 9 Jul 2024)	16,300	22,375	4,000	**20,000**	-	-	-	**-**
Kerry McCarthy MP (from 9 Jul 2024)	16,300	22,375	4,000	**20,000**	-	-	-	**-**

	2024-25				2023-24			
	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
Michael Shanks MP (from 9 Jul 2024)	16,300	22,375	4,000	**20,000**	-	-	-	**-**
Lord Callanan (to 5 Jul 2024)[8]	45,530	107,335	4,000	**50,000**	107,335	-	19,000	**126,000**
Andrew Bowie MP (to 5 Jul 2024)[9]	11,487	22,375	1,000	**12,000**	22,375	-	6,000	**28,000**
Amanda Solloway MP (to 5 Jul 2024)[10]	-	-	-	**-**	-	-	-	**-**

Notes

1 Salary information excludes employer national insurance contributions. None of the 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 salary includes £16,876 statutory payment on cessation of Ministerial office.

4 Sarah Jones MP Jointly Minister of State at Department for Business and Trade but paid by DESNZ

5 The Rt Hon Lord Hunt of Kings Heath OBE does not draw salary or pension benefits.

6 Justin Tomlinson MP salary includes £7,920 statutory payment on cessation of Ministerial office.

7 The Rt Hon Graham Stuart MP salary includes £7,920 statutory payment on cessation of Ministerial office.

8 Lord Callanan salary includes £36,366 Lords Office Holders Allowance and £17,742 statutory payment on cessation of Ministerial office.

9 Andrew Bowie MP salary includes £5,593 statutory payment on cessation of Ministerial office.

10 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 which included £4,479 statutory payment on cessation of Ministerial office.

Ministers – pension benefits (audited information)

The table below shows the pension entitlements for each minister.

	Pension benefits at age 65 as at 31 March 2025 £'000	Real increase in pension at age 65 £'000	CETV at 31 March 2025[1] £'000	CETV at 31 March 2024[1] £'000	Real increase in CETV £'000
Secretary of State					
The Rt Hon Ed Miliband MP (from 5 Jul 2024)	15-20	0-2.5	317	294	9
The Rt Hon Claire Coutinho MP (to 5 Jul 2024)	0-5	0-2.5	17	14	2
Ministers of State					
Sarah Jones MP (from 9 Jul 2024)	0-5	0-2.5	7	-	4
The Rt Hon Lord Hunt of Kings Heath OBE (from 9 Jul 2024)[2]	-	-	-	-	-
Justin Tomlinson MP (from 13 Apr to 5 Jul 2024)	0-5	0-2.5	41	38	1
The Rt Hon Graham Stuart MP (to 12 Apr 2024)	5-10	0-2.5	115	115	-
Parliamentary Under-Secretaries of State					
Miatta Fahnbulleh MP (from 9 Jul 2024)	0-5	0-2.5	4	-	2
Kerry McCarthy MP (from 9 Jul 2024)	0-5	0-2.5	25	20	4
Michael Shanks MP (from 9 Jul 2024)	0-5	0-2.5	4	-	2
Lord Callanan (to 5 Jul 2024)	10-15	0-2.5	204	198	4
Andrew Bowie MP (to 5 Jul 2024)	0-5	0-2.5	9	7	1
Amanda Solloway MP (to 5 Jul 2024)[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 2024-25. 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.

	2024-25					2023-24				
	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	180-185	-	15-20	97	**295-300**	170-175	-	15-20	112	**300-305**
Clive Maxwell	165-170	-	-	41	**210-215**	165-170	-	-	43	**210-215**
Director General										
Lee McDonough	150-155	-	10-15	68	**235-240**	145-150	-	5-10	51	**205-210**
Jonathan Mills	160-165	-	5-10	95	**260-265**	150-155	-	5-10	60	**220-225**
Director										
David Thomas	125-130	135-140	10-15	84	**220-225**	120-125	125-130	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 since 2023-24 based on PCSPS membership for the same period.

Senior officials – pension benefits (audited information)

The table below shows the pension entitlements for each senior official for the year ending 2025. Senior officials comprise members of the departmental board.

	Accrued pension at pension age as at 31 March 2025 and related lump sum[3] £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31 March 2025[1] £'000	CETV at 31 March 2024[1, 2] £'000	Real increase in CETV £'000	Employer contribution to partnership pension account Nearest £100
Permanent secretary						
Jeremy Pocklington	85 – 90 plus a lump sum of 35 – 40	5 – 7.5 plus a lump sum of 0 – 2.5	1,672	1,515	86	-
Clive Maxwell	75 – 80 plus a lump sum of 185 – 190	2.5 – 5 plus a lump sum of 0	1,639	1,549	19	-
Director General						
Lee McDonough	70 – 75 plus a lump sum of 170 – 175	2.5 – 5 plus a lump sum of 7.5 – 10	1630	1,546	68	-
Jonathan Mills	55 – 60 plus a lump sum of 135 – 140	5 – 7.5 plus a lump sum of 2.5 – 5	1126	1,006	69	-
Director						
David Thomas	60 – 65	2.5 – 5	1050	949	58	-

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 have been reported since 2023-24 based on PCSPS membership for the same period.

3 Accrued pension benefits included in this table for any individual affected by the Public Service Pensions Remedy have been calculated based on their inclusion in the legacy scheme for the period between 1 April 2015 and 31 March 2022, following the McCloud judgment. The Public Service Pensions Remedy applies to individuals that were members, or eligible to be members, of a public service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022. The basis for the calculation reflects the legal position that impacted members have been rolled back into the relevant legacy scheme for the remedy period and that this will apply unless the member actively exercises their entitlement on retirement to decide instead to receive benefits calculated under the terms of the Alpha scheme for the period from 1 April 2015 to 31 March 2022.

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.

	2024-25		2023-24	
	Fee entitlement £'000	Full year equivalent if different £'000	Fee entitlement £'000	Full year equivalent if different £'000
Humphrey Cadoux-Hudson[1]	20-25	-	0-5	20-25
Vikas Shah[2]	30-35	20-25	25-30	-
Dame Mary Archer	15-20	-	0-5	15-20
Peter Mather (to 29 Mar 2025)	20-25	-	30-35	-

Notes

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

2 Audit and Risk Assurance Committee Chair for DESNZ. £10k arrears paid in 2024-25 related to 2023-24.

Fair pay disclosure (audited information)

The narrative below shows the relationship during the year ending 31 March 2025 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.

The banded remuneration of the highest-paid director in DESNZ in 2024-25 was £195,000 – £200,000 (2023-24: £190,000-£195,000). This was 3.44 times (2023-24: 3.66) the median remuneration of the workforce, which was £57,447 (2023-24: £52,655).

In 2024-25, 21 (2023-24: 18) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £18,465 to £323,840 (2023-24: £17,973-£268,180).

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 increase in median remuneration of the workforce is due to the full reflection of a prior year pay increase, plus the in year pay increase for employees. This impacted principally medium to lower pay scales in the department.

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.

2024-25

	Highest paid director	Staff average
Salary and allowances	3%	10%
Performance pay & bonuses	0%	(14)%

2023-24

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

Notes

1. Highest paid director did not receive a bonus in 2024-25.

The below table shows the ratio between the highest paid directors' total remuneration and the lower, median, and upper quartile for staff total pay and benefits for 2024-25, with comparatives for 2023-24. The slight decrease in ratio is due to the completion of the DESNZ Pay Award 2023 implementation in 2024-25, and a further increase for the Pay Award paid as at 1 August 2024.

	2024-25			2023-24		
	Lower quartile	Median	Upper quartile	Lower quartile	Median	Upper quartile
Total pay & benefits	45,021	57,447	66,714	39,793	52,646	61,125
Ratio	4.39:1	3.44:1	2.96:1	4.84:1	3.66:1	3.15:1
Salary	43,162	51,540	62,955	38,405	46,704	56,500

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 is £91,346 (from 1 April 2024) 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 2024-25 relate to performance in 2023-24 and the comparative bonuses reported for 2023-24 relate to performance in 2022-23.

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 because 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 (the "McCloud judgment").

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 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 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.

Further details about the Public Service Pensions Remedy can be found at the website

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

The **partnership** pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Master trust. 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 113 to 123 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 41, 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.

Summary table 2024-25

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 42 to 43.

		Outturn			Estimate			Outturn vs Estimate: saving/ (excess)		2023-24 Outturn
		Voted £'000	Non-voted £'000	Total £'000	Voted £'000	Non-voted £'000	Total £'000	Voted £'000	Total £'000	Total £'000
Departmental Expenditure Limit										
Resource	Note 1.1	2,609,552	(1,146,825)	**1,462,726**	2,814,846	(1,158,319)	**1,656,527**	205,294	193,800	**1,376,334**
Capital	Note 1.2	5,240,711	(74)	**5,240,637**	5,790,283	-	**5,790,283**	549,572	549,646	**5,127,445**
Total DEL		**7,850,263**	**(1,146,899)**	**6,703,363**	**8,605,129**	**(1,158,319)**	**7,446,810**	**754,866**	**743,446**	**6,503,779**
Annually Managed Expenditure										
Resource	Note 1.1	8,998,194	-	**8,998,194**	56,123,360	-	**56,123,360**	47,125,166	47,125,166	**(13,546,623)**
Capital	Note 1.2	48,293	-	**48,293**	218,118	-	**218,118**	169,825	169,825	**(59,911)**
Total AME		**9,046,487**	**-**	**9,046,487**	**56,341,478**	**-**	**56,341,478**	**47,294,991**	**47,294,991**	**(13,606,534)**
Total budget										
Resource	Note 1.1	11,607,746	(1,146,825)	**10,460,921**	58,938,206	(1,158,319)	**57,779,887**	47,330,460	47,318,966	**(12,170,289)**
Capital	Note 1.2	5,289,004	(74)	**5,288,930**	6,008,401	-	**6,008,401**	719,397	719,471	**5,067,534**
Total budget expenditure		**16,896,750**	**(1,146,899)**	**15,749,851**	**64,946,607**	**(1,158,319)**	**63,788,288**	**48,049,857**	**48,038,437**	**(7,102,755)**
Total budget and non-budget		**16,896,750**	**(1,146,899)**	**15,749,851**	**64,946,607**	**(1,158,319)**	**63,788,288**	**48,049,857**	**48,038,437**	**(7,102,755)**

Net cash requirement 2024-25

				2024–25	2023–24
	SOPS note	Outturn	Estimate	Outturn vs Estimate: saving/ (excess)	Outturn total
		£'000	£'000	£'000	£'000
Net cash requirements	3	9,198,480	11,199,646	2,001,166	12,774,130

Administration costs 2024-25

				2024–25	2023–24
	SOPS note	Outturn	Estimate	Outturn vs Estimate: saving/ (excess)	Outturn total Restated
		£'000	£'000	£'000	£'000
Administration costs	1.1	399,650	424,032	24,382	396,967

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

Notes to the SOPS 2024-25 (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 42 to 43.

		Resource outturn							Estimate			2024-25 Outturn vs Estimate: saving/ (excess)	2023-24 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	-	-	-	195,520	(4,906)	**190,614**	**190,614**	256,565	-	**256,565**	65,951	138,697
B	Ensuring that our energy system is reliable and secure	-	-	-	100,802	(8,424)	**92,378**	**92,378**	82,553	9,825	**92,378**	-	(190,125)
C	Taking action on climate change and decarbonisation	-	-	-	176,141	(2,071)	**174,070**	**174,070**	169,291	4,779	**174,070**	-	141,619
D	Managing our energy legacy safely and responsibly	-	-	-	160,954	(2,625)	**158,329**	**158,329**	168,067	-	**168,067**	9,738	174,616
E	Science and research	-	-	-	3,036	-	**3,036**	**3,036**	3,224	-	**3,224**	188	3,029
F	Capability	417,334	(59,288)	**358,046**	29,427	(1,539)	**27,888**	**385,934**	464,589	(9,550)	**455,039**	69,105	382,731

		Resource outturn							Estimate			2024-25 Outturn vs Estimate: saving/ (excess)	2023-24 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
G	Ensuring that our energy system is reliable and secure (ALB) net	-	-	-	5,816	-	**5,816**	**5,816**	44,005	-	**44,005**	38,189	9,880
H	Taking action on climate change and decarbonisation (ALB) net	7,511	-	**7,511**	33,784	-	**33,784**	**41,295**	54,782	(9,825)	**44,957**	3,662	37,164
I	Managing our energy legacy safely and responsibly (ALB) net	2,585	-	**2,585**	57,825	-	**57,825**	**60,410**	58,300	4,771	**63,071**	2,661	57,303
J	Science and research (ALB) net	-	-	-	13,299	-	**13,299**	**13,299**	16,721	-	**16,721**	3,422	10,604
K	Government as shareholder (ALB) net	8	-	**8**	-	-	-	**8**	50	-	**50**	42	41
L	NDA and SLC expenditure (ALB) net	31,500	-	**31,500**	1,452,862	-	**1,452,862**	**1,484,362**	1,496,699	-	**1,496,699**	12,337	1,582,949
Total voted DEL		**458,938**	**(59,288)**	**399,650**	**2,229,466**	**(19,565)**	**2,209,901**	**2,609,551**	**2,814,846**	**-**	**2,814,846**	**205,295**	**2,348,147**
Non-voted expenditure													
M	Nuclear Decommissioning Authority income (CFER)	-	-	-	-	(1,146,825)	**(1,146,825)**	**(1,146,825)**	(1,158,319)	-	**(1,158,319)**	(11,494)	(971,813)
Total non-voted DEL		**-**	**-**	**-**	**-**	**(1,146,825)**	**(1,146,825)**	**(1,146,825)**	**(1,158,319)**	**-**	**(1,158,319)**	**(11,494)**	**(971,813)**
Total spending in DEL		**458,938**	**(59,288)**	**399,650**	**2,229,466**	**(1,166,390)**	**1,063,076**	**1,462,726**	**1,656,527**	**-**	**1,656,527**	**193,801**	**1,376,334**
Spending in Annually Managed Expenditure (AME)													
Voted expenditure													

		Resource outturn							Estimate			2024-25 Outturn vs Estimate: saving/ (excess)	2023-24 Outturn
		Administration			Programme			Total	Total	Virements	Total inc. virements		Total
		Gross £'000	Income £'000	Net £'000	Gross £'000	Income £'000	Net £'000	£'000	£'000	£'000	£'000	£'000	£'000
N	Delivering affordable energy for households and businesses	-	-	-	(72,179)	(2,234)	**(74,413)**	**(74,413)**	422,000	(23,446)	**398,554**	472,967	831,888
O	Ensuring that our energy system is reliable and secure	-	-	-	(21,083)	(24,339)	**(45,422)**	**(45,422)**	-	-	-	45,422	(437,044)
P	Taking action on climate change and decarbonisation	-	-	-	11,009	-	**11,009**	**11,009**	(490)	11,499	**11,009**	-	18,024
Q	Managing our energy legacy safely and responsibly	-	-	-	(137,931)	(11,962)	**(149,893)**	**(149,893)**	(139,853)	-	**(139,853)**	10,040	(128,023)
R	Science and research	-	-	-	18,929	-	**18,929**	**18,929**	32,668	-	**32,668**	13,739	(16,192)
S	Capability	-	-	-	(4,450)	-	**(4,450)**	**(4,450)**	(308)	-	**(308)**	4,142	3,192
T	Renewable Heat Incentive	-	-	-	1,213,370	-	**1,213,370**	**1,213,370**	1,203,000	10,370	**1,213,370**	-	1,218,131
U	Ensuring that our energy system is reliable and secure (ALB) net	-	-	-	8,571	-	**8,571**	**8,571**	6,994	1,577	**8,571**	-	-
V	Taking action on climate change and decarbonisation (ALB) net	-	-	-	2,413,619	-	**2,413,619**	**2,413,619**	33,206,000	-	**33,206,000**	30,792,381	4,009,238
W	Managing our energy legacy safely and responsibly (ALB) net	-	-	-	118,672	-	**118,672**	**118,672**	1,470,934	-	**1,470,934**	1,352,262	(587,756)

		Resource outturn							Estimate			2024-25 Outturn vs Estimate: saving/ (excess)	2023-24 Outturn
		Administration			Programme			Total	Total	Virements	Total inc. virements		Total
		Gross £'000	Income £'000	Net £'000	Gross £'000	Income £'000	Net £'000	£'000	£'000	£'000	£'000	£'000	£'000
X	Science and research (ALB) net	-	-	-	(1,815)	-	**(1,815)**	**(1,815)**	2,415	-	**2,415**	4,230	504
Y	Government as shareholder (ALB) net	-	-	-	(83,577)	-	**(83,577)**	**(83,577)**	(80,000)	-	**(80,000)**	3,577	(86,285)
Z	Nuclear Decommissioning Authority (ALB) net	-	-	-	5,573,594	-	**5,573,594**	**5,573,594**	20,000,000	-	**20,000,000**	14,426,406	(18,371,822)
	Deliver an ambitious industrial strategy	-	-	-	-	-	-	-	-	-	-	-	(478)
Total voted AME		**-**	**-**	**-**	**9,036,729**	**(38,535)**	**8,998,194**	**8,998,194**	**56,123,360**	**-**	**56,123,360**	**47,125,166**	**(13,546,623)**
Non-voted expenditure													
Total spending in AME		**-**	**-**	**-**	**9,036,729**	**(38,535)**	**8,998,194**	**8,998,194**	**56,123,360**	**-**	**56,123,360**	**47,125,166**	**(13,546,623)**
Total resource		**458,938**	**(59,288)**	**399,650**	**11,266,195**	**(1,204,925)**	**10,061,270**	**10,460,920**	**57,779,887**	**-**	**57,779,887**	**47,318,967**	**(12,170,289)**
Non-budget: voted													
Total Resource and non-budget spending		**458,938**	**(59,288)**	**399,650**	**11,266,195**	**(1,204,925)**	**10,061,270**	**10,460,920**	**57,779,887**	**-**	**57,779,887**	**47,318,967**	**(12,170,289)**

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			2024-25 Outturn vs Estimate, savings/ (excess)	2023-24 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	1,329,074	(69,703)	**1,259,371**	1,451,170	-	**1,451,170**	191,799	**706,012**
B	Ensuring that our energy system is reliable and secure	812,603	(2,837,862)	**(2,025,259)**	(2,049,124)	23,865	**(2,025,259)**	-	**(325,713)**
C	Taking action on climate change and decarboni-sation	707,799	(1,511)	**706,288**	1,441,827	(524,103)	**917,724**	211,436	**613,699**
D	Managing our energy legacy safely and re-sponsibly	17,373	(243)	**17,130**	12,211	4,919	**17,130**	-	**7,474**
E	Science and research	70,464	-	**70,464**	32,265	38,199	**70,464**	-	**28,576**
F	Capability	26,012	-	**26,012**	12,829	13,183	**26,012**	-	**133,676**
G	Ensuring that our energy system is reliable and secure (ALB) net	1,688,707	-	**1,688,707**	1,832,100	-	**1,832,100**	143,393	**1,274,171**
H	Taking action on climate change and decarboni-sation (ALB) net	446,064	-	**446,064**	10,842	435,222	**446,064**	-	**3,602**
I	Managing our energy legacy safely and re-sponsibly (ALB) net	31,711	-	**31,711**	34,655	-	**34,655**	2,944	**16,904**
J	Science and research (ALB) net	382,791	-	**382,791**	374,282	8,509	**382,791**	-	**277,053**
L	NDA and SLC expendi-ture (ALB) net	2,637,432	-	**2,637,432**	2,637,226	206	**2,637,432**	-	**2,392,120**
	Total voted DEL	**8,150,030**	**(2,909,319)**	**5,240,711**	**5,790,283**	**-**	**5,790,283**	**549,572**	**5,127,574**
Non-voted expenditure									
M	Nuclear Decommission-ing Authority income (CFER)	-	(74)	(74)	-	-	-	74	**(129)**
Total non-voted DEL		**-**	**(74)**	**(74)**	**-**	**-**	**-**	**74**	**(129)**
Total spending in DEL		**8,150,030**	**(2,909,393)**	**5,240,637**	**5,790,283**	**-**	**5,790,283**	**549,646**	**5,127,445**

		Capital Outturn			Estimate			2024-25 Outturn vs Estimate, savings/ (excess)	2023-24 Outturn
		Gross	Income	Net total	Total	Virements	Total inc. virements		Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Spending in Annually Managed Expenditure (AME)									
Voted expenditure									
O	Ensuring that our energy system is reliable and secure	-	-	**-**	205,000	(38,967)	**166,033**	166,033	**-**
P	Taking action on climate change and decarbonisation	-	-	**-**	-	-	**-**	-	**-**
Q	Managing our energy legacy safely and responsibly	-	-	**-**	-	-	**-**	-	**14,099**
R	Science and research	-	-	**-**	-	-	**-**	-	**76,500**
U	Ensuring that our energy system is reliable and secure (ALB) net	51,967	-	**51,967**	13,000	38,967	**51,967**	-	**-**
V	Taking action on climate change and decarbonisation (ALB) net	-	-	**-**	118	-	**118**	118	**(74)**
W	Managing our energy legacy safely and responsibly (ALB) net	-	-	**-**	-	-	**-**	-	**(225)**
X	Science and research (ALB) net	(3,674)	-	**(3,674)**	-	-	-	3,674	**(7,811)**
Total voted AME		**48,293**	**-**	**48,293**	**218,118**	**-**	**218,118**	**169,825**	**82,489**
Non-voted expenditure									
Y	Managing our energy legacy safely and responsibly (CFER)	-	-	**-**	-	-	**-**	-	**(142,400)**
Total non-voted AME		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(142,400)**
Total spending in AME		**48,293**	**-**	**48,293**	**218,118**	**-**	**218,118**	**169,825**	**(59,911)**
Total capital		**8,198,323**	**(2,909,393)**	**5,288,930**	**6,008,401**	**-**	**6,008,401**	**719,471**	**5,067,534**
Non-budget									
Total capital and non-budget spending		**8,198,323**	**(2,909,393)**	**5,288,930**	**6,008,401**	**-**	**6,008,401**	**719,471**	**5,067,534**

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 42 to 43.

SOPS 2. Reconciliation of outturn to net operating expenditure

As noted in the overview to the SOPS, outturn and the Estimates are prepared in accordance with the budgeting framework – which is similar to, but differs 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 at 31 March 2024.

