Department for
Energy Security
& Net Zero

Annual Report and Accounts

2025-26

HC 304

Department for
Energy Security
& Net Zero

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2025-26

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

Report presented to the House of Commons by Command of His Majesty

Ordered by the House of Commons to be printed on

16 July 2026

HC 304

This is part of a series of departmental publications which, along with the Main Estimates 2026–27 and the document Public Expenditure: Statistical Analyses 2025, present the government's outturn for 2025–26 and planned expenditure for 2026–27.

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

Any enquiries regarding this publication should be sent to us at:

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ISBN 978-1-5286-6645-9

E03633638 07/26

Printed on paper containing 40% recycled fibre content minimum.

Printed in the UK by HH Associates Ltd. on behalf of the Controller of His Majesty's Stationery Office

CORRECTION SLIP

Title: Department for Energy Security and Net Zero Annual Report and Accounts 2025-26

Session: 2026-27

HC 304

ISBN: 978-1-5286-6645-9

Ordered by the House of Commons to be printed 16 July 2026

Correction:

Text currently reads:

Page 80 of the published document includes a table with the dates 2025-26 and 2024-25

Text should read:

The table dates should be 2024-25 and 2023-24

Date of correction:

24 July 2026

Contents

Performance report

Purpose of the performance report

The performance report contains two sections, which are as follows:

The **performance overview** provides information on how the DESNZ group is structured, along with a short summary of our priorities, performance and risks during the financial year

The **performance analysis** builds on the performance overview, to provide more detail on the DESNZ's performance. This section covers:

- our performance during the financial year
- the risk profile for the department
- a financial review
- our sustainability report
- our performance in other areas

Performance Overview

Statement of the Secretary of State

Since the start of the Iran war, our department has been focused on fighting people's corner in the face of global events and learning the right lessons from the second fossil fuel shock in half a decade.

Even before this latest shock, the affordability crisis was the biggest issue facing Britain. The driving purpose of our government is to tackle it. That is why we have taken an average of £150 of costs off energy bills for the years ahead, expanded the Warm Home Discount to a total of around 6 million families, supported vulnerable families reliant on heating oil and accelerated our Warm Homes Plan to upgrade as many homes as we can ahead of the winter.

As we act to support families and businesses, the overriding lesson of recent months is that Britain needs to go further and faster to get off the rollercoaster of international fossil fuel markets.

For two years now we have been moving at speed on our mission for clean homegrown power that we control and electrification of the economy.

In that time we have secured enough power for the equivalent of 23 million homes through two record breaking renewables auctions; invested in the biggest nuclear building programme in half a century, from Sizewell C to small modular reactors at Wylfa; set up Great British Energy, which is already installing solar on hundreds of schools and hospitals to cut their bills; broken down the barriers to getting Britain building, from our planning system to the grid; and set out our plan to continue to use the North Sea for decades to come as we manage existing oil and gas fields for their lifetime including introducing Transitional Energy Certificates, alongside driving forward on wind, carbon capture, hydrogen and other technologies.

We are already seeing the impact of our mission, with over £90bn of private investment announced in clean energy between July 2024 and March 2026 and more than a million jobs now supported by the UK's net zero economy, according to CBI Economics. This has only been possible because of the partnership we have built between government, businesses, trade unions and civil society, and the progress we have made in two years is just the start of what we can achieve together.

I want to thank everyone across our department and beyond it for their hard work and continued commitment to driving this vital agenda—for energy security, lower bills, good jobs and growth today, and to protect our home for future generations.

The Rt Hon Ed Miliband MP
Secretary of State for Energy Security and Net Zero

Statement of the Permanent Secretary

Since joining the department in March 2026, I have seen first-hand the breadth and impact of the work underway. DESNZ is at the forefront of delivering on the government's top priorities.

Recent events in the Middle East have underlined the importance of our mission and the urgency of the programme of change we are driving. This work is not only in our economic and environmental interest, but our transformed energy system is fundamental to protecting the United Kingdom against hostile states seeking to use the energy system to inflict harm.

The conflict in the Middle East has also highlighted the importance of what we do day-to-day – from our international engagement to our work across the country managing implications for energy consumers. Delivering clean power, reducing bills, supporting growth and tackling climate change are inseparable challenges, and our progress on each is essential to achieving the others.

As set out in more detail throughout this report, the department's work over the last year has been vast in scale and scope. I would like to thank my predecessor, Jeremy Pocklington, for his work in guiding the department the past 3 years and also Clive Maxwell, for his leadership during the final 4 months of the financial year, and with whom I look forward to working to continue to deliver our outcomes. The department's agenda is complex and demanding but we will continue to work hard to deliver the secure, clean and affordable energy our country needs.

Jonathan Brearley
Permanent Secretary and Principal Accounting Officer

Statement of the lead Non-Executive Director

The Department for Energy Security and Net Zero continues to deliver an ambitious agenda. During the year, the department has remained focused on increasing energy independence through more home grown energy, accelerating progress towards net zero, ensuring a fair deal for consumers, and supporting economic growth.

The department advanced delivery of the Clean Power Action Plan, which sets out the pathway to a clean power system by 2030. This work has remained central to the department's outcomes, providing clarity on the steps required to decarbonise the power system while maintaining security of supply and affordability for households and businesses.

The department has continued to establish and develop Great British Energy as a publicly owned energy company, with a clear mandate to support clean, secure and domestically produced energy. Alongside this, work has progressed to set out a long-term framework for the future of energy in the North Sea. This recognises the ongoing role of oil and gas as the UK transitions to a low carbon energy system, and reflects the department's commitment to ensuring that communities which have long supported the UK's energy needs continue to play a central role in its clean energy future.

Great British Energy – Nuclear has remained a key component of the Government's approach to energy security and decarbonisation, with work continuing to support the delivery of new nuclear projects, providing greater certainty for industry and investors, supporting highly skilled jobs across the supply chain, and contributing to a resilient, low carbon energy mix.

Further progress has been made in accelerating the transition to net zero, supporting innovation and growth in green industries. This has included continued investment in emerging technologies to support emissions reduction, renewables deployment and improvements in energy efficiency, reinforcing the UK's position as a leader in clean energy innovation.

Ensuring a fair deal for consumers has remained a central priority throughout the year. As part of this, work was done to improve energy efficiency and reduce energy bills by an average of £150 from April 2026. The department is delivering the Warm Homes Plan to support cleaner, more affordable heating for homes across the country.

None of this work would be possible without the continued dedication and professionalism of colleagues across the department. On behalf of the Non-Executive Board Members, I would like to thank colleagues for their continued commitment and hard work in delivering this vital agenda over the course of the year.

Ravi Gurumurthy
Lead Non-Executive Director

Our purpose and priorities in 2025–26

During this year, the department had four strategic outcomes:

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 outcomes, we:

- **devise and manage policies**, developing expertise on various energy and climate topics, and advising ministers on how to achieve their outcomes
- **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.

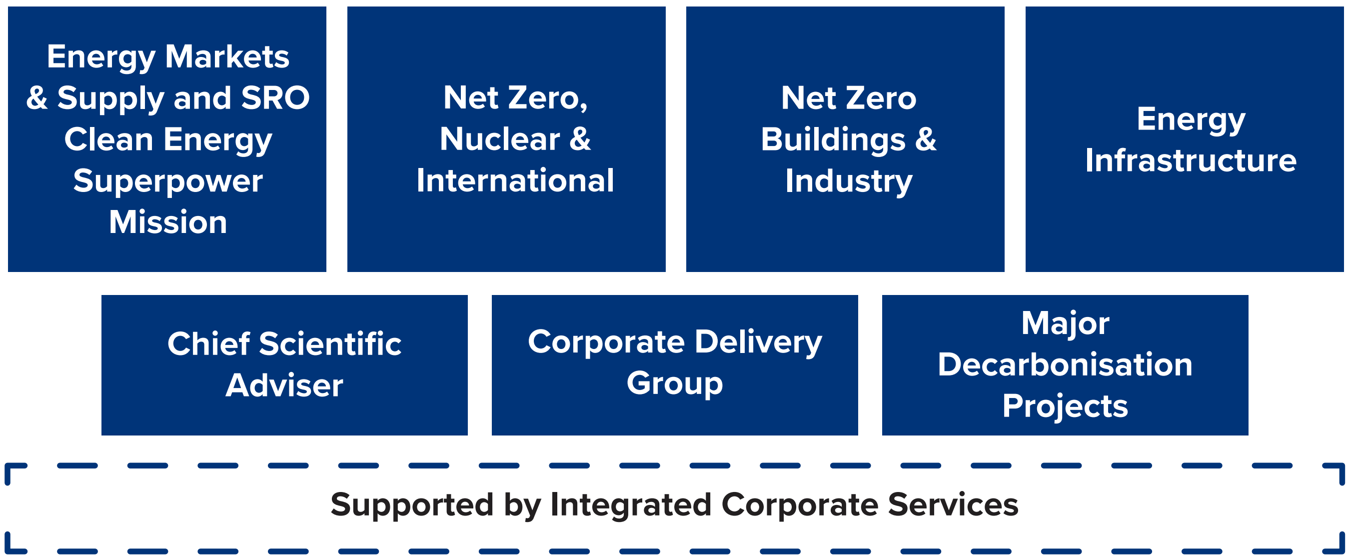
The department also collaborates with and delivers through public bodies, suppliers, local authorities, and regulators to achieve its priorities. DESNZ is supported by Integrated Corporate Services (ICS), which provides a range of corporate and support functions to DESNZ and other departments.

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 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.

See note 26 of the financial statements on page 289 for the full list of consolidated entities. Note 26 also includes the entities whose accountability flows from the bodies and companies listed in this section.

Non-Departmental Public Bodies:	Companies:
• Civil Nuclear Police Authority • Climate Change Committee • Committee on Fuel Poverty • Committee on Radioactive Waste Management • Mining Remediation Authority (formerly Coal Authority) • Nuclear Decommissioning Authority • North Sea Transition Authority (formerly Oil and Gas Authority) • UK Atomic Energy Authority	• Bulb Energy Ltd • Electricity Settlements Company Ltd • Enrichment Holdings Ltd • Great British Energy Group Limited • Great British Energy – Nuclear (formerly Great British Nuclear) • Liverpool Bay CCS Limited • Low Carbon Contracts Company Ltd • Net Zero North Sea Storage Ltd • Salix Finance Limited • Sizewell C Limited • Sizewell C (Holding) Limited • Sizewell C (Pledge Co) Limited

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.

Within the departmental accounting boundary there are two Carbon Capture, Usage and Storage (CCUS) Transport and Storage Companies (T&SCos) that are wholly privately owned. Net Zero North Sea Storage Limited is an incorporated joint venture between BP, Equinor, and TotalEnergies. Liverpool Bay CCS Limited is a 100% subsidiary of Eni CCUS Holding Limited.

The financing model for T&SCos is based on the Regulated Asset Base (RAB) model with government support provided where needed to ensure the model's finance-ability. T&SCos received a licence under section 7 of the Energy Act 2023 which renders them 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&SCos to the Central Government sub-sector. As a result of this, all the transactions incurred by T&SCos are consolidated onto the DESNZ group balance sheet, even though the department and the public sector have no ownership or direct control over the companies. At the time of laying these accounts, ONS have not yet released their final decision on the classification of T&SCos, but on the instruction of HM Treasury we have consolidated on the basis of the interim classification decision.

The department has received an audit qualification in relation to transactions and balances managed by Liverpool Bay CCS Limited. This reflects a limitation of scope arising from independence constraints, which prevented the company's external auditor from providing assurance to the National Audit Office. The issue stems from the interaction between an evolving public sector classification and audit framework and a novel delivery model, under which Liverpool Bay CCS Limited is required to be consolidated into the departmental group. The same limitation of scope has also resulted in a qualification of the regularity opinion. The department is working with Liverpool Bay CCS Limited and the National Audit Office to put appropriate audit arrangements in place for future reporting periods.

Wider departmental group

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

Public corporations:	Central government fund:	Non-ministerial department:
• United Kingdom National Nuclear Laboratory Limited • National Energy System Operator Limited	• Nuclear Liabilities Fund	• Office of Gas and Electricity Markets

Performance Summary on Priority Outcomes

This section summarises our departmental performance during 2025-26. See performance on priority outcomes in the performance analysis section for more details on performance, including metrics.

Spending Review

- The Chancellor announced the outcome of Spending Review 25, setting budgets for all government departments up to the end of the decade
- Through the Spending Review the department secured a capital settlement of £62.8bn from 2025-26 to 2029-30 and a resource settlement of £5.8bn from 2026-27 to 2028-29. This included £13.2bn for the Warm Homes Plan; £8.3bn for GBE and GBE – Nuclear; £14.2bn for Sizewell C; and development funding for the Acorn and Viking CCUS projects

Enhance energy security

- We are moving faster on clean, homegrown power to cut bills for good, strengthen our energy security and protect the British people. Following events in the Middle East, we outlined a package of measures in March 2026 to strengthen UK energy security and protect consumers by cutting bills. This includes new plug-in solar that families can buy; bringing forward the Renewables auction to July; accelerating our Warm Homes Plan; fitting solar on new homes as standard; helping those who rely on heating oil; and confirming we will apply the lessons of the Fingleton review to other infrastructure such as renewables. The government has also taken immediate action to support consumers, including working with the Competition and

Markets Authority to ensure that fuel suppliers cannot engage in unfair practices and that motorists can access clearer fuel price information. We have also stood up a response team to monitor and mitigate potential impacts from the conflict

- We continued to deliver the Clean Power 2030 Action Plan, including major upgrades to the electricity grid, expanding the renewable auction process, and speeding up planning decisions to prioritise critical infrastructure. The latest renewables auction in early 2026 saw record levels of new solar and onshore wind projects and secured 8.4GW of offshore wind overall
- We worked closely with industry to improve and maintain the resilience and security of energy infrastructure. The **government's response** to NESO's **North Hyde Review** has set out a range of actions to improve GB energy resilience and support preparedness and response efforts. The Energy Resilience Strategy will build on this and be delivered later in the year, setting out our strategic priorities for a secure and resilient energy system, now and in the future and how we will work with industry, the regulator and wider society to deliver that. The Capacity Market is our main mechanism for ensuring security of electricity supply and has already secured the majority of Great Britain's capacity needs out to 2029-30, with the most recent auctions held in March 2026. We have now secured 57.4GW of capacity in total for the upcoming winter in 2026-27. That includes 50.2GW secured in earlier auctions, plus 7.2GW secured in the one-year-ahead auction. This gives us confidence we will have enough capacity available to meet peak demand. In our main auction which secures the majority of our electricity capacity four years in advance, we have secured 40.1GW
- We have deepened our cooperation with the EU and in December 2025, we concluded a period of **exploratory talks** with the EU and agreed to enter formal negotiations on the UK's participation in the Internal Electricity Market (IEM)
- We have signed an historic clean energy and energy security agreement, the Hamburg Declaration, with European leaders at the North Sea Summit in Hamburg to transform the North Sea into the world's largest regional clean power hub. The deal means that, for the first time, North Seas countries have agreed to deliver 100GW of this offshore wind power through joint projects by 2050, including new "offshore hybrid assets" — wind farms at sea directly connected to more than one country. The Summit took place just after the UK delivered a record-breaking offshore wind auction, unlocking 7,000 jobs and driving £22bn of private sector investment into the UK's factories and ports
- The International Summit on the Future of Energy Security took place in April 2025 in London, co-hosted by the UK Government and the International Energy Agency. It brought together global leaders to discuss securing energy supplies during the transition to clean energy, focusing on geopolitical risks, supply chains and technology
- We are progressing work on three priority challenges that were set out in the Midstream Gas System Update to Market (June 2025). These are: maintaining security of supply, managing investment and affordability, and delivering a planned, orderly operational transition. We continue to work closely with the gas system operator, National Gas, Ofgem and NESO regarding resilience and supply of our system for the upcoming winter 2026-27 and beyond, whilst also progressing our response due this year to the consultation on long-term gas security, "Gas system in transition: security of supply"
- The government has committed to securing the long-term viability of the UK's oil refining sector and outlining its vision for the future of the downstream oil sector remains a priority. We launched a call for evidence in February 2026 to shape the UK's long-term strategy for the downstream oil sector. This will gather industry views on the opportunities and barriers to transition, issues and risks to energy security and what government support may be needed to promote a managed transition to net zero

Protect billpayers

- This government has taken decisive action to cut bills: the measures in Budget 2025 took an average of £150 of costs off bills. This is on top of expanding the £150 Warm Home Discount to around a further 2.7 million of the poorest households
- The government is also providing additional support to the lowest income households. The Fuel Poverty Strategy, published in January 2026, sets out a new plan to reduce energy costs for low-income households and lift up to 1 million households out of fuel poverty by 2030. On top of the continuation of the Warm Home Discount until 2030-31, the Fuel Poverty Strategy also commits to seeking to expand data matching so that the department can provide alternative ways to determine eligibility for support, including those not receiving means-tested benefits. In November 2025, Ofgem published an update of its Debt Strategy, aiming to support suppliers to reduce the level of debt and ensure that consumers in payment difficulty receive adequate support
- We launched the £15bn 'Warm Homes Plan' in January 2026, the biggest home upgrade plan in British history, to help millions of families benefit from solar panels, batteries, heat pumps and insulation that can cut energy bills. The plan is for all types of households, with targeted interventions for those on low incomes; upgrades for social housing; new protections for renters; and a universal offer for all households to upgrade homes if and when they want to
- The government also published a Solar Roadmap in June 2025, produced through collaboration with industry, presenting a comprehensive strategy and clear plan of action to achieve the significant increase in solar deployment needed to support the delivery of clean power by 2030. Homeowners could save around £500 from the government's rooftop revolution
- We have begun reforms to the electricity market that will create a fairer, cheaper, more secure, and more efficient energy system through Reformed National Pricing (RNP). RNP is a portfolio of interventions spanning the whole of the power sector to reform siting and investment levers to support the delivery of the Strategic Spatial Energy Plan (SSEP), further bear down on network constraint costs through accelerated infrastructure projects, smart grid technologies and operational improvements; and improve system operability and efficiency by reformed balancing and settlement arrangements. The proposals set out in the RNP Delivery Plan, published in April 2026, will achieve this by changing how and where new investment happens across our power system, and by improving the efficiency of how our system operates
- We launched Fuel Finder in February 2026, a new government open data scheme for road fuel prices, to improve transparency and competition in the market, helping drivers and businesses find the best deals
- Additionally, the government is working with Ofgem across a range of programmes to support consumers. The Ofgem Review was published on 22 April 2026, setting out actions to strengthen Ofgem, enabling it to deliver more effective regulation and act as a strong, robust consumer champion. In response to the Chancellor's Regulation Action Plan, the government is working with Ofgem to consider the future of the energy retail market, including how it could better enable innovation to support consumers, system transformation and growth. Government is working with Ofgem to review how 'fixed' costs, which tend to be funded through standing charges, should be recovered in the future energy system through a Cost Allocation and Recovery Review