	SOPS note	2024–25 Outturn total £'000	2023-24 Outturn total £'000
Total resource outturn in Statement of Outturn against Parliamentary Supply	**SOPS 1.1**	**10,460,921**	**(12,170,289)**
Add			
NDA remedial decommissioning costs which are capital in budgets but taken through the SoCNE		2,623,050	6,300,867
Capital grants		1,809,090	-
Share of profit/loss of joint ventures and associates		(76,588)	(73,179)
Other non-budget		47,943	179,337
Research and development costs		836,895	1,732,921
Total		**5,240,390**	**8,139,946**
Less			
NDA income scored in SOPS only		(61,506)	34,854
Capital income in SoCNE		(844)	(5,969)
Research and development income		(52,648)	(72,341)
Other			
Impact of intra-group transactions		82,542	(4,057,939)
Total		**(32,456)**	**(4,101,395)**
Net operating expenditure for the period in Consolidated Statement of Comprehensive Net Expenditure	**SoCNE**	**15,668,855**	**(8,131,738)**

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 function 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 £'000	Estimate £'000	Outturn vs Estimate: saving/ (excess) £'000
Total resource outturn	**SOPS 1.1**	**10,460,921**	**57,779,887**	**47,318,966**
Total capital outturn	**SOPS 1.2**	**5,288,930**	**6,008,401**	**719,471**
Adjustments for ALBs				
Remove voted resource and capital		(14,869,252)	(61,179,123)	(46,309,871)
Removal of intra-group transactions		(45,546)	-	45,546
Add cash in grant in aid		4,774,318	6,811,451	2,037,133
Add share purchase and loans		2,031,638	-	(2,031,638)
Add asset held for sale purchase		-	-	-
Less share capital repayment		(175)	-	175
Loans repayment		-	-	-
Dividends from joint ventures and associates		-	-	-
ALB cash held in core department		7,720	-	(7,720)
Adjustments to remove non-cash items				
Depreciation and impairment		(19,794)	(34,162)	(14,368)
New provisions and adjustments to previous provisions		4,001	(74,244)	(78,245)

	SOPS note	Outturn £'000	Estimate £'000	Outturn vs Estimate: saving/ (excess) £'000
Movement in fair value – Contracts for Difference		-	-	-
Prior period adjustments		-	-	-
Other non-cash items		(25,692)	(850)	24,842
Lease payments		14,335	-	(14,335)
Financial guarantees and loan commitment liabilities		-	-	-
Adjustments to reflect movements in working balances				
Increase/(decrease) in inventories		(222)	-	222
Increase/(decrease) in receivables		(162,798)	-	162,798
(Increase)/decrease in payables		334,824	427,056	92,231
Use of provisions		257,905	302,911	45,006
Financial guarantees called in		-	-	-
Cash transactions added back		467	-	(467)
Total		**(7,698,270)**	**(53,746,961)**	**(46,048,691)**
Removal of non-voted budget items				
Other non-voted budget items		1,146,899	1,158,319	11,420
Total		**1,146,899**	**1,158,319**	**11,420**
Net cash requirement		**9,198,480**	**11,199,646**	**2,001,166**

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.

	2024–25		2023–24	
	Outturn total		Outturn total	
	Accruals	*Cash basis*	Accruals	*Cash basis*
	£'000	£'000	£'000	£'000
Operating income of the NDA within the Ambit	549,162	*684,943*	515,843	*398,208*
Income outside the ambit of the Estimate	20,881	*20,889*	30,656	*30,656*
[Excess] cash surrenderable to the Consolidated Fund	-	-	142,400	*142,400*
Total amount payable to the Consolidated Fund	**570,043**	***705,832***	**688,899**	***571,264***

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)

Losses statement

	2024–25		2023–24	
	Core department	Departmental group	Core department	Departmental group
Total number of losses	**980**	**515,980**	**576**	**43,049**
Total value of losses – £m	**2**	**133**	**-**	**4**

Losses over £300,000 – core department

There were no losses over £300,000 for the core department 2024-25.

Losses over £300,000 – departmental group

A loss of £127m was reported by NDA in 2024-25. This relates to a change in approach regarding the Replacement Analytical Project (RAP) at Sellafield. The project will not proceed in its original form and costs have been incurred which cannot be utilised in the revised approach.

A loss of £2.3m was reported by NDA in 2024-25. This relates to an overpayment of the Sellafield employee incentive plan originally incurred in 2022-23 which will not be recovered.

There were no other losses over £300,000 for the departmental group.

Special payments

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

	2024-25	2023-24
	Departmental group	Departmental group
Total number of special payments	2	2
Total value of special payments – £m	5	1

Special payments over £300,000

A special payment of £4.6m was made to Ofgem in relation to its administration of the Non-Domestic Renewable Heat Incentive scheme.

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 2024-25, the core department did not give any reportable gifts above £300,000.

Fees and charges

Core department

Core department has no material fees and charges to report in the financial year 2024-25.

Details of charging polices relating to arm's length bodies are 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 2024 £m	Increase / (decrease) in year £m	Crystallised in year £m	Expired in year £m	31 March 2025 £m	Amount reported to Parliament by Departmental Minute £m
The core department has indemnified the Mining Remediation 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.
- 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 around £22bn 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.
- The Supplemental Compensation Agreement (SCA) provides protections against leakage risks at the geological store during operations and post closure period of the CCUS and T&SCo. SCA covers certain high impact, but low probability risks beyond those which are manageable by operation of the Economic Regulatory Regime and the Revenue Support Agreement which the investors and/or supply chain, including insurers, of which T&SCo cannot take, or cannot price at an efficient level which is good value for money for UK taxpayers, consumers and users.
- The Discontinuation Agreement provides a right for the Secretary of State to discontinue support to the CCUS T&SCo and entitles investors to be compensated for their investment in certain circumstances.
- The Decommissioning Shortfall Agreement covers potential CCUS T&SCo decommissioning fund shortfall which might arise if decommissioning is required before the fund has been fully built-up.

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.

LCCC

- LCCC has a non-quantifiable contingent liability arising from the Discontinuation of Capture Project Contract. The contract allows for payment of compensation to capture projects for specified costs and losses due to a qualifying change in law or prolonged CO_2 transport and storage unavailability. This contingent liability expires at the end of the business model contract, which is up to 15 years from the date that the capture project becomes operational. The exposure of the contingent liability reduces over time as the termination compensation amount decreases throughout the duration of the contract, due to debt repayment and equity capital recovery.

Other potential or expected liabilities (unaudited)

The department has entered into the following arrangements below, the details of which are provided in the interests 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.[1] 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 Energy 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 2025 T-4 capacity auction will require capacity to be delivered in the delivery year commencing 2029-30.

As at 31 March there were 13 live capacity auctions out of a total of 22, 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 2024-25.

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.

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

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

	Departmental group as at 31 Mar 2025				Departmental group as at 31 Mar 2024			
	Due within 1 year £m	Due within 2-5 years £m	Due over 5 years £m	Total £m	Due within 1 year £m	Due within 2-5 years £m	Due over 5 years £m	Total £m
Capacity Market – ESC	1,741	12,413	11,844	25,998	1,379	10,039	8,784	20,202
Income from levy – ESC	(1,741)	(12,413)	(11,844)	(25,998)	(1,379)	(10,039)	(8,784)	(20,202)
Total	-	-	-	-	-	-	-	-

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 23 and in the Supplementary Estimates 2024-25.

Quantifiable contingent liabilities

Description	Amount per supply estimate £'000	Amount disclosed in ARA £'000	Variance
NDA – AGR Transfer: 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 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 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 £22,614m (undiscounted) in its most recently published financial statements.	22,614	Not disclosed	Cannot be reliably estimated as certain conditions must be met for transfer of ownership to take place, at a point in the future.

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 and of its Departmental Group for the year ended 31 March 2025 under the Government Resources and Accounts Act 2000. The Department comprises the core Department and its agencies. The Departmental Group consists of the Department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) (Amendment) Order 2024. The financial statements comprise: the Department's and the Departmental Group's:

- Statement of Financial Position as at 31 March 2025;
- 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 2025 and their 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 2025 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 or 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:

- presumed risk of 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, and

- estimation of uncertainty of coal provisions

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 35-40.

In this year's report the following changes to the Key Audit Matters identified have been made compared to my prior year report:

- I no longer consider the first year production of the Department's financial statements and restatement of prior year figures to be key audit matters for 2024-25 as this is the second year that the Department has prepared its Annual Report and Accounts and no further Machinery of Government (MoG) changes have occurred which would require the Department to restate prior year comparators.
- In the prior year I also considered the valuation of defined pension schemes (NDA) to be a Key Audit Matter. I no longer consider this to be a Key Audit Matter due to being primarily determined by external management experts with little judgement by management.
- The Department has signed highly material contracts in relation to Carbon Capture Usage and Storage (CCUS) and Low Carbon Hydrogen Agreements (LCHAs). Due to the novel and material nature of the schemes, I have recognised a key audit matter in relation to their accounting treatment.

Group Valuation of Nuclear Provisions

Description of risk

The Departmental Group holds nuclear decommissioning provisions from the Nuclear Decommissioning Authority (NDA) which are comprised of several individual estimates of the decommissioning costs associated with the group's subsidiaries and for several additional sites and entities. In its Statement of Financial Position, the Department recognised nuclear provisions totalling £110.1 billion at 31 March 2025 (31 March 2024: £105.3 billion), representing discounted expected cashflows. See note 19 to the financial statements.

The valuation of the nuclear provision is highly material to the Departmental Group financial statements.

I treat this as a significant matter for audit because of the high degree of estimation and uncertainty inherent in the valuation of the nuclear provision. The nature of the work performed is in many ways unique as management must estimate the cost of decommissioning facilities of uncertain content and condition over long timescales as the programme of decommissioning work is currently planned to take until 2137.

The provision also contains uncertainty in respect of the valuation of the Geological Disposal Facility affected by Nuclear Waste Service Ltd's progress with the siting process. The timing of the completion of construction works may have a material impact on the provision.

Group Valuation of Nuclear Provisions	
How the scope of my audit responded to the risk	I designed my procedures on the nuclear decommissioning provision valuation to allow me to evaluate the reasonableness of management's estimate. I performed the following procedures: • Regularly engaged with the Nuclear Decommissioning Authority audit team throughout the audit; • Reviewed the design and implementation of key controls surrounding the nuclear provision estimate; • Performed testing of 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; • Reviewed 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; • Reviewed and challenged management's assessment of evidence supporting the recognition and measurement of efficiency savings that have the effect of reducing the decommissioning provision; • Assessed and challenged management on the key assumptions in respect of material amounts recognised, including using external experts to assess the reasonableness of the more technical assumptions, in light of the UK Government policy decision to immobilise the UK's inventory of civil separated plutonium at Sellafield which required a change in assumptions supporting the estimate; • Agreed the inputs to the nuclear provision to supporting evidence, including change controls raised and annual submissions provided by subsidiaries; • Assessed the appropriateness of discount and inflation rates used within the provision; • 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 change approvals and other developments; • Assessed the disclosures over the provision within the financial statements, particularly in how the disclosures address estimation uncertainty; and • Tested the consolidation of the Nuclear Decommissioning Authority into the group financial statements.

Group Valuation of Nuclear Provisions	
	Key observations I have obtained sufficient assurance over this risk through my substantive testing. I did not identify material misstatements in relation to the valuation of the nuclear decommissioning provision as a result of the work I have performed. I draw attention to the disclosures in made in note 19 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 Department.

Group Valuation of Contracts for Difference

Description of risk

Through the Low Carbon Contracts Company (LCCC), the Departmental Group holds highly material Contracts for Difference (CfD) assets and liabilities, which present a risk of material misstatement arising from both their significant value and the degree of uncertainty inherent in forecasting generation volumes and wholesale prices into the future, which require significant, complex, and subjective judgements. I consider the valuation of CfDs to be a key audit matter as I consider the fair value measurement of CfDs could be materially misstated due to: the use of inappropriate data; the application of inappropriate assumptions; errors in the design or operation of the valuation model; or insufficient or inappropriate disclosure of estimation uncertainty. The risk is inherently greater for the Hinkley Point C (HPC) CfDs due to: its significance to the financial statements; it relying on forecasting over a much longer timescale in comparison to 'standard' CfDs (35 years compared to 15 years for other CfDs); and the contract containing numerous clauses and conditions whose forecasted impact can materially alter the lifetime valuation of the HPC CfD.

At 31 March 2025, the Department has reported a net liability for the fair value of CfDs of £90.4 billion (31 March 2024: £89.2 billion), including £3.0 billion of contracts in an asset position (31 March 2024: £2.9 billion), and £93.4 billion (31 March 2024: £92.1 billion) in a liability position. This includes HPC CfDs with a fair value of £49.8 billion (31 March 2024: £56.5 billion). In note 10.1 to the financial statements, the Department has further disclosed the approach to valuing CfDs, including observable and unobservable inputs, the forecasting of significant assumptions and an analysis of the sensitivity of the valuation. In note 22, the Department further disclose risks impacting the valuation of CfDs.

Group Valuation of Contracts for Difference	

How the scope of my audit responded to the risk	I designed my procedures on the valuation of Contracts for Difference to allow me to evaluate the reasonableness of management's estimate. I performed the following procedures:
	• Regularly engaged with the LCCC audit team throughout the audit;
	• Assessed the design and implementation of the Group's controls over the valuation of CfDs. This included both the controls operated by the company's shared service provider, EMR Settlement Limited, over the completeness and accuracy of generation data used in management's model, and the controls operated by the Group over the governance of changes to the model and selection of assumptions.
	• Reviewed the appropriateness of the forecast future cashflows estimated by management, including consideration of management bias in selecting inputs and assumptions
	• Verified contractual inputs, including the initial recognition of new Allocation Round 6 contracts, back to source documentation.
	• Assessed the accuracy of management's model through independent reperformance, utilising our in-house modelling experts.
	• Reviewed management's assessment of the impact of changes in estimate due to improvements in modelling and assumptions in-year;
	• Assessed and challenged, including in consultation with independent industry experts for a selection of assumptions:
	  • The reasonableness of the future electricity market price model input;
	  • appropriateness of load factors for non-nuclear CfDs.
	  • the reasonableness of generation estimates, including the forecast HPC generation schedule, and assumptions around the load factors for HPC; and
	  • the reasonableness of the company's assumptions around the HPC start date and the likelihood of the occurrence of the Sizewell C strike price adjustment.
	• Tested the consolidation of LCCC into the group financial statements, including adjustments made to the IFRS based valuations to comply with the requirements of the Government Financial Reporting Manual.
	• Evaluated the accuracy and sufficiency of CfD disclosures, including sensitivity disclosures.
	Key observations
	I found that controls are appropriately designed and implemented.
	I am satisfied that the CfD model contains materially accurate inputs, the model has calculated the valuation appropriately and that the impact of changes in modelling are appropriately accounted for in the current year.
	Following my review of the assumptions underpinning the fair value model, I am content that management has made a reasonable estimate, within a material range of estimation uncertainty. I am content that, alongside the associated sensitivity analysis disclosed, management's valuation is fairly presented and disclosed.

Group Valuation of Contracts for Difference	
	I do, however, draw attention to the disclosures made in notes 1.18 and 10 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. Significant changes to the liability could occur as a result of subsequent information and events which are different from the current assumptions adopted.

Group accounting for Carbon Capture Usage and Storage (CCUS)

Description of risk

In 2024-25, through its subsidiary the Low Carbon Contracts Company (LCCC), the Department signed contracts to become the counter-party to a number of new schemes, including the Dispatchable Power Agreement (DPA) and the Revenue Support Agreement (RSA). The accounting treatment for these new schemes has been assessed for the first time in 2024-25.

This assessment includes whether the appropriate recognition point, the valuation method and the disclosures have been identified for each scheme. These valuations, where quantifiable, employ a series of inputs and assumptions with increased complexity arising from relative infancy of the underlying markets in which the schemes operate, and therefore a lack of historic data to inform management's judgements. The accounting treatments of these new schemes have been determined by the relevant contractual terms, principally whether these schemes are recognised or only disclosed in the 2024-25 financial statements.

This risk over the DPA and RSA has been recognised due to: the contracts being novel and containing significant differences to the existing 'standard' Contracts for Difference (CfDs); the contracts and associated accounting requiring a full assessment in-year; and the risk that 2024-25 financial statements may include, for both schemes, inappropriate accounting, recognition, valuation and disclosure. This also includes the risk to the Statement of Parliamentary Supply.

I also recognise the possibility of additional schemes being signed after the year-end, triggering the need for disclosure.

The Department estimates that Availability Payment mechanism under the DPA signed during the year, which compensate the generator for maintaining the availability of its facility to generate electricity and capture CO_2, regardless of whether the facility is actively dispatching power, has future exposure to the Department of £7.7 billion.

As RSAs have been signed between companies consolidated into the Departmental Group, the impact of RSAs have been eliminated within the Departmental Group results.

Group accounting for Carbon Capture Usage and Storage (CCUS)	
How the scope of my audit responded to the risk	I designed my procedures on the recognition and accounting treatment for CCUS to allow me to evaluate the reasonableness of management's accounting policies, balances and disclosures. I performed the following procedures: • Regularly engaged with the LCCC audit team throughout the audit; • Assessed the design and implementation of the Group's controls relevant to the assessment of accounting treatments and development of valuations pertaining to the DPA and RSA contracts; • Assessed and challenged, in consultation with independent experts, LCCC's proposed accounting treatments in relation to relevant clauses within the DPA and RSA contracts; • Reviewed the model supporting the amount disclosed as a contingent liability in respect of the DPA. My work included testing the input variables, assessing key assumptions with the help of independent sector experts and an independent reperformance of the model; • Assessed the associated disclosures in the financial statements for both the RSA and DPA, including specific elements of the material accounting policies; • Assessed the Department's budgeting treatment, including classifications determined by the Office for National Statistics, and their impact on the Statement of Parliamentary Supply; and • Tested the consolidation of LCCC into the group financial statements, including the elimination of results in relation to RSA within the Departmental Group accounts. **Key observations** I am satisfied that the controls I reviewed were designed and implemented appropriately to design appropriate accounting policies and determine appropriate disclosures with regards to DPA and RSA. I am also satisfied that appropriate and materially accurate disclosures have been made within the 2024-25 financial statements.

Group accounting for Low Carbon Hydrogen Agreements (LCHA)
Description of risk In 2024-25 through its subsidiary the Low Carbon Contracts Company (LCCC), the Department signed contracts to become the counter-party to a number of new schemes, including the Low Carbon Hydrogen Agreement (LCHA). The accounting treatment for this new scheme has been assessed for the first time in 2024-25. In January 2024, the Department became counterparty for eleven LCHA contracts awarded in Hydrogen Allocation Round 1; at 31 March 2025, five out of the eleven LCHA contracts awarded had been formally signed, with a fair value of £1,243 million. A further five contracts were signed during the post balance sheet period, valued at £932m. This assessment includes whether the appropriate recognition point, valuation method and disclosures have been identified for LCHA. The valuation employs a series of inputs and assumptions, with increased complexity arising from relative infancy of the underlying hydrogen market and therefore a lack of historic data to inform management's judgements. The accounting treatment of this new scheme has been determined by the relevant contractual terms of the LCHA. This risk has been recognised due to: the contracts being novel and containing significant differences to the existing 'standard' CfDs; the contracts and associated accounting requiring a full assessment in-year; and the risk that 2024-25 financial statements may include inappropriate accounting, recognition, valuation and disclosure. This also includes the risk to the Statement of Parliamentary Supply. I also recognise the possibility of additional schemes being signed after the year-end, triggering the need for disclosure.

Group accounting for Low Carbon Hydrogen Agreements (LCHA)	
How the scope of my audit responded to the risk	I designed my procedures on the recognition and accounting treatment for LCHA to allow me to evaluate the reasonableness of management's accounting policies, balances and disclosures. I performed the following procedures: • Regularly engaged with the LCCC audit team throughout the audit; • Assessed the design and implementation of controls relevant to the assessment of accounting treatments and development of valuations pertaining to the LCHA contracts; • Assessed the terms and conditions contained in the LCHA contract and the Department's proposed accounting treatments; • Assessed the Department's budgeting treatment for LCHA, including classifications determined by the Office for National Statistics, and their impact on the Statement of Parliamentary Supply; • Assessed data inputs for the Department's model, agreeing these to the relevant source data and assessing the appropriateness of the choices of data used by the Department; • Assessed the significant assumptions made by the Department in relation to the valuation. This included consulting an external energy market expert to assist us in assessing the reasonableness of the assumption that the natural gas floor price would be an appropriate proxy for the sales price achieved; • Reviewed the relevant model supporting 2024-25 valuations, including reperformance of the model where applicable; • Confirmed that the day 1 valuation was materially appropriate and its full deferral is appropriate so that there is no impact on Statement of Financial Position for 2024-25; • Tested the consolidation of LCCC into the group financial statements; and • Assessed the sufficiency and appropriateness of the disclosures and sensitivities contained in the financial statements. **Key observations** I found that the controls around the recognition and valuation of the LCHAs were designed and implemented appropriately. I found that management's model accurately calculated the LCHA valuations using the model inputs and assumptions. I am satisfied that the assumptions employed by management are materially appropriate. I identified five further contracts signed after year-end which required disclosure in the 2024-25 financial statements. This is disclosed in note 27 to the financial statements.

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. Since the prior year, I have revised my assessment on materiality by combining materialities for the Nuclear Decommissioning Provisions and Contracts for Difference as they demonstrate similar risks to the Group accounts, due to their size, estimation through models, use of experts and estimation uncertainty:

	Departmental group	Department parent
Materiality	£4.0 billion (2023-24: £3.76 billion when presented on the same basis). This covers balances and transactions associated with the Nuclear Decommissioning Provision and Contracts for Difference net liabilities.	£122.2 million (2023-24: £112.0 million)
Basis for determining overall account materiality	2% of nuclear provision and Contracts for Difference liabilities of £201.6 billion (2023-24: 2% of nuclear provision liabilities of £99.0 billion and 2% of fair value of Contracts for Difference of £89.2 billion).	1.75% of adjusted Departmental group gross operating expenditure of £7.0 billion (2023-24: 1.25% of adjusted gross expenditure of £9.0 billion)

	Departmental group	Department parent
Rationale for the benchmark applied	The nuclear decommissioning provision and Contracts for Difference are the largest items in the Departmental Group Statement of Financial Position and is of primary interest to users of the accounts as the largest and most complex balances being managed by the Department. Their valuation is subject to significant uncertainty arising from both the complexity of the decommissioning work to be performed and forecasting of future cashflows and the very long timescales involved.	Expenditure is used as the materiality benchmark for the additional 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. Before calculating materiality, I have adjusted total operating expenditure to remove the provision expenditure which is subject to group materiality. I have capped parent expenditure by the total operating expenditure of the Department group to ensure that sufficient assurance from work on the parent is obtained for the group.
Particular classes of transactions, account balances and disclosures where an additional level of materiality has been applied	Additional materiality of £122.3 million applies to all transactions, balances and disclosures except for those in relation to the nuclear provisions and Contracts for Difference (2023-24: £132 million).	All balances within the Parent financial statements have been audited to this materiality, except for where I consider them to be material by nature.
Basis for determining residual account materiality	1.75% of adjusted gross expenditure of £7.0 billion (2023/24: 1.25% of adjusted gross expenditure of £10.6 billion)	N/A

	Departmental group	Department parent
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 decommissioning provision and the Contracts for Difference, because this line reflects valuation movements sensitive to external market movements. I have used 1.75% as the basis for determining materiality as this is within the range normally used for departments.	N/A

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 and parent performance materialities were set at 70% of materiality for the 2024-25 audit (2023-24: 65%). I consider the risk of uncorrected and undetected misstatements exceeding materiality has reduced compared with last year due to this being the second year that the Department has prepared its Annual Report and Accounts and no further Machinery of Government (MoG) changes have occurred. In determining performance materiality, I have also considered the uncorrected misstatements identified in the previous period.

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 million, as well as differences below this threshold that in my view warranted reporting on qualitative grounds and matters I consider irregular. I also report to the Audit 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 decrease comprehensive net expenditure and increase assets by a further £63 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.

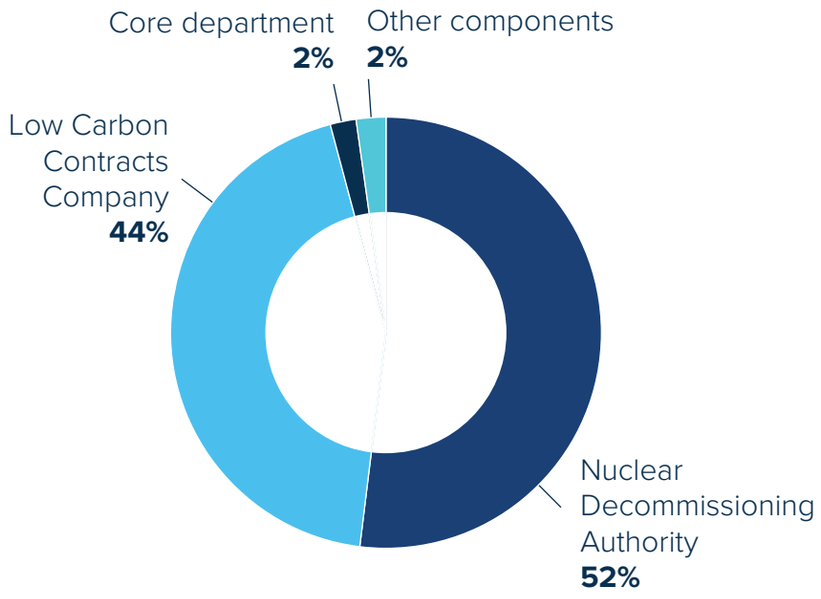
The Department has total liabilities of £218.5 billion (2023-24: £210.8 billion). This includes liabilities of £111.9 billion managed by the Nuclear Decommissioning Agency (NDA), £95.4 billion managed by the Low Carbon Contracts Company (LCCC) and £5.6 billion managed by the Core Department. I have audited the full financial information in the Core Department, as well as the group consolidation. The audit of balances and disclosures managed by components required for me to obtain material assurance over the group's consolidated results were complete at the time of my completion of the group audit. As group auditor, I have used the work of the auditors of these balances and disclosures and engaged regularly on the group key audit matters and significant risks.

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

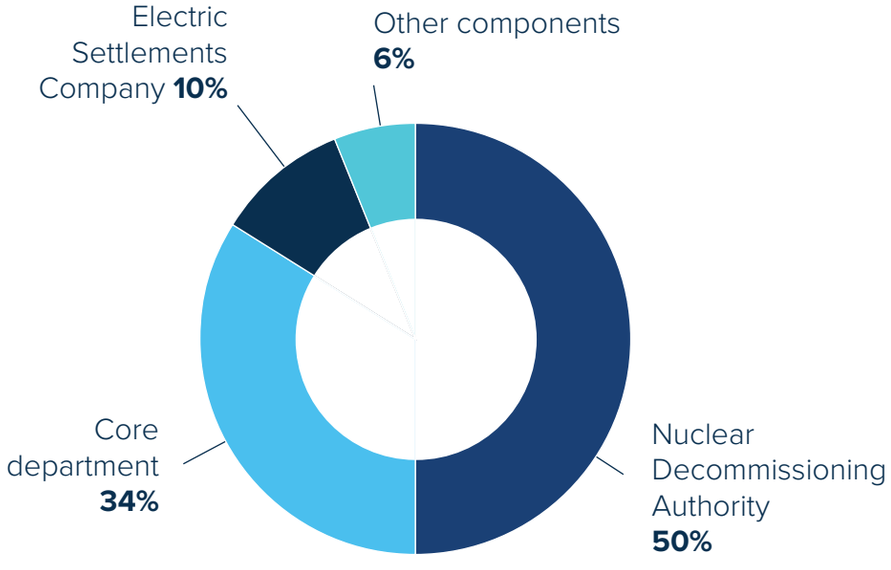
I also reviewed the Statement of Parliamentary Supply, which includes figures derived from the group financial statements. I obtained assurance over the classification of items within this statement and confirmed that these had been properly disclosed and classified. I also tested reconciling items.

Through my direct audit procedures and the work of component auditors, I have gained assurance over 98% of the group's liabilities and 98% of the group's total operating expenditure through audit work on balances and disclosures managed by components required for me to obtain material assurance over the group's consolidated results. For these other audit areas, 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.

Departmental group liabilities by component (as at 31 March 2025)



Departmental group expenditure by component (as as at 31 March 2025)



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 Report and Accountability Report.

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, Managing Public Money, The Energy Act 2004, The Energy Act 2008, The Energy Act 2010, The Energy Act 2011, The Energy Act 2013 The Energy Act 2016, the Energy Act 2023, The Energy Price Act 2022, The Contracts for Difference Order and Regulations 2014, and The Supply and Appropriations Act (Amended).
- 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 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, bias in management estimates and proximity to 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 2024, The Energy Act 2004, The Energy Act 2008, The Energy Act 2010, The Energy Act 2011, The Energy Act 2013 The Energy Act 2016, the Energy Act 2023, The Energy Price Act 2022, The Contracts for Difference Order and Regulations 2014, and relevant laws and pensions 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;
- I enquired of management, the Audit and Risk Assurance 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;
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- I assessed the methodology used by the Department to determine an estimate of the level of fraud and error in its grant streams, including performing a sample test of applications and grant expenditure recorded during the year;
- I assessed the Department's proximity to control totals and the extent to which journal entries could be used to avoid budgetary breaches; and
- I addressed the risk of fraud in relation to the issuance of new decommissioning activity contracts by assessing whether prescribed group procedures and authorisations were in place for contracts issued or extended in year.

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 11th September 2025

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 2025

		31 March 2025		31 March 2024	
	Note	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Revenue from contracts with customers	6.1	(70)	(4,863)	(72)	(4,096)
Other operating income		(1)	(29)	(13)	(39)
Total operating income		**(71)**	**(4,892)**	**(85)**	**(4,135)**
Staff costs	3	377	756	324	635
Purchase of goods and services	4.1	602	2,673	255	2,064
Depreciation and impairment charges	4.2	59	204	64	246
Provision and other liabilities expenses	4.3	(34)	6,474	91	(17,066)
Grants expenditure	4.4	8,055	3,287	7,628	3,337
Other operating expenditure		-	(7)	-	(7)
Total operating expenditure		**9,059**	**13,387**	**8,362**	**(10,791)**
Net operating expenditure		**8,988**	**8,495**	**8,277**	**(14,926)**
Finance income	6.2	(129)	(73)	(527)	(465)
Finance expense	5	46	2,626	31	1,456
Remeasurement of Contracts for Difference derivatives	10	-	4,610	-	5,875
Share of post-tax loss/(profits) of associates and joint ventures	14	-	(77)	-	(73)
Total net expenditure for the year from operations		**8,905**	**15,581**	**7,781**	**(8,134)**
Of which:					
Net (income)/expenditure for the year attributable to non-controlling interests		**-**	**(85)**	**-**	**-**
Net (income)/expenditure for the year attributable to taxpayers		**8,905**	**15,666**	**7,781**	**(8,134)**
Other comprehensive income and expenditure					
Net (gain)/loss on:					
Revaluation of property, plant and equipment		-	(7)	-	(6)
Items that may be reclassified subsequently to net operating costs:					

	Note	31 March 2025		31 March 2024	
		Core department £m	Departmental group £m	Core department £m	Departmental group £m
Revaluation of investments		(67)	(95)	358	272
Actuarial (gains)/losses		-	-	-	(1)
Total other comprehensive net income and expenditure attributable to taxpayers		**(67)**	**(102)**	**358**	**265**
Comprehensive net (income)/expenditure for the year attributable to taxpayers		**8,838**	**15,564**	**8,139**	**(7,869)**

All operations are continuing.

The notes on pages 158 to 236 form part of these accounts.

Consolidated Statement of Financial Position

as at 31 March 2025

	Note	31 March 2025		31 March 2024	
		Core department £m	Departmental group £m	Core department £m	Departmental group £m
Non-current assets					
Property, plant and equipment	7	11	4,936	11	2,769
Right-of-use assets	8	128	287	125	201
Investment properties		-	93	-	63
Intangible assets	9	33	96	29	39
Investment and loans in public bodies	11	4,726	1,661	1,959	859
Other financial assets	12	285	285	258	258
Recoverable contract costs	13	-	635	-	582
Derivative financial instruments	10, 22	-	2,959	-	2,883
Investment in joint ventures and associates	14	-	915	-	921
Trade and other receivables	15	341	750	225	313
Retirement benefit obligations	20	-	987	-	663
Total non-current assets		**5,524**	**13,604**	**2,607**	**9,551**
Current assets					
Inventories		-	14	-	15
Trade and other receivables	15	188	1,005	476	1,104
Investments and loans in public bodies	11	49	48	2,961	2,961
Derivative financial instruments	10, 22	-	148	-	17
Cash and cash equivalents	16	705	2,594	1,025	2,737
Total current assets		**942**	**3,810**	**4,462**	**6,834**
Total assets		**6,466**	**17,414**	**7,069**	**16,385**
Current liabilities					
Trade payables and other liabilities	17	(3,969)	(7,180)	(4,687)	(7,922)
Lease liabilities	18	(12)	(28)	(9)	(18)
Provisions for liabilities and charges	19	(215)	(4,591)	(342)	(4,427)
Derivative financial instruments	10, 22	-	(2,656)	-	(3,055)
Total current liabilities		**(4,196)**	**(14,455)**	**(5,038)**	**(15,422)**
Non-current assets plus/less net current assets/ liabilities		**2,270**	**2,959**	**2,031**	**963**
Non-current liabilities					
Trade payables and other liabilities	17	(1)	(2,007)	-	(1,340)

	Note	31 March 2025		31 March 2024	
		Core department £m	Departmental group £m	Core department £m	Departmental group £m
Lease liabilities	18	(123)	(241)	(122)	(196)
Provisions for liabilities and charges	19	(1,271)	(109,777)	(1,405)	(104,830)
Derivative financial instruments	10, 22	-	(92,014)	-	(88,996)
Total non-current liabilities		**(1,395)**	**(204,038)**	**(1,527)**	**(195,362)**
Total assets less total liabilities		**876**	**(201,079)**	**504**	**(194,399)**
Taxpayers' equity and other reserves					
General fund		719	(202,435)	415	(195,557)
Revaluation reserve		157	712	89	612
Non-controlling interests		-	644	-	546
Total equity		**876**	**(201,079)**	**504**	**(194,399)**

The notes on pages 158 to 236 form part of these accounts.

Jeremy Pocklington

Permanent Secretary and Principal Accounting Officer

5th September 2025

Consolidated Statement of Cash Flows

for the year ended 31 March 2025

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.

	Note	2024–25		2023–24	
		Core department £m	Departmental group £m	Core department £m	Departmental group £m
Cash flows from operating activities					
Net operating cost		(8,905)	(15,666)	(7,781)	8,134
Depreciation, impairment and amortisation	4.2	58	204	64	246
Provision expense	4.3	(34)	6,474	91	(17,062)
Other operating expenditure		-	(6)	-	(5)
Finance income	6.2	(129)	(73)	(535)	(448)
Finance expense	5	46	2,626	31	1,456
Expense relating to Contracts for Difference derivatives		-	4,610	-	5,874
Share of post-tax profits of associates and joint ventures		-	(78)	-	(73)
Other non-cash items		(3)	(42)	(264)	(166)
(Increase)/decrease in inventories		-	2	-	(1)
(Increase)/decrease in trade and other receivables	15	183	(338)	2,288	2,415
Increase/(decrease) in trade payables and other liabilities	17	(349)	(78)	(2,395)	(1,260)
Less movements in payables relating to items not passing through the Consolidated Statement of Comprehensive Net Expenditure		38	24	(70)	(337)
Use of provisions	19	(258)	(4,047)	(3,571)	(7,839)
Movements in recoverable contract costs		-	(170)	-	-
Payments to retirement benefit obligations	20	-	(116)	-	(125)
Net cash outflow from operating activities		**(9,352)**	**(6,674)**	**(12,142)**	**(9,191)**
Cash flows from investing activities					
Purchase of property, plant and equipment	7	(3)	(2,221)	(2)	(1,421)
Purchase of investment property		-	(25)	-	-
Purchase of intangible assets	9	(10)	(65)	(8)	(12)
Purchase of right-of-use assets		(12)	-		
Lease liabilities		14	-		
Investment in public sector shares	11	(2,679)	(697)	(1,089)	-
Investment in public sector loans	11	(50)	(5)	(14)	(14)
Public sector loans redemptions	11	2,907	2,907	331	331
Investment in private sector loans		(33)	-	-	-
Venture capital fund investments	12	(2)	(34)	(43)	(43)

	Note	2024–25		2023–24	
		Core department £m	Departmental group £m	Core department £m	Departmental group £m
Private sector loans redemptions	12	2	2	124	125
Dividends from joint ventures and associates	14	84	84	86	86
Income from financial assets		27			
Payments to the Contracts for Difference generators	10	-	(2,198)	-	(1,865)
Net cash outflow from investing activities		**244**	**(2,252)**	**(615)**	**(2,813)**
Cash flows from financing activities					
From Consolidated Fund (supply) – current year		8,840	8,840	12,831	12,831
Payment of lease liabilities		(14)	(33)	(18)	(26)
Grant in aid received from DESNZ				-	1
Net cash flow from financing activities		**8,826**	**8,807**	**12,813**	**12,806**
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**(282)**	**(119)**	**56**	**802**
Receipts due to the Consolidated Fund which are outside the scope of the department's activities		(720)	(720)	702	702
Payments of amounts due to the Consolidated Fund		682	696	(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		**(320)**	**(143)**	**(74)**	**654**
Cash and cash equivalents at the beginning of the period	**16**	**1,025**	**2,737**	**1,098**	**2,083**
Cash and cash equivalents opening balance		**1,025**	**2,737**	**1,098**	**2,083**
Cash and cash equivalents at the end of the period	**16**	**705**	**2,594**	**1,024**	**2,737**

The notes on pages 158 to 236 form part of these accounts.

Statement of Changes in Taxpayers' Equity (core department)

for the year ended 31 March 2025

	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	17	(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**
					-
Balance at 1 April 2024		**415**	**89**	**504**	**504**
Net parliamentary funding – drawn down		8,840	-	**8,840**	**8,840**
Net parliamentary funding – deemed		1,025	-	**1,025**	**1,025**
Supply (payable)/receivable adjustment	17	(667)	-	**(667)**	**(667)**
Income payable to the Consolidated Fund		-	-	**-**	**-**
Net expenditure for the year		(8,905)	-	**(8,905)**	**(8,905)**
Non-cash adjustments					
Auditors' remuneration	4.1	1	-	**1**	**1**
Movement in reserves					
Other Comprehensive Net Expenditure/Income for the year		-	67	**67**	**67**
Transfers between reserves		1	-	**1**	**1**
Other movements		8	-	**8**	**8**
Balance at 31 March 2025		**719**	**157**	**876**	**876**

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

for the year ended 31 March 2025

	Note	General fund £m	Revaluation reserve £m	Taxpayers' equity £m	Non controlling interest £m	Total reserves £m
Balance at 1 April 2023		(216,173)	876	(215,297)	**540**	**(214,757)**
Net parliamentary funding – drawn down		12,831	-	12,831	**-**	**12,831**
Net parliamentary funding – deemed		970	-	970	**-**	**970**
Supply (payable)/receivable adjustment	17	(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**
Amounts paid from distributable reserves		-	-	-	**-**	**-**
Non-cash adjustments						
Auditors' remuneration	4.1	1	-	1	**-**	**1**
Movements in reserves						
Other comprehensive net (expenditure)/ income for the year		343	(265)	78	**-**	**78**
Transfers between reserves		(3)	-	(3)	**3**	**-**
Non-controlling interest		-	-	-	**-**	**-**
Other movements		23	1	24	**3**	**27**
Balance at 31 March 2024		**(195,557)**	**612**	**(194,945)**	**546**	**(194,399)**
Balance at 1 April 2024		**(195,557)**	**612**	**(194,945)**	**546**	**(194,399)**
Net parliamentary funding – drawn down		8,840	-	8,840	**-**	**8,840**
Net parliamentary funding – deemed		1,025	-	1,025	**-**	**1,025**
Grants from DESNZ (sponsoring department)		-	-	-	**-**	**-**
Supply (payable)/receivable adjustment	17	(667)	-	(667)	**-**	**(667)**
Income payable to the Consolidated Fund		(549)	-	(549)	**-**	**(549)**
Net expenditure for the year		(15,666)	-	(15,666)	85	**(15,581)**
Auditors' remuneration	4.1	1	-	1	**-**	**1**
Other comprehensive net (expenditure)/income for the year		-	102	102	**-**	**102**
Transfers between reserves		8	(2)	6	**(2)**	**4**
Non-controlling interest		-	-	-	**16**	**16**
Other movements		133	-	133	**-**	**133**
Balance at 31 March 2025		**(202,435)**	**712**	**(201,723)**	**644**	**(201,079)**

The notes on pages 158 to 236 form part of these accounts.

Notes to the accounts

1. Accounting policies, judgements, 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 2024-25 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 in section 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 as described below, 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 (Main Estimates). 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, designated bodies and entities consolidated voluntarily in line with HM Treasury's accounts direction, as 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 HMT classifies an entity retrospectively such that the entity 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 entities prepare accounts in accordance with either the FReM, or the Companies Act 2006 (for limited companies such as LCCC). For those entities that do not prepare accounts in accordance with the FReM, adjustments are made upon consolidation, if necessary, where differences could have a significant effect on the accounts. The core department and its designated bodies are all domiciled in the UK.

1.5 Changes in accounting policies

Following the addition of a new entity-Net Zero North Sea Storage Ltd (NZNSSL) to the departmental boundary and adoption of the new funding business models during the financial year, the accounting policies have been updated to reflect changes in consolidation, boundary assessment, recognition and measurement of related financial instruments. See note 1.22.

1.6 Applicable accounting standards issued but not yet adopted

The department will apply the new and any revised accounting standards once they have been adopted by the public sector as set out in the FReM.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts replaced IFRS 4 Insurance Contracts and was generally effective for reporting periods beginning on or after 1 January 2023. Government departments will apply IFRS 17, as adapted and interpreted by FReM, for the first time in the financial year commencing 1 April 2025 with a transition date of 1 April 2024 for comparative periods.

To assess the impact of the standard, the department has carried out an assessment of actual income and expenditure streams, and contingent liabilities that potentially have underlying agreements that fall within the scope of IFRS 17 between the transition date of 1 April 2024 and 31 March 2025.

The department is currently unable to disclose reasonably estimable quantitative information regarding the impact on the annual financial statements of implementing IFRS 17.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 Presentation and Disclosure of Financial Statements was issued in April 2024 and applies to reporting periods beginning on or after 1 January 2027 (subject to UK and Financial Reporting Advisory Board (FRAB) endorsement). The department does not intend to early adopt this standard.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 Subsidiaries without Public Accountability: Disclosures was issued in May 2024 and applies to reporting periods beginning on or after 1 January 2027 (subject to FRAB endorsement). The department does not intend to early adopt this standard.

Non-investment asset valuations

In December 2023 HM Treasury released an exposure draft on potential changes to valuing and accounting for non-investment assets.

The following changes to the valuation and accounting of non-investment assets is to be included in the 2025-26 FReM for mandatory implementation:

References to assets being held for their 'service potential' and the terms 'specialised/ non-specialised' assets will be removed from the FReM. Non-investment assets will instead be described as assets held for their 'operational capacity'. This change has no impact on the valuation basis of

non-investment assets, which remains Existing Use Value (EUV).

An adaptation to IAS 16 will be introduced to withdraw the requirement to revalue an asset where its fair value materially differs from its carrying value. Assets are now valued using one of the following processes:

- A quinquennial revaluation supplemented by annual indexation.
- A rolling programme of valuations over a 5-year cycle, with annual indexation applied to assets during the 4 intervening years.
- For non-property assets only, appropriate indices.
- In rare circumstances where an index is not available, a quinquennial revaluation supplemented by a desktop revaluation in year 3.

The option to measure intangible assets using the revaluation model is withdrawn. The carrying values of intangible assets at 31 March 2025 will be considered the historical cost at 1 April 2025.

1.7 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 amounts are 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 amounts are 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 IFRS 15 ‘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.

1.8 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.

1.9 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 17, 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.

1.10 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.

1.11 Property, plant, and equipment (PPE)

Assets are capitalised as PPE if they are intended for use on a continuous 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%. 'Commercial activity' refers to work performed for third-party customers, not activities related to fulfilling decommissioning obligations.

b. operational mine water schemes and subsidence pumping stations are held by the Mining Remediation Authority at £nil value because they are used to address pollution caused by past mining activities where the economic benefits have already been received.

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 to the extent that it has been recognised as a provision under IAS 37.

Valuation of PPE

PPE is carried at fair value except for nuclear waste management assets held at historical cost (see note 7) 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 fair value of a replacement asset in a similar condition.

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

1.12 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.

1.13 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

1.14 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.

1.15 Cash and cash equivalents

Cash and cash equivalents include cash in hand and short-term investments with a maturity of 3 months or less, which are easily convertible to cash with minimal risk of value changes. Bank overdrafts are listed under trade payables and other liabilities.

1.16 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, and 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 in equity. Any differences between the lease liability and right-of-use asset for new leases after this are recorded in income.

As per the FReM guidelines, the group does not recognise right-of-use assets and lease liabilities for:

- Low-value assets (aligned with the departmental group's £10,000 capitalisation threshold)
- Leases with terms 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 3.57%. 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 January 2023 to 31 December 2023	3.51%
1 January 2024 to 31 December 2024	4.72%
1 January 2025 to 31 December 2025	4.81%

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 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.

1.17 Subsidiaries, associates, and joint ventures

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.

1.18 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 22.

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 and losses in fair value are recognised in net expenditure for the year unless hedge accounting is applied.

The departmental group has two classes of derivative financial instruments, foreign exchange contracts to which hedge accounting is applied and Contracts for Difference (CfDs) contracts to which hedge accounting is not applied.

Contracts for Difference (CfDs) note 10

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.

Low Carbon Hydrogen Agreements (LCHA) note 10

The difference amount is calculated as follows: LCCC makes a payment when the strike price for the qualifying volumes is higher than the reference price. On the other hand, the LCHA Counterparty makes a payment when the reference price for the qualifying volumes exceeds the strike price.

This arrangement is recognised as a derivative like CfDs and valued in accordance with IFRS 9 requirements as adapted by the FReM guidelines.

1.19 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, the DESNZ staff report, and the pension scheme accounts.

1.20 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 inflation into account, 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 2025			31 March 2024		
	Nominal discount rate	Inflation rate	Equivalent real discount rate	Nominal discount rate	Inflation rate	Equivalent real discount rate
Cash outflows expected within 2 years	4.03%	2.60%	1.39%	4.26%	3.60%	0.64%
Cash outflows expected between 2 – 5 years	4.07%	2.30%	1.73%	4.03%	1.80%	2.19%
Cash outflows expected between 5 - 10 years	4.81%	2.30%	2.45%	4.72%	1.80%	2.87%
Cash outflows expected after 10 years	4.55%	2.00%	2.50%	4.40%	2.00%	2.35%

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 19.1). Provision charges in the SoCNE are shown net of changes in these recoverable amounts.

1.21 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.

1.22 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 11.2)

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.