Create economic growth for the UK and generate and protect jobs

- We published our landmark Clean Energy Industries Sector Plan in June 2025, as part of the UK's Modern Industrial Strategy, developed with industry, trade unions, and workers across all regions of the country. The Clean Energy Industries Sector Plan sets the UK on a path to unleash the tidal wave of jobs and investment that clean energy can bring, with the government targeting at least a doubling of current investment levels across our frontier Clean Energy Industries to over £30bn per year by 2035. From July 2024 to March 2026, over £90bn of private investment has already been announced into the UK's clean energy industries for projects and plans over the coming years
- We published our Clean Energy Jobs Plan in October 2025, setting out the workforce needed to deliver our clean energy ambitions and how the government will work in partnership with industry and trade unions to deliver it. It explains how we will help workers in all parts of the country benefit from these opportunities—supporting our existing workforce to find new opportunities, training up the next generation, and helping our young people to get good jobs. The new North Sea Future Plan sets a clear path to grow clean energy industries, support the management of existing oil and gas fields for their lifespan, and help North Sea workers and communities make the transition. Through this plan, employment in clean energy industries is expected to double to 860,000 by 2030, with high quality and well-paid jobs
- Great British Energy published its first ever Strategic Plan last December, setting out a clear, practical plan to accelerate the UK's shift to renewable power and strengthen the nation's industrial backbone and allow more communities across the country to control their clean energy projects. Great British Energy and Government have also published the Local Power Plan, backed by funding of up to £1bn, to help support locally owned clean energy generation projects such as solar on community buildings like libraries, leisure centres and miners' welfare clubs. Of this, GBE have already invested £255m in rooftop solar for 250 schools, and 260 NHS and military sites. Great British Energy, The Crown Estate, and industry are coming together to invest £1bn in offshore wind supply chains – addressing critical supply chain bottlenecks, supporting new infrastructure and manufacturing facilities, and creating skilled well-paid jobs
- We're taking bold action to unlock investment in clean energy and green growth. This includes:
  - Expanding the Clean Industry Bonus under the Contracts for Difference scheme. In 2024, we announced £204m for more sustainable offshore wind supply chains through the Clean Industry Bonus. This will crowd in £3.4bn of private sector investment and support up to 7000 jobs in manufacturing, factories and ports across Britain
  - Launching a £1bn Clean Energy Supply Chain Fund last December to support UK-based companies with high growth potential, catalysing private investment and strengthening domestic supply chains
  - Empowering the National Wealth Fund with £27.8bn in capital to invest in high-impact, capital-intensive projects – like carbon capture, hydrogen, gigafactories, ports, and green steel – with at least £5.8bn allocated to these sectors this Parliament
  - In addition, we're taking steps to protect jobs in industrial heartlands. A winding up order was made against Prax Lindsey Oil Refinery Ltd in June 2025 and the company ceased refining in July 2025. An Official Receiver was appointed liquidator by the court, independently of the government. The government provided indemnities to the Official Receiver as set out in page 159 (Remote contingent liabilities) in this report and is funding a Training Guarantee

to support employees affected by redundancy. The Official Receiver announced in January 2026 that Phillips 66 was the most credible bidder to purchase the assets of the company. The sale was completed on 28 April 2026

- In practice, UK economic growth will also be strongly bolstered by the other objectives noted in this paper. Improving UK's energy security through reducing the reliance on fossil fuels will help shield the economy from the rollercoaster of international energy prices, with impacts on inflation, interest rates and investment levels. The OBR estimate that the cost to the taxpayer of the energy bill support in 2022-23 following the fossil fuel price spike was £41.6bn, with a wider economy cost equivalent to 2-3% of GDP if the same event occurred a decade later. Stabilising bill levels and policy stability through clear policy aligned to carbon budget emission reduction targets allows households and firms to plan their economic activity, fostering innovation and bolstering long-term productivity

Reduce the UK's emissions

- In the Spending Review 2025, this government committed £62.8bn in capital funding for clean energy, climate and nature, including nuclear – putting the UK on the path to clean power by 2030, bringing bills down in the long-term, creating thousands of good jobs for our country and tackling the climate crisis. This settlement is about taking back control of our energy to deliver energy security and lower bills for families
- Since then, we published the Carbon Budget and Growth Delivery Plan in October 2025, setting out how the UK will continue to reduce emissions in a way that lowers bills and secures good jobs, in line with the landmark 2008 Climate Change Act. It details how the cross-government package will enable the UK to meet Carbon Budgets 4-6 and sets out how the British public and businesses stand to benefit in the years ahead with economic growth, cleaner air and the protection of the nation's natural environment for current and future generations
- We are delivering decarbonisation across the economy. In the 2025 Spending Review, the government allocated £9.4bn in capital budgets over the Spending Review period to CCUS. This will maximise deployment to fill the storage capacity of the East Coast Cluster and HyNet Cluster. This year, we have announced results of the seventh Contracts for Difference (CfD) allocation round, securing enough clean energy to power the equivalent of 16 million homes
- We also work extensively across government to drive progress and deliver the transition. That includes working with DfT, DBT and industry to deliver decarbonisation of aviation, collaborating with Defra to deliver policies that strengthen both climate and nature, and working with DHSC, MCHLG and DfE to decarbonise buildings
- The actions set out in the Carbon Budget and Growth Delivery Plan are further strengthened through a range of 'enabling' policies. This includes empowering local government and communities to accelerate to net zero, in line with the unique needs and opportunities of each area, accelerating the adoption and delivery of low-carbon programmes and solutions and fostering innovation specific to local contexts. In December 2025, we published our Public Participation Plan, setting out how we will involve and engage people and their communities in the policies and decisions that will help tackle climate change and deliver this mission
- At COP30 in Belém, more than 190 countries came together to reaffirm their commitment to multilateralism and to keep global warming to less than 1.5 degrees. COP30 triggered the launch of roadmaps on the transition away from fossil fuels and on deforestation. It also took many other important steps forward on issues from nature to adaptation finance.

The UK Negotiations team fought hard for this outcome because it is crucial for Britain to protect future generations and because of the economic opportunities today from the clean energy transition and the protection and restoration of nature. We had a successful UK presence at COP30 with strong attendance from the Prime Minister and ministers. The UK Pavilion, packed with events, re-enforced our position as a global leader for climate action

- We are proud to have united leading nations and institutions behind our vision of a green global economy powered by a clean energy transition, taking key steps at COP30 on the Global Clean Power Alliance, launching a new investment roadmap and five country action plans under the Finance Mission; and announcing partners and early actions under the Supply Chains Mission. This work is all about taking practical, problem-solving actions that unblock supply chain bottlenecks, scale up clean energy investment, and strengthen energy security to build resilient economies fit for the future. This will remain our focus in 2026
- The UK exceeded its £11.6bn International Climate Finance (ICF) commitment for 21/22-25/26, alongside delivering on commitments to triple adaptation finance to £1.5bn by 2025 and sub targets on nature (£3bn) and forests (£1.5bn). DESNZ successfully invested £797m in 25/26 – it's highest FY spend to date on ICF. Since 2011, UK ICF has helped 137 million people adapt to the effects of climate change, provided 89 million people with improved access to clean energy, and helped to mobilise billions in private investment
- This year saw significant progress on growing high-integrity carbon markets, including the launch of joint principles for using carbon credits through our Coalition to Grow Carbon Markets, further steps in implementing UN carbon markets under the Paris Agreement and a new Coalition on Compliance Carbon Markets which most of the major economies have joined, championed by Brazil
- We continued our international efforts to end coal use, with three new countries (Bahrain, Guatemala and the Republic of Korea) having joined the UK co-chaired Powering Past Coal Alliance (PPCA). The Republic of Korea currently operates the world's 7th largest coal fleet
- As co-chair of the Forest and Climate Leaders' Partnership, we delivered strong outcomes on securing forest tenure rights for Indigenous People & local communities, supporting high integrity forest carbon markets to help scale forest finance
- We launched a declaration on 'super-pollutants' to accelerate action on the most harmful greenhouse gases such as methane, co-hosting a summit with Brazil and China to galvanize action on this critical issue

Adverse events

- We are continuing to monitor and respond to potential impacts from the crisis in the Middle East which broke out at the end of this period, and will report more fully in next year's report and accounts

Leveraging private investment

- Our progress to enhance energy security and reduce emissions that is described above is successfully unlocking investment: UK energy transition investment reached a record £65bn in 2025, a 32% increase in final investment decisions versus 2024 according to DESNZ analysis of the latest BloombergNEF (BNEF) data. However, the Middle East crisis has clearly raised uncertainty and market volatility while showing the need for accelerated clean energy deployment

- The UK is securing clean energy investment from domestic and international investors. CfD Allocation Rounds 7 and 7a in particular are viewed as a strong vote of confidence, having unlocked £27bn in private investment. We enable private investment through clear long-term policy signals, world leading financing mechanisms and business models, and targeted public investment, working across Great British Energy, National Wealth Fund, British Business Bank, Innovate UK and UK Export Finance, to crowd in private capital

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.

Strategic Delivery Risks managed at the Executive Committee (ExCo):

1. Energy bills rising, affecting affordability of households and businesses, driven by exposure to volatile fossil fuel prices and limited control over key cost drivers
2. Disruption to supplies of gas/electricity/fuel to meet near-term demand
3. Underlying energy supplies (gas/electricity/fuel) and/or the resilience of the energy system are disrupted or undermined due to a disorderly energy transition, creating a risk to our energy security
4. Failure to meet our legally binding net zero commitments and interim climate targets (carbon budgets)
5. 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
6. Failure to secure sufficient levels of private investment required to deliver the clean energy mission (‘net zero private investment’)
7. Catastrophic or severe incident affecting energy or nuclear critical national infrastructure
8. Potential of insufficient funding creates a risk that financial constraints could limit our ability to deliver our objectives and ambitions

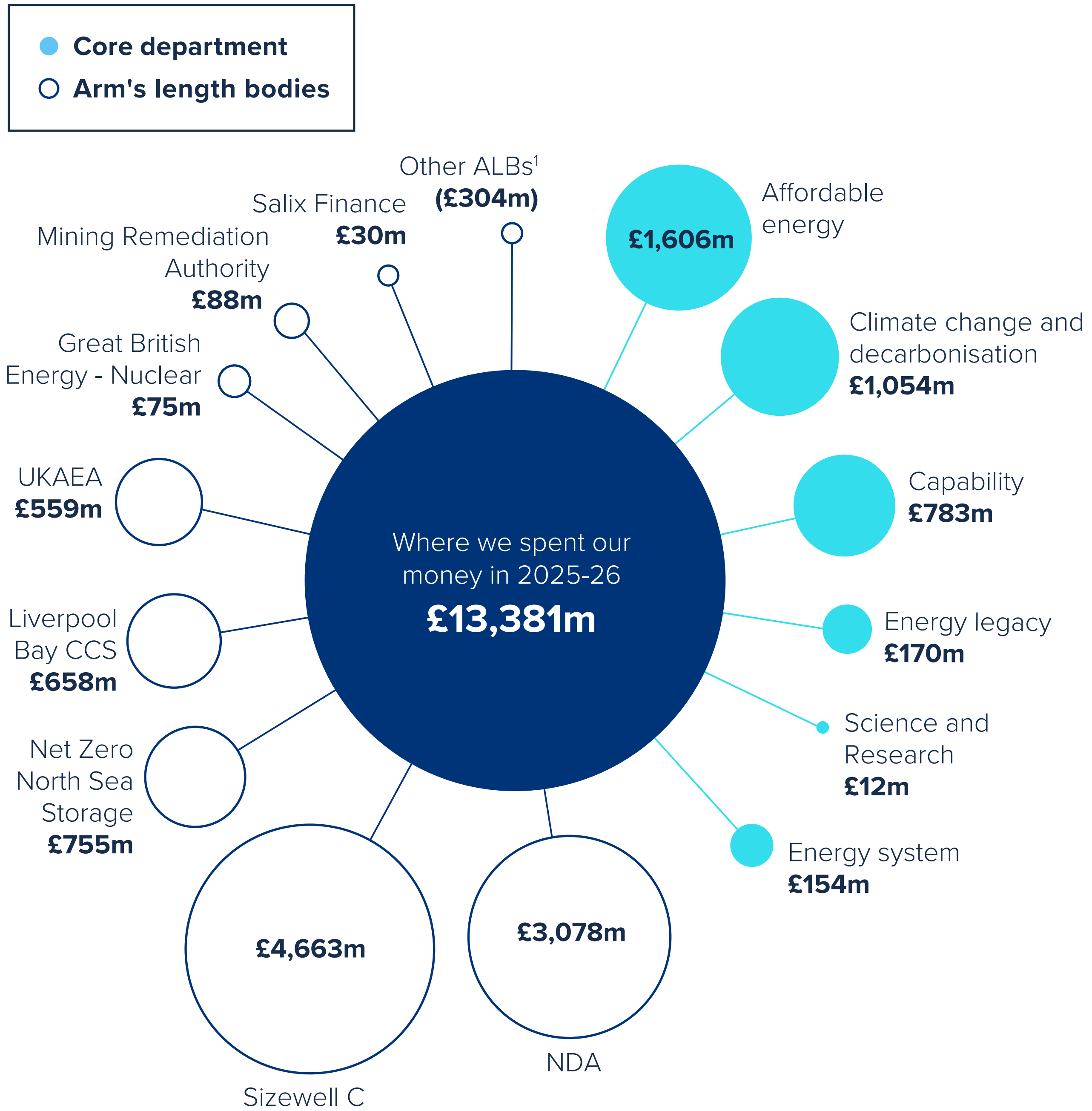
Corporate Risks Managed at the People and Operations Committee (POpCo):

9. Sensitive information is compromised or lost through cyber-attack (such as a ransomware attack), eavesdropping, theft, mistakes, or leaks
10. Structural gaps in the current and future workforce
11. Departmental morale, engagement and wellbeing
12. Failure to embed Public Sector Equality Duty in policy design and delivery, resulting in inequitable outcomes and undermining delivery of the clean energy mission
13. Environmental Principles Policy Statement – non-compliance

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 2025-26, total DEL spend for the departmental group is shown in the diagram below. Major areas of spend are also shown by estimate line for the core department, and by entity for arm's length bodies.



Note 1: Other ALBs comprises of arm's length bodies within the group boundary that are smaller in terms of financials, where these are not separately identified.

Performance analysis

Performance on priority outcomes

See the performance summary section for an overview of our departmental performance during 2025–26. This section summarises delivery against the core metrics for each of our outcomes.

Enhance energy security

Energy security was strengthened over the past year through a more coordinated and proactive approach, including maintaining a highly reliable electricity system, accelerating reforms to the Capacity Market, and advancing plans for an Energy Resilience Strategy to better manage emerging risks. The department continued to monitor and respond to global shocks, including those driven by geopolitical events, while working closely with industry to improve resilience across critical infrastructure. However, challenges remain: continued dependence on fossil fuels leaves the UK exposed to volatile global markets, and further progress is needed to strengthen long-term resilience, particularly across gas supply, infrastructure security, and system preparedness for emerging threats.

Metric	Description	Source	Rationale
Loss of Load Expectation forecasts (LOLE)	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

Metric	Description	Source	Rationale
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 a level of peak demand that would be expected once every twenty years without interruption. The result is shown in millions of cubic metres per day (mcm/d). A positive number indicates surplus supply, even after the infrastructure 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
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)**
2025-26	<0.1
2024-25	<0.1
2023-24	0.1
Source: **Electricity System Operator Winter Outlook Report 2025-26** **Release schedule:** Annual **Note:** LOLE remained below 0.1 hours in 2025-26, i.e. for the year 2025-26, it was statistically expected that supply would not meet demand for less than 0.1 hours	

N-1 Infrastructure Standard	
Year	**N-1 Infrastructure Standard (mcm/d)**
2025-26	11
2024-25	55
2023-24	87
2022-23	50
2021-22	32

Source: National Gas Winter Outlook

Release schedule: Annual

Note: National Gas, in its 2025 Winter Outlook, forecasts gas margins (the difference between peak day gas supply and peak day demand) under N-1 conditions for winter 2025-26 to be 11mcm/d. This is a tighter margin compared to the previous couple of years but it is important to consider that N-1 considers two very unlikely events happening simultaneously. The department **published a consultation** in November 2025 (Gas System in Transition: Security of Supply) seeking views on our assessment of GB's long-term supply of gas, and proposed policy actions to protect our gas and energy security during the transition. We are currently analysing the feedback

Fossil Fuel Demand as a Percentage of Total Energy Demand	
Year	**UK fossil fuel dependency (%)**
2024 (difference vs 2023)	75.2% (-1.4%)
2023 (difference vs 2022)	76.6% (-1.6%)
2022 (difference vs 2021)	78.2% (+0.3%)

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

Release schedule: Annual

Notes: Fossil fuel dependency is the share of energy consumption accounted for by coal, petroleum and natural gas. UK fossil fuel dependency dropped to 75.2% in 2024, down 3 percentage points since 2022

Data for 2025 will be included in the July 2026 release of DUKES

Protect billpayers

Protecting consumers from high energy costs has remained a central focus, with progress made through lower average household bills in 2025, the removal of an average £150 of costs off household bills from April 2026, expanded targeted support such as the Warm Home Discount reaching around six million households, and continued delivery of the £15bn Warm Homes Plan to upgrade five million homes and reduce long-term costs. The British Industrial Competitiveness Scheme will also cut electricity bills by up to 25% for over 10,000 businesses. Alongside this, reforms to strengthen consumer protection and address wider system costs point to a shift from short-term relief toward more structural change. Yet energy costs still place a disproportionate burden on low-income households, and more is needed to ensure the benefits of system reform and electrification are delivered consistently and fairly. The next phase will need to focus on faster delivery, better targeting of support, and making sure the gains from a more strategically planned energy system are shared equitably.

Metric	Description	Source	Rationale
Average household combined, electricity, and gas bills (UK)	Average bills are expressed in real terms 2025 prices, and based on average actual consumption, temperature adjusted. Prices are shown in real 2025 terms to allow comparison over time by removing the effects of inflation	**DESNZ Annual Domestic Energy Bills** (tables 2.2.5 and 2.3.5) *Published annually*	The average bills measure is our most comprehensive measure of household energy bills
Fuel poor households in England (LILEE)	Fuel Poverty in England is measured using the Low-Income Low Energy Efficiency (LILEE) indicator. A household is considered to be fuel poor if: • it is living in a property with a Fuel Poverty Energy Efficiency Rating (FPEER) of D or below; and • its disposable income (after housing and required energy costs) would be below the poverty line	**DESNZ Fuel poverty annual statistics** *Published annually*	These metrics are aligned with the Fuel Poverty Strategy for England. Fuel poverty is a devolved issue, with each nation in the UK having its own fuel poverty definition, targets and policies

Metric	Description	Source	Rationale
Average required energy costs as a percentage of household income (England)	Required energy costs are the modelled cost to heat a household's dwelling to a satisfactory standard based on household and dwelling characteristics. Rather than using actual spending, this ensures that those households who have low energy bills simply because they actively limit their energy use at home are not overlooked.		
	This proportion is calculated for each household as unequivalised required energy costs divided by unequivalised After Housing Costs (AHC) income, multiplied by 100. The median value across households is then calculated, both for all households and for low income households. AHC income is calculated as described in section 3 of the **Fuel poverty statistics methodology handbook**. This metric replaces the 10% affordability threshold used in previous reports to align with the latest Fuel Poverty Strategy for England		

Metric	Description	Source	Rationale
Average gas price for industrial users (across all size bands) (UK)	This shows the average gas price for industrial users, across all consumption bands	**Industrial energy price statistics** *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 price for industrial users (across all size bands) (UK)	This shows the average electricity price for industrial users, across all consumption bands		

Average household combined electricity and gas bills (UK)			
Year	**Average household combined energy bill, total (UK)**	**Average household electricity bill**	**Average household gas bill**
2025 (provisional)	£1,784	£981	£803
2024	£1,896	£1,022	£874
2023	£2,311	£1,189	£1,122

Source: DESNZ Annual Domestic Energy Bills (tables 2.2.5 and 2.3.5)

Release schedule: Annual

Notes:

1. Average bills are expressed in real terms 2025 prices, and based on average actual consumption, temperature adjusted
2. These figures do not reflect the Energy Bills Support Scheme payments made between 2022 and 2023
3. Average electricity bill excludes those on Economy 7 tariffs
4. The average household combined fuel bill is the total of the average household electricity bill and the average household gas bill combined. These are our best estimates of a dual-fuel bill which would cover approximately 84% of households (those on the gas grid), however these estimates do include households who only use electricity or electricity alongside other fuels not covered here like heating oil

Fuel poor households in England (LILEE)	
Year	**Fuel poor households in England (LILEE – percentages indicate proportion of all households in England)**
2026 (projection)	2.13m (8.4%)
2025 (provisional)	2.36m (9.4%)
2024	2.47m (9.9%)
2023	2.80m (11.4%)

Source: Fuel poverty annual statistics **(26 March 2026)**

Release schedule: Annual

Average required energy costs as a percentage of household income (England)		
Year	**All Households**	**Low Income Households**
2025 (provisional)	6.8%	14.9%
2024	7.5%	15.8%
2023	7.8%	16.2%
2022	6.4%	14.2%

Source: Fuel poverty annual statistics **(26 March 2026)**

Release schedule: Annual

Average electricity and gas prices for non-domestic users (nominal terms, across all size bands), including Climate Change Levy		
Year	**Average electricity price for non-domestic users across all size bands (nominal terms, p/kWh)**	**Average gas price for non-domestic users across all size bands (nominal terms, p/kWh)**
2025 (provisional)	24.3	5.3
2024	26.3	5.7
2023	27.2	6.4
2022	20.9	5.3

Source: **Industrial energy price statistics** (table 3.4.2)

Release schedule: Quarterly

Create economic growth for the UK and generate and protect jobs

Programmes such as Great British Energy, the Clean Energy Industries Sector Plan and targeted supply chain investment have helped lay the foundations for long-term growth and employment across the UK. Over the past year, the department also made strong progress in driving economic growth and supporting jobs through the expansion of clean energy industries, increased investment in key sectors such as wind, nuclear and CCUS, and the mobilisation of significant public and private finance to strengthen domestic supply chains. Alongside this, interventions to support workers transitioning from traditional energy sectors and to improve skills provision are intended to help spread the benefits more widely. However, sustaining this progress will depend on translating investment more consistently into high-quality jobs across all regions, strengthening workforce planning to meet future skills demands, and maintaining competitiveness in a rapidly evolving global market.