Carbon Capture, Usage & Storage (CCUS) – Transport & Storage Company (T&SCo) – Net Zero North Sea Storage Ltd (NZNSSL)

During the financial year, the Office for National Statistics (ONS) issued a provisional decision to classify T&SCo within the central government subsector as a non-market producer under public sector control. HM Treasury provided an accounts direction to support the department's voluntary consolidation of the entity, as it had not been included in the Amendment Order. In accordance with the FReM, Net Zero North Sea Storage Ltd was consolidated into the DESNZ Group accounts recognising assets, liabilities, equity, income, expenses, and cash flows of T&SCo on a line-by-line basis.

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 10 Derivative financial instruments.

CfD contracts

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 note 10.

Low Carbon Hydrogen Agreements (LCHA) note 10

The difference amount is calculated as follows: LCCC makes a payment when the strike price for the qualifying volumes is higher than the reference price. On the other hand, the LCHA Counterparty makes a payment when the reference price for the qualifying volumes exceeds the strike price.

This arrangement is recognised as a derivative like CfDs and valued in accordance with IFRS 9 requirements as adapted by the FReM guidelines.

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

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 (note 4.2)

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.

Provisions (note 4.3)

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 4.3, in relation to future decommissioning costs to be incurred by the NDA, UKAEA and Mining Remediation Authority, which are described in that note.

Non-Domestic Renewable Heat Incentives Scheme Accruals

The best estimate of Non-Domestic Renewable Heat Incentives (NDRHI) accrual is based on a modelling framework. The framework uses several 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 underestimate 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 broadly reflect the management information reporting to the board during the period.

3. Staff costs

			2024–25	2023–24
	Permanently employed staff £m	Others £m	Total £m	Total £m
Wages and salaries	501	74	**575**	**490**
Social security costs	58	10	**68**	**51**
Other pension costs	115	-	**115**	**96**
Sub total	**674**	**84**	**758**	**637**
Less recoveries in respect of outward secondments	(2)	-	**(2)**	**(2)**
Total net costs	**672**	**84**	**756**	**635**
Of which:				
Core department	**355**	**22**	**377**	**324**
NDPBs and other designated bodies	**317**	**62**	**379**	**311**
Total net costs	**672**	**84**	**756**	**635**

Further detailed information on staff costs can be found in the staff report and remuneration report. The staff report also includes staff costs for nuclear site licence companies (SLCs). SLCs 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 19.

4. Operating expenditure

4.1 Purchase of goods and services

	2024-25		2023-24	
	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Rentals under operating leases	-	-	(2)	(1)
Accommodation and office equipment costs	44	153	42	164
Legal, professional and consultancy costs	198	237	177	226
Finance, HR, IT and support costs	39	94	45	79
Training and other staff costs	6	17	6	15
Travel and subsistence costs	8	23	5	17
Advertising and publicity	5	7	11	13
Programme management and administration of grants and awards	93	271	73	318
Capacity Market payments	-	1,246	-	1,024
Professional and international subscriptions	27	29	30	32
Enforcement costs of employment related policies	-	-	(1)	(1)
Purchase of geographical and scientific equipment	-	59	-	26
Payment of taxes and levies	1	5	8	2
Energy intensive industries and other subsidies	-	-	(266)	(266)
Sponsorship costs	-	-	(1)	(1)
Other purchase of goods and services cost	37	387	6	286
Research and development	144	146	122	131
Total	**602**	**2,673**	**255**	**2,064**

Core department

Energy intensive industries and other subsidies

The prior year figure of (£266m) was driven by a prior year adjustment made in relation to Bulb in the 2023-24 accounts, with further details on that adjustment set out in the same note in those accounts.

Departmental group

Capacity Market (CM) payments of £1,246m were recognised as at 31 March 2025 (31 March 2024: £1,024m). These CM payments ensure there is enough electricity generation capacity to meet demand in Great Britain. As a result, the capacity providers commit to making their capacity available during times of peak demand. In addition, purchase of geographical and scientific equipment increased from £26m in 2023-24 to £59m in 2024-25.

Audit fees

Audit fees are included under the heading 'Legal, professional and consultancy costs'.

	2024-25		2023-24	
	Core department £	Consolidated ALBs £	Core department £	Consolidated ALBs £
Core department	805,000	2,226,567	825,000	1,623,469
UKAEA pension scheme accounts	52,371		50,685	
Trust statement	21,000		20,000	
Nuclear Decommissioning funding accounts	5,000		5,000	
Total NAO audit services	**883,371**	**2,226,567**	**900,685**	**1,623,469**
NAO non-audit services				
Non-NAO audit services		518,250		548,250
Non-NAO non-audit services		1,000		750
Total audit services	**883,371**	**2,745,817**	**900,685**	**2,172,469**

4.2 Depreciation and impairment charges

		2024-25		2023-24
	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Amortisation of recoverable contract costs	-	118	-	116
Depreciation	15	64	52	97
Amortisation	5	8	5	7
Impairment of property, plant and equipment	-	14	-	19
Impairment of investments and remeasurement of expected credit losses	38	1	7	7
Total	**59**	**204**	**64**	**246**

4.3 Provisions and other liability expenses

	2024-25		2023-24	
	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Increase/(decrease) in nuclear provisions due to changes in discount rate	(2)	1,317	(64)	(25,921)
Increase/(decrease) in other provisions due to changes in discount rate	(2)	(39)	(45)	(920)
Increase/(decrease) in nuclear provisions due to other movements	77	5,319	104	9,449
Increase/(decrease) in other provisions due to other movements	(107)	(123)	96	326
Total increase/(decrease) in provisions	**(34)**	**6,474**	**91**	**(17,066)**

The change in the provision expenses was driven both by the increase in nuclear provisions (£5.3bn) as well as the change in provision discount rates. The real discount rate for cash outflows expected after ten years, prescribed by HM Treasury, decreased from 2.45% at 31 March 2024 to 2.40% at 31 March 2025. The change in discount rate has the impact of increasing the expected future costs of settling the department's nuclear liabilities; the actual costs of settling the liabilities could be different.

In addition, the following other major changes applied in the reporting period 2024-25:

- a further change in the forecast of efficiency savings at Sellafield, following the initial review in the previous year
- reviews of the costs of major projects at Sellafield
- incorporation of revised cost estimates for the management of plutonium, reflecting the recent policy announcement made by HM Government

Further detail of the movements in the nuclear decommissioning provision can be found in note 19.1 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 the Mining Remediation Authority's provisions.

Further detail of movements in other provisions can be found in note 19.2 Other provisions.

4.4 Grants expenditure

	2024-25		2023-24	
	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Grant in Aid	4,774	-	4,306	-
Boiler Upgrade Scheme	190	190	89	89
Energy Bills Discount Scheme	-	-	241	241
Energy Bills Relief Scheme	40	40	29	29
Energy Bills Support Scheme	(1)	(1)	(98)	(98)
Energy Price Guarantee (EPG)	(51)	(51)	589	589
Future Nuclear Enabling Fund	49	49	7	7
Green Homes Grant	(9)	(9)	(30)	(30)
Heat Decarbonisation Technologies	158	158	98	98
Home Upgrade Grant scheme	155	155	(96)	(96)
Industrial Decarbonisation	60	60	18	18
International Climate Finance	367	367	316	316
Local Net Zero Hubs	16	16	32	32
Net Zero Hydrogen	20	20	2	2
Net Zero Innovation	155	155	164	164
Nuclear Fuel Fund	26	26	5	5
Other Grants	45	52	90	105
Public Sector Decarbonisation Scheme	362	362	395	395
Renewable Heat Incentive	1,209	1,209	1,218	1,218
Social Housing Decarbonisation Fund	453	453	227	227
UK National Nuclear Laboratory Facilities	38	38	26	26
Total	**8,055**	**3,287**	**7,628**	**3,337**

Core department

Energy Price Guarantee

The credit of £51m under the Energy Price Guarantee in 2024-25 relates to cash inflows driven by end of scheme reconciliations (2023-24: £589m debit).

Home Upgrade Grant Schemes

Home Upgrade Grant spend totalled £155m in 2024-25. The credit of £96m in 2023-24 related to clawbacks, which arose due to these being Section 31 grants which were paid out in full and then upon final delivery details being confirmed, any unspent funds were returned to the department.

Renewable Heat Incentive

The Renewable Heat Incentive scheme (RHI) spend totalled £1,209m in 2024-25 (2023-24: £1,218m). RHI is a 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

	2024–25		2023–24	
	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	30	2,608	14	1,438
Interest charges under finance leases	5	7	5	6
Change in fair value – Financial Assets and Liabilities	11	11		
Total	**46**	**2,626**	**31**	**1,456**

The increase in borrowing costs on provisions was predominantly due to the unwinding of discount of provisions costs for nuclear decommissioning of £2,507m (2023-24: £1,361m). Further detail on the movements in provisions can be found in notes 4.3 and 19.

There was also an additional expense of £1m (2023-24: £nil) due to foreign exchange losses.

6. Income

6.1 Operating income

	2024–25		2023–24	
	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Fees, charges and recharges to/ from external customers and central government organisations	61	78	59	132
Levy income	-	3,509	-	2,945
Sales of goods and services	8	1,260	7	1,003
Miscellaneous income	-	13	1	10
Current grants and capital grants	1	2	5	6
Other operating income	1	29	13	39
Total	**71**	**4,892**	**85**	**4,135**

Core department

Fees, charges and recharges to/from external customers and central government organisations for the core department were £61m (2023–24: £59m).

This includes Integrated Corporate Services (ICS) recharges to other government departments. ICS is hosted by the Department for Energy Security and Net Zero (DESNZ) but provides services equally to DESNZ and the Department for Science, Innovation & Technology (DSIT); as well as 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 which is 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 £1,254m (2023–24: £1,031m) and LCCC's supplier obligation levy income of £2,198m (2023–24: £1,864m).

Within 'Sales of goods and services', NDA's revenue was £1,193m (2023–24: £955m). NDA has two contracts with EDF Energy for managing their spent fuel. These are:

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 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

	2024-25		2023-24	
	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Effective Interest from amortised cost assets	18	18	21	21
Interest income from FVTPL assets	24	24	412	414
Interest income from amortised cost assets	2	30	8	30
Dividend income from investments in joint ventures, associates and public dividend capital	84	-	86	-
Total	**129**	**73**	**527**	**465**

Core department

In 2024–25 the core department recognised finance income of £129m (2023–24: £527m). This includes £24m (2023–24: £412m) of finance income relating to the financial asset held by Bulb, and £84m (2023-24: £86m) of dividends received from Urenco through Enrichment Holdings Limited shown in note 14 'Investments in joint ventures and associates'.

Departmental Group

Total finance income at departmental level has reduced to £73m as at 31 March 2025 (2023-24: £465m).

Interest from amortised cost assets amounted to £30m (2023-24: £30m). This £30m is represented by Sizewell C (£15m), Great British Nuclear (£8m), NDA (£3m), UKAEA (£2m) and DESNZ Core (£2m). This is a combination of interest receivable from private sector loans, Public Corporations and Central Government.

7. Property, plant and equipment

	Departmental group 2024–25									
	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 2024	**507**	**402**	**44**	**47**	**4,386**	**8**	**10**	**1,909**	**1**	**7,314**
Additions	(1)	-	-	3	16	-	1	2,203	-	2,222
Disposals	-	-	(5)	(1)	-	-	-	(1)	-	(7)
Transfers	-	(2)	-	-	-	-	-	(1)	-	(3)
Reclassifications	-	41	-	8	6	1	-	(57)	-	(1)
Revaluations	(4)	10	-	-	1	-	-	-	-	7
At 31 March 2025	**502**	**451**	**39**	**57**	**4,409**	**9**	**11**	**4,053**	**1**	**9,532**
Depreciation										
Balance at 1 April 2024	**-**	**(243)**	**(39)**	**(30)**	**(4,219)**	**(6)**	**(7)**	(1)	**-**	**(4,545)**
Charged in year	-	(6)	-	(6)	(28)	(1)	(2)	-	-	(43)
Disposals	-	-	5	1	-	-	-	-	-	6
Impairments	-	-	-	-	(14)	-	-	-	-	(14)
At 31 March 2025	**-**	**(249)**	**(34)**	**(35)**	**(4,261)**	**(7)**	**(9)**	(1)	**-**	**(4,596)**
Carrying amount at 31 March 2025	**502**	**202**	**5**	**22**	**148**	**2**	**2**	**4,052**	**1**	**4,936**
Carrying amount at 1 April 2024	**507**	**159**	**5**	**17**	**167**	**2**	**3**	**1,908**	**1**	**2,769**
Asset financing										
Owned	502	202	5	22	148	2	2	4,052	1	4,936
Carrying amount at 31 March 2025	**502**	**202**	**5**	**22**	**148**	**2**	**2**	**4,052**	**1**	**4,936**
Of the total										
Core department	-	-	-	4	-	-	-	7	-	11
NDPBs and other designated bodies	502	202	5	18	148	2	2	4,045	1	4,925
Carrying amount at 31 March 2025	**502**	**202**	**5**	**22**	**148**	**2**	**2**	**4,052**	**1**	**4,936**

	Departmental group 2023–24									
	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 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

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 2025 were held by Nuclear Decommissioning Authority (NDA), UKAEA and Sizewell C.

Assets under construction (AUC) additions as at 31 March 2025 include £1,736.3m (31 March 2024 £918.5m) relating to the construction of the Sizewell C Nuclear power station. This includes expenditure directly attributable to bringing the Sizewell C asset into working condition for its intended use such as planning, site preparation, associated development, safety compliance and the cost of developing supply chain contracts.

AUC additions of £394.9m as at 31 March 2025 (nil 31 March 2024) relate to Net Zero North Sea Storage Ltd (NZNSSL) and the construction of onshore and offshore CO_2 pipelines, injection wells, subsea infrastructure, control rooms, and compression facilities.

Other significant AUC additions of £60.8m as at 31 March 2025 (£57.4m 31 March 2024) relate to UKAEA driven by the new LIBRTI fusion project and the continued tritium loop facility.

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, a depreciated replacement cost valuation is used, for example by research facilities. Where the PPE asset is a non-specialised asset, 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 2024-25				
	Land	Buildings	Plant and machinery	Transport equipment	Total
	£m	£m	£m	£m	£m
Cost or valuation					
Balance at 1 April 2024	**16**	**198**	**9**	**20**	**243**
Additions	10	98	-	1	109
Disposals	1	(10)	-	(2)	(11)
Remeasurements	-	2	-	-	2
Capitalised Provisions (Leased Non-PFI)	-	1	-	-	1
Revaluations	-	(1)	-	-	(1)
At 31 March 2025	**27**	**288**	**9**	**19**	**343**
Depreciation					
Balance at 1 April 2024	**(2)**	**(23)**	**(8)**	**(9)**	**(42)**
Charged in year	-	(16)	1	(5)	(20)
Disposals	-	(2)	-	1	(1)
Revaluations	-	7	-	-	7
At 31 March 2025	**(2)**	**(34)**	**(7)**	**(13)**	**(56)**
Carrying amount at 31 March 2025	**25**	**254**	**2**	**6**	**287**
Carrying amount at 31 March 2024	**14**	**175**	**1**	**11**	**201**
Of the total					
Core department	-	125	-	3	127
NDPBs and other designated bodies	25	129	2	3	160
Carrying amount at 31 March 2025	**25**	**254**	**2**	**6**	**287**

	Departmental group 2023-24				
	Land £m	Buildings £m	Plant and machinery £m	Transport equipment £m	Total £m
Cost or valuation					
At 31 March 2023	11	108	8	24	**151**
Balance at 1 April 2023	**11**	**108**	**8**	**24**	**151**
Additions	4	124	1	6	135
Disposals	1	(34)	-	(10)	(43)
Revaluations	-	-	-	-	-
At 31 March 2024	**16**	**198**	**9**	**20**	**243**
Depreciation					
At 31 March 2023	(1)	(37)	(7)	(12)	(57)
Balance at 1 April 2023	**(1)**	**(37)**	**(7)**	**(12)**	**(57)**
Charged in year	(1)	(21)	(1)	(6)	(29)
Disposals	-	33	-	9	42
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**

Total additions to right-of-use assets during the year were £109m (2023-24: £135m). Most of this relates to acquisitions of leased buildings, which amounts to £98m (2023-24: £124m).

9. Intangible assets departmental group

	Departmental group 2024-25					
	Information technology £m	Software licences £m	Websites £m	Patents £m	Assets under construction £m	Total £m
Cost or valuation						
Balance at 1 April 2024	64	7	-	-	9	**80**
Additions	6	1	-	-	58	65
Disposals	(1)	-	-	-	-	(1)
Reclassifications	1	1	-	-	(2)	-
Transfers	(2)	-	-	-	2	-
At 31 March 2025	**68**	**9**	**-**	**-**	**67**	**144**
Amortisation						
At 31 March 2023	(37)	(5)	-	-	-	(42)
Balance at 1 April 2024	**(8)**	**-**	**-**	**-**	**-**	**(8)**
Charged in year	1	-	-	-	-	1
Disposals	(44)	(5)	-	-	-	(49)
At 31 March 2025	**24**	**4**	**-**	**-**	**67**	**96**
Carrying amount at 31 March 2025	**27**	**2**	**-**	**-**	**9**	**38**
Carrying amount at 1 April 2024	**10**		**71**	**1**	**12**	**95**
Asset financing						
Owned	24	4	-	-	67	96
Carrying amount at 31 March 2025	**24**	**4**	**-**	**-**	**67**	**96**
Of the total						
Core department	19	-	-	-	14	33
NDPBs and other designated bodies	5	4	-	-	53	62
Carrying amount at 31 March 2025	**24**	**4**	**-**	**-**	**67**	**96**

	Departmental group 2023-24					
	Information technology £m	Software licences £m	Websites £m	Patents £m	Assets under construction £m	Total £m
Cost or valuation						
At 1 April 2023	53	6	-	-	12	**71**
Additions	6	1	-	-	5	12
Disposals	(2)	-	-	-	-	(2)
Impairments	-	-	-	-	(1)	(1)
Reclassifications	7	-	-	-	(7)	-
At 31 March 2024	**64**	**7**	**-**	**-**	**9**	**80**
Amortisation						
At 1 April 2023	(31)	(6)	-	-	-	(37)
Charged in year	**(7)**	**-**	**-**	**-**	**-**	**(7)**
Disposals	2	-	-	-	-	2
At 31 March 2024	(36)	(6)	-	-	-	(42)
Carrying amount at 31 March 2024	**28**	**1**	**-**	**-**	**9**	**38**
Carrying amount at 1 April 2023	**22**	**-**	**-**	**-**	**12**	**34**
Asset financing						
Owned	28	1	-	-	9	38
Carrying amount at 31 March 2024	**28**	**1**	**-**	**-**	**9**	**38**
Of the total						
Core department	20	-	-	-	8	28
NDPBs and other designated bodies	8	1	-	-	1	10
Carrying amount at 31 March 2024	**28**	**1**	**-**	**-**	**9**	**38**

10. Derivative financial instruments

The most significant items included within Derivatives on the Consolidated Statement of Financial Position (SoFP) are the Contracts for Difference and the Low Carbon Hydrogen Agreements (LCHA).

In addition, Net Zero North Sea Storage Ltd (NZNSSL) is required by its project funding arrangements to implement interest rate derivative financial instruments to hedge its interest rate exposure on borrowings. NZNSSL's strategy involves hedging 100% of its interest rate exposure to GBP SONIA floating rates until November 2036, and to subsequently extend the hedge's maturity when market conditions are deemed favourable. NZNSSL has executed a vanilla over-the-counter interest rate swap with Barclays, opting not to apply hedge accounting. The swaps are measured at fair value through profit and loss (FVTPL) and have a fair value of £85m at 31 March 2025.

10.1 Contracts for Difference

10.1.1 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 Fair Value Through Profit and Loss (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, if and 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 also 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 participant would take into account 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 Accounting policies, judgements, 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.

Changes in fair value arising after day one 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.

10.1.2 Estimates – valuation of CfD liabilities and assets

As at 31 March 2025 LCCC was counterparty to 363 contracts, including Hinkley Point C. 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.

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, if and 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 nominal discount rate based on the HM Treasury nominal rate of 2.15% 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.

In 2024 the decision was made to upgrade the financial model used to calculate the fair value of the CfDs. This was due to the exponential growth in the number of contracts LCCC is party to and to increase granularity from yearly to monthly in order to enhance cash flow forecasting by capturing seasonal trends. The model was also changed from real terms to using nominal discount rate, aligning itself with best practice. This change is considered a change in accounting estimate as it involves modifications to measurement techniques used to calculate the fair value of the CfDs. Accordingly, it is applied prospectively and the new model is in use from the current financial year.

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 also 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 2025. The independent industry recognised price series applied was not an outlier of other industry recognised price series.

Fair value of CfDs (fair value through profit and loss)

The following table provides an analysis of CfD assets and liabilities 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 £m	Level 2 £m	Level 3 £m	Total £m
Liabilities	-	-	(92,501)	(92,501)
Assets	-	-	2,900	2,900
As at 31 March 2024	**-**	**-**	**(89,151)**	**(89,151)**
Liabilities	-	-	(93,427)	(93,427)
Assets	-	-	3,022	3,022
As at 31 March 2025	**-**	**-**	**(90,405)**	**(90,405)**

10.1.3 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, 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 year 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 2030 and 1 June 2031, 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. Therefore, the model is assuming contract erosion as the contract life (35yrs) will commence at the end of the TCW.

An EDF SA press release in January 2024 included further scenarios which included three outcomes, a baseline starting in June 2029, a midpoint of June 2030 and an unfavourable date of June 2031 all for reactor one with reactor two starting a year later. In the interest of preparing the accounts

on a neutral basis the mid case has been chosen for the valuation. These scenarios are included in the sensitivity analysis below.

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.

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 of generation data is available) is also available for consideration when valuing the CfDs.

For Hinkley Point C CfD, in previous years the generator (Nuclear New Build Generation Company (HPC) Limited (NNB GenCo)) provided LCCC with a generation profile, which forecasts the generation over the life of the contract. This year work was commissioned to gain an independent view which resulted in reasonable range where the midpoint has been chosen to value HPC.

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 April 2025, in line with the requirements of the CfD contract.

The announcement made by Ofgem in April 2022 stating that from 1 April 2023 generators will no longer pay the Balancing Services Use of System (BSUoS) charges has been incorporated into the strike price forecast from 31 March 2024.

Further, this year included a one-off material event reducing the CfD liability by £54.3m, stemming from changes to partial pass-through costs in the CfD. The pass-through costs were the BSUoS charges which were partially passed on as part of Generators' CfD Difference Payments. BSUoS charges were removed from Generators in the GB electricity market as of 1 April 2023. The nature of the existing CfD BSUoS compensation mechanism required adjustments by LCCC to reflect when Generators stopped paying BSUoS charges.

The nature of the original compensation mechanism, and LCCC's adjustment mechanism, required LCCC to perform reconciliations of previous year's CfD Difference Payments against adjusted Strike Prices. The value, and timing of these reconciliations were not known by LCCC until the 2024-25 financial year.

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 and therefore represents a significant area of judgement. 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.

Sizewell C impact on strike price for Hinkley Point C

The strike price of the Hinkley Point C CfD will be reduced by £3/MWh if a CfD (or equivalent support) in relation to Sizewell C is entered into before the reactor one start date, with effect from the date of satisfaction of the Sizewell C condition.

Given progress in negotiations and legal developments around the proposed Regulated Asset Base (RAB) and Government investment for Sizewell C during the year, management have concluded that Sizewell C is more likely to proceed than not and that the government investment and RAB together constitutes the aforesaid equivalent support. Management have therefore recognised 85% of the HPC CfD strike price adjustment, using £89.95/MWh (2023-24: £90.25/MWh) in the valuation. The impact of the strike price adjustment crystalising either way is included 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, 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.

10.1.4 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'.

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.

From 2024-25 LCCC is no longer using real terms to value the CfDs but has now aligned to industry practice and have applied the nominal discount rate from HMT of 2.15% adjusted by the latest CPI inflation forecasts for each modelled year.

For future year-on-year comparability, the table below shows the undiscounted valuation of the CfD liability

	CfDs exc.HPC £m	HPC CfD £m	Total £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**
As at 31 March 2025	**47,918**	**80,311**	**128,229**

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. Prior to 2025 the model was prepared in real terms. As part of the updated model this has changed to nominal rates, causing a larger increase in the undiscounted values.

	Favourable/ (unfavourable) HPC CfD	Favourable/ (unfavourable)	Favourable/ (unfavourable) Total impact
	£m	Other CfDs £m	£m
Change in fair value of CfDs if:			
Highest price third party series	17,781	48,706	66,488
Lowest price third party series	(19,235)	(28,686)	(47,921)
Discount rate of 3.5%	11,975	3,774	15,749
2023-24 Discount rate	(1,063)	(303)	(1,366)
Undiscounted	(30,475)	(7,349)	(37,824)
Specific to Other CfDs:			
2% more load factor	-	(811)	(811)
4% more load factor	-	(1,623)	(1,623)
2% less load factor	-	811	811
4% less load factor	-	1,623	1,623
Estimated Commissioning Date moves backward by one year	-	246	246
Generation starts at the earliest possible date	-	105	105
Specific to HPC CfD:			
10% less load factor	4,984	-	4,984
2% increased load factor	(997)	-	(997)
Generation cap*	-	-	-
Generation brought forward one year from estimated start date	(420)	-	(420)
Generation start date delayed one year from estimated start date	1,420	-	1,420
Sizewell C strike price adjustment (100%, £3)	547	-	547
Sizewell C strike price adjustment (0%, £nil)	(3,100)	-	(3,100)

*From 2024-25 the HPC generation cap is no longer triggered based on their generation profile even if it reaches 100% load factor due to contract erosion.

The fair value is virtually certain 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 £m	Valuation technique	Significant unobservable input	Range min-max	Units
2021	88,930	DCF	Electricity prices	24.62-77.77	£/MWh
2022	97,591	DCF	Electricity prices	37.84-244.00	£/MWh
2023	84,506	DCF	Electricity prices	39.07-141.35	£/MWh
2024	89,151	DCF	Electricity prices	25.54 – 78.94	£/MWh
2025	90,405	DCF	Electricity prices	41.51-295.13	£/MWh

From 2024-25 nominal rates have been used in the CfD model whereas prior years are in real terms.

The table below represents the movement in CfD valuation at 31 March 2025.

	LCCC CfDs assets £m	LCCC CfDs liabilities £m	Departmental group total £m
CfD liability as at 1 April 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 in prior 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)**
Gain / Loss reclassification	(8)	8	-
Change in fair value during the year	130	(3,847)	**(3,717)**
Payments to the CfD generators	-	2,198	**2,198**
CfDs terminated during the year	-	265	**265**
CfD liability as at 31 March 2025 recognised on the Consolidated Statement of Financial Position	**3,022**	**(93,427)**	**(90,405)**
CfDs movement recognised in SoCNE, comprising:			**1,254**
CfD levy income recognised under other income	-	(2,198)	(2,198)
Remeasurement of CfD derivatives	(122)	3,574	3,452

Movement in CFDs valuation includes both expenditure relating to CFDs and income from supplier levy.

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 2025 £m	CfDs as at 31 March 2024 £m
LCCC CfD assets		
Current	148	17
Non-current	2,874	2,883
Total LCCC CfD assets	**3,022**	**2,900**
LCCC CfD liabilities		
Current	(2,656)	(3,055)
Non-current	(90,771)	(88,996)
Total LCCC CfD liabilities	**(93,427)**	**(92,051)**

10.2 Low Carbon Hydrogen Agreement

10.2.1 Accounting policies

The Low Carbon Hydrogen Agreement (LCHA) is a private law contract between the "Producer" and LCCC. LCHA underpins the hydrogen production business model (HPBM), which provides revenue support to hydrogen producers to overcome the operating cost gap between low carbon hydrogen and high carbon fuels. Initially the scheme will be funded by DESNZ until legislation is in place and there is an obligation placed on licensed gas shippers to fund the LCHA through the Gas Shipper Obligation (GSO).

The HPBM will support hydrogen producers awarded a LCHA by paying them a premium. This premium will be calculated as a difference between a strike price and a reference price, like the current CfD scheme. Generally, LCHA shares similarities with the CfD contract, both lasting 15 years with the requirement placed on producers to meet initial and operational conditions, to achieve minimum installed capacity by the contractual Longstop Date, with the payment period starting at the end of the Target Commissioning Window (TCW). To qualify, hydrogen production will need to meet the Low Carbon Hydrogen Standard (LCHS) requirements and be sold for qualifying purposes. The LCHS sets a maximum threshold of greenhouse gas emissions allowed in the production process for hydrogen to be considered 'low carbon hydrogen' and be eligible for support.

Under the LCHA no payment is made at the time of contract signing; instead, the LCCC payments are triggered once the producers begin hydrogen production and meet their obligations under the contract. LCCC is then contractually obligated to make three types of payments to hydrogen producers:

- the Difference Amount (DA) payment to compensate the high cost of producing low-carbon hydrogen compared with counterfactuals such as natural gas
- Price Discovery Incentive (PDI) payment which is intended to incentivise the sale of hydrogen above the natural gas price
- Sliding scale top up (SSTU) payment which provides a higher subsidy when hydrogen sales fall below a threshold

Each of the LCHA payments has distinct accounting implications under IFRS. The DA and PDI are considered derivatives under IFRS 9, they are classified as FVTPL and recognised in the Consolidated Statement of Financial Position at inception, with any resultant gain or loss recognised in the Consolidated Statement of Comprehensive Net Expenditure. Changes in fair value arising after day one are accounted for in the reporting period that they occur. The SSTU is not considered a derivative, a liability to make SSTU payments arises when the volume of hydrogen sold fall below 50% of the reference volume.

10.2.2 Estimates – valuation of Green Hydrogen liabilities and assets

The fair value of the LCHA 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. The valuation requires management to make certain assumptions about the model inputs, including cash flows, the discount rate, credit risk and volatility (note 10.2.3).

The DA is calculated by deducting the Reference Price from the Strike Price and multiplying the result by the aggregate value of the relevant hydrogen volumes sold by the producers. The Strike Price represents the unit price required by the producer to enable it to recover the costs of producing low carbon hydrogen and make an allowed return on its investment. The level and specific components of the Strike Price are negotiated on a project-by-project basis and include agreed eligible costs. The Reference Price is intended to represent the market value of the hydrogen sold by the producer, with the floor price set as the natural gas market price. The series of periodic net cash flows

is then discounted using a real discount rate based on the HM Treasury nominal rate of 2.15% adjusted by the latest OBR CPI inflation forecasts for each modelled year.

The PDI calculation is linked to the increment by which the achieved sales price for hydrogen exceeds the natural gas market price. Without a live UK tradeable hydrogen market, the hydrogen prices are forecasted to mirror natural gas prices, resulting in the liability for PDI estimated to be £Nil. Future movements in the PDI valuation will be recognised in the Consolidated Statement of Comprehensive Net Expenditure in the periods when the trigger events occur.

The SSTU payments are calculated as an additional amount for each unit of hydrogen sold when the sales of the producers fall below the 50% threshold, The current assumption is that SSTU will not be triggered, therefore no liability for SSTU is recognised in the reporting period.

The sensitivity analysis (note 10.2.4) looks at scenarios that include PDI should it be triggered.

The SSTU payments are calculated as an additional amount for each unit of hydrogen sold when the sales of the producers fall below the 50% threshold, The current assumption is that SSTU will not be triggered, therefore no liability for SSTU is recognised in the reporting period.

As at 31 March 2025 LCCC was counterparty to 5 LCHA contracts from the first Hydrogen Allocation Round (HAR1). A further 5 LCHA contracts were signed post 31 March 2025.

The following table provides the valuation of LCHA liabilities and assets 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 £m	Level 2 £m	Level 3 £m	Total £m
As at 31 March 2024	**-**	**-**	**-**	**-**
Liabilities	-	-	(1,243)	(1,243)
Assets	-	-	-	-
As at 31 March 2025	**-**	**-**	**(1,243)**	**(1,243)**

10.2.3 Key inputs and underlying assumptions for LCHA

Estimated future forecast wholesale hydrogen prices

There is currently no well-defined hydrogen market therefore predicting sales prices is challenging. The model currently assumes that the natural gas price is the hydrogen prices as this represents the minimum threshold at which Producers can viably sell hydrogen.

Forecasted wholesale gas prices used to estimate the fair value of the LCHA 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 gas prices is uncertain. In the valuation, management has used an industry recognised independent price series which is not an outlier.

Estimated future wholesale hydrogen production

a. Start date

The commencement date is specified in the LCHA following contract award where the producer nominates a Target Commissioning Date (TCD). However, the producer is free to commission at any time within their Target Commissioning Window (TCW), a period of one year from the start of the TCW to the end of the TCW and up to their "Longstop Date". The Longstop date is defined as one year after the end of the TCW with no penalty incurred as long as the producer reaches 80% of their installed capacity estimate by the end of their TCW and 95% by their Longstop Date.

A penalty in the form of reduction of contract length for each day they are late in commissioning is applied after the end of the TCW. The contract can be terminated if the producers has not commissioned 80% of their revised installed capacity estimate by the TCW end date and 95% by their Longstop Date. The valuation uses the latest estimate from producers on the start date.

b. Sales volume

This is the total invoiced volume from the producer, eligible for inclusion in the LCHA. The model currently assumes that all volumes qualify as there is no historical data. Therefore 100% of the producer's reference volume is used. The reference volume is based on the initial installed capacity and the assumed load factor. If the volume factor falls below 50% it would activate the SSTU payment which is designed to protect producers in the early stages of developing a UK hydrogen market.

The model assumes that the sales volume is equivalent to the reference volume. The reference volume is assumed load factor multiplied by Installed Capacity multiplied by total number of billing days and hours in a day. The represents the maximum quantity producers can sell to an offtaker over the contract duration, ensuring compliance with the contractual terms and assuming that producers will optimise revenue potential.

c. Strike price

The strike price is an agreed price which determines the payments made to the producer under the contract with reference to its hydrogen output and the market reference price.

The relevant strike price is specified in each LCHA 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 LCHA is the 2024-25 strike price and reflects the CPI rate for January 2025, in line with the requirements of the LCHA contract.

d. Reference price

The DA is calculated as the strike prices less the reference price where the reference price is the greater of the floor price and the achieved sales price. If the difference between the strike price and the reference price is positive LCCC shall pay the producer on a monthly basis. However, if the difference is negative, indicating that the reference price exceeds the strike price, the producer shall pay the DA to LCCC.

Based on initial forecast data received, achieved sales price is likely to equal gas prices which will result in the reference price also matching the gas price meaning that a DA is payable from LCCC to the producer for the length of the LCHA.

10.2.4 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 achieved sales price, hydrogen sales volume, installed capacity estimate, carbon and fuel costs and gas demand, but still be within what we would describe as the 'universe of reasonableness'. 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 LCHA 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.

LCCC has derived a real discount rate from the HM Treasury nominal discount rate of 2.15% 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:

2025-26	-1.00%
2026-27	0.22%
2027-28	0.15%
2028-29 and thereafter	0.15%

For comparability an undiscounted valuation of the LCHA has been included below:

	LCHA £m
As at 31 March 2025	**1,255**

The following table shows the impact on the fair value of LCHA, classified under level 3, by applying reasonably possible alternative assumptions. The changes in the table below include all 3 types of payment (DA, PDI and SSTU) should any of them be triggered. A favourable result is a decrease to the liability and unfavourable is an increase to the liability.

	Favourable/ (unfavourable) LCHA £m
Change in fair value of LCHA if:	
Decrease volume factor 80%	248.7
Decrease volume factor 40%	746.0
Increase price factor 2.0	141.7
Increase price factor 1.5	70.8
Start date delay 1 year	3.6
Start date delay 2 years	7.8
Highest price third party series	(5.5)
Lowest price third party series	20.3
Discount rate of 3.5%	143.2
2023-24 Discount rate 2.05%	(11.6)
Undiscounted	(11.1)

The favourable and unfavourable changes show the impact of capacity (volume factor) and hydrogen prices (price factor) as these will affect the fair value of LCHA due to the change in the level of cash flows.

Sales volumes relate to the volume of hydrogen that producers are able to trade to qualifying offtakers. The model assumes that 100% of volumes qualify resulting in the largest DA payable. Should the volume factor fall below 50% this would trigger the SSTU payment mechanism. If SSTU is triggered and the volume factor fell to 40% as per the sensitivity analysis above SSTU payments have been forecasted to total £98.1m.

The price factor in the model has been set to 1 which means that the gas price has been achieved. Anything above this indicates that producers have been able to sell hydrogen above the gas price and so PDI is triggered for establishing growth in the UK hydrogen market. A PDI payment is less than a DA payment hence the LCHA portfolio would reduce if this was triggered.

11. Investments and loans in other public sector bodies

	Investments in public sector companies £m	Other investments and loans £m	Core department £m	Elimination of shares and other investments and loans held in NDPBs £m	NDPBs ordinary shares £m	Departmental group total £m
Balance at 1 April 2023	**808**	**2,645**	**3,453**	**(364)**	**611**	**3,700**
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**
Loans repayable within 12 months transferred to current assets	-	-	**-**	(343)	-	**(343)**
Balance at 31 March 2024	**1,892**	**3,028**	**4,920**	**(1,796)**	**696**	**3,820**
Additions	2,722	10	**2,732**	(2,728)	697	**701**
Redemptions	-	(2,907)	**(2,907)**	-	-	**(2,907)**
(Impairments)/impairment reversal	(38)	-	**(38)**	38	-	**-**
Revaluations	64	-	**64**	-	27	**91**
Unwinding of discount	-	5	**5**	-	-	**5**
Balance at 31 March 2025	**4,640**	**135**	**4,775**	**(4,485)**	**1,420**	**1,709**
Non-current	4,640	86	**4,726**	(4,485)	1,420	**1,661**
Current	-	49	**49**	(1)	-	**48**

11.1 Investments in other public sector bodies

	31 March 2025		31 March 2024	
	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Balance at 1 April	**1,892**	**793**	**808**	**1,055**
Transfers in/(out)	-	-	-	(343)
Additions	2,722	697	1,089	-
(Impairments)/impairment reversal	(38)	-	-	-
Revaluations	64	91	(5)	81
Balance at 31 March	**4,640**	**1,581**	**1,892**	**793**
Comprising				
Ordinary shares held within the departmental boundary – held at cost	3,783	-	1,795	-
Ordinary shares held outside the departmental boundary – held at fair value	857	1,581	97	793
Balance at 31 March	**4,640**	**1,581**	**1,892**	**793**

Core department: Investments in other public sector bodies held within the departmental boundary

In accordance with the FReM, ordinary shares and equity instruments held within the departmental boundary are carried at historical cost less any provision for impairment. They are eliminated on consolidation.

Sizewell C (Holding) Limited (SZC)

- The core department through the Secretary of State (SoS) holds 89,281,532 ordinary shares (31 March 2024: 37,289,810) in Sizewell C (Holding) Limited (SZC), each with a nominal value of £1.
- The core department's holding is in the form of shares and a shareholder loan issued to SZC. The core department has no contractual right to demand cash or shares from SZC in payment of this loan and the asset is accounted for as equity under the provisions of IAS 32: Financial Instruments: Presentation.
- The core department purchased equity instruments at a cost of £2,025m during the year (31 March 2024: £1,089m). The core department's cumulative equity investment had a cost of £3,477m at 31 March 2025 (31 March 2024: £1,452m).
- 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 £3,751m (31 March 2024: £2,016m) included in note 7. Non-controlling interest of £541m (31 March 2024: £542m) is recognised in relation to the investment and is included in the Consolidated Statement of Changes in Taxpayers' Equity (departmental group).

UK Green Infrastructure Platform (UKGIP)

- UKGIP was established to enable the government to retain an interest in five existing Green Investment Bank (GIB) investments. The Green Investment Group is the remaining 10% shareholder.
- The core department through the SoS held 90% of the share capital of UK Green Infrastructure Platform Limited in the form of 900 ordinary shares, each with a nominal value of £1.
- Following Special Resolutions passed on 6 April 2022, UKGIP was wound up via a Members' Voluntary Liquidation, having

fulfilled its objectives to manage the government's interests in the unsold assets from the Green Investment Bank. UKGIP was dissolved on 15 August 2024.

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 government's one third share in Urenco Limited, an entity operating in the civil uranium enrichment sector.

Great British Energy – Nuclear (GBE-N) Limited, 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 SoS and the Treasury Solicitor holds one ordinary share. The core department's holding had a carrying value of £305m at 31 March 2025 (31 March 2024: £343m).

Great British Energy Group (GBE) Limited

- GBE was incorporated on 10 October 2024, with the core department, through the SoS, holding all of the 100 ordinary shares at a nominal value of £1 each.

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.

National Energy Systems Operator Limited (NESO)

- NESO was acquired by the department from National Grid Plc on 1 October 2024 and established as the public corporation responsible for the strategic overview and coordination of Great Britain's energy system.
- The core department through the SoS holds 330,000,100 shares with a nominal value of £0.01 each.
- The shareholding is held at fair value, but because there is no active market for these shares the net asset value is considered to be a reasonable approximation for fair value. The fair value as at 31 March 2025 was £751m.

NNL Holdings Limited (NNLH)

- The core department through the SoS holds 10,000,002 shares of £1 each in NNLH with a nominal value of £10,000,002.
- 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 2025 was £106m (31 March 2024: £97m).

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 £721m as at 31 March 2025 (31 March 2024: £683m).

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%
NDA Properties Limited	Property management	UK	NDA	100%
NDA ARCHIVES LIMITED(ii)	Archives activities	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.

11.2 Loans in public sector bodies

	31 March 2025		31 March 2024	
	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Balance at 1 April	**3,027**	**3,026**	**2,645**	**2,645**
Additions	10	5	14	14
Repayments	(2,907)	(2,907)	(331)	(331)
Unwinding of Discount	5	5	5	5
Impairments	-	-	-	-
Revaluations	-	-	694	694
Balance at 31 March	**135**	**128**	**3,027**	**3,027**
Out of which:				
Due within 12 months	49	48	2,961	2,961
Due after 12 months	86	80	66	66

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 2025 is £127m (31 March 2024: £188m). 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 recognised 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 the special administration regime and exit from administration achieves the best outcome practicable for energy customers, taxpayers, and the industry. The financial asset was measured at fair value through profit or loss under IFRS 9. The loan was repaid in full in 2024-25 and the fair value at 31 March 2025 is £nil (31 March 2024: £2,838m).

11.3 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 is 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

- Nuclear Liabilities Fund Ltd Special 'A' Share created in 1996 is held solely by the Secretary of State for Energy Security and Net Zero (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

12. Other financial assets

	Note	31 March 2025		31 March 2024	
		Core department £m	Departmental group £m	Core department £m	Departmental group £m
Balance at 1 April		**258**	**258**	**341**	**341**
Additions		34	34	43	43
Repayments		(2)	(2)	(125)	(125)
Unwinding of Discount		2	2	2	2
Revaluations		(7)	(7)	5	5
Impairments		-	-	(8)	(8)
Balance at 31 March		**285**	**285**	**258**	**258**

Core department

The most significant balances are detailed below.

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 and 2021-22 financial years, which at 31 March 2025 had a carrying value of £69m (31 March 2024: £68m). 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 £13m in the year and inclusive of previous investments and revaluations, the carrying value of the asset at 31 March 2025 was £124m (31 March 2024: £115m). 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.

Private sector shares: Global Climate Partnership Fund (GCPF)

GCPF was established in 2009 as an investment company to provide financing for energy efficiency and small-scale renewable energy projects in developing economies. At 31 March 2025 the value of the core department's holding was £43m (31 March 2024: £39m). In accordance with IFRS 9, the investment is held at fair value through other comprehensive income.

12.1 Other loans and investments

	Term deposits £m	Private sector loans £m	Private sector shares	Investment funds £m	Total £m
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 1 April 2024	**-**	**70**	**39**	**149**	**258**
Additions	-	-	-	34	**34**
Redemptions	-	(2)	-	-	**(2)**
Revaluations	-	-	4	(11)	**(7)**
Unwinding of discount	-	2	-	-	2
Balance at 31 March 2025	**-**	**70**	**43**	**172**	**285**
Of the total					
Core department	-	70	43	172	285
NDPBs and other designated bodies	-	-	-	-	-
Balance at 31 March 2025	**-**	**70**	**43**	**172**	**285**

13. 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. Recoverable contract costs comprise costs which were incurred before the revenue recognition period of each contract and which are amortised each year in line with revenue ('Historic costs' below) and costs which typically form part of the nuclear provision, which are restated each year for unwinding of discount and other changes in estimate, and released as they occur in each year ('Future costs' below). Net recoverable costs at 31 March 2025 were £635m (31 March 2024: £582m). Further details can be found in NDA's annual report and accounts.

	Departmental group 31 March 2025 £m	Departmental group 31 March 2024 £m
Recoverable contract costs relating to nuclear provisions		
Gross recoverable contract costs	**3,414**	**3,911**
Less applicable payments received on account	(2,758)	(3,315)
Less associated contract loss provisions	(21)	(14)
Balance at 31 March	**635**	**582**

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 31 March 2025 £m	Departmental group 31 March 2024 £m
Gross recoverable contract costs at 1 April	**3,911**	**4,461**
Increase/(decrease) in year	(136)	(33)
Unwinding of discount	58	29
Amortisation of recoverable contract costs	(118)	(116)
Release in year – continuing operations	(301)	(430)
Balance at 31 March	**3,414**	**3,911**

The gross balance of recoverable contract costs of £3,414m (31 March 2024: £3,911m) comprises £930m (31 March 2024: £1,048m) 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 £2,484m (31 March 2024: £2,863m) of probable future costs which form part of the nuclear decommissioning provision (note 19.1) and will be released as they are incurred.

The movement in the gross recoverable contract costs during the year broken down by the type of costs are detailed in the table below.

	Departmental group 31 March 2025			Departmental group 31 March 2024		
	Historic costs £m	Future costs £m	Total costs £m	Historic costs £m	Future costs £m	Total costs £m
Balance at 1 April	**1,048**	**2,863**	**3,911**	**1,164**	**3,297**	**4,461**
Increase/(decrease) in the year	-	(136)	**(136)**		(33)	**(33)**
Unwinding of discount	-	58	**58**		29	**29**
Amortisation	(118)		**(118)**	(116)		**(116)**
Release in year		(301)	**(301)**		(430)	**(430)**
Balance at 31 March	**930**	**2,484**	**3,414**	**1,048**	**2,863**	**3,911**

£74m (31 March 2024: £73m) of the future costs balance relates to costs which do not form part of the nuclear provisions and are offset by payments on account. 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 31 March 2025			Departmental group 31 March 2024		
	Spent fuel reprocessing and associated waste management £m	Spent fuel receipt and management £m	Total £m	Spent fuel reprocessing and associated waste management £m	Spent fuel receipt and management £m	Total £m
Balance at 1 April	**672**	**376**	**1,048**	**726**	**438**	**1,164**
Amortisation	(51)	(67)	**(118)**	(54)	(62)	**(116)**
Balance at 31 March	**621**	**309**	**930**	**672**	**376**	**1,048**

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.