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 seventeen 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 collects data on direct LCREE activity and 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		
UK annual energy transition investment	This provides data on total (i.e. public and private) investment into low-carbon industries, which enables the tracking of high-level investment trends	BNEF energy transition investment dataset	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	**Total employment in low carbon and renewable energy economy (LCREE) in the UK and constituent countries**
2024	453,900 FTEs Direct – 304,000 FTEs Indirect – 149,900 FTEs
2023	448,400 FTEs Direct – 317,000 FTEs Indirect – 131,400 FTEs
2022	422,800 FTEs Direct – 284,600 FTEs Indirect – 138,200 FTEs

Source: ONS Publication of the LCREE Survey

Release schedule: Annual

Note: A ca. 18-month lag exists between statistical release and the year the data in each release refers to. For this reason, the 2026 release (the latest one) reports results from 2024

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**
2024	£7.1bn
2023	£8.6bn
2022	£8.5bn

Source: ONS Publication of the LCREE Survey

Release schedule: Annual

Note: A ca. 18-month lag exists between statistical release and the year the data in each release refers to. For this reason, the 2026 release (the latest one) reports results from 2024

UK annual energy transition investment (public and private combined)	
Time period	**Energy transition investment, £bn**
2025	64.7
2024	48.9
2023	52.6

Source: DESNZ analysis of Bloomberg NEF Energy Transition Investment Trends, 2026

Release schedule: Unpublished

Reduce the UK's emissions

The UK's greenhouse gas emissions continued to fall over the past year, supported by sustained delivery against Carbon Budgets and a broad package of policies across power, industry and buildings (as well as wider sectors across government). Key interventions, including the expansion of the UK Emissions Trading Scheme, investment in CCUS clusters, and continued progress on clean power and building decarbonisation, have strengthened the framework for longer-term emissions reductions. The department has also maintained a strong international leadership role in promoting global climate ambition and cooperation. However, emissions reductions will need to continue and accelerate in some sectors to meet future carbon budgets, and continued focus is needed to ensure delivery plans translate into sustained real-world reductions at pace.

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	Emissions are provided for Net Zero Strategy (NZS) sectors.	**Energy and Emissions Projections** *Published, updated annually*	This sector breakdown is consistent with the UK Net Zero Strategy
Clean power share of electricity generation to be at least 95% by 2030 (Plan for Change metric)	The proportion of GB's electricity generation that comes from clean power	**Clean Power 2030 Metrics** *Published annually*	These metrics are aligned with the DESNZ Clean Power Action Plan. The three-part definition is designed to ensure that raising clean power's share of domestic electricity generation and reducing power sector emissions is not achieved merely by relying more on electricity imports
Clean power generation as a share of GB consumption to be at least 100% by 2030	The proportion of GB's electricity consumption that comes from clean power		
Grid emissions intensity to be no more than 50 gCO_2e/kWh by 2030	The amount of GHGs emitted per unit of power sector generated energy		

Total UK greenhouse gas emissions (million tonnes CO_2 equivalent)		
Time period	**Total emissions ($mtCO_2e$)**	**Percentage reduction from 1990 levels**
2025 (provisional)	366.6	53.6%
2024	373.4	52.8%
2023	383.9	51.5%
2022	404.0	48.9%

Sources: DESNZ Final UK greenhouse gas emissions national statistics: 1990 to 2024, Table 1.1, available **here**, and DESNZ Provisional UK greenhouse gas emissions statistics 2025 table 1a, available **here**

Release schedule: Annual. Provisional estimates in March, final estimates the following February

Note: Excludes emissions from the UK's share of international aviation and shipping

UK territorial greenhouse gas emissions by sector		
Sector	**2022**	**2023**
Power	55.0 (13.6%)	43.9 (11.4%)
Fuel supply	19.4 (4.8%)	18.2 (4.7%)
Domestic transport	111.5 (27.6%)	110.3 (28.6%)
Buildings	78.7 (19.4%)	74.1 (19.2%)
Industry	65.3 (16.1%)	64.1 (16.6%)
Agriculture	46.9 (11.6%)	46.6 (12.1%)
Waste	19.8 (4.9%)	19.7 (5.1%)
F-Gases	7.6 (1.9%)	7.0 (1.8%)
Land use, land use change and forestry (LULUCF)	0.5 (0.1%)	1.1 (0.3%)
Total	**405 (100%)**	**385 (100%)**

Source: Energy and Emissions Projections 2024 – 2050 – Annex A (NZS taxonomy) – Greenhouse gas emissions by source (Net Zero Strategy Taxonomy) available **here**

Notes: Historical figures are aligned with the UK 1990-2023 GHG Inventory (hence misalignment with totals in the table above). The next EEP will be published in Autumn 2026, which will align with the GHG Inventory figures in the table above. This publication will include 2024 figures

Emissions are provided for Net Zero Strategy (NZS) sectors

Calculated Clean Power share of Great Britain's electricity generation in 12 month period (%)	
Time period	**Clean Power share of GB electricity generation (%)**
2025	73.3
2024	73.7
2023	68.3
2022	62.7

Source: **Clean Power 2030 Metrics: Data Tables** Table 1

Release schedule: Annual

Note: In 2025, 73.3 per cent of GB's power system generation came from low carbon technologies, down 0.4 percentage points from 2024 due to a lower nuclear share and a rise in gas generation required to make good a fall in imported electricity

Calculated share of GB electricity demand met by clean sources (%)	
Time period	**Clean Power share of electricity demand (%)**
2025	64.4
2024	63.7
2023	61.5
2022	63.1

Source: **Clean Power 2030 Metrics: Data Tables** Table 2

Release schedule: Annual

Estimated emissions intensity of Great Britain's electricity supplied (gCO_2e/kWh)	
Time period	**Emissions intensity of GB electricity supply (gCO_2e/kWh)**
2025 (provisional)	104
2024	107
2023	129
2022	154

Source: **Clean Power 2030 Metrics: Data Tables** Table 3

Release schedule: Annual

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, 8, 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:** • The Great British Energy Act 2025 receiving Royal Assent • Secured record pipeline of clean cheap energy projects through Contracts for Difference Allocation Round 7 • Publication of the Warm Homes Plan • Contributed to tackling fuel poverty through expansion of the £150 Warm Home Discount to an additional 2.7 million households
Goal 8: Decent Work and Economic Growth Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	**Specific outputs include:** • Published the Clean Energy Jobs Plan, setting out how the government will work in partnership with industry and trade unions to deliver the workforce needed to deliver our clean energy ambitions • Published the Carbon Budget and Growth Delivery Plan • Published the Local Power Plan to ensure that communities directly benefit from the energy they help to produce • Secured record pipeline of clean cheap energy projects through Contracts for Difference Allocation Round 7 • Investment in offshore wind and clean energy supply chains, including through Great British Energy
Goal 9: Industry, Innovation and Infrastructure Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation	**Specific outputs include:** • Published the Industrial Strategy, a 10 year plan to increase business investment, including in manufacturing and clean energy industries • Published the Solar roadmap and an Onshore Wind Taskforce Strategy • Investment in the industries of the future, such as CCUS and Hydrogen • Announced partnerships to deliver novel fusion energy • Working with the Net Zero Council to develop and deliver sector transition plans, which supports collaboration between business, finance, civil society, and the government to deliver net zero

UN SDGs	DESNZ Performance
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:** • Published the Carbon Budget and Growth Delivery Plan • Published the 'Energising Britain' public participation plan for climate and nature action. • Continued rollout of the Warm Homes Plan • Building clean energy industries into the Industrial Strategy • Bolstering investment in enabling technologies, including artificial intelligence and nuclear energy

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 continues with the portfolio management approach adopted in September 2024. Programmes and projects undertake first line risk management, identifying and mitigating risks to their local delivery. Portfolio Boards 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 its own, escalation to the departmental strategic risk register is then considered.

Historically, both strategic delivery risks and corporate enabler risks sat on a singular departmental strategic risk register and went collectively to the Executive Committee (ExCo). As part of a governance review in late 2025, the decision was taken to achieve greater scrutiny of risk by splitting management of delivery risks at ExCo from the management of corporate risks at the People and Operations Committee (POpCo).

Detail of the departmental strategic risks managed by ExCo and POpCo, as well as their mitigations, are set out below. Further information on how both committees managed these risks is included in the governance report.

Risks continued on the Departmental Strategic Risk Register from 2024-25

Risks	Mitigations and controls
Energy bills increase significantly, affecting affordability for households and businesses, driven by exposure to volatile international fossil fuel prices and wider system cost pressures Outcome: Improve energy affordability Change from prior year: the departmental risk assessment process has determined that the likelihood and impact have increased	• DESNZ 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 • The government confirmed its decision to retain a single UK wide wholesale market and proceed with Reformed National Pricing, rejecting zonal pricing due to complexity and disruption risks • Following Budget decisions, officials delivered measures to take an average £150 of policy costs off household bills from April 2026 • For vulnerable consumers in particular, this risk is mitigated through existing support schemes. For winter 2025-26, the Warm Home Discount was expanded, meaning around 6 million households now benefit from a £150 rebate off their winter energy bill – a measure that has been confirmed through to 2030-31 • The Government has also confirmed its intention to shift the recovery of Warm Home Discount costs from the standing charge to the unit rate from April 2026, better aligning contributions with actual energy use, and reflecting the strong fairness arguments raised by consumers and stakeholder groups during consultation • All bills' trajectories and conflict scenarios see bills elevated significantly above their current levels from July. DESNZ officials are working closely with HMT and other departments to identify contingency options for this winter to provide bills support to households, considering both targeted and universal options. Decisions will need to be taken on the overall design of a possible scheme, with a final go/no go decision required at around the beginning of August. On non-domestic support, HMT, DBT and DESNZ are jointly working through options for intervention, for decision-making June onwards

Risks	Mitigations and controls
Disruption to supplies of gas/electricity/fuel to meet near-term demand Outcome: Improve energy affordability; Enhance energy security Change from prior year: Unchanged	• NESO undertake regular forecasts of energy capacity, looking at both supply and demand. In the winter 2025-26 they forecasted an operational surplus. However, in the event of margins being tight NESO can use a range of technologies, including gas-fired generation and flexible technologies such as batteries and Consumer Led Flexibility, interconnector imports, or Electricity/Capacity Market Notices • There are also specific contingency planning activities for actions if a fuel shortfall were to occur • In response to international market conditions tightening as a result of the Iran conflict, we established a Middle East Hub to coordinate cross-HMG work across 3 key priorities, jet and road fuel security of supply, reducing fossil fuel exposure and price interventions. We also stepped-up monitoring of key leading indicators (including the pace of European gas storage refill over summer and any spread of export controls), alongside existing engagement with system operators and established operational tools • Following procurement, a contract was signed in April 2025 for a replacement for the Reserve Tanker Fleet. Transition to the new supplier of the Reserve Tanker Fleet was competed in 2025

Risks	Mitigations and controls
Underlying energy supplies (gas/electricity/ fuel) and/or the resilience of the energy system are disrupted or undermined due to a disorderly energy transition, creating a risk to our energy security Outcome: Deliver Clean Power by 2030; Reduce the UK's Emissions; Enhance Energy Security Change from prior year: Unchanged	• A special situations function was set up to support refineries in difficulty and manage non-energy security aspects of closures and DESNZ is building up a dedicated Future of Fuel team to match those already in place for gas and electricity • Cutting across the separate energy types, there is a key focus on enhancing cyber security as part of the Quad (DESNZ, Ofgem, NESO, and NCSC). A security strategy for the energy sector will be published in 2026, in alignment with the Government Cyber Action Plan • Consultations were conducted on Security of Supply, and the implementation of capacity market reforms to mitigate capacity adequacy risks in the early 2030s, and announced the intention to publish an Energy Resilience Strategy and a renewed Hydrogen Strategy
Failure to meet our legally binding net zero commitments and interim climate targets (carbon budgets) Outcome: Deliver clean power by 2030; Reduce the UK's emissions Change from prior year: Unchanged	• Delivered the Carbon Budget and Growth Delivery Plan, including a package of over 300 policies to enable Carbon Budgets 4, 5 and 6 (2023 – 37) to be met, and we continue to develop and monitor robust implementation plans for those policies
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. Outcome: Deliver clean power by 2030; Reduce the UK's emissions Change from prior year: Unchanged	• Although there is an increasingly difficult geopolitical environment, DESNZ continues to play a leading role in promoting international action on climate change, including sharing our own expertise on low carbon growth • Our commitment to delivering clean power by 2030 and the strength of UK investment in clean power demonstrates continued efforts to decarbonise energy supplies

Risks	Mitigations and controls
Failure to secure sufficient levels of private investment required to deliver the clean energy mission ('net zero private investment') Outcome: Deliver clean power by 2030; Reduce the UK's emissions; Create economic growth and good jobs Change from prior year: the departmental risk assessment process has determined that the likelihood has increased	• The UK has major growth opportunities in clean energy industries and we are providing investors with certainty, lower risk and stability to enable strategic clean energy investments. DESNZ continues to enable private investment to support the department's objectives by prioritising clear long-term policy signals, robust revenue support/business models, transparent market frameworks, and targeted public investment • The department continues to improve its investor intelligence gathering at all levels. Secretary of State, Ministers and senior officials have attended leading industry and investor events throughout the year to better understand risk and investor sentiment, as well as to promote the UK's clean energy investment opportunities and clarity of the Clean Energy Mission • The department maintains a strategic internal view of the pipeline of priority UK clean energy deployment and supply chain projects to inform critical decisions, support delivery, focus stewardship, manage any divestment risks and ensure greater coherence • DESNZ is also ensuring clean energy projects benefit from the UK's comprehensive Public Finance Institutions offer. We are partnering with catalytic institutions such as the National Wealth Fund, UK Export Finance, and British Business Bank to crowd in private investment

Risks	Mitigations and controls
Catastrophic or severe incident affecting energy or nuclear critical national infrastructure Outcome: Enhance energy security Change from prior year: Unchanged	• DESNZ works with industry and regulators such as the Office for Nuclear Regulation (ONR) and Ofgem, to ensure safety and security capability is developed and standards are maintained, including strengthened regulatory frameworks • DESNZ continues to ensure robust and proportional safety and security (physical, personnel and cyber) arrangements are in place at critical energy and civil nuclear sites, including a review based at protecting High Impact Points of Failure • Cyber security and resilience are a strong focus, with co-ordinating groups in place for each energy sector and DESNZ works closely with the National Cyber Security Centre (NCSC) • DESNZ runs regular exercises to test and improve the UK's response plans to any such incidents, seeking to ensure minimal impact should the risk arise • The Energy Resilience Leadership Group was launched with industry partners to facilitate collaboration and enhance the resilience of downstream gas and electricity sectors • The electricity prioritisation list has been reviewed, adding 74 critical sites. Ministerial approved changes to the protected sites process are being implemented • DESNZ has committed to providing a full government implementation plan of the Nuclear Regulatory Taskforce's 47 recommendations

Risks	Mitigations and controls
As a result of insufficient funding, there is a risk that financial constraints could limit our ability to deliver our objectives and ambitions Corporate Enabler Change from prior year: Unchanged	• DESNZ manages the in-year position and review forecasts for value and volatility each month. As part of the Management Accounting change project, work is underway to further improve forecasting accuracy across the department • 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 • In the longer term, DESNZ has agreed allocations at Business Planning and the Spending Review has provided agreed settlements through to 2029-30 which aids certainty of funding • DESNZ regularly engages with HM Treasury to discuss our financial position and policy funding, and to identify and address any emerging issues
Sensitive information is compromised or lost through cyber-attack (such as a ransomware attack), eavesdropping, theft, mistakes, or leaks Corporate Enabler Change from prior year: Unchanged	• DESNZ continues to develop security capability across the personnel, physical, cyber, cultural and resilience threads to counter the expanding threats to people and information • This year the department has demonstrated strong compliance against a number of the Cyber Assessment Framework (CAF) contributing outcomes; DESNZ recognises there are areas of improvement which include response and recovery planning, asset and supply chain management; programmes are in place to develop these • Security culture, education, training and awareness remains a priority, and we have refreshed this years programme of work that will continue to improve this theme • As part of the improvement for incident management and response and recovery planning, we have a programme of work that will ensure robust plans are in place, understood and continuously tested

Risks	Mitigations and controls
Our current and future workforce has structural gaps Corporate Enabler Change from prior year: Unchanged	• After several years of growth, DESNZ now needs to manage a real terms fall in the admin budget • Business planning has been completed centrally to give a view of departmental size and cost over the coming four years • DESNZ met its March 2026 workforce size/cost targets and is progressing workforce planning activity to mitigate this risk for 2026-27 and into future years • We have been progressing actions under our departmental strategic workforce plan, including our capability plan to ensure we are building the right skills and capabilities to support our future delivery • We have used workforce agility to reassign colleagues where there are critical gaps in the department through the Assignment Hubs. More recently, we have successfully pivoted at pace, numerous colleagues onto urgent Middle East roles

Risks	Mitigations and controls
Departmental morale, engagement and wellbeing Corporate Enabler Change from prior year: Unchanged	• DESNZ encourages SCS to lead by example through role modelling best practice with regard to work/life balance and support for personal wellbeing • DESNZ provides 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 the Employee Assistance Programme • DESNZ has a People Survey Action Plan in place with an action to undertake a Wellbeing survey and identify areas that may require further support. Local areas also have action plans in place • DESNZ ensures that advice and information on how to access these services is available to all staff and is regularly promoted through comms such as blog posts, staff networks, and seasonal campaigns, e.g. for winter wellness and flu vaccination • The department is also strengthening leadership and line manager capability through our line manager offer, providing practical tools, targeted learning, and guidance to support managers in leading through change and supporting staff wellbeing
Failure to embed Public Sector Equality Duty in policy design and delivery, resulting in inequitable outcomes and undermining delivery of the clean energy mission Corporate Enabler Change from prior year: Unchanged	• The department launched the CoPilot PSED Agent to improve access and engagement with PSED guidance • We published the annual DESNZ Equality Objectives document, and undertook a 6-month follow up review of progress • We continue to run regular training sessions for the department, including a new pilot of targeted training engagement, tailoring equality considerations to specific policy context

Risks Newly Added in 2025-26

Risks	Mitigating Activities
EPPS (Environmental Principles Policy Statement) compliance risk Corporate Enabler	• EPPS compliance has increased over the past 12 months. • Our sample size in the January 2025 audit more than doubled (10 to 22 submissions to review), compared to the previous one in June 2026, with the entire department taking part, not just Energy Infrastructure Group • Compliance results have greatly improved, going from 10% to 45% of submissions reviewed being fully compliant with EPPS (rated green), within those 6 months • EPPS learning workshops are still well attended, averaging about 30 people per session • The next audit, in July, is the first that will not be run centrally, but rather through each individual DG group, reporting back to the policy profession team. This is a first step in embedding a departmental wide compliance process and enabling each DG group to increase their compliance

During the year, a risk relating to "Fuel supply disruption due to strike/insolvency/accident at a critical refinery or terminal" was escalated from the Energy Security and Resilience Portfolio to the Departmental Strategic Risk Register, based on intelligence on the future of the Prax Lindsey Oil Refinery. ExCo managed the risk for a period of several months and the risk was de-escalated once the situation was more stable.

Financial review

This section summarises the department's expenditure and financial position for the year, based on information presented in the Statement of Parliamentary Supply (SOPS) and the financial statements. The SOPS explains how the department performed against the spending approved by Parliament, while the financial statements are prepared on an accruals basis in accordance with International Financial Reporting Standards (IFRS). Both are prepared for the departmental group.

Understanding the budget framework

Total Managed Expenditure (TME) is the government's overall measure of public spending. It is split into:

- **Departmental Expenditure Limits (DEL):** planned, controllable spending set over multi-year periods, for example, staff costs, grants and running costs

- **Annually Managed Expenditure (AME):** demand-led or volatile spending that is more difficult to forecast, including provisions, financial instruments and other technical adjustments

Both DEL and AME are further divided into:

- **Resource expenditure:** day to day spending to deliver departmental priorities, including programme and administration costs
- **Capital expenditure**: investment in assets or activities that provide benefits beyond the current year, such as infrastructure and financial investments

Parliament approves departmental spending through Supply Estimates, which set annual limits on how much departments can spend in each category. Departments are required to manage spending within these limits and notify HM Treasury where outturn is expected to exceed their approved budgets.