14. Investments in joint ventures and associates

	31 March 2025		31 March 2024	
	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Balance at 1 April	**-**	**921**	**-**	**938**
Dividends	-	(84)	-	(86)
Profit/(loss)	-	77	-	73
Revaluations	-	1	-	(4)
Balance at 31 March	**-**	**915**	**-**	**921**

Urenco

Urenco is an international supplier of enrichment services. The department holds 33% (31 March 2024: 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 2025, the departmental group's holding is valued at £776m (31 March 2024: £819m).

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	2024-25 £m	2023-24 £m
Non-current assets	5,349	5,126
Current assets	2,121	2,466
Current liabilities	(585)	(934)
Non-current liabilities	(4,431)	(4,073)
Revenue	(1,590)	(1,672)
Income tax expense	-	69
(Profit)/loss from continuing activities	(153)	(235)

Other financial information	2024-25 £m	2023-24 £m
Cash and cash equivalents	795	767
Current financial liabilities (excluding trade and other payables and provisions)	(129)	(511)
Non-current liabilities (excluding trade and other payables, provisions and deferred tax liabilities)	(834)	(778)
Depreciation and amortisation	372	404
Interest income	(144)	(108)
Interest expense	189	189

Other

There are other joint ventures and associates which are not material and further information can be found in the financial statements of UKAEA.

15. Trade and other receivables

	2024-25		2023-24	
	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Amounts falling due within 1 year				
Trade receivables	46	219	134	215
Other receivables:				
VAT and other taxation	13	321	33	310
Staff receivables	1	1	1	1
Other	77	206	208	341
Contract assets	-	84	-	33
Prepayments and accrued income	52	173	100	204
	188	**1,005**	**476**	**1,104**
Amounts falling due after more than 1 year				
Trade receivables	-	49	-	52
Other receivables	335	372	219	225
Prepayments and accrued income	6	329	6	36
	341	**750**	**225**	**313**
Total receivables at 31 March	**529**	**1,755**	**701**	**1,417**

Core department

Within other receivables due after more than one year was £334m (2023–24: £220m) relating to the surplus sharing arrangement of the Mine Workers' Pension Scheme (MPS).

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.

In October 2024 the government announced a review of the MPS surplus sharing arrangement. The review is on-going and until concluded, the department will not seek to collect any of the reported receivable.

16. Cash and cash equivalents

	31 March 2025		31 March 2024	
	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Balance at 1 April	**1,025**	**2,737**	**1,098**	**2,083**
Net change in cash and cash equivalent balances	(320)	(143)	(73)	654
Balance at 31 March	**705**	**2,594**	**1,025**	**2,737**
The following balances were held at				
The Government Banking Service (GBS)	471	1,600	884	1,835
Commercial banks and cash in hand	234	994	142	902
Balance at 31 March	**705**	**2,594**	**1,025**	**2,737**

17. Trade payables and other liabilities

	31 March 2025		31 March 2024	
	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Amounts falling due within 1 year				
VAT, social security and other taxation	10	119	22	118
Trade payables	28	237	122	399
Other payables	89	1,037	470	1,131
Contract liabilities (see note 17.1)	-	658	-	758
Other accruals and deferred income	3,137	4,438	3,048	4,355
Amounts issued from the Consolidated Fund for supply but not spent at year end	667	667	1,025	1,025
Consolidated Fund extra receipts due to be paid to the Consolidated Fund: Received	38	24	-	136
	3,969	**7,180**	**4,687**	**7,922**
Amounts falling due after more than 1 year				
Trade payables	-	16	-	22
Contract liabilities (see note 17.1)	-	1,444	-	1,261
Other payables, accruals and deferred income	1	546	-	57
	1	**2,007**	-	**1,340**
Total payables at 31 March	**3,970**	**9,187**	**4,687**	**9,262**

17.1 Contract liabilities

	31 March 2025		31 March 2024	
	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Balance at 1 April	**-**	**2,019**	**-**	**2,173**
Additions	-	250	-	254
Change in measurement	-	786	-	317
Release to SoCNE	-	(952)	-	(725)
Balance at 31 March	**-**	**2,102**	**-**	**2,019**
Of the total				
Due within 1 year	-	658	-	758
Due in over 1 year	-	1,444	-	1,261
Balance at 31 March	**-**	**2,102**	**-**	**2,019**

The above tables include promissory note liabilities of £1,919m at 31 March 2025 (31 March 2024: £1,940m). These 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 £598m (31 March 2024: £519m) 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 £658m (31 March 2024: £758m) and after one year of £1,426m (31 March 2024: £1,261m).

These are payments received on account which relate to amounts which customers have paid 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).

18. Lease liabilities

	31 March 2025 £m		31 March 2024 £m	
	Core department	Departmental group	Core department	Departmental group
Land				
Not later than one year	-	4	-	1
Later than one year and not later than 5 years	-	19	-	4
Later than 5 years	-	66	-	16
	-	**89**	-	**21**
Less interest element	-	(16)	-	(3)
Present value of obligations	**-**	**73**	-	**18**
Buildings				
Not later than one year	9	18	5	9
Later than one year and not later than 5 years	35	60	31	45
Later than 5 years	151	197	143	190
	195	**275**	**179**	**244**
Less interest element	(64)	(89)	(56)	(60)
Present value of obligations	**131**	**186**	**123**	**184**
Other				
Not later than one year	3	6	4	6
Later than one year and not later than 5 years	1	4	4	6
Present value of obligations	**4**	**10**	**8**	**12**
Total present value of obligations	**135**	**269**	**131**	**214**
Current	12	28	9	18
Non-current	123	241	122	196

	31 March 2025 £m		31 March 2024 £m	
Lease liability – additional analysis	Core department	Departmental group	Core department	Departmental group
Interest on lease liabilities	5	9	4	7
Income of sub-leasing right-of-use assets	-	3	-	-
Expenses relating to short-term liabilities	-	6	-	4
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	-	1	-	1

19. Provisions for liabilities and charges

	Note	31 March 2025 Core department £m	31 March 2025 Departmental group £m	31 March 2024 Core department £m	31 March 2024 Departmental group £m
Current liabilities					
Not later than 1 year		215	4,591	342	4,427
Total current liabilities		**215**	**4,591**	**342**	**4,427**
Non-current liabilities					
Later than 1 year and not later than 5 years		664	16,710	734	16,662
Later than 5 years		606	93,068	671	88,168
Total non-current liabilities		**1,271**	**109,777**	**1,405**	**104,830**
Total at 31 March		**1,485**	**114,369**	**1,747**	**109,257**
Total provisions					
Nuclear	19.1	1,061	112,043	1,104	106,866
Other	19.2	424	2,326	644	2,392
Total at 31 March		**1,485**	**114,369**	**1,747**	**109,257**

The provision liabilities have been discounted to present value using discount rates as provided by HM Treasury.

Discounting as at 31 March 2025 and 31 March 2024 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 2025 Nominal discount rate	31 March 2025 Inflation rate	31 March 2025 Equivalent real discount rate	31 March 2024 Nominal discount rate	31 March 2024 Inflation rate	31 March 2024 Equivalent real discount rate
Cash outflows expected within 2 years	4.03%	2.60%	1.39%	4.26%	3.60%	0.64%
Cash outflows expected between 2-5 years	4.07%	2.30%	1.73%	4.26%	1.80%	2.19%
Cash outflows expected between 5-10 years	4.81%	2.30%	2.45%	4.03%	2.00%	2.87%
Cash outflows expected after 10 years	4.55%	2.50%	2.50%	4.72%	2.00%	2.35%

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.

19.1 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 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**
Net amount deducted from recoverable contract costs	-	-	-	-	(7)	**(7)**
Unwinding of discount	4	16	20	2,565	-	**2,585**
Change in discount rate	3	(5)	(2)	1,361	-	**1,359**
Provided in the year	14	57	71	5,280	23	**5,374**
Provisions not required written back	-	-	-	(302)	-	**(302)**
Provisions utilised in the year	(85)	(47)	(132)	(3,697)	(4)	**(3,833)**
Balance at 31 March 2025	**292**	**769**	**1,061**	**110,969**	**12**	**112,043**

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 2025 is £292m (31 March 2024: £356m). 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 2025, at prices as at the reporting date excluding the impact of future inflation, is £292m (31 March 2024: £367m restated).

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 discounted liability at 31 March 2025 is £769m (31 March 2024: £748m); the undiscounted liability at 31 March 2025, at prices as at the reporting date so excluding the impact of future inflation, is £887m (31 March 2024: £864m).

Departmental group

NDA Decommissioning

The NDA's nuclear decommissioning liability represents 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 on the first 20 years.

The estimates are 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 £110bn at 31 March 2025 (31 March 2024: £105bn). The undiscounted equivalent of this reported liability is £216bn at 31 March 2025 (31 March 2024: £199bn).

Where elements of the NDA's decommissioning provision are subject to reimbursement under contractual agreements with third parties, the associated recoverable amounts are recognised as recoverable contract costs. These are recognised as separate assets when it is virtually certain that the recovery will occur and are measured on a basis consistent with the related provision.

Amounts recognised as recoverable contract costs are presented separately from provision balances and are not netted off against the related liabilities in the Statement of Financial Position. This accounting treatment reflects the separate recognition of obligations and rights under IAS 37 and ensures a transparent view of gross liabilities and related recoveries. The presentation is applied consistently across reporting periods.

As part of the preparation of the financial statements, the principal assumptions and sensitivities for the cost estimates have been updated and reviewed by the NDA executive and, where appropriate, updates to the estimates have been made to reflect changed circumstances and more recent knowledge. The key aspects of the basis of estimate are set out below:

- The nuclear provision estimate for each reporting segment is based initially on the lifetime plan for each site or programme of work managed within the segment, with specific adjustments as required by the nature of each site or programme to ensure that the estimate is kept up to date and compliant with accounting requirements
- The site lifetime plans and equivalent figures are based on P50 estimates, meaning there is a 50% probability of the outcome being either under or over the estimate. While alternative bases of estimate could be used, the P50 basis is believed by management to produce a representative single point estimate for disclosure in the financial statements. Alternative calculation techniques may produce materially different results

- The nuclear provision estimate is stated in money values at the reporting date. The site lifetime plans are stated in mid-year money values (namely the September preceding the reporting date). The Authority applies an inflationary adjustment to produce the estimate as at the reporting date. The adjustment is based on the change in price levels specific to each component of the estimate where this is known or can be reasonably estimated
- The nuclear provision estimate is discounted using discount rates published by HM Treasury each year. The Authority applies discounting on a mid-year basis to reflect the nature of its expenditure, namely that it occurs throughout each reporting period rather than at the end of each reporting period

The valuation of long-term provisions, particularly within the NDA, involves significant estimation uncertainty and the application of management judgement. Assumptions include the expected cost and duration of decommissioning activity, discount and inflation rates, regulatory developments, and technological change. Estimates are prepared using updated site lifetime plans and reflect the best available knowledge, including actuarial and engineering input where appropriate. The NDA uses a P50 basis to derive its provision estimates, meaning there is an equal likelihood that actual outcomes may be higher or lower than the reported figures. These uncertainties are inherent in provisions of this nature, especially those with durations extending to 2137.

The value of the NDA's nuclear decommissioning provision is inherently sensitive to a number of key assumptions, including discount rates, inflation, cost escalation factors, and the expected timing and scope of decommissioning activities. These assumptions are reviewed regularly and reflect the best available information, including long-term economic forecasts and site-specific planning data. The long duration and complexity of the programme mean that the liability may vary over time as assumptions are updated or revised in response to external or operational changes.

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 13).

Sensitivity analysis

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 below, which are illustrative estimates of potential upper and lower outcomes, but which do not measure the probability associated with those outcomes.

Component and key sensitivities	Lower end of range	Upper end of range
Sellafield: Principal sensitivities relate to 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).	£7,162m reduction (50% reduction in the costs of the most uncertain elements of expenditure beyond the first 20 years)	£42,969m increase (300% increase in the costs of the most uncertain elements of expenditure beyond the first 20 years)
Nuclear Restoration Services: Principal sensitivities relate to the required duration and cost of decommissioning, and the consequential impact on the costs of long-¬term management of the sites.	£2,417m reduction (10% variance in costs)	£2,417m increase (10% variance in costs)
Nuclear Waste Services (costs of GDF): Key sensitivities are in the timing and costs of constructing and operating the GDF, dependent on the location and construction requirements of the facility.	£1,437m reduction (50% reduction in the costs of the most uncertain elements of expenditure beyond the first 20 years)	£8,621m increase (300% increase in the costs of the most uncertain elements of expenditure beyond the first 20 years)
Nuclear Waste Services (other services): Key sensitivities are in the timing and costs of completing waste management operations and decommissioning work, at the LLW Repository, Springfields and Capenhurst.	£188m reduction (10% variance in costs)	£94m (5% variance in costs)
Nuclear Transport Solutions): Key sensitivities are in the timing and costs of completing waste management operations and decommissioning work, at the LLW Repository, Springfields and Capenhurst.	£7m reduction (10% variance in costs)	£3m increase (10% variance in costs)
Total	**£11,211m reduction**	**£54,104m increase**

Undiscounted movements – NDA nuclear provision

	Sellafield £m	NRS £m	NWS £m	NTS £m	2025 Total £m
Opening balance	135,508	47,513	15,797	80	198,898
Net movements	15,653	1,059	337	7	17,056
Closing Balance	**151,161**	**48,572**	**16,134**	**87**	**215,954**

Further details are reported in the NDA's annual report and accounts.

19.2 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 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)**
Provisions utilised in the year	(40)	(3,277)	(13)	(114)	**(3,444)**	(45)	(6)	(2)	**(3,497)**
Unwinding of discount	3	-	1	1	**5**	71	1		**76**
Balance at 31 March 2024	**300**	**107**	**164**	**73**	**643**	**1,608**	**52**	**88**	**2,391**
Balance at 1 April 2024	300	107	164	73	643	1,608	52	88	**2,391**
Change in discount rate	(2)		(1)		(3)	(60)	1	(12)	**(74)**
Provided in the year	2			4	6	143	(7)	95	**237**
Provisions not required written back		(61)	(46)		(107)		1		**(106)**
Provisions utilised in the year	(36)	(45)	(10)	(34)	(125)	(54)		(26)	**(205)**
Unwinding of discount	6		3	1	10	72	1		**83**
Balance at 31 March 2025	**270**	**1**	**110**	**44**	**424**	**1,709**	**48**	**145**	**2,326**

Core department

Energy schemes

The provision covered the cost to the core department relating to 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 remained open in the 2024-25 financial year, creating a future obligation for the department and hence the recognition of a provision in the 2023-24 annual report.

The value of the provision was based on the difference between total forecasted scheme spend and expenditure recognised to date, which gave a total liability of £107m at 31 March 2024.

This provision was utilised in 2024-25 against any expenditure incurred in-year, with the remainder being written back as not required, leaving a closing liability of £nil at 31 March 2025.

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 22,849 beneficiaries at 31 March 2025, 20,234 have opted for the cash alternative at an average cost per beneficiary of £1,332 per annum; the average annual cost of solid fuel for the remainder is £2,110 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 2025 is £270m (31 March 2024: £300m); the undiscounted liability as at 31 March 2025, at prices as at the reporting date so excluding the impact of future inflation, is £308m (31 March 2024: £342m).

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 2025 is £110m (31 March 2024: £164m). The undiscounted liability, at prices as at the reporting date so excluding the impact of future inflation, is £130m (31 March 2024: £197m). The estimate is based on forecasts of settlement of claims, taking account of discussion with the department's legal advisors 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

Mining Remediation Authority

The provision for liabilities and charges at 31 March 2025 is £1,709m (2024: £1,611m). Forecasted cash flows, which reflect our latest assumptions, included within this provision before inflation and discounting are forecast at £4,060m (2024: £3,733m), an increase of £327m. This increase is predominantly driven by mine water scheme costs.

As at 31 March 2025, the provision consists of:

- Responsibilities for mine water treatment: £1,238m (2024 £1,198m)
- Public safety and subsidence: £324m (2024 £271m)
- Subsidence pumping stations: £93m (2024 £87m)
- Other property related provisions also exist amounting to £55m (2024 £55m).

NDA

Restructuring provisions have been recognised in 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 2025. 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 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 potential insurance claims and maintenance requirements have also been made.

20. 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. The actuaries rolled forward the results to determine approximate positions as at 31 March 2025.

As at 31 March 2025, the weighted average duration of the combined schemes is 12.5 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 NDA.

Nuclear site licence companies (SLCs)

There are 6 defined benefit final salary pension schemes relating to the 4 SLCs comprising:

a. The NWS Ltd section of the CNPP

b. The NRS section of the Electricity Supply Pension Scheme (ESPS) and CNPP

c. The Group Pension Scheme section of the CNPP and the Sellafield section of the GPS

d. The Dounreay Section of the CNPP

All are closed to new entrants. The actuaries rolled forward the results to determine approximate positions as at 31 March 2025.

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 2025	31 March 2024
	Funded pension schemes	Funded pension schemes
	£m	£m
Present value of defined benefit obligation at 1 April	**4,698**	**4,463**
Interest cost	215	206
Current service cost	95	110
Benefits paid, transfers in and expenses	(214)	(201)
Actuarial (gains)/losses on defined benefit obligation due to demographic assumptions	(6)	(79)
Actuarial (gains)/losses in financial assumption	(632)	(68)
Actuarial (gains)/losses arising from experience adjustments	10	250
Employee contributions	20	17
Present value of defined benefit obligation at 31 March	**4,186**	**4,698**
Fair value of assets at 1 April	**5,361**	**5,383**
Expected return on plan assets	246	249
Employer contributions	116	125
Benefits paid, transfers in and expenses	(214)	(201)
Actuarial gains/(losses)	(357)	(212)
Employee contributions	20	17
Fair value of assets at 31 March	**5,172**	**5,361**
Net (asset)/liability at 31 March	**(986)**	**(663)**

The combined net asset value has increased to £986m as 31 March 2025 (£663m 31 March 2023). This is primarily due to significant movements in actuarial gains and changes in the discount rate applied to all defined benefit obligations between 31 March 2024 and 31 March 2025.

Net (asset)/liability by scheme

	31 March 2025			31 March 2024		
	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
NWS CNPP[a]	31	40	(9)	35	39	(4)
NRS ESPS[b]	1,863	2,083	(220)	2,132	2,306	(174)
NRS CNPP[a]	122	155	(33)	132	151	(19)
Sellafield GPS	412	567	(155)	463	595	(132)
Sellafield CNPP	1,524	2,051	(527)	1,698	1,997	(299)
Dounreay CNPP	133	160	(27)	145	156	(11)
NDA[a]	101	116	(15)	93	117	(24)
Total net (asset)/liability at 31 March	**4,186**	**5,172**	**(986)**	**4,698**	**5,361**	**(663)**

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 2025 £m	31 March 2024 £m
Equities	1,077	1,369
Property	596	676
Government bonds	985	667
Corporate bonds	359	338
Other growth assets	743	804
Other	1,412	1,507
Balance at reporting date	**5,172**	**5,361**

As at 31 March 2025, the NRS schemes had a total asset balance of £2,237m (31 March 2024: £2,455m), of which £38m (31 March 2024: £30m) are government bond assets, £295m (31 March 2024: £349m) are other growth assets which are not quoted in an active market, £355m (31 March 2024: £362m) are property assets and £162m (31 March 2024: £171m) are corporate bonds.

The Sellafield schemes had £2,617m at 31 March 2025 (31 March 2024: £2,592m) 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.

Major actuarial assumptions for SLC schemes

	Dounreay		NWS		NRS (ESPS)		NRS (CNPP)		Sellafield (CNPP)		Sellafield(GPS)	
	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24
Discount rate	5.7%	4.8%	5.7%	4.8%	5.7%	4.7%	5.7%	4.8%	5.7%	4.8%	5.7%	4.8%
Inflation (Retail Price Index)	3.1%	3.1%	3.1%	3.1%	3.2%	3.3%	3.2%	3.1%	3.1%	3.1%	3.2%	3.2%
Life expectancy at 65, currently aged 65 (male)	20.7	20.7	20.7	20.7	21.8	21.8	20.7	20.7	20.7	20.7	20.7	20.7
Life expectancy at 65, currently aged 45 (male)	22.0	22.0	22.0	22.0	22.4	22.4	22.0	22.0	22.0	22.0	22.0	22.0
Life expectancy at 65, currently aged 65 (female)	23.3	23.3	23.3	23.3	23.8	23.7	23.3	23.3	23.3	23.3	23.3	23.3
Life expectancy at 65, currently aged 45 (female)	24.7	24.7	24.7	24.7	24.6	24.5	24.7	24.7	24.7	24.7	24.7	24.7
Life expectancy at 60, currently aged 60 (male)	25.2	25.3	25.2	25.3	26.3	26.3	25.2	25.3	25.2	25.3	25.2	25.3
Life expectancy at 60, currently aged 40 (male)	26.8	26.8	26.8	26.8	27.2	27.2	26.8	26.8	26.8	26.8	26.8	26.8
Life expectancy at 60, currently aged 60 (female)	28.1	28.1	28.1	28.1	28.5	28.5	28.1	28.1	28.1	28.1	28.1	28.1
Life expectancy at 60, currently aged 40 (female)	29.6	29.6	29.6	29.6	29.4	29.3	29.6	29.6	29.6	29.6	29.6	29.6

Major actuarial assumptions for NDA

	Nuclear Decommissioning Authority (Closed)		Nuclear Decommissioning Authority (Nirex)	
	2024–25	2023–24	2024–25	2023–24
Discount rate	5.65%	4.75%	5.65%	4.75%
Inflation (Retail Price Index)	3.15%	3.20%	3.20%	3.20%
Life expectancy at 65, currently aged 65 (male)	20.71	20.75	20.70	20.70
Life expectancy at 65, currently aged 45 (male)	21.99	22.02	22.00	22.00
Life expectancy at 65, currently aged 65 (female)	23.3	23.25	23.30	23.30
Life expectancy at 65, currently aged 45 (female)	24.7	24.67	24.70	24.70
Life expectancy at 60, currently aged 60 (male)	25.21	25.26	25.20	25.30
Life expectancy at 60, currently aged 40 (male)	26.81	26.83	26.80	26.80
Life expectancy at 60, currently aged 60 (female)	28.14	28.09	28.10	28.10

Sensitivity analysis

The table shows the increase in liability that would result from changes in these actuarial assumptions:

	Dounreay £m	NWS £m	NRS £m	Sellafield £m	NDA £m
1 percentage point decrease in annual discount rate	-	-	-	-	-
1 percentage point increase in inflation assumption	-	-	-	-	-
0.5 percentage point decrease in annual discount rate	11	3	125	169	6
0.5 percentage point increase in inflation assumption	11	3	97	169	6
1 year increase in life expectancy	2	1	68	36	1

21. Capital and other commitments

Total minimum payments for capital and other commitments

		31 March 2025		31 March 2024	
		Core department	Departmental group	Core department	Departmental group
	Note	£m	£m	£m	£m
Contracted capital commitments	21.1	7	1,029	3	301
Other financial commitments	21.2	446	8,308	556	655
Total		**453**	**9,337**	**559**	**956**

21.1 Capital commitments

	31 March 2025	31 March 2024
	Departmental group	Departmental group
	£m	£m
Contracted capital commitments not otherwise included in these financial statements:		
Property, plant and equipment	1,017	299
Intangible assets	12	2
Total	**1,029**	**301**

Departmental group

Capital commitments as at 31 March 2025 include purchase commitments of £694.3m, letters of credit issued via BNP Paribas and HSBC of £56.8m and future residential compensation obligation estimated by management to be £24.3m, all in respect of construction activities related to the development of the Sizewell C nuclear plant.

21.2 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 2025	Total 31 March 2024
Organisation	**Note**	**£m**	**£m**	**£m**	**£m**	**£m**
Various suppliers		45	2	-	47	131
Other		54	57	7	118	110
International subscription – IAEA		15	65	88	168	203
International subscription – Other		10	42	61	113	112
Total core department		**124**	**166**	**156**	**446**	**556**
East Suffolk and Suffolk County Councils		-	-	142	142	99
Net Zero Teesside		-	-	7,720	7,720	-
Total departmental group		**124**	**166**	**8,018**	**8,308**	**655**

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 £142m 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/ funding for Suffolk communities throughout the construction phase of the project, to mitigate the impacts of construction.

The departmental group entered into a Dispatchable Power Agreement (DPA) with Net Zero Teesside Power Limited (East Cost Cluster) on 19 November 2024. DPA includes an Availability Payment mechanism, which compensates the generator for maintaining the availability of its facility to generate electricity and capture CO_2, regardless of whether the facility is actively dispatching power. No liability has been recognised in the financial statements as at the reporting date, but the DPA represents a firm commitment by the departmental group to provide the Availability Payment once the generator has performed their obligations. The estimated future exposure is £7.72bn.

22. Financial instruments

The carrying amounts of financial instruments in each of the IFRS 9 categories are shown below.

	Note	31 March 2025		31 March 2024	
		Core department £m	Departmental group £m	Core department £m	Departmental group £m
Financial assets **At amortised cost**					
Cash and cash equivalents	16	705	2,594	1,025	2,737
Receivables (i)	15	459	847	562	835
Loans to public sector bodies (ii) & (iii)	11.3	128	126	188	188
Other financial assets and private sector loans	12	70	70	70	70
Total financial assets at amortised cost		**1,362**	**3,637**	**1,845**	**3,830**
Elected at fair value through other comprehensive income (FVTOCI)					
Ordinary shares in public sector companies (iv)	11.1	857	1,581	97	793
Other financial assets	12	43	43	40	40
Total financial assets elected at FVTOCI		**900**	**1,624**	**137**	**833**
Mandatory at fair value through profit or loss (FVTPL)					
Derivatives – Contracts for Difference (CfD)	10.1		3,022	-	2,900
Derivatives – interest rate swaps	10		85		
Loans to public sector bodies (ii) & (iii)	11.3	-	-	2,837	2,837
Other financial assets and private sector loans (vii)	12	172	172	148	148
Total financial assets mandatory at FVTPL		**172**	**3,279**	**2,985**	**5,885**
Financial liabilities **At amortised cost**					
Payables (ii)	17	(117)	(1,290)	(591)	(1,553)
Total financial liabilities at amortised cost		**(117)**	**(1,290)**	**(591)**	**(1,553)**
Mandatory at fair value through profit or loss (FVTPL)					
Derivatives – Contracts for Difference (CfD)	10		(93,427)	-	(92,051)
Derivatives – Green Hydrogen	10.2		(1,243)	-	
Total financial liabilities mandatory at FVTPL		**-**	**(94,670)**	**-**	**(92,051)**
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 11.3.

(iii) Ordinary shares in public sector companies excludes bodies that are consolidated in the departmental group, as these are held at cost, see note 11.1.

(iv) Specific valuation techniques used to value financial instruments include:

- the fair value of public sector shares is based upon net assets and classified as level 2
- the fair value of the CfD and Green Hydrogen contracts 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
- 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: Disclosure' 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.

Core department	**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.
NDPBs and other designated bodies	**Cash and cash equivalents** The departmental group held cash and cash equivalents of £2,594m as at 31 March 2025 (31 March 2024: £2,737m). 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 the following 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 on credit risk characteristics and the number of past due days. Default is defined as 90 days past due date. 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 were no material expected credit losses during the financial year.

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 and Green Hydrogen liabilities held by LCCC. Changes in interest rates which affect the discount rate would therefore affect the Statement of Financial Position valuation. However, the departmental group is not financially exposed to this risk because the liability is funded through a levy on suppliers.

The interest rate swaps held by NZNSSL are assumed to be highly sensitive to changes in future interest rates, which could result in either asset or liability position on the Statement of Financial Position. Given that the equity of NZNSSL is 100% owned by external parties, this will be offset by corresponding movement in the non-controlling interest balance and the share of profit or loss attributable to the non-controlling interest recorded on the Statement of Comprehensive Net Expenditure

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 including failures of investee companies of investment funds, and loan defaults.

Inflation risk

The amounts payable under the CfD and Hydrogen Production Business Model 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 financing of the departmental future liabilities is met by future grants of supply, annually voted for 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. No payment is due under the The Hydrogen Production Business Model (HPBM) unless and until producers start hydrogen production in line with the terms of the Low Carbon Hydrogen Agreement (LCHA).

Commodity price risk

Commodity price risk is the risk or uncertainty arising from possible price movements. The amounts payable under the CfD and HPBM 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 departmental group is not financially exposed to this risk because the liability is funded through a levy on suppliers.

23. 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 15.

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.

Nuclear Liabilities Fund Shortfall

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 2025 of £27.2bn (31 March 2024: £26.7bn) has a present value of £13.6bn (31 March 2024: £13.5bn). The value of the fund as at 31 March 2025 is £20.5bn (31 March 2024: £20.7bn). It is not possible to quantify the extent to which the government may be obliged to contribute to the fund, nor

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.

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.

Mining Remediation Authority – Legal claims

The Mining Remediation 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 Mining Remediation Authority does not expect that the outcome of the above issues will materially affect its financial position.

Mining Remediation Authority – Restructuring scheme

Where liabilities transferred under the various Coal Authority Restructuring Schemes (CARS) have crystallised due to planning conditions, agreements, claims etc, provision has been made in these financial statements. It has not, however, been possible to quantify contingent liabilities that may arise in the future. It is expected that any costs will be covered by future allocations of grant in aid.

Mining Remediation Authority – Subsidence damage and public safety liabilities

Licensees of mining operations are required to provide security to the Mining Remediation 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 Mining Remediation Authority is responsible for making good subsidence damage. Where an area of responsibility is extinguished, this would transfer to the Mining Remediation Authority who would become responsible for the discharge of outstanding subsidence liabilities. The Mining Remediation 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.

Mining Remediation Authority – Mine water flooding incident, Skewen South Wales, January 2021

The Mining Remediation Authority is aware of potential legal proceedings in respect of damage caused by the flooding event at Skewen. If the Mining Remediation Authority receive formal notification to commence legal proceedings, they will strongly defend their position.

Mining Remediation Authority – Treatment of inland saline water on the UK coalfields

Recent analysis of the Mining Remediation Authority's extensive monitoring of the Great Britain coalfields demonstrates that the chemistry of the mine water is extremely challenging and will require additional treatment to that normally undertaken.

At present, the levels of inland saline water in mine workings do not require extensive intervention, which is allowing time for detailed work to generate and evaluate the most cost effective and sustainable options for future treatment. Potential solutions may require significant additional costs to implement over the next decade and beyond at which point mitigating treatments will likely need to be in place. These could cost several hundreds of millions of pounds.

At the present time it is not possible to provide a sufficiently reliable estimate of the timing and quantum of the obligation

for inclusion within the Mining Remediation Authority provisions balances. Work continues to better understand the nature and scale of the issue across the mine water blocks identified to be at risk and better understand when treatment will become necessary. This work will inform an outline business case which is currently expected by 2027.

CNPA – Legal claims

There are a number of potential liabilities in respect of claims from employees. The timing and amount 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.

CNPA – Site Closures

CNPA monitors future service delivery as part of their Medium-Term Financial Planning programme. This includes reviewing any significant changes and the impact of those changes as at specific stage of the decommissioning cycle for each site, the CNPA will no longer be required to provide policing services for that site. The CNPA works with the nuclear industry partners on plans for individual site cessations. They do not commence cessation activities until they receive the formal 18 month notice from the nuclear industry partner. This is the point that they would consider any potential liabilities within the accounts.

Policing at each site can only be removed once the regulator, the Office for Nuclear Regulations (ONR) approves the status and approves changes to the site security plan.

CNPA is currently in a period of service change as the existing nuclear power stations cease to generate and are decommissioned over the coming years, however currently it is not possible to identify all potential costs. For this financial year this impacted one site which is:

Hunterston (Southwest Scotland)

For the first of the sites being decommissioned (Hunterston), it has been confirmed by ONR that CNPA policing service will no longer be required from August 2025.

The uncertainty around the redeployment of the existing workforce to other CNC sites is ongoing and there is still significant uncertainty around how many officers will remain with the CNC and the Public Interest Transfer costs that maybe incurred over the two-year period following policing ceasing onsite, the cost to be incurred would be calculated on an individual's circumstances for this two-year period.

In relation to the remaining sites currently being decommissioned, no specific decisions have been taken by the Site Operator or ONR in terms of likely cessation date and therefore 18-month notice has not been issues, therefore this does not give rise to quantifiable obligations.

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 2025, 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.

NDA – Health Claims

In previous reporting periods the Authority maintained a provision for the settlement of health claims payable to former employees in the civil nuclear industry. Claims have reduced to a non-material level in recent years and the future level of remaining claims is expected to be non-material and not able to be accurately forecast. The Authority has therefore discontinued accounting for the provision but recognises the resulting contingent liability.

Sellafield – Guarantees and other transactions

At 31 March 2025, the Company had contingent liabilities incurred in the ordinary course of business arising out of guarantees and other transactions in respect of which, in the opinion of the Directors, no material losses are expected to arise. Any liabilities that did arise on such matters would ultimately be recovered from the NDA.

UKAEA – Eurofusion audit 2014-2022

UKAEA has been audited on behalf of Eurofusion for the years 2014-2022 inclusive. The audit concluded in February 2025. The results of the audit are unknown but there is a potential obligation for funding to be repaid.

LCCC – RSA with NZNSSL

As of the reporting date, LCCC has entered into a Revenue Support Agreement (RSA) with Net Zero North Sea Storage Limited (T&SCo) to support the Carbon Capture, Usage & Storage (CCUS) project under the Energy Act 2023. The RSA provides financial support in the event of revenue shortfalls during the Event of First User Delay and the Operational Period.

No liability is currently recognised, as the Commercial Operations Date (COD) for T&SCo is scheduled for 19 February 2029, and no triggering event has occurred. However, in the event of a delay beyond the Scheduled COD, the departmental group may be required to make payments under the RSA, including First User Delay Payments, Interim Difference Payments, and Reconciliation Payments.

At this stage, the amount of any potential payment cannot be reliably estimated. Therefore, in accordance with IAS 37, a contingent liability is disclosed.

- Nature of obligation: potential payments under the RSA in the event of operational delays or revenue shortfalls
- Triggering event: delay in plants using transport network achieving COD or revenue underperformance
- Estimated financial impact: not currently measurable
- Timing: subject to future events; reviewed annually until COD is achieved
- Funding: payments are expected to be reimbursed by the department under the RSA Memoranda of Understanding (MOU)

Both LCCC and NZNSSL are entities consolidated into DESNZ departmental group, and any payments made under RSA will be eliminated on consolidation. The resulting financial impact on the DESNZ departmental group position will be the unavoidable operational and finance cost of NZNSSL operations during the period when CCUS T&S network user projects are delayed commissioning and connecting their capture facilities to the network.

Departmental group – quantifiable contingent liabilities

The departmental group has the following quantifiable contingent liabilities of more than £1m in either this financial year or prior financial year. Other liabilities are disclosed in our arm's length bodies' accounts.

NDA – AGR Transfer (£22,614m)

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 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 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 £22,614m (undiscounted) in its most recently published financial statements.

Sizewell C – IR35

Sizewell C identified a potential underpayment of employment taxes in relation to certain subcontractors. Subject to further review of documentation and engagement with HMRC they may be liable to repay some of these taxes and interest and/or penalties. The company is currently evaluating the possible liability and judge that it may be in the range of £8m – £15m, and they expect to recover a substantial portion from subcontractors.

24. 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 (£1.9bn)

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 £1.9bn surplus as at 31 March 2025, the core department considers a receipt from the scheme to be possible.

Departmental group – unquantifiable contingent assets

Mining Remediation Authority (formerly 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.

25. 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, Nuclear Decommissioning Authority, Office of Gas and Electricity Market, Bank of England and United Kingdom Atomic Energy Authority.

Ministers, board members, key managers of the departmental group or other related parties 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.

As a matter of course, senior departmental managers are on the boards of ALBs.

As declared in the ministerial register of interests, the brother of the Secretary of State (Ed Miliband) is a Non-Executive Director of Verian Group UK Ltd. The department incurred £1.7m worth of transactions with Verian, mainly in the form of R&D and professional services, in this financial year. Contracts were awarded under both the previous government and this government. The Secretary of State was not involved in the decision to award any of these contracts and will continue to recuse himself from any future decisions pertaining to Verian Group UK Ltd.

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 £2,025m in the year.

The Chief Financial Officer of the core department, David Thomas, is a director of UK Shared Business Services Ltd which is an arm's length body of Department for Science Innovation and Technology. The core department transacted £15m via Integrated Corporate Services (ICS) which provides a range of corporate and support functions.

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 2024 – known as the Designation Order, and amendments from the Government Resources and Accounts Act 2000 (Estimate and Accounts) (Amendment) Order 2024 – known as the Amendment Order.

Section (a) includes bodies consolidated within the departmental group accounts. Section (b) includes bodies within the departmental group but not consolidated – such as where net assets are not considered material to the departmental group accounts.

As a result of changes made in the 2024–25 Designation Order and Amendment Order some additional bodies are now included in the departmental group accounts boundary.

(a) Bodies consolidated in departmental group accounts for 2024–25

Designated body	Status	Notes
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	
Mining Remediation Authority (formerly 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 Energy Group Limited	Other public body	
Great British Nuclear Limited (known as Great British Energy – Nuclear from June 2025)	Other public body	
Low Carbon Contracts Company Ltd	Other public body	
Nuclear Decommissioning Authority[1]	NDPB	
Nuclear Restoration Services Limited (formerly Magnox)		Consolidated by Nuclear Decommissioning Authority
Sellafield Limited		
Nuclear Waste Services Limited (formerly LLW Repository Limited)		
Dounreay Site Restoration Limited		Consolidated by Nuclear Restoration Services Limited
Radioactive Waste Management Limited		Consolidated by Nuclear Waste Services Limited
Net Zero North Sea Storage Limited[2]	Other public body	
North Sea Transition Authority (formerly Oil and Gas Authority)	Expert committee	Costs are included in the core department's expenditure.
Salix Finance Ltd	NDPB	
UK Green Infrastructure Platform Limited	Other public body	Dissolved on 15 August 2024
Sizewell C Limited	Other public body	
Sizewell C (Holding) Limited	Other public body	
United Kingdom Atomic Energy Authority[1]	NDPB	gov.uk/government/organisations/uk-atomic-energy-authority (corporate)
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
National Energy System Operator Limited (NESO)	NDPB	
NDA Archives Limited	Other public body	Subsidiary of 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 2024-25 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
2. NZNSSL isn't on the GRAA designation order, but HM Treasury issued a direction to consolidate it

27. Events after the reporting period

Non-adjusting events

Non-adjusting events are indicative of a condition that arose after the end of the reporting period and do not result in adjustment to the financial statements. They should be disclosed if of such importance that non-disclosure would affect the ability of the users to make proper evaluations and decisions.

Prax Lindsey

On 29 June 2025, Prax Lindsey Oil Refinery (PLOR) formally filed for insolvency and on 30 June the Official Receiver (OR) was appointed as Liquidator of PLOR, Prax Storage Lindsey Limited and Prax Terminals Killingholme Limited. DESNZ has provided legal indemnity to the OR to protect them against financial loss or legal claims incurred in the course of carrying out their statutory functions. The Government is also providing financial support for the OR's essential operating costs. Total estimated costs are not yet fully known.

Award of carbon dioxide transport and storage licence: Liverpool Bay CCS Limited

On 22 April 2025, The Secretary of State for Energy Security and Net Zero awarded the carbon dioxide transport and storage licence to Liverpool Bay CCS Limited (the Company), pursuant to section 7(1) (as modified by section 16 and schedule 1) of the Energy Act 2023. The Licence provides the framework for the Company to receive an "Allowed Revenue" that the Company will be able to recover through use of system charges paid by Users of the Transport and Storage Network. The Licence award is paired with additional government support provided in the form of a Government Support Package and Revenue Support Agreement. The agreed model has been subject to a decision by ONS to provisionally classify Liverpool Bay CCS Limited to the Central Government sub-sector. As a result of this, the costs incurred (and capitalised) by the Company will be consolidated onto the DESNZ group balance sheet from the date of Licence award, even though the department and the public sector has no ownership or direct control over the company. The estimated cost of supply chain contracts for their Liverpool Bay Carbon Capture and Storage Project is £2bn.

LCCC HAR1 contracts signed

In January 2024, LCCC was confirmed as the future counterparty for the 11 Green Hydrogen contracts awarded in Hydrogen Allocation Round 1 (HAR1). As of 31 March 2025, five out of the eleven contracts awarded under HAR1 had been formally signed by LCCC and counterparties. After the balance sheet date, a further five contracts were signed during the post balance sheet period, valued at £932m.

HPC strike price adjustment

In June 2025, the government confirmed a £14.2bn investment to support the construction of the new Sizewell C nuclear power station, significantly increasing the likelihood of the project going ahead. The Final Investment Decision (FID) was subsequently taken on 22 July 2025. As outlined in Note 10.1, the commencement of Sizewell C has a direct impact on the strike price for the Hinkley Point C (HPC) Contract for Difference (CfD). During the current financial year, 85% of the total HPC strike price adjustment has been recognised. Sensitivity analysis indicates that moving to full (100%) recognition would have a positive impact on the valuation, reducing the related liability by £547m.

Hornsea 4

On 7 May 2025, Ørsted publicly indicated that it intends to discontinue the Hornsea 4 project in the UK in its current form under the CfD awarded in AR6. The year-end value of Hornsea 4 was £3.89bn and the FV movement as at 31 March 2025 is an asset of £36m. If a termination occurs, it will be recognised in financial year 2025-26.

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 2024-25, 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 greenhouse gas (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 ran 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 IV began on 6 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 241-245. 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. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the department's Trust statement and of its Income and Expenditure, Statement of Financial Position and Cash Flows for the financial year.

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 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 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 and CCA Schemes. These streams of income are recognised on an accruals 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

5th September 2025

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 2025 under the Exchequer and Audit Departments Act 1921.

The financial statements comprise: the Trust statement's

- Statement of Financial Position as at 31 March 2025;
- 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 2025 and its net revenue and operating costs 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 2024*. I am independent of the Department for Energy Security and Net Zero 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 foreword by the accounting officer, the statement of accounting officer's responsibilities for the Trust statement and the governance statement for the Department for Energy Security and Net Zero, 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, based on the work undertaken in the course of the audit:

- the information given in the Foreword by the accounting officer, the statement of accounting officer's responsibilities for the Trust statement and the governance statement for the Department for Energy Security and Net Zero 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 foreword by the accounting officer, the statement of accounting officer's responsibilities for the Trust statement and the governance statement for the Department for Energy Security and Net Zero.

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 with regards to 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 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 responsibility for the Trust statement, 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 for Energy Security and Net Zero 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 foreword by the accounting officer, the statement of accounting officer's responsibilities for the Trust statement and the governance statement for the Department for Energy Security and Net Zero 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 accounted for within these financial statements 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, the Department for Energy Security and Net Zero's head of internal audit 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, the Department for Energy Security and Net Zero'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 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 and bias in management estimates. 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 executive committees; and internal audit reports; and
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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 11th September 2025

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 year ended 31 March 2025

	Note	2024-25 £'000	2023-24 £'000
Revenue			
License fees and taxes			
EU ETS auction income	2.1	48,531	68,240
UK ETS auction income	2.1	2,521,910	3,407,068
CCA buy-out payments income	2.1	233	45,314
Total licence fees and taxes		**2,570,674**	**3,520,622**
Fines and penalties			
Civil penalties – UK and EU ETS		13,351	31,172
Civil penalties – ESOS		-	667
Civil penalties – CRC		2	2
Civil penalties – CCA		-	2
Total fines and penalties	2.2	**13,353**	**31,843**
Total revenue and other income		**2,584,027**	**3,552,465**
Expenditure			
Foreign exchange and interest – EU ETS	3.1	(472)	(11)
Credit losses – de-recognition of penalties	3.2	3,348	-
Total expenditure		**2,876**	**(11)**
Net revenue for the Consolidated Fund		**2,581,151**	**3,552,476**

The notes on pages 249-255 form part of this statement.

Statement of Financial Position

as at 31 March 2025

	Note	31 March 2025 £'000	31 March 2024 £'000
Current assets			
Receivables and accrued fees	4	7,432	12,642
Cash and cash equivalents	5	36,230	40,780
Total current assets		**43,662**	**53,422**
Current liabilities			
Payables	6	2,838	2,836
Total current liabilities		**2,838**	**2,836**
Net current assets		**40,824**	**50,586**
Total net assets			
Represented by:			
Balance on Consolidated Fund Accounts		**40,824**	**50,586**

The notes on pages 249-255 form part of this statement.

Jeremy Pocklington

Permanent Secretary and Principal Accounting Officer

5th September 2025

Statement of Cash Flows

for the year ended 31 March 2025

	Note	2024–25	2023–24
		£'000	£'000
Net cash flows from operating activities	A	**2,586,363**	**3,553,159**
Cash paid to the Consolidated Fund	7	(2,590,913)	(3,550,318)
Increase/(decrease) in cash in this period	B	**(4,550)**	**2,841**

Notes to the Statement of Cash Flows

	Note	2024–25	2023–24
		£'000	£'000
A: Reconciliation of Net Cash Flow to Movement in Net Funds			
Net Revenue for the Consolidated Fund	7	2,581,151	3,552,476
(Increase)/decrease in receivables and accrued fees	4	5,210	(1,519)
Increase/(decrease) in payables	6	2	2,202
Net cash flows from operating activities		**2,586,363**	**3,553,159**
B: Analysis in changes in Net Funds			
Increase/(decrease) in cash in this period		(4,550)	2,841
Net Funds as at 1 April (net cash at bank)	5	40,779	37,939
Net Funds as at 31 March (closing balance)	5	**36,229**	**40,780**

Notes to the Trust statement

1. Accounting policies

1.1 Basis of accounting

The Trust statement is prepared on a going concern basis in accordance with the accounts direction issued by HM Treasury under section 2 of the Exchequer and Audit Departments Act 1921, and 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, and where it is acting as agent rather than as principal.

The financial information in the Trust statement is rounded to the nearest £'000.

The Trust statement is presented in pounds sterling, which is the functional currency of the department.