Reconciliation between budgets and the financial statements

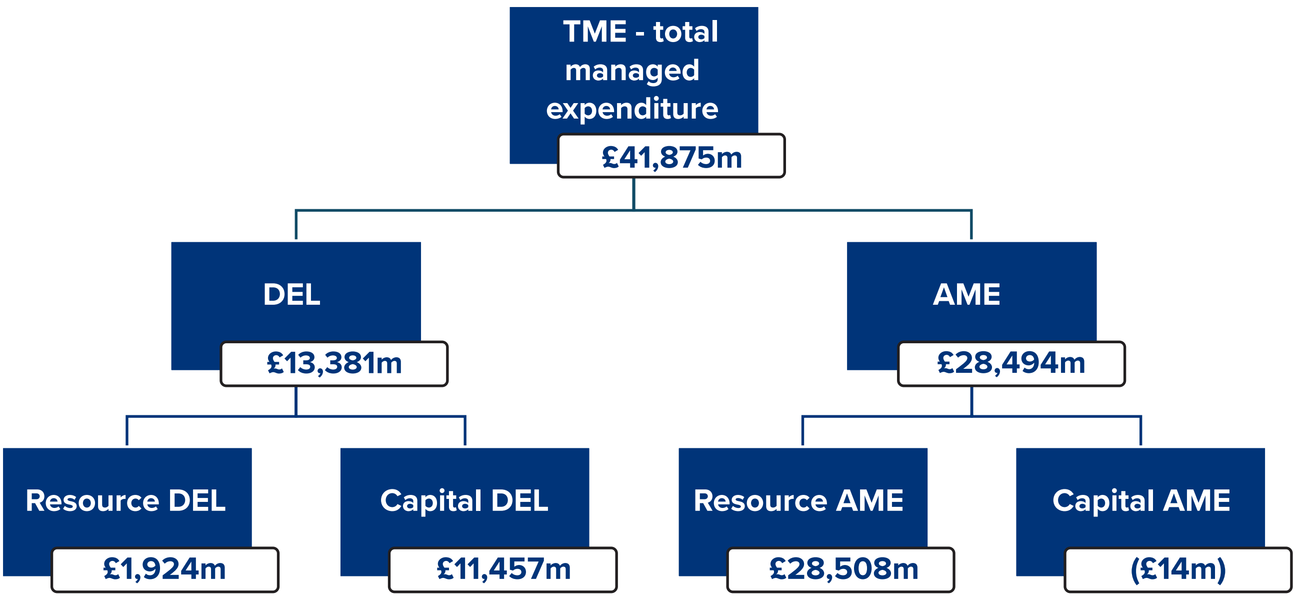
The SOPS presents financial performance on a budgetary basis, reflecting Parliamentary control, while the financial statements are prepared on an accruals basis under IFRS.

SOPS 2 provides a reconciliation between these two measures, helping users understand how budget outturn relates to the financial position and performance reported in the accounts.

Financial performance

Outturn for 2025-26

The diagram below shows the departmental outturn for 2025-26.



Outturn compared to budget

This table ties directly to the SOPS, which compares outturn with the Supply Estimates approved by Parliament. Further detail on DEL is provided in 'where we spent our money' on page 23, with both DEL and AME analysed in the SOPS and supporting notes within the Parliamentary accountability section.

				2025-26
	Outturn £m	Budget £m	Variance £m	Variance %
DEL				
Total DEL	**13,381**	**13,798**	**(418)**	**(3.0%)**
Resource DEL	1,924	2,070	(146)	(7.1%)
Capital DEL	11,457	11,728	(272)	(2.3%)
AME				
Total AME	**28,494**	**81,099**	**(52,604)**	**(64.9%)**
Resource AME	28,508	81,018	(52,510)	(64.8%)
Capital AME	(14)	80	(94)	(117.1%)
TME				
TME	**41,875**	**94,897**	**(53,022)**	**(55.9%)**

Explanations for the key variances from budget are provided below, split by budget line headings from the SOPS.

The department has managed all budget types within Parliamentary control totals and had £418m underspends across DEL; and a £52,604m AME underspend.

Resource DEL

The outturn on Resource DEL was £1,924m, an underspend of £146m, against a budget of £2,070m. This was primarily due to:

£42m underspend in Net Zero Buildings and Industry, largely due to loan accounting adjustments at year-end, alongside lower spend resulting from efficiencies and delays to digital delivery.

£41m underspend relating to funding set aside for insolvency support that was not required.

£39m underspend across ALBs supporting nuclear activity, of which £28m was driven by higher income within the Nuclear Decommissioning Authority, primarily reflecting RPI movements, and £11m improved cost control across Great British Energy-Nuclear.

£29m underspend reflecting lower spend across the Hydrogen Programme, where there have been delays to Hydrogen Allocation Round 2 and Hydrogen Transport and Storage Allocation Round; and delayed payments for low-carbon hydrogen business models (now commencing from 1 April 2026).

Capital DEL

The outturn on Capital DEL was £11,457m, an underspend of £272m against a budget of £11,728m. This was primarily due to:

£440m underspend relating to CO_2 transport and storage infrastructure (T&SCo), reflecting updated delivery timelines and the reprofiling of construction spend into future years.

This is partially offset by £150m financial transaction reflecting the portion of the receivable expected to be recovered in managing an energy sector insolvency.

Resource AME

The outturn Resource AME was £28,508m, an underspend of £52,510m, against a budget of £81,018m. The underspend is primarily due to:

£27.1bn underspend due to uncertainties at the time of budgeting for movements in the NDA nuclear provision. The underspend reflects updated cost profiles of major operating companies and increased discounting. For more information on Nuclear Decommissioning provision valuation please see Note 18.1 Nuclear provisions.

£23.9bn underspend reflects uncertainties in the Contracts for Difference (CfD) valuation, which is inherently volatile given the scale and long-term nature of contracts, alongside sensitivity to fluctuating electricity prices. For more information on CfD valuation please see Note 9 Derivative financial instruments.

£900m underspend on Green Hydrogen (LCHA) due to contracts for Hydrogen Allocation Round 2 were not signed in year as expected. For more information on LCHA valuation please see Note 9 Derivative financial instruments.

£400m underspend against the budget for Mining Remediation Authority (formerly Coal Authority) provisions. The variance reflects uncertainties at the time of budget setting when the final outturn in relation to Public Safety claims, incidents or litigation is not known.

Capital AME

The Department's full year Capital AME outturn was -£14m, an underspend of £94m, against a budget of £80m, primarily due to changes in the Sizewell C site restoration provision, following financial close, which removed the need to account for a discontinuation scenario.

Outturn trend

	2025-26 £m	2024-25 £m	2023-24 £m	2022-23 £m	2021-22 £m
DEL					
Resource DEL	1,924	1,463	1,376	13,228	2,483
Capital DEL	11,457	5,241	5,127	6,200	10,712
AME					
Resource AME	28,508	8,998	(13,547)	(95,616)	114,878
Capital AME	(14)	48	(60)	(144)	(122)

Outturn trend – biggest areas of net expenditure

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

	2025-26 £m	2024-25 £m	2023-24 £m	2022-23 £m	2021-22 £m
NDA	8,936	8,548	(15,369)	(107,667)	103,362
CfDs	21,518	2,499	4,009	(13,507)	10,286
Mining Remediation Authority (formerly Coal Authority)	(43)	193	(521)	(3,328)	3,168
RHI	1,227	1,213	1,218	1,002	920
ICF	790	406	366	231	432
Nuclear Liabilities fund	-	-	-	-	5,610
Sizewell C	4,668	1,728	1,179	841	-
Energy SAR	(1)	(2,858)	(930)	1,157	2,136
Energy price support	(1)	(55)	897	43,531	-
UKAEA	570	391	280	267	239
Net Zero buildings and heat	1,333	1,404	739	523	1,259
Great British Energy – Nuclear	77	30	181	-	-
NESO	-	687	-	-	-
CCUS	1,520	396	36	17	11
Other	1,281	1,167	812	600	528
Total	**41,875**	**15,750**	**(7,103)**	**(76,332)**	**127,951**

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 £200.4m. 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.

The difference in the DESNZ ODA expenditure between 2024 and 2025 is due to the timing of a £260m contribution to the Climate Investment Funds (CIF). A significant portion of this contribution will go towards the CIFs new High Leverage Facility (HLF). The timings for HMG approval of this contribution were aligned to the set-up of the HLF. This meant that DESNZ made it's contribution in early 2026.

DESNZ ODA spend by sector[1]

		2025	2024
Sector	**Sector code**	**ICF Total £m**	**ICF Total £m**
Energy policy	231	7.2	(9.0)
Energy generation, renewable sources	232	80.7	128.4
Banking & financial services	240	2.0	2.0
Business & other services	250	1.6	1.3
Forestry	312	49.2	244.3
General environment protection	410	39.9	19.4
Other Multisector	430	0.4	0.1
Administrative costs of donors	910	10.3	9.1
Unallocated / unspecified	998	9.1	12.6
Total		**200.4**	**408.2**

Notes

These figures are provisional. The final 2025 Statistics on International Development (SID) is due to be published by the Foreign, Commonwealth and Development Office (FCDO) in late September 2026

Please note that in last year's Annual Report and Accounts, the columns were mislabelled with the current year. ODA expenditure is published each September, for the previous calendar year. Therefore, last year's information related to 2024, rather than 2025 as stated

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 2026, the department remains in a net liability position. Net liabilities have increased by £28.8bn from (£200.1bn) at 31 March 2025 to (£228.9bn) at 31 March 2026. The biggest effect on the change in the financial position this year comes from the recognition of the liability in relation to the CfD contracts awarded this year as a result of the Allocation Round 7 (AR7). Further details on CfDs can be found in note 9.

	31-Mar-26 £m	31-Mar-25 restated £m	31-Mar-24 restated £m
Assets	24,411	17,414	16,385
Liabilities	(253,295)	(217,532)	(210,152)
Net assets/(liabilities)	(228,884)	(200,118)	(193,767)

Changes in discount rates

Discount rates heavily impact the value reported for some liabilities. Liabilities that involve payments over many years must be discounted. This recognises the time value of money and enables us to put a value on these outgoings in today's terms and at a high level it tells us how much it might cost to settle these obligations at the reporting date. This is an accounting adjustment. The department has liabilities that extend over decades. This means that a small change in the discount rate can greatly affect the present value of the liability. Assets and liabilities were discounted at positive rates - this means that the present value is lower than the cash the department expects to receive or pay. The accounts use several discount rates depending on the nature of the transaction and timing of the cash flows. Further details on discount rates applied to provisions and CfDs can be found in notes 18 and 9.

The NDA nuclear provision has increased this year, primarily due to revised decommissioning plans on which it is based. Most significantly, Sellafield have reviewed all aspects of their site plan and made multiple updates to sequencing, pricing and future funding. Similarly, NRS and NWS have updated their plans, and in all cases the longevity of the changes renders a larger undiscounted movement less financially significant on a discounted basis.

The CfD liability increased this year to account for the results of the AR7. LCCC has successfully signed more than 200 CfD contracts, representing 14.7 GW of renewable electricity generation. AR7 represents a significant increase in scale from previous auctions, delivering contracts across fixed bottom and floating offshore wind, onshore wind, solar, and tidal stream power.

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

	2025-26 No discounting £m	2025-26 With discounting £m	2025-26 Impact of discounting £m	2024-25 No discounting £m	2024-25 With discounting £m	2024-25 Impact of discounting £m
Assets						
Financial asset: Coal pension receivable	346	328	(18)	346	335	(11)
Liabilities						
NDA nuclear provision	276,364	115,631	(160,733)	215,954	110,101	(105,853)
Mining Remediation Authority (formerly Coal Authority) provision	11,818	1,571	(10,247)	11,709	1,709	(10,000)
CfD liabilities (included within derivative financial instruments on SoFP, with assets and liabilities presented separately)	166,061	110,923	(55,138)	128,229	90,405	(37,824)
LCHA liabilities (included within derivative financial instruments on SoFP, with assets and liabilities presented separately)	2,796	2,244	(552)	1,255	1,243	(12)

Sustainability report

The Greening Government Commitments

The Greening Government Commitments (GGCs) framework sets out actions by departments and their public bodies to improve the environmental impact of the government estate and its operations. The Department for Environment, Food and Rural Affairs (Defra) compiles, mandates and coordinates the GGC Framework.

GGC targets were in place up to March 2025 under the 2021–25 framework, which has now ended. Defra is working on a new framework for 2025–30, to be published in due course. As part of the new framework, 2025–26 will form the baseline year to track progress each year. Due to the differences between the old and new frameworks, prior year comparators for metrics have not been provided.

The figures reported are for the DESNZ GGC family, made up of the core department and 10 in scope public bodies:

- Climate Change Committee (CCC)
- Mining Remediation Authority (MRA)
- Nuclear Decommissioning Authority (NDA)
- United Kingdom National Nuclear Laboratory (UKNNL)
- North Sea Transition Authority (NSTA)
- Salix
- UK Atomic Energy Authority (UKAEA)
- The Office of Gas and Electricity Markets (Ofgem)
- Great British Energy-Nuclear (GBE-N)
- The Civil Nuclear Constabulary (CNC)

The Government Property Agency (GPA) manages all the estate occupied by the core department and a small proportion of public bodies. In these cases, GPA is responsible for ensuring their estate delivers on the GGC targets. The organisations perform an assurance role to support the GPA. The GPA has an environmental management system accredited to ISO 14001, to monitor energy, waste and water use. This aligns with the Government Property Strategy 2022–30 mission to move to a smaller, better, and greener estate.

Emissions

The GPA is running a net zero programme to reduce carbon emissions and energy use across its estate. DESNZ has benefited from carbon emissions and energy savings from a solar panel review at Feethams House, Darlington. Public bodies that do not occupy the GPA estate have also made efforts to reduce emissions (see public body annual reports for more details).

Carbon emissions data

	Unit	2025-26
Scope 1		
Emissions: (direct - sources owned or controlled by the organisation) (gas)	Tonnes CO_2 equivalent	3,923
Related gas consumption	KWh	15,705,345
Related expenditure	£'000	506

Notes:

1. Ofgem data unavailable
2. Ofgem, UKAEA & CCC expenditure unavailable

	Unit	2025-26
Scope 2		
Emissions: (indirect - energy consumed which is supplied by another party) (electricity)	Tonnes CO_2 equivalent	11,499
Related electricity consumption	KWh	58,759,962
Related expenditure	£'000	9,281

Notes:

1. Ofgem data unavailable
2. Ofgem, UKAEA & CCC expenditure unavailable

There was no additional spend on energy outside of scope 1 and 2.

	Unit	2025-26
Scope 3		
Emissions from business travel	Tonnes CO_2 equivalent	4,382
Related expenditure	£'000	4,798
Emissions from ICT	Tonnes CO_2 equivalent	1,570

Notes:

1. Ofgem, UKAEA & CCC data unavailable for business travel
2. CNC, NSTA, UKAEA & Ofgem data unavailable for ICT. CCC are exempt

Carbon offsets

The Nuclear Decommissioning Authority purchased 1500 Woodland Carbon Code Pending Issuance Units at the Lowther estate for a total cost of £60,000.

DESNZ Core purchased 432 Bangladesh Verra's Verified Carbon Standard (VCS) to compensate for emissions arising from DESNZ travel to UNFCCC COP30 events during 2025 at a cost of £5,023.

No further carbon offsetting has been done by the remainder of the DESNZ family.

Waste organisation and management

In 2025, the GPA developed a new sustainability strategy for its workplace services. The strategy focuses on areas such as minimising energy use. Related collaborative projects are being run across the GPA's portfolio occupied by DESNZ core, and a small portion of some public bodies.

Municipal waste data

	2025-26 Tonnes
Recycling	963
Anaerobic digestion	77
Incineration with energy recovery	69
Composting	4
Incineration without energy recovery	1
Landfill	372
Other destination	89
Total municipal waste arising	**1,575**

Note:

1. Ofgem data unavailable

Major mineral waste data

	2025-26 Tonnes
Recycled	9,011
ICT waste recycled, reused, and recovered (externally)	6
Composted/ food waste	53
Incinerated with energy recovery	3
Incinerated without energy recovery	1
To landfill	1,308
Other destination	3,562
Total mineral waste arising	**13,944**

Notes:

1. Ofgem data unavailable
2. ICT waste for NSTA, Ofgem, CNC & GBE-N unavailable

Other waste data

	2025-26 Tonnes
Recycled	2,110
ICT waste recycled, reused, and recovered (externally)	-
Composted/ food waste	84
Incinerated with energy recovery	3
Incinerated without energy recovery	48
To landfill	2,111
Other destination	13,931
Total other waste arising	**18,286**

Note:

1. Ofgem data unavailable

Total expenditure on municipal, major mineral and other waste data was £132,843.

Water consumption (finite resource)

GPA continued to implement water efficiency measures across the estate, such as rolling out water meters across most sites. Apart from the GGC disclosures below, the estate occupied by DESNZ does not use other finite resources.

Water consumption data

	Unit	2025-26
Water consumption	cubic metres m^3	47,115
Water supply and sewage costs	£'000	117

Note:

1. UKAEA, Ofgem & CCC data unavailable

Sustainable construction and restoring and enhancing nature

The GPA's new government hub offices are designed to meet GGC sustainability targets to deliver on our commitments. They achieve these through sustainable design and construction aiming for ambitious EPC and BREEAM ratings where possible.

The GPA has updated the Government Workplace Design Guide with an updated annex on net zero and sustainability and a new annex on biodiversity and nature recovery. Both publications demonstrate the GPA's commitment to protecting the environment on behalf of DESNZ.

Adapting to climate risks

For the proportion of the DESNZ GGC family which occupy the GPA estate, the GPA has completed a climate change adaptation strategy and action plan to mitigate against the impacts of climate change. Roll-out of the action plan will continue into 2026 and beyond. During 2025-26 flood risk assessments were reviewed and further site level data collected, defining risks and actions required.

Sustainable procurement

We have 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.

Actions taken during the year:

- We prepared guidance to support the implementation of sustainable procurement practices. The guidance and resources reference the Government Buying Standards (GBS)
- We provided training to 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, we were 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 continue to use more recycled and renewable materials in their products, and reduce packaging through new initiatives where possible. The department has a continued focus on ICT waste management, aiming to reduce the overall amount of waste and increase the proportion which is reused and recycled, with the ultimate goal of zero waste going to landfill.

Under the Greening Government Commitments, DESNZ continues to seek opportunities to reduce its environmental impact. The department works with suppliers to support its sustainability objectives, including the reduction of carbon emissions, and requires the provision of CO_2e data to monitor progress against these objectives.

Taskforce on Climate-Related Financial Disclosures statement

This disclosure has been prepared in accordance with the recommendations and recommended disclosures of the Task Force on Climate-related Financial Disclosures (TCFD), as interpreted and applied through HM Treasury's TCFD-aligned disclosure requirements.

Given the nature of DESNZ's remit, where consideration of climate change and resilience to climate change are a key element to the department's work and UK climate risks and response are a business as usual activity, this return covers the department's UK-wide impact. As such, this inherently covers the work of both the department and our public bodies. However, we do not assess specific actions from across the DESNZ group, and public body responses to climate change and climate resilience will be found in their own TCFD returns.

For future returns, the internal DESNZ aspects of TCFD will need to be strengthened.

Background

The Taskforce for 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 outcomes 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.

The assessment and outlook on climate related risk heavily informs and guides the department's approach to strategic decisions on funding and resourcing. Decisions at major fiscal events such as Spending Reviews and the allocation of resourcing across the department is informed and guided by the assessment of climate related risk, primarily through efforts to reduce the UK's emissions and ensure energy security.

As such, assessment of climate risk is central to the department's overall risk assessment processes, and three of our eight departmental strategic delivery risks relate to climate change and international action: achievability of UK and global carbon targets; the UK's reputation for climate action and influence on other global players, and use of our reputation and climate policy to attract private investment for green infrastructure. We additionally have a strategic risk relating to management of the transition to a clean energy system.