1.2 Accounting convention

The Trust statement has been prepared in accordance with the historical cost convention.

1.3 Revenue recognition

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. Therefore, IFRS 15 is not applicable to the revenue streams of the DESNZ Trust statement.

Income from the 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
- 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 comprise of 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

	2024–25	2023–24
	£'000	£'000
EU ETS		
EU ETS – auctions income	48,531	68,240
UK ETS		
UK ETS – auctions income	2,521,910	3,407,068
CCA		
CCA buy-out payment income receivable	233	45,315
Total	**2,570,674**	**3,520,623**

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 2024-25, the income from buy-out payments generated £0.2m (2023–24: £45.3m). 2023-24 was the primary reporting year for target period 5. Target period reporting takes place every other year, and during these years income represents payments received for buy-out fee notices issued. Income in the interim periods usually represents payments for buy-out fee notices issued following subsequent corrections to target period reports.

2.2 Revenue from civil penalties

	2024–25			2023–24	
	Number of penalties	Revenue before adjustments and refunds[1] £'000	Revenue £'000	Number of penalties	Revenue £'000
Levied under UK and EU ETS	141	18,717	13,351	383	31,172
Levied under CRC	1	2	2	1	2
Levied under CCA	-	-	-	1	2
Levied under ESOS	-	-	-	1	667
Total	**142**	**18,719**	**13,353**	**386**	**31,843**

1. Revenue before adjustments and refunds in relation to prior years

3. Expenditure and disbursements

3.1 Costs incurred in the collection of receipts

	2024–25 £'000	2023–24 £'000
Foreign currency translation (gains)/losses – EU ETS	(472)	(11)
Total	**(472)**	**(11)**

3.2 Credit losses

	2024–25 £'000	2023–24 £'000
Credit losses – de-recognition of penalties	3,348	-
Impairment of doubtful debts during the year	-	-
Total	**3,348**	**-**

Credit losses of £3.3m have been recognised in year. This amount reflects penalties owing from companies that have become insolvent, or are in liquidation, and where there is no expectation that funds can be recovered.

Scheme Administration

Expenditure incurred to administer the schemes is 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.

	2024–25 £	2023–24 £
EU ETS	290,000	290,000
UK ETS	2,230,000	2,113,000
CCA	515,000	460,000
ESOS	1,233,000	1,273,000

Costs for CCA and ESOS were not disclosed in last year's Trust statement.

As the CRC scheme is now closed, there will be no further administrative costs incurred.

4. Receivables and accrued fees

	2024–25 £'000	2023–24 £'000
Civil Penalties receivable	7,432	12,642
Total	**7,432**	**12,642**

5. Cash and cash equivalents

	2024–25 £'000	2023–24 £'000
Balance as at 1 April	40,780	37,939
Net change in cash and cash equivalent balances	(4,550)	2,841
Balance at 31 March 2025	**36,230**	**40,780**
The following balances at 31 March 2025 were held at		
Government Banking Service	36,230	40,780
Total	**36,230**	**40,780**

6. Payables

	2024–25 £'000	2023–24 £'000
Other	2,838	2,836
Total	**2,838**	**2,836**

This balance represents payments received into the Trust statement bank accounts which do not relate to Trust statement income. These amounts are therefore recognised as payables with the expectation that they will be refunded once the correct account has been identified.

7. Balance on the Consolidated Fund accounts

	2024–25 £'000	2023–24 £'000
Balance on the Consolidated Fund as at 1 April	50,586	48,428
Net revenue for the Consolidated Fund	2,581,151	3,552,476
Less amounts paid to the Consolidated Fund	(2,590,913)	(3,550,318)
Balance on the Consolidated Fund as at 31 March 2025	**40,824**	**50,586**

8. Financial instruments

8.1 Classification and categorisation of financial instruments

	2024–25 £'000	2023–24 £'000
Financial assets		
Cash	36,230	40,780
Civil penalties receivable	7,432	12,642
Total financial assets	**43,662**	**53,422**
Financial liabilities		
Other Payables	(2,838)	(2,836)
Total financial liabilities	**(2,838)**	**(2,836)**

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 £471,560 incurred as at 31 March 2025 (31 March 2024: gain of £11,266).

EU ETS is not exposed to interest rate or liquidity risk. It is not currently exposed to market risk, due to there being a current demand for carbon allowances. However, this could change if demand reduces.

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 is not currently exposed to market risk, due to there being a current demand for carbon allowances. However, this could change if demand reduces.

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 22 of the department's accounts.

9. Contingent liability

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 (unaudited)

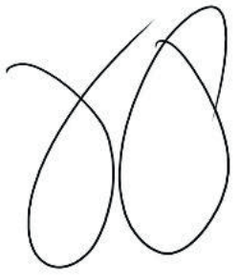
Annex D

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 2025 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") 2024-25.
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.



Kevin Pertaub

Deputy Director, Government Financial Reporting

HM Treasury

19 December 2024

Appendix 1 to annex D

Trust statement for the year ended 31 March 2025

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

(unaudited)

Annex A: Common core tables

Table 1 – Total departmental spending, 2020-21 to 2025-26

This table provides a summary of departmental net expenditure using the same headings as voted within the Estimate

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans
	£'000	£'000	£'000	£'000	£'000	£'000
Resource DEL						
Delivering affordable energy for households and businesses	83,933	90,113	12,623,280	138,697	190,614	207,910
Ensuring that our energy system is reliable and secure	5,789	903,253	(589,628)	(190,125)	92,378	40,293
Taking action on climate change and decarbonisation	143,965	215,060	95,142	141,619	174,070	243,043
Managing our energy legacy safely and responsibly	216,909	195,797	196,708	174,616	158,329	159,063
Science and Research	3,131	2,984	2,954	3,029	3,036	3,000
Deliver an ambitious industrial strategy	-	6,525	-	(361)	-	-
Capability	257,620	275,984	320,487	382,731	385,925	442,595
Ensuring that our energy system is reliable and secure (ALB) net	(2,297)	(3,039)	332	9,880	5,816	30,135
Taking action on climate change and decarbonisation (ALB) net	11,217	15,734	20,851	37,164	41,295	85,041
Managing our energy legacy safely and responsibly (ALB) net	32,055	39,668	42,063	57,303	60,410	62,571
Science and Research (ALB) net	3,404	7,727	9,449	10,604	13,299	16,288
Government as Shareholder (ALB) net	(6,908)	(404)	76	41	8	50
NDA and SLC expenditure (ALB) net	1,245,231	1,427,905	1,539,517	1,582,949	1,484,362	1,561,700
Nuclear Decommissioning Authority Income (CFER)	(599,466)	(693,854)	(1,033,318)	(971,813)	(1,146,825)	(859,000)
Total Resource DEL	**1,394,583**	**2,483,453**	**13,227,913**	**1,376,334**	**1,462,717**	**1,992,689**
Of which:						
Current grants to persons and non-profit (net)	74,472	84,324	12,488,008	(7,116)	68,357	7,002
Depreciation [1]	21,853	36,515	46,528	78,472	37,962	57,178
Income from sales of goods and services	(611,898)	(710,000)	(1,049,659)	(982,845)	(1,162,933)	(885,834)
Other resource	(1,282,093)	(979,860)	(921,014)	(1,125,033)	(1,366,233)	(205,580)
Purchase of goods and services	2,667,744	2,609,252	2,675,850	3,109,594	3,240,068	2,391,179
Rentals	24,137	(1,389)	(1,528)	(3,640)	(1,407)	15,976

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
	Outturn £'000	Outturn £'000	Outturn £'000	Outturn £'000	Outturn £'000	Plans £'000
Staff costs	400,510	437,428	496,809	447,325	541,945	427,116
Subsidies to private sector companies	-	-	60,978	662	1,544	9,775
Subsidies to public corporations	-	895,000	(628,943)	(266,057)	-	-
Take up of provisions	9,067	(1,817)	1,186	7,936	20	-
Change in pension scheme liabilities	71	(3)	1	60	5	-
Current grants abroad (net)	72,551	95,439	34,495	45,613	68,494	142,462
Current grants to local government (net)	18,180	18,564	25,202	71,363	34,905	33,415
Resource AME						
Delivering affordable energy for households and businesses	(4,108)	338,849	31,137,612	831,888	(74,413)	-
Ensuring that our energy system is reliable and secure	-	-	(256,446)	(437,044)	(45,422)	1,722,000
Taking action on climate change and decarbonisation	(550)	(462)	(3,480)	18,024	11,009	11,215,200
Managing our energy legacy safely and responsibly	(208,322)	(78,851)	(52,207)	(128,023)	(149,893)	(92,706)
Science and Research	14,715	43,988	(69,240)	(16,192)	18,929	46,640
Capability	(44,441)	3,368	(9,526)	3,192	(4,450)	-
Government as Shareholder	-	21	(37)	-	-	-
Renewable Heat Incentive	848,139	919,555	1,001,880	1,218,131	1,213,370	1,257,000
Deliver an ambitious industrial strategy	-	2,814	(14,051)	(478)	-	-
Ensuring that our energy system is reliable and secure (ALB) net	-	-	-	-	8,571	3,043
Taking action on climate change and decarbonisation (ALB) net	468,485	10,015,257	(13,507,265)	4,009,238	2,413,619	52,000,000
Managing our energy legacy safely and responsibly (ALB) net	231,227	3,112,786	(3,385,547)	(587,756)	118,672	1,535,109
Science and Research (ALB) net	(11,361)	174	(4,360)	504	(1,815)	2,415
Government as Shareholder (ALB) net	(157,341)	(84,810)	(87,548)	(86,285)	(83,577)	(80,000)
Nuclear Decommissioning Authority (ALB) net	1,027,590	100,605,107	(110,365,377)	(18,371,822)	5,573,594	3,633,000
Total Resource AME	**2,164,033**	**114,877,796**	**(95,615,592)**	**(13,546,623)**	**8,998,194**	**71,241,701**
Of which:						
Current grants to persons and non-profit (net)	156,787	148,768	20,378,499	978,928	140,435	14,706
Depreciation [1]	2,815,109	10,437,384	(13,282,806)	6,040,892	4,780,997	65,105,200
Other resource	(2,395,362)	82,711	680,638	(2,126,648)	(2,117,457)	(77,457)

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans
	£'000	£'000	£'000	£'000	£'000	£'000
Purchase of goods and services	118,942	2,754	6,963	3,284,645	4,560	-
Release of provision	(3,073,934)	(3,304,065)	(3,281,469)	(7,215,332)	(4,019,026)	(202,184)
Staff costs	-	-	4	-	-	-
Subsidies to private sector companies	700,231	777,246	8,361,800	1,102,982	1,110,899	1,257,500
Subsidies to public corporations	-	345,889	(345,889)	-	-	-
Take up of provisions	3,842,260	106,387,109	(108,133,332)	(15,612,090)	9,097,786	5,143,856
Unwinding of discount rate on pension scheme liabilities	-	-	-	-	-	80
Total Resource Budget	**3,558,616**	**117,361,249**	**(82,387,679)**	**(12,170,289)**	**10,460,911**	**73,234,390**
Of which:						
Current grants to persons and non-profit (net)	231,259	233,092	32,866,507	971,812	208,792	21,708
Depreciation [1]	2,836,962	10,473,899	(13,236,278)	6,119,364	4,818,959	65,162,378
Income from sales of goods and services	(611,898)	(710,000)	(1,049,659)	(982,845)	(1,162,933)	(885,834)
Other resource	(3,677,455)	(897,149)	(240,376)	(3,251,681)	(3,483,690)	(283,037)
Purchase of goods and services	2,786,686	2,612,006	2,682,813	6,394,239	3,244,628	2,391,179
Release of provision	(3,073,934)	(3,304,065)	(3,281,469)	(7,215,332)	(4,019,026)	(202,184)
Rentals	24,137	(1,389)	(1,528)	(3,640)	(1,407)	15,976
Staff costs	400,510	437,428	496,813	447,325	541,945	427,116
Subsidies to private sector companies	700,231	777,246	8,422,778	1,103,644	1,112,443	1,267,275
Subsidies to public corporations	-	1,240,889	(974,832)	(266,057)	-	-
Take up of provisions	3,851,327	106,385,292	(108,132,146)	(15,604,154)	9,097,806	5,143,856
Unwinding of discount rate on pension scheme liabilities	-	-	-	-	-	80
Change in pension scheme liabilities [2]	71	(3)	1	60	5	-
Current grants abroad (net)	72,551	95,439	34,495	45,613	68,494	142,462
Current grants to local government (net)	18,180	18,564	25,202	71,363	34,905	33,415
Capital DEL						
Delivering affordable energy for households and businesses	1,184,722	1,256,202	365,271	706,012	1,259,371	1,390,364
Ensuring that our energy system is reliable and secure	277	1,005,678	2,076,559	(325,713)	(2,025,259)	43,501
Taking action on climate change and decarbonisation	732,132	581,542	421,343	613,699	706,288	4,045,903
Managing our energy legacy safely and responsibly	5,074,050	5,620,909	9,131	7,474	17,130	2,415

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
	Outturn £'000	Outturn £'000	Outturn £'000	Outturn £'000	Outturn £'000	Plans £'000
Science and Research	-	230	-	28,576	70,464	-
Capability	28,716	21,363	3,635	133,676	26,012	(6,615)
Ensuring that our energy system is reliable and secure (ALB) net	-	-	840,898	1,274,171	1,688,707	2,702,000
Taking action on climate change and decarbonisation (ALB) net	284	2,500	1,628	3,602	446,064	160,397
Managing our energy legacy safely and responsibly (ALB) net	17,915	25,769	24,311	16,904	31,711	37,884
Science and Research (ALB) net	166,958	233,724	264,318	277,053	382,791	410,000
Government as Shareholder (ALB) net	(10,232)	(59,398)	-	-	-	-
NDA and SLC expenditure (ALB) net	1,799,723	2,023,096	2,192,595	2,392,120	2,637,432	2,604,000
Nuclear Decommissioning Authority Income (CFER)	-	-	-	(129)	(74)	-
Total Capital DEL	**8,994,545**	**10,711,615**	**6,199,689**	**5,127,445**	**5,240,637**	**11,389,849**
Of which:						
Current grants to persons and non-profit (net)	28	2,902	47,703	139,950	153,734	14,000
Income from sales of assets	(8,063)	(159)	(7,444)	(173)	(1,259)	-
Income from sales of goods and services	(42,977)	(42,787)	(54,752)	(72,110)	(52,647)	-
Net lending to the private sector and abroad	89,184	277,550	9,538	(81,581)	32,879	25,000
Other capital	5,066,195	5,566,017	885	25,430	40,600	-
Purchase of assets	1,873,067	2,109,071	2,906,675	3,677,204	4,728,509	8,220,455
Purchase of goods and services	212,938	251,192	480,382	527,211	580,001	677,500
Staff costs	78,241	109,814	126,771	164,200	194,642	-
Take up of provisions	-	125	-	-	693	-
Capital grants abroad (net)	423,780	198,924	209,404	280,060	313,924	404,500
Capital grants to persons and non-profit (net)	16,496	4,063	(70)	71,546	-	-
Capital grants to private sector companies (net)	142,945	254,520	150,403	179,842	421,046	682,034
Capital support for local government (net)	1,142,709	641,001	(153,663)	57,743	588,898	1,329,360
Capital support for public corporations	-	1,339,382	2,483,857	158,094	(1,760,392)	-
Current grants abroad (net)	2	-	-	29	9	37,000
Capital AME						
Managing our energy legacy safely and responsibly	29,382	23,091	-	14,099	-	-

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
	Outturn £'000	Outturn £'000	Outturn £'000	Outturn £'000	Outturn £'000	Plans £'000
Ensuring that our energy system is reliable and secure (ALB) net	-	-	-	76,500	51,967	(1,500)
Taking action on climate change and decarbonisation (ALB) net	-	54	74	(74)	-	-
Managing our energy legacy safely and responsibly (ALB) net	-	-	558	(225)	-	239
Science and Research (ALB) net	(3,941)	(2,342)	(1,986)	(7,811)	(3,674)	-
Managing our energy legacy safely and responsibly (CFER)	(142,400)	(142,400)	(142,400)	(142,400)	-	-
Total Capital AME	**(116,959)**	**(121,597)**	**(143,754)**	**(59,911)**	**48,293**	**(1,261)**
Of which:						
Net lending to the private sector and abroad	(142,400)	(142,400)	(142,400)	(142,400)	-	-
Other capital	29,382	23,091	-	14,099	-	-
Purchase of assets	-	-	-	76,500	51,967	-
Purchase of goods and services	(3,941)	(2,342)	(1,986)	(7,811)	(3,674)	-
Release of provision	-	-	-	-	-	(1,500)
Take up of provisions	-	54	632	(299)	-	239
Total Capital Budget	**8,877,586**	**10,590,018**	**6,055,935**	**5,067,534**	**5,288,930**	**11,388,588**
Of which:						
Current grants to persons and non-profit (net)	28	2,902	47,703	139,950	153,734	14,000
Income from sales of assets	(8,063)	(159)	(7,444)	(173)	(1,259)	-
Income from sales of goods and services	(42,977)	(42,787)	(54,752)	(72,110)	(52,647)	-
Net lending to the private sector and abroad	(53,216)	135,150	(132,862)	(223,981)	32,879	25,000
Other capital	5,095,577	5,589,108	885	39,529	40,600	-
Purchase of assets	1,873,067	2,109,071	2,906,675	3,753,704	4,780,476	8,220,455
Purchase of goods and services	208,997	248,850	478,396	519,400	576,327	677,500
Release of provision	-	-	-	-	-	(1,500)
Staff costs	78,241	109,814	126,771	164,200	194,642	-
Take up of provisions	-	179	632	(299)	693	239
Capital grants abroad (net)	423,780	198,924	209,404	280,060	313,924	404,500
Capital grants to persons and non-profit (net)	16,496	4,063	(70)	71,546	-	-
Capital grants to private sector companies (net)	142,945	254,520	150,403	179,842	421,046	682,034
Capital support for local government (net)	1,142,709	641,001	(153,663)	57,743	588,898	1,329,360

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans
	£'000	£'000	£'000	£'000	£'000	£'000
Capital support for public corporations	-	1,339,382	2,483,857	158,094	(1,760,392)	-
Current grants abroad (net)	2	-	-	29	9	37,000
Total departmental spending [3]	**12,436,202**	**127,951,267**	**(76,331,744)**	**(7,102,755)**	**15,749,841**	**84,622,978**
Total DEL	**10,389,128**	**13,195,068**	**19,427,602**	**6,503,779**	**6,703,354**	**13,382,538**
Total AME	**2,047,074**	**114,756,199**	**(95,759,346)**	**(13,606,534)**	**9,046,487**	**71,240,440**

Referenced notes

1. Includes impairments
2. Pension schemes report under IFRS 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 notes

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).

For more details of the payments made by Ofgem, as the administrator of the GB Renewable Heat Incentive scheme, please see the fraud and error disclosure on page 57 of the performance report.

Table 2 – Administration budget, 2020-21 to 2025-26

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans
	£'000	£'000	£'000	£'000	£'000	£'000
Resource DEL						
Capability	250,004	251,851	302,717	349,364	358,046	404,316
Taking action on climate change and decarbonisation (ALB) net	4,465	4,099	6,047	6,692	7,511	8,309
Managing our energy legacy safely and responsibly (ALB) net	5,112	4,485	5,671	8,857	2,585	4,948
Government as Shareholder (ALB) net	33	36	35	38	8	50
NDA and SLC expenditure (ALB) net	54,925	35,456	30,497	32,016	31,500	31,700
Total administration budget	**314,539**	**295,927**	**344,967**	**396,967**	**399,650**	**449,323**
Of which:						
Current grants to persons and non-profit (net)	814	394	751	785	215	283
Depreciation	14,339	18,804	25,842	53,789	10,893	27,467
Income from sales of goods and services	(2,151)	(1,979)	(2,545)	(1,679)	(924)	(10)
Net public service pensions	(11)	-	-	-	-	-
Other resource	(136,979)	(140,117)	(152,230)	(76,110)	(85,824)	(162,731)
Purchase of goods and services	103,246	104,266	133,885	128,489	139,311	240,148
Rentals	20,846	239	-14	-202	378	15,000
Staff costs	314,059	314,074	338,940	291,580	335,004	329,111
Subsidies to private sector companies	-	-	-	94	329	-
Change in pension scheme liabilities	56	2	-	-	-	-
Current grants abroad (net)	320	244	338	221	23	55
Current grants to local government (net)	-	-	-	-	245	-

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 19.

Financial Information by ALB

	2024-25						
				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	(71)	9,057	8,903	4,399	355	97	22
UK Atomic Energy Authority	(351)	358	(20)	1,739	144	473	33
Enrichment Holdings Limited	-	-	(50)	-	-	-	-
North Sea Transition Authority	(45)	45	-	240	25	1	-
NDA	(1,207)	6,217	7,514	366	52	59	8
Mining Remediation Authority	(21)	123	174	374	27	38	1
Civil Nuclear Police Authority	(151)	151	-	1,070	110	19	1
Radioactive Waste Management							
Electricity Settlements Company	(1,252)	1,252	-	-	-	-	-
Sellafield Limited		-	-	-	-	-	-
Dounreay Site Restoration Ltd		-	-	-	-	-	-
Magnox Limited		-	-	-	-	-	-
Low Carbon Contracts Company	7,038	30	11,765	234	19	-	-
Great British Nuclear	-	34	26	60	3	102	18
LLW Repository Ltd		-	-	-	-	-	-
UK Green Infrastructure Platform Ltd		-	-	-	-	-	-
Salix	(1)	33	32	206	12	-	1
Sizewell C	-	4	(10)	-	-	-	-
Net Zero North Sea Storage Ltd	-	2	(84)	-	-	-	-
Consolidation adjustments	(8,907)	(4,806)	(13,544)	-	-	-	-
Total departmental group	**(4,968)**	**12,500**	**14,706**	**8,688**	**747**	**789**	**84**

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 & 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

COD: Commercial Operations Date

COVID-19: Coronavirus Pandemic

CRC: Carbon Reduction Commitment

CSOPS: Civil Servant and Other Pension Scheme

DA: Devolved Administration

DBT: Department for Business and Trade

DEL: Departmental Expenditure Limit

DESNZ: Department for Energy Security and Net Zero

DLUHC: Department for Levelling Up, Housing and Communities

DPA: Dispatchable Power Agreement

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

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

GBE: Great British Energy

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

LADGF: Local Authority Discretionary Grant Fund

LCCC: Low Carbon Contracts Company Ltd

LCREE: Low Carbon and Renewable Energy Economy

MOG: Machinery Of Government

MPM: Managing Public Money

MRA: Mining Remediation Authority

MRC: Medical Research Council

NAO: National Audit Office

NDA: Nuclear Decommissioning Authority

NDPB: Non-Departmental Public Bodies

NLF: Nuclear Liabilities Fund

NNBG: NNB Generation Company (HPC) Limited

NNHL: National Nuclear Holdings Ltd

NSTA: North Sea Transition Authority

NZNSSL: Net Zero North Sea Storage Ltd

OCI: Other Comprehensive Income

ODA: Official Development Assistance

Ofgem: Office of Gas and Electricity Markets

OGA: Oil and Gas Authority

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

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

REMA: Review of Electricity Market Arrangements

RSA: Revenue Support Agreement

RSL: Replacement Sea Line

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

T&SCo: Transport & Storage Company, Net Zero North Sea Storage Limited

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