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 outcomes for 2025-26 were to:

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

Our Climate Strategy

The UK has made a series of commitments to tackling climate change over the past decades. The Climate Change Act (2008) made the UK the first country to establish a long-term legally binding framework to cut carbon emissions, containing a target requiring emissions reductions to Net Zero by 2050. The Act has cemented the UK’s position as an international leader in tackling climate change with countries such as Denmark, France, Mexico, Sweden and New Zealand creating their own legislation based on the Act.

The UK’s official commitments to the UN and COP processes are geared toward our Net Zero target and delivering the overarching Paris Agreement goal of limiting global warming to well below 2°C, and this is the scenario on which DESNZ assesses any climate risk.

Current official targets include:

- **2030 Nationally Determined Contribution (NDC):** The UK remains committed to its target of at least a 68% reduction in emissions by 2030 against 1990 levels
- **2035 Nationally Determined Contribution (NDC):** The UK has committed to reducing economy-wide greenhouse gas emissions, excluding international aviation and shipping, by at least 81% by 2035 compared to 1990 levels
- **Long-Term Strategy (Net Zero 2050):** The UK has a legally binding commitment to reach Net Zero emissions by 2050. This target is economy-wide and includes international aviation and shipping
- **Carbon Budgets:** These are domestic, legally binding five-year caps on emissions. The Sixth Carbon Budget (2033–2037) aligns with the 2035 NDC, requiring a 78% reduction by 2035 (including international aviation and shipping). Detail can be seen in metrics 1a and 2b.

In addition, the UK has Strategic & Financial Commitments:

- International Climate Finance: The UK has pledged £11.6bn between 2021-22 and 2025-26 to support developing countries, with at least £3bn dedicated to nature-based solutions
- Global Sectoral Pledges:
  - Global Methane Pledge: Committing to reduce global methane emissions by 30% by 2030
  - Clean Power: Ambition to achieve a 95% clean power system by 2030
  - Zero Emission Vehicles (ZEV): Phasing out new petrol and diesel cars by 2030 and ensuring 100% of new cars and vans are zero-emission by 2035
  - Jet Zero Strategy is the UK’s official plan to achieve Net Zero aviation by 2050. Launched in 2022 and reaffirmed by subsequent governments, it forms a core part of the UK’s broader climate commitments

- Maritime decarbonisation – Net Zero by 2050: A target for the UK maritime sector to achieve net-zero lifecycle greenhouse gas (GHG) emissions by 2050

Our Climate Adaptation Strategy

At departmental level, our direct operations are largely office based and, therefore, our direct climate and resilience impacts relate to our estate, IT and consumables. This can be seen in the sustainability report on page 55.

At a national level, we are a contributor to UK Government Climate Change Risk Assessments (CCRA), a 5-yearly requirement under the 2008 Climate Change Act. The third assessment, **CCRA3**, was published in 2021 and forms the basis of DESNZ's strategic resilience planning.

It looks at risks and opportunities for the UK under two climate change scenarios, corresponding to approximately a 2°C or a 4°C rise in global temperature by 2100. It answers three questions, for 61 different risks or opportunities using available published evidence and analysis:

1. What is the current and future level of risk or opportunity?
2. Is the risk or opportunity being managed, taking account of government action and other adaptation?
3. Are there benefits of further adaptation action in the next five years, over and above what is already planned?

As part of the CCRA there is a published **Energy Sector Briefing**, setting out specific Energy concerns:

It details that all energy infrastructure is vulnerable to climate change, particularly from increasing surface water and coastal flooding. Extreme weather such as temperature fluctuations, snow, ice, wind, and lightning can disrupt networks, though future wind and lightning risks are less certain. Energy systems are interconnected with other infrastructure (transport, ICT, water), meaning failures can cascade. Buried assets like gas pipelines face rising risks from flooding and subsidence. Hydroelectric output depends on river flows, which may become more variable with changing rainfall, as seen in reduced generation during the dry summer of 2018. Reduced water availability could also limit thermal, biomass, and gas power generation. Offshore infrastructure may face greater degradation from sea level rise and extreme weather, though this is hard to quantify. Warmer winters are likely to lower heating demand, while hotter summers may increase cooling demand, shifting peak electricity use.

The UK response/mitigation to the CCRA is then set out in the National Adaptation Programme (NAP). **NAP3, from 2023**, is the latest version, and this sets out what DESNZ's climate resilience actions/mitigations are on behalf of the UK.

Within this, DESNZ owns or co-owns 10 sector risks. Details of the actions, and risk reduction goals for each risk that DESNZ owns, are taken directly from the 2023 NAP3 publication. These are historical in nature, but are set out below. They will be updated for the publication of NAP4, which will respond to CCRA4, published in May 2026.

Sector Risks owned by DESNZ

Risks cited in the NAP3 are split across various distinct sector categories. DESNZ has 10 risks in two sector areas; which are Infrastructure risks (indicated by an (I) below), and Health, Communities, and the Built Environment risks (indicated by a (H) below).

I2 – Risks to infrastructure services from river, surface water, and groundwater flooding (energy – DESNZ)

Risk reduction goal – to reduce the risks to the energy system from climate change-driven increases in river, surface water, and groundwater flooding.

Actions	How we will do it
DESNZ will use the climate services for a Net Zero resilient world (CS-N0W (climate services for a Net Zero resilient world)) research programme through to 2025 to explore developing indicators to measure the progress of the mitigation of climate change risks to energy assets.	• CS-N0W research programme

I3 – Risks to infrastructure services from coastal flooding and erosion (energy – DESNZ)

Risk reduction goal – Reduce the risks to the energy system from climate change-driven increases in coastal flooding and erosion.

Actions	How we will do it
DESNZ will use the climate services for a Net Zero resilient world (CS-N0W) research programme through to 2025 to explore developing indicators to measure the progress of the mitigation of climate change risks to energy assets.	• CS-N0W research programme

I4 – Risks to bridges and pipelines from flooding and erosion (energy – DESNZ)

Risk reduction goal – Reduce the risk to the energy system from pipeline damage caused by climate change-driven increases in flooding and erosion.

Actions	How we will do it
DESNZ will encourage knowledge sharing across operators on risk mitigation approaches via existing engagement forums throughout the NAP3 implementation period, with a review point by end 2025, to enhance resilience to flooding and erosion.	• Energy Networks Association's Climate Change Resilience Working Group
DESNZ will use the CS-N0W research programme through to 2025 to explore developing indicators to measure the progress of the mitigation of climate change risks to energy assets.	• CS-N0W research programme

I6 – Risks to hydroelectric generation from low or high river flows (energy – DESNZ)

Risk reduction goal – Reduce the risk to hydroelectric generation from climate change-driven increases in low or high river flows.

Actions	How we will do it
DESNZ will monitor power companies' engagement with regional water resource planning initiatives and Energy UK's engagement with the National Framework for Water Resources throughout the NAP3 implementation period, with a review point by end 2025, to drive understanding of and resilience to current and future low or high river flows.	• Adaptation Reporting Power (ARP)
DESNZ will use research and development throughout the NAP3 implementation period, including the CS-N0W research programme which runs to 2025, to improve understanding of future water availability and impacts on water-intensive energy infrastructure.	• CS-N0W research programme
DESNZ will use the CS-N0W research programme through to 2025 to explore developing indicators to measure the progress of the mitigation of climate change risks to energy assets.	• CS-N0W research programme

I7 – Risks to subterranean and surface infrastructure from subsidence (energy – DESNZ)

Risk reduction goal – Reduce the risks to subterranean and surface energy infrastructure from climate change-driven increases in subsidence.

Actions	How we will do it
DESNZ will engage with National Underground Asset Register (NUAR) development prior to it becoming operational in 2024 to consider how this knowledge could be used to facilitate further resilience measures by industry.	• Geospatial Commission's National Underground Asset Register project
DESNZ will encourage knowledge sharing approaches across operators on risk mitigation approaches via existing engagement forums throughout the NAP3 implementation period from 2023 to 2028, with a review point by end 2025, to enhance resilience to subsidence.	• Energy Network Association's Climate Change Resilience Working Group
DESNZ will use the CS-N0W research programme through to 2025 to explore developing indicators to measure the progress of the mitigation of climate change risks to energy assets.	• CS-N0W research programme

I9 – Risks to energy generation from reduced water availability (energy infrastructure – DESNZ)

Risk reduction goal – Reduce the risks to energy generation from climate change-driven reduced water availability.

Actions	How we will do it
DESNZ will monitor power companies' engagement with regional water resource planning initiatives and Energy UK's engagement with the National Framework for Water Resources to drive understanding of and resilience to reduced water availability throughout the NAP3 implementation period, with a review point by end 2025. Energy UK is also engaging with the Environment Agency as they develop the abstraction licensing transition into the Environmental Permitting Regulations.	• Adaptation Reporting Power (ARP)
DESNZ will use research and development, including the CS-N0W research programme, which runs until 2025, to improve understanding of future water availability and impacts on water-intensive energy infrastructure. Energy UK has been contributing to the Environment Agency project on Humber industrial constraints.	• CS-N0W research programme
DESNZ will continue work with industry throughout the NAP3 implementation period, with a review point by end 2025, to understand the future water needs for the power sector in its transition to net zero. Industry will also work on this via private initiatives, such as UK Water Industry Research's work on the feasibility of scaling hydrogen production in relation to water consumption.	• CS-N0W research programme • Energy and Water External Steering Group, which is led by the Environment Agency and has participation from Defra, DESNZ, the Scottish Environment Protection Agency and other stakeholders
DESNZ will use the CS-N0W research programme through to 2025 to explore developing indicators to measure the progress of the mitigation of climate change risks to energy assets.	• CS-N0W research programme

I10 – Risks to energy from high and low temperatures, high winds, and lightning (energy infrastructure – DESNZ)

Risk reduction goal – Reduce the risk to the energy system from climate change-driven increases in incidences of severe weather.

Actions	How we will do it
DESNZ will use the CS-N0W research programme through to 2025 to explore developing indicators to measure the progress of the mitigation of climate change risks to energy assets.	• DESNZ-funded CS-N0W research
DESNZ will conduct an internal review by 2024 of governance arrangements for climate resilience in the energy system, to ensure they are fit for the new expanded and more diverse low-carbon system given increasing societal reliance on electricity.	• No specific action mentioned in the NAP3
By 2024, DESNZ will designate parties responsible now and in the future for the maintenance of energy sector codes and standards, with a clear mandate to ensure climate and weather resilience.	• Development of future system operator licence conditions

I11 – Risks to offshore infrastructure from storms and high waves (DESNZ)

Risk reduction goal – Sustain current levels of resilience and safety in offshore infrastructure in the context of increased severity and frequency of climate impacts.

Actions	How we will do it
DESNZ will continue to work with regulatory bodies throughout the NAP3 implementation period to 2028 and beyond to ensure that current and new offshore installations are suitably designed to minimise, mitigate or reduce as far as reasonably possible the risk of damage caused by extreme weather conditions at sea.	• The Health and Safety at Work Act 1974 • The Offshore Installations (Offshore Safety Directive) (Safety Case, etc) Regulations 2015 • All applicable active marine guidance notes
DESNZ will continue to work with regulatory bodies throughout the NAP3 implementation period to 2028 and beyond to ensure that risks to offshore infrastructure and personnel are minimised in accordance with relevant sector guidelines. They will also ensure operators maintain sufficient risk assessments and procedures to minimise risk to personnel at sea.	• The Health and Safety at Work Act 1974 • The Offshore Installations (Offshore Safety Directive) (Safety Case, etc) Regulations 2015 • All applicable active marine guidance notes

Actions	How we will do it
DESNZ will continue to work with regulatory bodies throughout the NAP3 implementation period to 2028 and beyond to ensure that climate risks are considered within the codes, standards and guidance for other offshore infrastructure and vessels operating within and across the UK continental shelf.	• The Health and Safety at Work Act 1974 • The Offshore Installations (Offshore Safety Directive) (Safety Case, etc) Regulations 2015 • All applicable active marine guidance notes

H5 – Risks to building fabric (DESNZ and the Department for Levelling Up, Housing and Communities – DLUHC)

Risk reduction goal – Understand the impact to the different building fabrics and approaches to mitigate impacts from climate change induced hazards including extreme weather events, winds, and wildfires in the UK under different warming scenarios considering vulnerabilities and equality duties. DESNZ will ensure that measures to deliver net zero and retrofit existing buildings, as described in the Heat and Buildings Strategy, will seek to minimise risks to building fabric due to the impacts of climate change. This will result in an existing building stock that is appropriately retrofitted to deliver net zero by 2050 and more resilient to climate hazards.

Actions	How we will do it
DESNZ plan to carry out a detailed risk assessment for the UK's existing building stock's exposure to damage from 2080 climate hazards by 2028 using a programme of research. Research will be carried out from 2023 to 2028, gathering evidence to enable this risk assessment, with outputs delivered throughout this period. For example, research modelling projected wind-driven rain risk in 2080 will report back by the end of 2023. The research in this action will support the development of tailored adaptation actions for local areas, it will consider unequal effects of climate change on at-risk groups, and feed into the development of the Heat & Buildings Strategy Policy Framework.	• Research framework study • Mapping climate hazards using UKCP18 Climate Projections for 2°C and 4°C scenarios • Academic secondment to research and catalogue holistic adaptation strategies for different building archetypes

Actions	How we will do it
DESNZ require that measures installed under current Government schemes must be carried out by a Trustmark registered and, where appropriate, Publicly Available Specification (PAS) 2030 certified installer in accordance with PAS 2035. PAS 2035/2030:2023 is expected to be published in 2023.	• Academic secondment to research and catalogue holistic adaptation strategies for different building archetypes • Funding for fuel poor homes announced in the 2021 Spending Review • Green Homes Grant (Local Authority Delivery scheme 2&3) (until 2023) • Home Upgrade Grant (HUG) (2022-2025) • Boiler Upgrade Scheme • ECO 4 (extended until 2026) • The Great British Insulation Scheme (2023-2026) • Social Housing Decarbonisation Fund (SHDF) (2020-2025) • Public Sector Decarbonisation Funding Scheme (2021-2025) • TrustMark Scheme • PAS 2035/2030 standards • Review of practical planning barriers to energy efficiency measures in conservation areas and listed buildings, (2022-2023) • Energy Bill (2023) • Update of the Energy Performance of Building Regulations for EPCs (2023-24) • Future development of the SAP methodology (SAP11) (2021-2025) • Strengthening the Energy Savings Opportunity Scheme (ESOS) for Phase 4 (2023-2027) • Consider introducing Minimum Energy Efficiency Standards across building tenures (2025-2030)

Note – DLUHC's contribution is not included here. It can be found in the NAP3 publication

H6 – Risks and opportunities from summer and winter household energy demand – DESNZ

Risk reduction goal – Take account of climate risks, especially overheating, when improving the energy performance of buildings to actively manage the risk of increased energy demand due to potential active cooling. This will be informed by research to fill gaps in our understanding of what measures and changes are likely for different buildings and their impacts for energy demand, including the role of cooling, looking at both 2°C and 4°C warming projections. DESNZ will ensure that measures to deliver net zero and retrofit existing buildings, as described in the Heat and Buildings Strategy, will minimise the risk of overheating and the increased energy demands associated with active cooling. This will result in the existing building stock being appropriately retrofitted to deliver net zero by 2050 and more resilient to climate hazards.

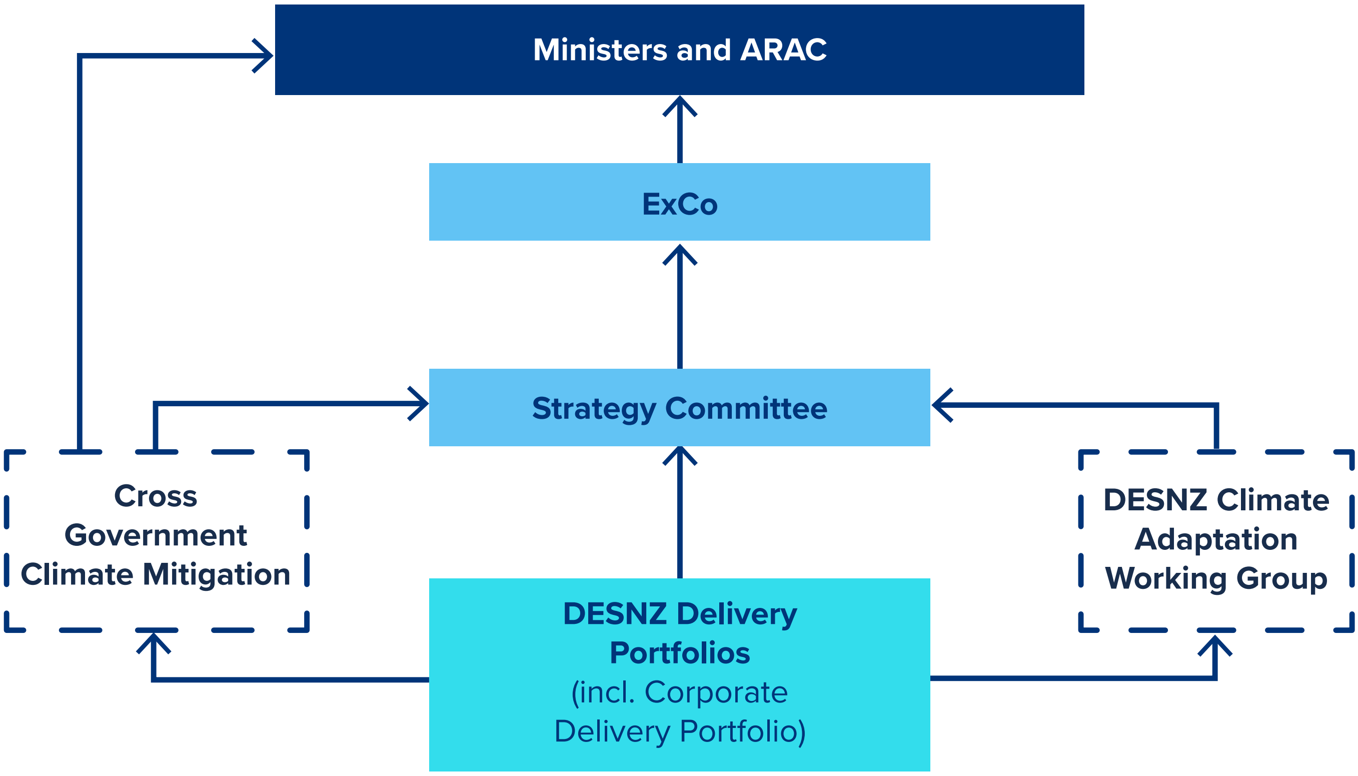
Actions	How we will do it
DESNZ requires that measures installed under current government schemes must be carried out by a TrustMark registered and, where appropriate, Publicly Available Specification (PAS) 2030 certified installer in accordance with PAS 2035. PAS 2035/2030:2023 is expected to be published in 2023.	• Funding for fuel poor homes announced in the 2021 Spending Review • Green Homes Grant (Local Authority Delivery Scheme 2&3) (until 2023) • Home Upgrade Grant (HUG) (2022-2025) • Boiler Upgrade Scheme • ECO 4 (extended until 2026) • The Great British Insulation Scheme (2023-2026) • Social Housing Decarbonisation Fund (SHDF) (2020-2025) • Public Sector decarbonisation funding scheme (2021-2025) • Trustmark Scheme • PAS 2035 and 2030 • Energy Bill (2023) • Update of the Energy Performance of Building regulations for EPCs (2023-24) • Future development of the SAP methodology (SAP 11) (2021 – 2025) • Review of practical planning barriers to energy efficiency measures in conservation areas and listed buildings (2023) • Strengthening the Energy Savings Opportunity Scheme (ESOS) for Phase 4 (2023-2027) • Consider introducing minimum energy efficiency standards across building tenures, 2025-2030
DESNZ will conduct research to help assess projected energy demand and system impacts due to the risk of overheating and different potential cooling energy demand trajectories building on existing evidence. Research will be carried out through the NAP3 implementation period from 2023 to 2028, producing evidence to support analysis and decision making with outputs delivered throughout this period.	• Cooling in the UK – DESNZ Research Report (Sep 2021) • English Housing Survey • English Housing Survey Energy Follow Up Survey (EFUS) results and subsequent research by DESNZ and others • Co-funding PhDs to research overheating risks and mitigation • Climate science for a Net Zero resilient world (CW-N0W) Overheating analysis

Governance

Our mission-based approach defines the end goal and focuses on outcomes, enabling more joined-up, innovative and flexible delivery.

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.



The Strategy Committee is a senior official governance committee in DESNZ, operating as a subcommittee of the Executive Committee (ExCo). It brings together the Permanent Secretary and Directors General to focus on complex, cross-cutting strategic issues that need senior alignment and, in some cases, decisions.

The Strategy Committee provides an informal but authoritative space for senior leaders to: think collectively about strategic direction, test emerging policy choices, and explore trade-offs across portfolios. The Strategy Committee focuses on strategic, cross-cutting issues, rather than routine delivery or performance management and can take decisions that carry the authority of ExCo, where appropriate.

The assessment made by the Strategy Committee 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 Strategy Committee does not assure individual project, programme, or portfolio performance, but take their collective performance into account when assessing progress against outcomes

Within our portfolio management governance structure, which continues to mature, our strategic 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 Strategy Committee has a helicopter view across all the portfolios and draws together where risks impact across the piece. If required, the Strategy Committee 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.

The Climate Adaptation Working Group is not a formal decision-making committee in DESNZ's corporate governance hierarchy (i.e. it does not sit alongside ExCo, Strategy Committee, ARAC, etc.). Instead, it sits as an official-level, cross-departmental working group operating below senior committees, and is convened by the Energy Security and Resilience (ESR) Portfolio Management and Strategic Risk Team.

The Climate Adaptation Working Group provides a cross-DESNZ forum to coordinate thinking on climate adaptation and resilience, particularly where this affects energy systems, infrastructure, policy delivery, and risk. It focuses on sense-making, evidence-sharing and alignment, rather than governance or delivery sign-off.

The Climate Adaptation Working Group does not formally report to the Strategy Committee, but it supports Strategy Committee indirectly. The working group provides working-level analysis, evidence and discussion on climate adaptation risks, scenarios, and uncertainty, which are used by corporate climate governance and strategic risk owners.

Risk Management

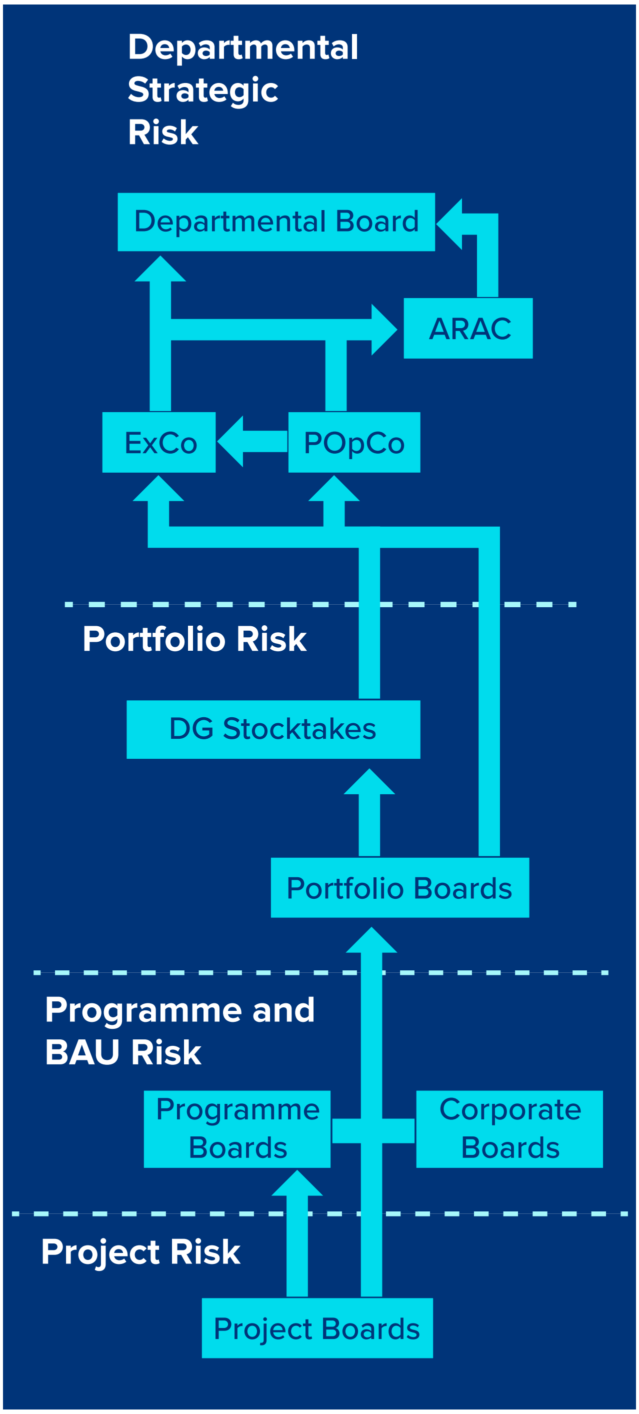
As described in the governance section, DESNZ's risk management framework is established around a portfolio structure, with each level of that structure being responsible for delivery of their own risk management and ExCo having ownership of our Departmental Strategic Risks.

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

Climate-related resilience considerations are addressed across DESNZ over multiple planning horizons, reflecting the differing nature of departmental functions and policy objectives. Strategy teams consider the immediate and cross-cutting resilience implications for departmental priorities, including current energy security, affordability and delivery risks.

Teams responsible for Clean Power 2030 consider nearer-term resilience issues associated with the transition to a predominantly clean power system over this decade, including system operability, infrastructure readiness and exposure to acute climate hazards.

Energy networks teams consider longer-term resilience to 2050, including how network design, asset standards and investment decisions may need to adapt to the projected impacts of chronic and acute climate risks over the lifetime of infrastructure. This supports an approach in which climate resilience is considered alongside decarbonisation, security of supply and long-term system transformation.



The Departmental Risk Team in Portfolio and Data Directorate **reviews the DESNZ Strategic Risks and reports them to ExCO & ARAC**.

They also **consider escalations and the aggregation of risk themes from the Portfolios**, working with risk owners to ensure the right governance body reviews them.

ExCo, POpCo and ARAC conduct deep dives on individual DSRR risks across the year.

Senior Strategy Delivery Advisers / DD Group Risk Champions **help review risk on the Portfolio Registers under their DG and co-ordinate review at Group SLT (as agreed by each DG), and at DG Stocktakes**. SDAs and DRT provide advice and guidance to Portfolio Offices/Teams on risk management best practice.

The Portfolio Offices/Teams **review the risks on their portfolio registers at their board** and consider whether there is a departmental impact to flag for discussion or if there is a **formal escalation to the Departmental Strategic Risk Register.**

Portfolio teams also ensure that risk management in their programmes and projects is robust.

Programmes and Projects **manage their risks in ORB and/or Verto**, updating them each month and **escalating to Portfolio when necessary**.

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:

1. Climate Change Reductions

Key DESNZ products:

1a. **UK Carbon Budget Targets, the data used to set them, and our plans to achieve them**

- The carbon budget for the 2023–2027 budgetary period is 1,950,000,000 tonnes of carbon dioxide equivalent
- The fifth carbon budget for the (2028–2032) budgetary period is 1,725,000,000 tonnes of carbon dioxide equivalent
- The sixth carbon budget for the (2033-2037) budgetary period is 965,000,000 tonnes of carbon dioxide equivalent
- The seventh carbon budget (2038-2042) budgetary period has not yet been formally set, but in their February 2026 report, the CCC recommended that this should be set at 535m tonnes of carbon dioxide equivalent

1b. **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.

1b.i) UK Energy Trends – below are two charts taken from the UK Energy Trends publication showing UK energy production, and total UK inland energy consumption by primary fuel source. More detailed charts and analysis can be found in the **report**.

Chart 1.1 UK production

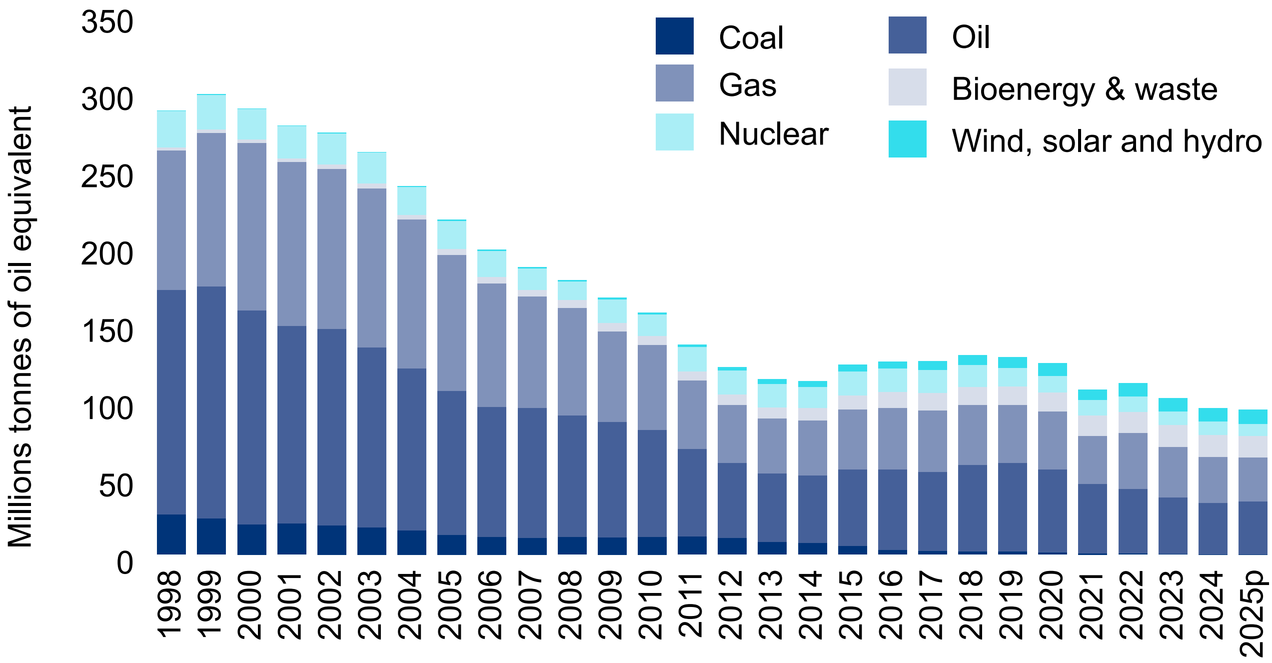


Chart 1.1: In 2025 total production was 94.0 million tonnes of oil equivalent, 1.0 per cent lower than in 2024 and at a record low level in the published series, and 68 per cent lower than in 1999 when UK production peaked. Production levels for all fuels except coal, oil, and wind, solar and hydro are down, with gas and nuclear output at record low levels. Production of oil rose by 2.5 per cent, whilst natural gas fell by 3.3 per cent to a record low level. Electricity produced from nuclear sources fell by 12 per cent to a record low level as continued outages affected the UK nuclear fleet. Electricity produced from wind, solar and hydro rose by 8.1 per cent to a record high level, with output from wind and solar up but hydro down on 2024 levels.

Chart 1.2 Total inland consumption (primary fuel input basis)

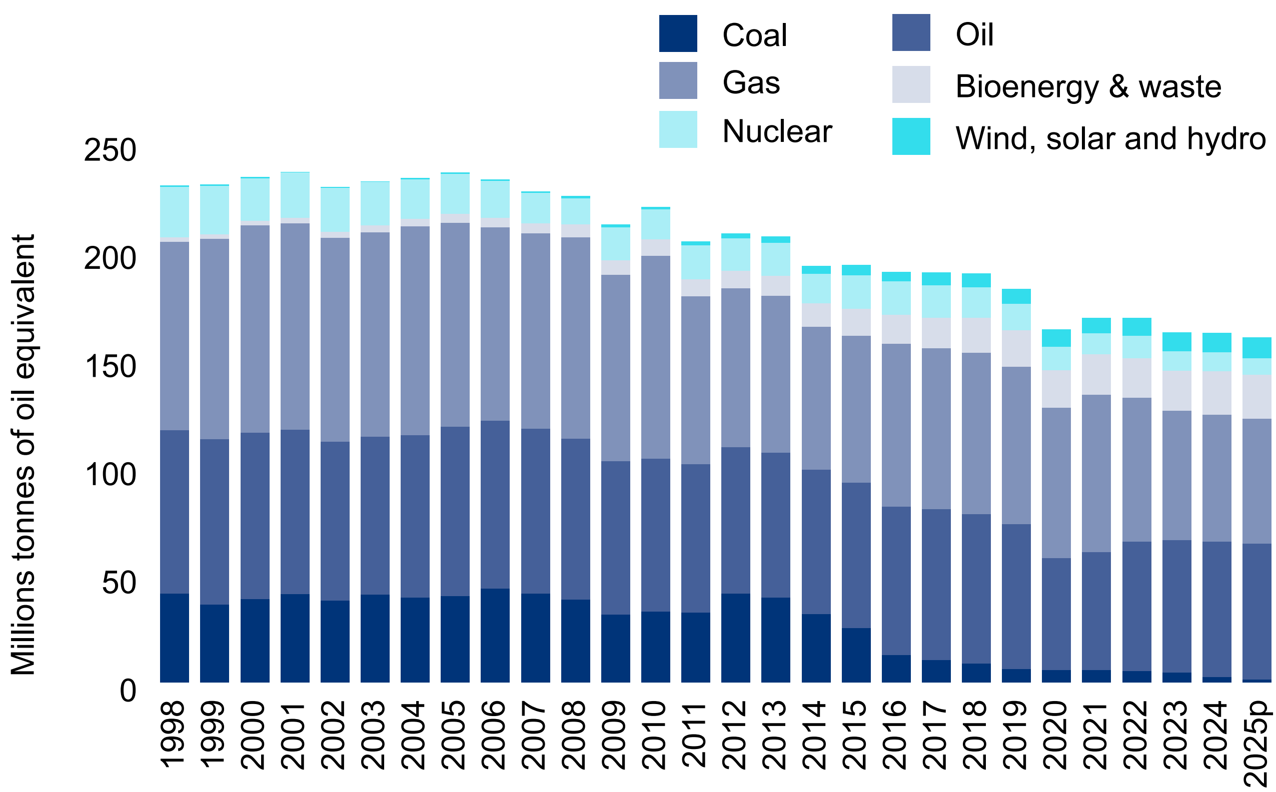


Chart 1.2: In 2025 total inland consumption (this includes not only fuel use by consumers, but fuel used for electricity generation and other transformation) was 164.5 million tonnes of oil equivalent, down 1.8 per cent compared to 2024 and down 11 per cent on pre-pandemic (2019) levels (on a seasonally adjusted and annualised rate that removes the impact of temperature on demand).

1b. ii) Digest of UK Energy Statistics (DUKES) – More detailed analysis can be found in the **report**.

2. Commissioned and independent products

2a) **Clean Power 2030** is a National Energy System Operator report looking at supply and demand and network operability as we move to clean power.

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 generation

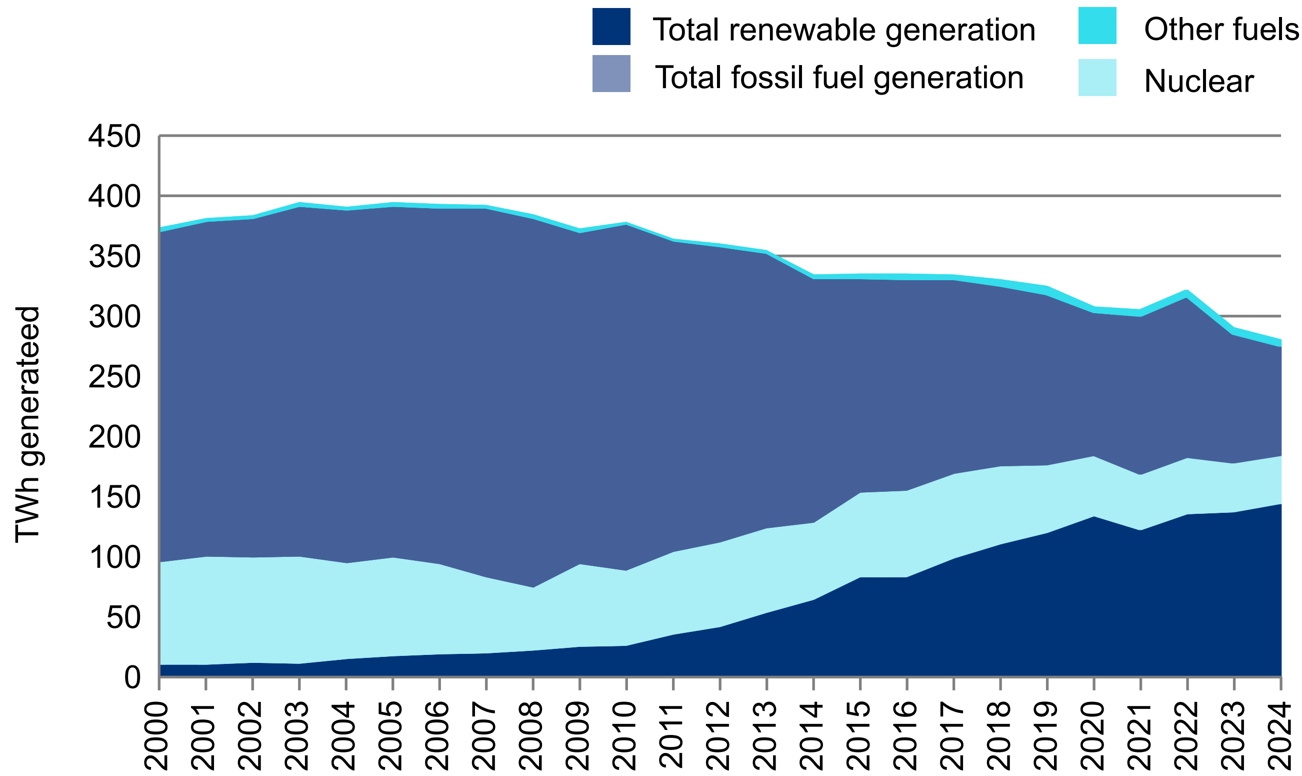
We expect delivering a clean power system with these characteristics will make Great Britain a net exporter of electricity and will reduce the carbon intensity of electricity generation from 171gCO_2 e/kWh in 2023 to well below 50gCO_2 e/kWh in 2030, well within the Climate Change Committee's guidelines.

Whilst the expansion of renewables in the power system has reduced the share of fossil fuel generation to date (see chart below), all routes to a Clean Power system will require mass deployment of offshore wind, onshore wind, and solar.

Securing affordable, homegrown renewables means we will be able to run our power system for increasing periods on low carbon generation, with renewables providing the vast majority of generation, and nuclear continuing to deliver a backbone of vital firm low carbon power.

Source - **DUKES 2025 Chapter 1-7**

Chart 1.3 Electricity generated by fuel, 2000 to 2024

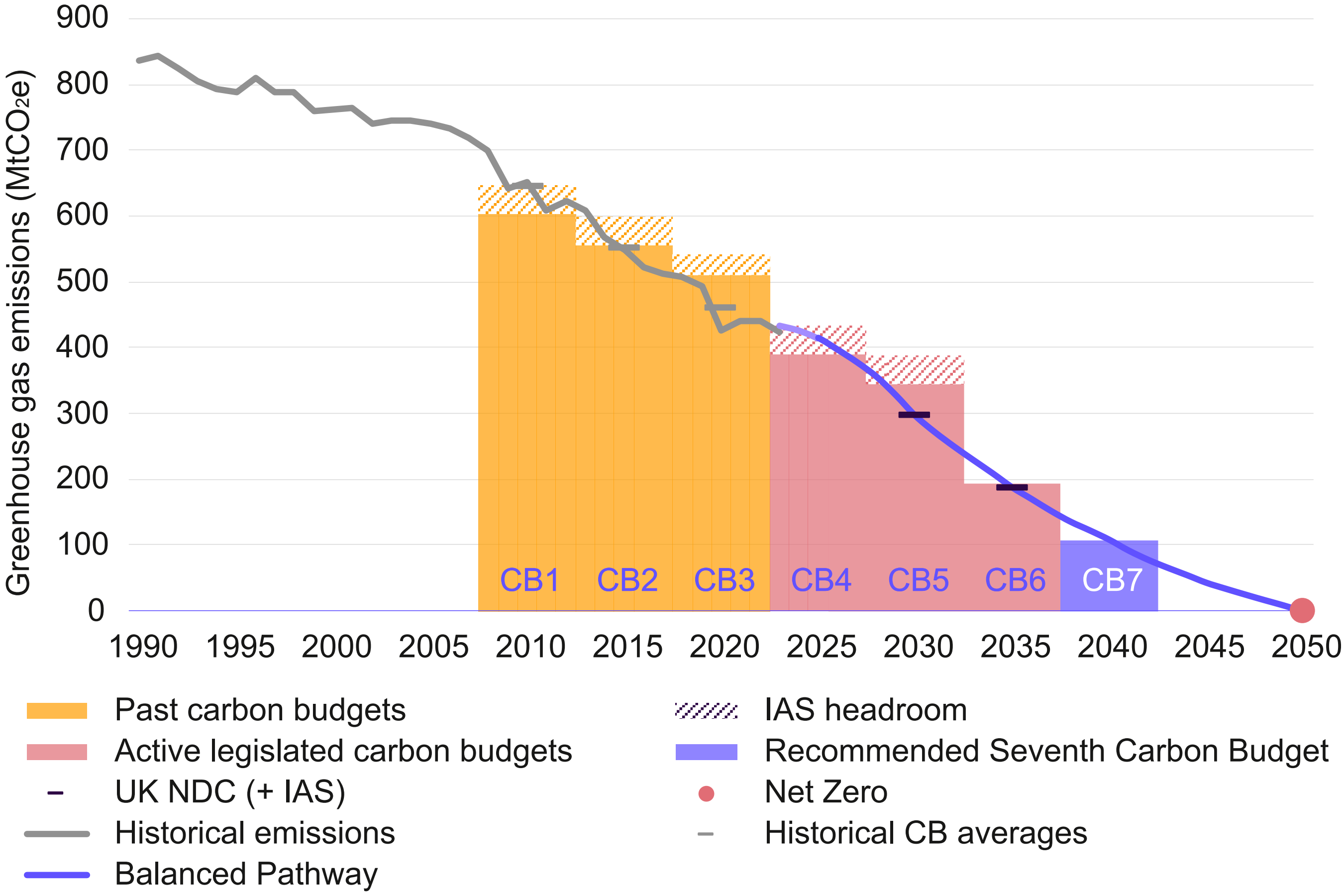


Despite broadly stable UK demand, electricity generation fell to 285.0 TWh in 2024, down 3.1 per cent from 2023. This was due to record-high electricity imports which displaced some UK-based generation. Major Power Producers (MPPs) generated 229.0 TWh, down 3.7 per cent compared to 2023, while generation from autogenerators and other generators decreased slightly, down 0.6 per cent to 55.9 TWh. The share of generation from MPPs decreased by 0.5 percentage points to 80.4 per cent.

2b) **The Seventh Carbon Budget – Climate Change Committee** is 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).

Below is a graph illustrating the CCC's recommended path to net zero and the various carbon budgets that will get the UK to net zero.

Figure 1 The recommended Seventh Carbon Budget



Description: The Balanced Pathway meets the UK's existing future emissions targets and sets the recommended level for the UK's next target: the Seventh Carbon Budget.

Source: Department for Energy Security and Net Zero (DESNZ) (2024) Provisional UK greenhouse gas emissions national statistics 2023; DESNZ (2024) Final UK greenhouse gas emissions national statistics: 1990 to 2022; Climate Change Committee (CCC) analysis.

Notes: See Chapter 3. 'CB' refers to the UK's carbon budget. 'CB1' refers to the First Carbon Budget; subsequent numbers refer to subsequent carbon budgets. 'IAS' refers to international aviation and shipping. 'UK NDC' refers to the UK's Nationally Determined Contributions.

2c) **UK Low carbon and renewable energy economy (LCREE) is the Office for National Statistics publications on UK's low carbon and renewable energy economy, including turnover and employment.**

Table 1: UK low carbon and renewable energy economy turnover was an estimated £77bn, with 304,000 FTEs in 2024

LCREE turnover and full-time equivalent (FTE) employment estimates (with confidence intervals), UK and constituent countries, 2024

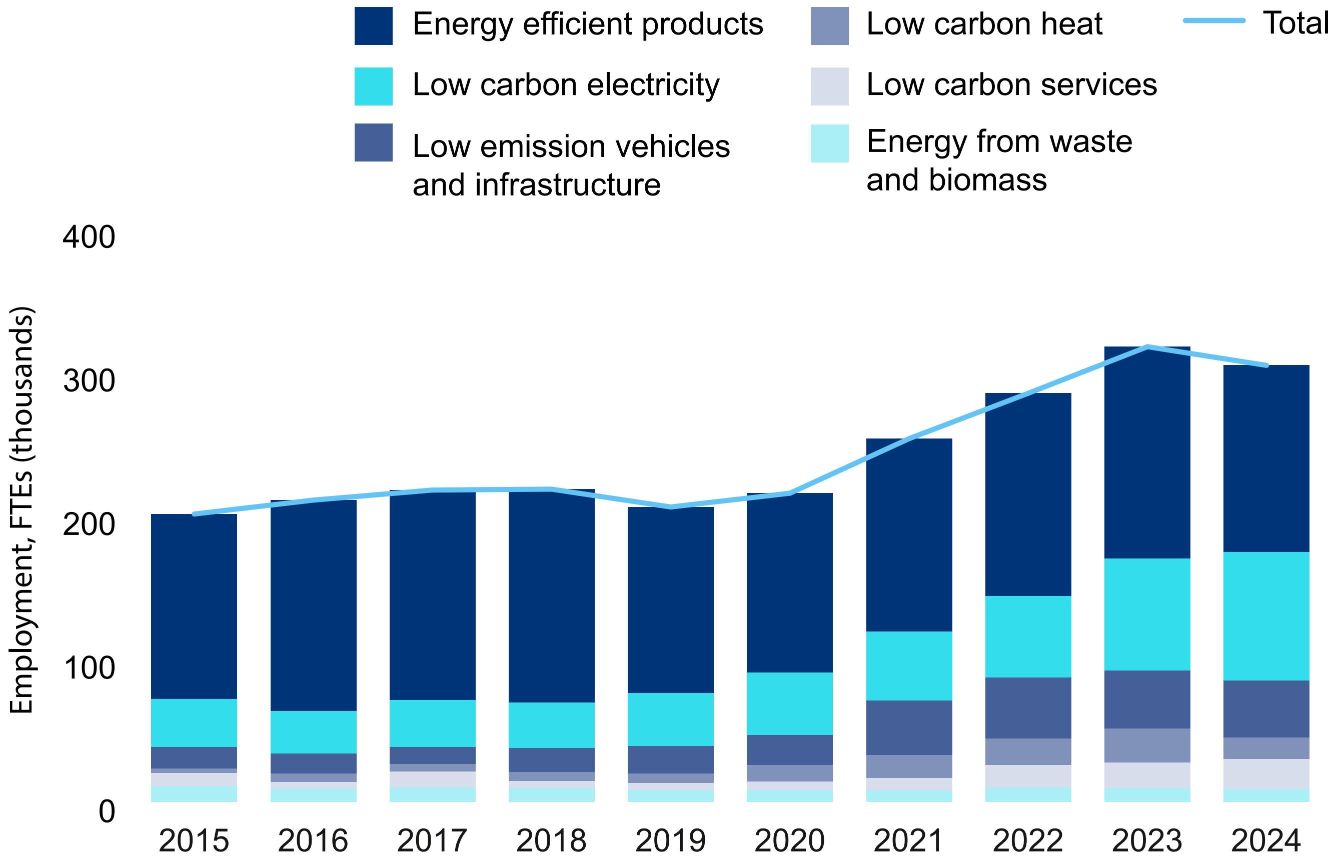
	Turnover (£ billions)			Employment (FTE)		
	Estimate	Lower CI	Upper CI	Estimate	Lower CI	Upper CI
UK	77.0	68.9	85.0	304,000	276,300	331,800
England	58.7	52.1	65.3	247,500	222,900	272,100
Scotland	13.3	11.5	15.1	35,200	29,300	41,100
Wales	3.4	3.1	3.8	14,300	12,600	15,900
Northern Ireland	1.5	1.3	1.7	7,100	5,200	9,000

Source: Low Carbon and Renewable Energy Economy Survey from the Office for National Statistics

The figure above taken from the UK LCREE publication illustrates the positive economic impact that the low carbon and renewable energy sector is having on the UK economy in terms of annual turnover (£ billions) in 2024 and the numbers of individuals employed in the low carbon and renewable energy sector.

Figure 4: UK LCREE employment has increased by 51.6% between 2015 and 2024

LCREE group and total employment, UK, 2015 to 2024, full-time equivalents (FTEs) in thousands



2b) [The Seventh Carbon Budget – Climate Change Committee] is a statutory report from the The figure above taken from the UK LCREE publication illustrates the overall upward trend in LCREE employment in the UK between 2015 and 2024.

3. Direct DESNZ Emissions

Disclosures on Scope 1, Scope 2, and Scope 3 greenhouse gas (GHG) emissions are included in the sustainability report, on page 55.

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 particularly related to the Climate Adaptation Metrics and the impacts of our DESNZ policies to making the energy system more resilient to future climate change.

Performance in other areas

Fraud and error analysis

Areas of major spend or significant risk of fraud and error

The department identifies its greatest fraud risks as arising from high value grant schemes and core programmes, supplier and procurement activity, and delivery through partners and arm's length bodies (ALBs), where complexity, scale and reliance on third parties increase exposure. These risks have been amplified during the last year due to the commencement of significant capital spend schemes for example carbon capture usage and storage and Sizewell C investment.

The department has developed an Enterprise Fraud Risk Assessment (EFRA) that defines these risks and manages them through multi-levelled departmental governance. Each risk is assigned within the department and, where applicable, fraud risks are also embedded within Directorate-level risk registers. Each risk is reviewed quarterly with an annual review conducted of the EFRA in full.

Targeted training is conducted in those areas that pose the greatest risk to build necessary capability and upskill decision-makers in how to identify and manage fraud risk. All programmes are required to use cross-government fraud risk assessment tools to understand and mitigate fraud risk throughout their lifecycle.

A second line counter fraud function provided by Integrated Corporate Services (ICS) sets standards and provides oversight and assurance of the department's counter fraud response.

Fraud and error detected, recovered and prevented

Every quarter, departments report to the Public Sector Fraud Authority (PSFA) on all fraud and error detected, recovered and prevented. The table below reports the figures for 2024-25 as the most up to date validated dataset and compares it to 2023-24 data. Reporting for 2025-26 is ongoing and will be validated in Q2 of 2026-27.

Table: DESNZ core prevented, detected and recovered fraud and error (excluding ALBs)

					2025-26	2024-25
	Q1	Q2	Q3	Q4	Total (£000)	Total (£000)
Fraud Detected	-	135	17	6	159	199
Fraud Recovered	4	5	137	2	147	12
Fraud Prevented	651	119	7,254	35	8,060	88,931
Error Detected	7,781	28,480	2,004	1,228	39,493	403,548
Error recovered	1,294	5,947	1,401	1,497	10,140	404,189

The high levels of fraud and error reported in 2023-24 largely relate to reporting from the Energy Affordability scheme. **The NAO** found that "There was a comparatively low rate of fraud and error, which DESNZ estimates at 0.7% of energy schemes payments, worth £291.8m of the total programme expenditure of £44bn."

In 2024-25, the largest driver of error was within grant payments, with common themes including overpayments and eligibility. These amounts include the impact of the Public Sector Decarbonisation Scheme breach, detailed below. The amounts for fraud detected, and fraud recovered, will not match in year as funds are often recovered at a later date.

Departmental risks related to fraud and error

The department's main risks are the principal risks reported on page 22. In 2025-26, the principal risk register did not hold any risks related to fraud and error. The department is working towards the addition of a related risk to the register in 2026-27, subject to the necessary governance process and approval.

Fraud & Compliance does feature in the Financial Exposure section of the DESNZ Risk Appetite Statement. The appetite for the risk is Cautious – Open.

In line with requirements, DESNZ maintains an Enterprise Fraud Risk Assessment (EFRA) which lists the department's main fraud risks. These risks are owned by relevant leads within DESNZ. In 2025-26, the DESNZ EFRA identified the 7 risks below:

- DESNZ Core Programmes are exposed to fraud and bribery due to high-value funding, delivery pressures, or complex governance and delivery arrangements, resulting in financial loss, reduced programme effectiveness, and reputational damage
- Schemes are vulnerable to fraud and bribery as a result of their design, scale, eligibility criteria, or delivery models, leading to misuse of public funds and failure to achieve intended outcomes
- Insufficient or inconsistent counter fraud and bribery controls within DESNZ Partner Organisations and ALBs could expose the department to financial, operational, and reputational risks
- Suppliers may engage in fraudulent or bribery-related activity during procurement or contract delivery, undermining value for money, delivery confidence, and public trust in DESNZ
- Weaknesses or inconsistencies in recruitment vetting processes could allow individuals with fraudulent intent, undeclared conflicts of interest, or inappropriate access to enter the organisation, increasing exposure to internal fraud and bribery
- Cybercrime, including the use of artificial intelligence by fraudsters, could enable more sophisticated fraud, data compromise, or system exploitation, leading to financial loss and disruption to DESNZ operations
- A weak counter fraud and bribery culture across DESNZ could reduce staff awareness, vigilance, and reporting, allowing fraud and bribery risks to go undetected or unchallenged

Risk Triage (preliminary assessment): DESNZ deployed an assessment tool for new programmes before the formal fraud risk assessment. This removes subjectivity and focuses efforts on the highest-risk aspects of a programme.

Technology and Data Analytics: CFES trialled new programmes produced by the PSFA such as the Single Network Analytics Platform (SNAP) and the Fraud Risk Assessment Accelerator to support existing capabilities within DESNZ.

Material and non-material breaches relating to DESNZ schemes and programmes

Public Sector Decarbonisation Scheme

The Public Sector Decarbonisation Scheme supports clean energy retrofit projects across the public sector in England. The scheme is delivered on behalf of the department by Salix Finance, an arm's length body.

In line with Managing Public Money, grant funding is paid in arrears on receipt of evidence that eligible works have been completed. Payments are supported by invoices and related documentation and must be claimed within the funding profile set out in the grant offer letter.

During 2025-26, the department became aware of a potential breach of controls relating to a project delivered by a NHS Trust. Information initially provided by a whistleblower raised concerns that advanced payments were being made to the lead contractor on two PSDS-funded capital projects, and that these advanced payments were being reported as delivered expenditure to both the Trust and to Salix Finance. The Trust undertook an initial review, which identified grounds for further investigation, and subsequently commissioned an independent review by PricewaterhouseCoopers (PwC).

PwC's report identified evidence of collusion between parties involved in the project, resulting in the submission of misleading documentation and payments being made in advance of works being completed. This corroborated the concerns raised by the whistleblower.

This issue follows a separate compliance matter identified on the same project, where Advance Payment Bonds had been used to facilitate upfront payments. While these arrangements are not permitted under scheme rules or Managing Public Money, no evidence of fraud or intent to deceive was identified at that time. The Trust was therefore permitted to retain the funding on the condition that the arrangements were unwound and expenditure incurred within the relevant financial year.

Financial impact

As at 31 March 2025, a total of £15.6m of advance payments were identified as being held by the contractor. This comprised:

- £9.0m relating to prior year Advance Payment Bond arrangements which remained unspent at year end, contrary to agreed conditions; and
- £6.6m of payments made in 2024-25 in advance of works being completed.

Of this amount, £14.45m relates to departmental funding.

Action taken

The department, through Salix Finance Ltd, is seeking recovery of £14.45m from the Trust. The Trust have agreed to pay this in instalments over Financial Year 2026-27.

Potential fraud relating to the conduct of the parties involved was referred to the appropriate NHS authorities for further investigation. No further action is being taken.

Control response and mitigation

The control framework operated by Salix Finance was circumvented through collusion between multiple parties involved in the project, including a wholly owned subsidiary of the Trust. This represents a significant but seemingly isolated control failure.

In response, additional assurance measures have been implemented, including:

- enhanced evidential requirements, including geo-tagged and dated photographic evidence prior to payment, for higher-risk projects, including:
  - projects involving contractors connected to this case;
  - projects with final claims exceeding £2m;
  - projects with a total value above £10m; and
  - projects where the final claim exceeds 60% of total grant value; and
- retrospective review of prior payment claims to identify any further control weaknesses.

Salix Finance has initiated an internal audit review of its processes, and the department is working with Salix to ensure that any weaknesses identified are addressed.

Retrofit Schemes

The department manages fraud, error and other non-compliance risks across its retrofit portfolio, including ECO 4, GBIS and capital grant programmes, through established governance, risk management and assurance arrangements, with oversight by the Audit and Risk Assurance Committee. Administration of schemes, including fraud and error responsibilities, is delegated across a range of delivery bodies with differing roles and responsibilities across different retrofit schemes. The department acknowledges that this has created a complex landscape and, through the delivery of the Warm Homes Plan, and the establishment of the Warm Homes Agency, aims to simplify, rationalise and strengthen these arrangements.

During 2025–26, audit and assurance activity identified material levels of non-compliance in certain measures delivered under ECO4 and GBIS, particularly in relation to solid wall insulation. A statistically representative audit regime was initiated to assess the scale and nature of non-compliance and strengthen the evidence base.

While delivery is undertaken by third parties, including suppliers, installers and assurance bodies, the department retains overall accountability for managing fraud and error risks as policy owner, and is actively pursuing those responsible for non-compliance while ensuring households are not left out of pocket or with substandard installations. The department recognises that non-compliance does not necessarily indicate fraud in all cases; however, both fraud and error present risks to value for money and consumer outcomes across retrofit schemes.

In response, the department has taken action to strengthen controls and address issues identified. This includes implementing a programme of audit and remediation activity, commissioning a ‘find and fix’ approach for higher-risk external wall insulation installations under ECO 4 and GBIS, and enhancing governance arrangements, including dedicated programme boards and strengthened oversight of delivery partners. These actions are informing improvements to assurance and control frameworks applied more widely across retrofit programmes.

The department welcomes the action taken by the Serious Fraud Office in relation to suspected fraud in ECO 4 and continues to work with relevant law enforcement bodies to refer suspected cases. It would not be appropriate to comment further at this stage.

In line with recommendations from the National Audit Office and the Public Accounts Committee, the department is improving the consistency and coverage of fraud and error measurement across retrofit schemes. During the year, this has included reviewing existing quality assurance processes and metrics across schemes. While audit activity has provided useful insight into non-compliance risks, further work is underway to develop a consistent and comparable approach to estimating fraud and error across retrofit schemes.

Since the issues of non-compliance with SWI installations under ECO 4 and GBIS were brought to our attention, the department has scaled up work to understand fraud and non-compliance root causes and exposure across all retrofit schemes to inform delivery improvements. The department is developing a cross-scheme standardised methodology for measuring and reporting levels of fraud and error and compliance checks which will be applied to new schemes and, where feasible and represents value for money, to existing schemes. This will support more consistent and transparent reporting in future Annual Reports and Accounts, improving understanding of the scale of risk and the effectiveness of mitigation activity.

Renewable Heat Incentive (RHI) Scheme

The value of payments made in error during 2025-26 under the core department RHI Scheme is estimated at £10.0m (0.85% of total payments) within a 95% confidence interval of £6.6m to £13.3m. Applied to the expenditure total of £1,218m (which represents the value of payments made in 2025-26, adjusted for net movements on accrued amounts payable) this would give an estimate of potential error of £10.3m within a 95% confidence interval of £6.9m to £13.8m. 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 2024-25 under the same scheme was estimated at £9.8m (0.9% of total payments) within a 95% confidence interval of £6.5m to £13m.

Boiler Upgrade Scheme (BUS)

The value of error stated represents the estimated impact of both fraud and error. The value of payments made in error during 2025-2026 under the Boiler Upgrade Scheme is estimated at £4.5m (1.93% of total payments) within a confidence interval of £1.4m to £7.6m.

For 2024-2025 restated, this is likely to be £9.7m (5.09% of total payments) within a 95% confidence interval of £5.6m to £13.7m.

For 2023-2024 restated, this is £1.9m (2.14% of total payments) within a 95% confidence interval of £0.7m to £3.1m.

A proportion of the value of error in 2024-25 was due to installers redeeming the voucher prior to the installation being commissioned, a number of which were remediated and able to demonstrate compliance. We have observed some positive behavioural changes across the scheme, following deterrent messaging to installers not to redeem vouchers prior to the installation being commissioned, in line with the MCS Standards. This is reflected in the lower estimated error in 2025-26, which is currently reduced and within the mid-range of expected tolerance levels. Audit & compliance casework trends continue to be monitored, and overall strategy kept under review.

Complaints to the Parliamentary Ombudsman

Number of complaints accepted for investigation by the Parliamentary Ombudsman in 2025-26	1
Number of investigations reported on in 2025-26*	2
(a) Investigations fully upheld	0
(b) Investigations partly upheld**	1
(c) Investigations not upheld	1
Number of Ombudsman recommendations in 2025-26	
Complied with	0
Not complied with	0

These figures have been obtained directly from the Parliamentary and Health Service Ombudsman for the period 2025-26. 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 partially upheld. The complaint was related to delayed and conflicting information being received by the complainant.

Performance in responding to public correspondence

We aim to respond to 80% of our correspondence in 15 working days. In 2025-26, we received 3,345 written enquiries from members of the public. We responded to 68% within 15 working days (2024-25: 50%).

The table below shows our monthly performance. During the winter period, DESNZ experienced an increase in correspondence received from members of the public, related to the cost of energy. In addition, the Iran conflict has led to a notable and sustained increase in correspondence being received in recent months. Performance fell as the department responded to live and emerging issues related to energy. In March, performance improved, despite a significant increase in volumes of letters received and answered.

	No. of written enquiries received	No. with response within 15 days	% with response within 15 days
Apr-25	247	165	67%
May-25	267	177	66%
Jun-25	277	170	61%
Jul-25	231	162	70%
Aug-25	176	138	78%
Sep-25	223	181	81%
Oct-25	268	220	82%
Nov-25	253	205	81%
Dec-25	215	140	65%
Jan-26	334	180	54%
Feb-26	263	96	37%
Mar-26	591	426	72%
Total	**3,345**	**2,260**	**68%**

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 set a small and medium-sized enterprise (SME) spend target and SME action plan for 2025-2028. We are developing a Voluntary, Community and Social Enterprises (VCSE) spend target and will combine SME/VCSE commitments into a Supplier Diversity Action Plan to support the spend targets.

Advertising

The government communications plan directs the communications in all government departments. Our communications work supports the delivery of the Department's priorities. We work with partners, specifically those who can help us reach and influence our audiences. Where necessary, we use paid publicity and advertising. Key areas of paid advertising in 2025-26 are listed below.

Warm and Fuzzy

The *Warm and Fuzzy* campaign encourages homeowners to upgrade their existing boiler or heating system to a heat pump, promoting the £7,500 Government Boiler Upgrade Scheme grant. The campaign aims to improve public understanding of the benefits of heat pumps and help homeowners prepare their properties for low carbon heating.

Activity is targeted at homeowners in England and Wales and directs audiences to gov.uk/cleanenergy for further information on heat pumps and the grant.

The campaign ran from September 2025 to March 2026 and was delivered through a multi-channel paid media approach totalling £3.6m, including targeted audio visual, video on demand, radio, digital display, search, podcasts, social media, and door drops. Paid media partnerships were also deployed to broaden reach and build awareness among new audiences.

A Little Saves a Lot

The *A Little Saves a Lot* Energy Saving campaign promotes three simple, actionable steps that households across the UK can take to reduce their energy bills. The campaign is targeted at all UK households, with a particular focus on those most affected by cost-of-living pressures and fuel poverty.

A key objective of the campaign is to drive audiences to **gov.uk/cleanenergy**, where they can access further tips, advice and guidance on reducing their energy use at home.

The campaign ran from November 2025 to February 2026 and was delivered through a broad mix of paid channels totalling £2.8m, including radio, out-of-home advertising, online video, community media, display, social media and social boosting, search, and paid media partnerships.

Get that Electric Feeling

The *Get that Electric Feeling* campaign aims to encourage the uptake of electric vehicles (EVs) and increase public awareness of their benefits. In collaboration with Department for Transport, the campaign ran from January to March 2026 and was delivered through a cross channel paid media approach totalling £4.5m, including video on demand, radio, out of home advertising, digital display, paid social, influencer led content, and podcasts.

The campaign targets UK households, focusing particularly on those with access to a driveway and who are planning to buy a new vehicle within the next five years, or remain undecided about purchasing new or used.

Campaign activity directs audiences to **gov.uk/cleanenergy** for further information

As a result of marketing spend, households saved between £8m and £14.5m by taking 389,000 energy-saving actions to reduce their energy consumption. There were more than 39,000 grant redemptions for the Boiler Upgrade Scheme and from January to March 2026 there was a recorded 137,766 EVs sold compared to 120,267 in the same period in 2025 – a 14.55% increase – as EVs continue to become the right choice for many, the 'Get That Electric Feeling' campaign is helping raise awareness of the benefits of EV ownership.

Jonathan Brearley
Permanent Secretary and Principal Accounting Officer
13 July 2026

Accountability report

Purpose of the accountability report

The accountability report sets out how DESNZ 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, and 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, and 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, and 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 2025 No. 268 and 2025 No. 1336** (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.

Jonathan Brearley
Permanent Secretary and Principal Accounting Officer

13 July 2026

Directors' report

The directors' report covers the period from 1 April 2025 to 31 March 2026. 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 2025-26.

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

Management of Ministers Outside Interests

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

The Register of Ministers' Interests (pages 43 to 48) is recorded and published on GOV.UK by the Cabinet Office.

Ministers:

- The Rt Hon Ed Miliband MP, Secretary of State for Energy Security and Net Zero – from 5 July 2024
- Michael Shanks MP, Parliamentary Under Secretary of State (Minister for Energy) – from 9 July 2024
- Lord Vallance, Minister of State (Minister for Science, Innovation, Research and Nuclear) – from 6 September 2025
- Lord Whitehead, Minister of State (Minister for Energy Security and Net Zero) – from 11 November 2025
- Katie White OBE MP, Parliamentary Under-Secretary of State (Minister for Climate) – from 7 September 2025
- Martin McCluskey MP, Parliamentary Under-Secretary of State (Minister for Energy Consumers – from 7 September 2025
- Chris McDonald MP, Parliamentary Under-Secretary of State (Minister for Industry) – from 11 September 2025
- Sarah Jones MP, Minister of State (Minister for Industry) – to 6 September 2025
- The Rt Hon Lord Hunt of Kings Heath OBE, Minister of State (Minister for Energy Security and Net Zero) – to 22 May 2025
- Kerry McCarthy MP, Parliamentary Under Secretary of State (Minister for Climate) – to 7 September 2025
- Miatta Fahnbulleh MP, Parliamentary Under Secretary of State (Minister for Energy Consumers) – to 6 September 2025

Non-Executive Board Members (NEBM):

- Ravi Gurumurthy, Lead NEBM, Board and NomCo Chair from 1 May 2025
- Vikas Shah, Departmental Board, ARAC Chair – from 1 May 2021 (reappointed on 26 April 2024)
- Sue Ferns, Departmental Board – from 1 May 2025
- Humphrey Cadoux-Hudson, Lead NEBM, Board and NomCo Chair – to 1 May 2025
- Mary Archer, Departmental Board – to 1 May 2025

Non-Executive Independent Members:

- Andre Katz, ARAC
- Anne Marie Millar, ARAC
- David Scott, ARAC
- Tristan Morgan, ARAC
- Anthony Palmer, ARAC
- David Isenegger, ARAC
- Elaine Clements – to 9 October 2025

- Erik Wilson, POpCo
- Paul Methven, InvestCo (non-remunerated)
- Sam Ulyatt, InvestCo (non-remunerated)
- Jill Adam, InvestCo (non-remunerated)

Executive Directors:

- Jonathan Brearley, Permanent Secretary – from 23 March 2026
- Clive Maxwell CBE, Second Permanent Secretary – from February 2023 (Interim Permanent Secretary – from November 2025 to 22 March 2026)
- Jonathan Mills CB, Director General, Energy Markets and Supply – from February 2023
- Sarah Redwood, Interim Director General, Energy Infrastructure – from March 2026
- Lee McDonough, Director General, Net Zero, Nuclear and International – from February 2023
- David Thomas, Interim Director General, Net Zero Buildings and Industry – from February 2026 (Chief Financial Officer – to February 2026)
- Paro Konar, Director General, Major Decarbonisation Projects – from April 2025
- Professor Emily Shuckburgh CBE, Chief Scientific Adviser – from November 2025
- Martin Gaunt, Interim Chief Financial Officer – from February 2026
- Jeremy Pocklington, Permanent Secretary – from February 2023 to November 2025
- Paul Monks, Chief Scientific Adviser – to October 2025
- Joanne Ellman-Brown, Chief Portfolio and Data Officer
- Alice Hurrell, Chief People Officer
- Donna Leong, Director of Analysis and Chief Economist
- Johanna Cowan, Director Strategy
- Wendy Hardaker, Legal Director (Standing Member)
- Ashley Ibbett, Director General Energy Infrastructure – to March 2026
- Ben Rimmington, Director General Net Zero, Buildings and Industry – to March 2026

Our governance structure

Advisory
Provide independent scrutiny and advice

Audit & Risk Assurance Committee (ARAC)
Assurance the quality of audit and risk control functions

Departmental Board
Advising on strategy, performance management and risk management

Nominations & Governance Committee (NomCo)
Advises on senior level pay and succession planning

Executive
Set the strategic direction for the department's work

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

Delivery ExCo (monthly) holds portfolios and major programmes to account. Ensures they support delivery of milestones, outcomes and our Mission.

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

Strategy Committee
Discussions around emerging policy / direction of travel / strategic trade-offs and commissions/ agrees prioritisation of red teaming

Investment Committee (InvestCo)
Advises the accounting officer, approves and appraises major departmental investments

Keyholder Committee
Challenge function on performance and risk

People & Operations Committee (POpCo)
Manages human resources, estates, operations, IT, resources and people related issues

Portfolio Boards
Oversees grouping of activity and investment under £50m, tailored to specific objectives and ALBs

Key
Advises
Delegates

Departmental Board

Chair

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

Meeting Attendance

Total number of meetings held	2
x/x = number attended/number eligible to attend	
Ministers	
Secretary of State, Ed Miliband	2/2
Minister Fahnbulleh	0/2
Minister White	1/2
Lord Whitehead	0/2
Non-executive board members	
Ravi Gurumurthy	2/2
Sue Ferns	2/2
Vikas Shah	2/2
Senior officials	
Jeremy Pocklington	1/2
Clive Maxwell	2/2
David Thomas (to February 2026)	2/2
Johanna Cowan	0/2
Jonathan Mills	2/2
Lee McDonough	1/2

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 board 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).

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 twice during the year. However, there was ongoing engagement between non-executive board members, ministers and the executive during the period.

Board Appointments

Lord Vallance was appointed Minister of State on 6 September 2025, Lord Whitehead was appointed Minister of State on 11 November 2025, Katie White OBE MP was appointed Parliamentary Under-Secretary of State on 7 September 2025, Martin McCluskey MP was appointed Parliamentary Under-Secretary of State on 7 September 2025 and Chris McDonald MP was appointed Parliamentary Under-Secretary of State on 11 September 2025. Previous appointments can be found at the above table.

At the end of 2026, the gender split was 8 men (61.5%) and 5 women (38.5%). The ethnicity split was 10 white (76.9%) and 3 ethnic minority (23.1%).

Board Effectiveness

A board effectiveness review is currently underway. This is expected to conclude later in the year, with the outcomes to be reported in next year's annual report.

Quality of Data Used by the Board

The papers received by the board were of high quality. The meetings were held in person and were efficiently chaired. Challenge and discussion were encouraged.

The Departmental Board received quarterly data on performance and delivery reporting which identified priority milestones, delivery, financial and staff updates in the department for discussion by members.

The DESNZ governance team provided a comprehensive secretariat service to the Departmental 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

Ravi Gurumurthy, Lead Non-Executive and Chair, Nominations and Governance Committee

Meeting Attendance

Total number of meetings held	1
x/x = number attended/number eligible to attend	
Non-executive board members	
Ravi Gurumurthy	1/1
Sue Ferns	1/1
Senior officials	
Jeremy Pocklington	1/1
Clive Maxwell	1/1
Alice Hurrell	1/1

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 members	
Vikas Shah	6/6
Anthony Palmer	6/6
David Isenegger	6/6
Andre Katz	5/6
Anne Marie Millar	6/6
David Scott	5/6
Tristan Morgan	6/6
Elaine Clements (to 9 October 2025)	3/3
Senior officials	
Jeremy Pocklington	3/6
Clive Maxwell	5/6
David Thomas (to February 2026)	4/6
Martin Gaunt (from February 2026)	1/6
Joanne Ellman-Brown	1/1
National Audit Office representative	6/6
Government Internal Audit Agency representative	6/6

Arm’s Length Bodies (ALB) ARAC Chairs	
Civil Nuclear Police Authority (CNPA)	0/6
Mining Remediation Authority (MRA) (formerly Coal Authority)	0/6
Committee on Climate Change (CCC)	0/6
Low Carbon Contracts Company (LCCC)	2/6
Nuclear Decommissioning Authority (NDA)	1/6
North Sea Transition Authority (NSTA) (formerly Oil and Gas Authority)	1/6
UK Atomic Energy Authority (UKAEA)	1/6
Salix Finance	1/6
UK National Nuclear Laboratory	0/6
OFGEM	0/6
Great British Energy-Nuclear (GBE-N)	0/6
Great British Energy (GBE)	0/6

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. During 2025-26, two ALB ARAC Chair meetings took place, which were scheduled on a bi-annual basis.

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, ALBs, 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

Jonathan Brearley, Permanent Secretary and Chair, Executive Committee (from 23 March 2026)

Clive Maxwell, Interim Permanent Secretary and Chair, Executive Committee (from 24 November 2025 until 22 March 2026)

Jeremy Pocklington, Permanent Secretary and Chair, Executive Committee (until 23 November 2025)

Meeting Attendance

Total number of meetings held	38
x/x = number attended/number eligible to attend	
Executive directors	
Jeremy Pocklington (until 23 November 2025)	24/26
Clive Maxwell (from 24 November 2025 until 22 March 2026)	35/38
Jonathan Brearley (from 23 March 2026)	1/1
David Thomas	33/38
Martin Gaunt (from 9 February 2026)	6/6
Simon Hulme (until 30 August 2025)	14/18
Paul Monks (until 30 September 2025)	15/22
Emily Shuckburgh (from 3 November 2025)	11/14
Jonathan Mills	36/38
Johanna Cowan	34/38
Ashley Ibbett (until 28 February 2026)	32/35
Sarah Redwood (from 2 March 2026)	3/3
Lee McDonough	29/38
Ben Rimmington (until 30 January 2026)	27/32
Alice Hurrell	32/38
Donna Leong	34/38
Paro Konar	34/38
James Sorene (Standing Member until 06 June 2025)	5/9
James Staff (Standing Member from 09 June 2025 to 30 September 2025)	11/13
Wendy Hardaker (Standing Member)	23/38

Role

The Executive Committee (ExCo) is the senior decision-making body responsible for the day-to-day running of the department, supporting the Permanent Secretary in leading the organisation in line with the mission and Ministers' priorities. ExCo develops and delivers the department's vision, sets strategic direction, and provides leadership on cross-cutting and corporate issues.

Key Areas of Discussion

ExCo provides senior oversight of delivery, performance and risk, the delivery of the mission and major programmes, and considers progress across the department through a monthly review of performance, including against key milestones and outcomes. ExCo also considers ad hoc issues requiring collective decision-making and delegates defined responsibilities to its sub-committees, including people, change and operational management to the People and Operations Committee (POpCo) and investment approval to the Investment Committee (InvestCo).

Executive Committee sub-committees

Investment Committee (InvestCo)

Chair

Clive Maxwell, Second Permanent Secretary

Role

The Investment Committee (InvestCo) is a sub-committee of ExCo. It is responsible for approving and appraising large departmental investments. InvestCo is supported by a number of project-specific sub-committees that are established, as necessary, to support the department and the committee.

Key areas of focus

InvestCo advises the Accounting Officer and approves and appraises major departmental investments.

People and Operations Committee

Chair

Alice Hurrell, 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.

Management of Outside Interests

Register of interests for Directors

See directors' report on page 93.

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 Interests (CoI) are addressed as early as the onboarding stage.

All staff must ensure declarations are made when they become aware that a CoI may exist. Once a declaration is made, line managers must ensure they review and agree any mitigating actions, if required escalate declarations that are particularly contentious or poses risk to the reputation of the department.

All senior civil servants (SCS) are required to complete a CoI 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 25/26 SCS annual collation process concluded in May 2026. DESNZ had two SCS colleagues with remunerated outside employment during the monitoring period 2025-26. Details of remunerated outside employment held by SCS 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
Grace Pritchard	Ms Pritchard held a part-time paid role with the Labour Party between the 2nd February and 26th February 2026. Ms Pritchard's work for this organisation was performed outside of their hours as a Special Adviser in DESNZ. Ms Pritchard's work as a Special Adviser was under a temporary part-time contract during this period.
Tobias Garnett	Mr Garnett is recused from involvement in discussions or matters relating to Apple Inc.

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. All DESNZ employees must understand and comply with these rules, which have recently been updated following the closure of the Advisory Committee on Business Appointments (ACOBA) on 13 October 2025.

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 in line with the updated process set out on 13 October 2025. This involves completion of the appropriate application form and mitigations, countersigned as necessary by an appropriate person within the line management chain. The outcome is also shared with the new employers HR function.

In line with updated cross-government arrangements following the closure of ACOBA, all SCS3 and equivalent applications are now considered by the Civil Service Commission, with departmental HR responsible for initial assessment and case preparation. Applications from special advisers continue to follow the relevant routes.

The department remains transparent in the advice issued in respect of senior staff, including special advisers, and publishes advice relating to specific cases 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): **32**

Number of BARs applications submitted to the department over the year (by grade): **15**

Grade	No. submitted
SCS2	0
SCS1	2
SpAd	3
Delegated Grade	10

Number of BARs applications approved by the department over the year (by grade): **12**

Grade	No. approved
SCS2	0
SCS1	2
SpAd	0
Delegated Grade	10

Number of BARs applications where conditions were set by the department over the year (by grade): **12**

Grade	No. approved
SCS2	0
SCS1	2
SpAd	0
Delegated Grade	10

Number of applications that were found to be unsuitable for the applicant to take up by the department over the year (by 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 and Issue 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 public bodies, sponsor teams of individual public bodies and an annual consultation on the risk framework's drafting.

The department also completes an annual Risk Control Framework assessment against 75 criteria, which is cross-referenced to the risk elements of the various Government 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 2025-26, as owned and managed by ExCo (strategic delivery risks) and POpCo (corporate enabling risks) on the Departmental Strategic Risk Register (DSRR), are disclosed in the performance report, under risks affecting delivery of our objectives. The process to identify these risks involves formal 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 individual deep dives at ExCo or POpCo 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 regular DSRR reporting and the ExCo/POpCo deep dives are discussed at the Audit and Risk Assurance Committee to provide additional, independent assurance that risk processes are robust.

During the year, we updated our Risk and Issue Management Framework and Risk Appetite Statement to ensure consistency with government best practice in the Orange Book and its annexes, and to the evolving environment in which the department operates. When changes are made, they are communicated through a range of risk and project delivery networks, and 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 at ExCo and POpCo. Risks at the programme level are managed locally through programme and portfolio management boards, with the corporate risk team and the Portfolio Risk Leads ensuring best practice in their portfolio areas.

Effectiveness reviews

ExCo has reviewed and monitored the risks on the DSRR on a quarterly basis, with escalation of risk discussion added to the agenda between quarterly reports when required. Deep dives review each of the risks on the DSRR to ensure that their scope remains valid, they are correctly assessed and that they are mitigated robustly. During the year we continued to improve the online risk management tool to drive monthly reporting.

Compliance

The department's risk management practices are compliant with the requirements of the Orange Book's five principles. DESNZ complies with 61 of the 75 Risk Control Framework (RCF) assessment criteria, 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:

- Improve the consistency of risk management capability and reporting across the DESNZ delivery portfolios
- Review a wider range of evidence of risk management capability at the programme level, to better target capability and process improvement activity
- Improve links to strategic planning and decision making

Government Internal Audit Agency

The Government Internal Audit Agency (GIAA) provides the internal audit service for DESNZ. For 2025-26, the Group Chief Internal Auditor provided an overall **moderate** opinion on the framework of governance, risk management and control within DESNZ for the year ending March 2026. As in the previous year they provided two sub-opinions: one for the core department and one for the Integrated Corporate Service (ICS) function. The opinion is based on audit work undertaken during the year, wider interactions with the department, interactions with other assurance providers and wider knowledge of the department's activities and risks.

The **moderate** sub-opinion for the **core department** reflects the relatively stable position of the core programmes, changes in senior leadership and maturing controls. Core governance, controls and assurance processes have remained broadly effective.

The **limited** sub opinion for **ICS** reflects the relatively new and changing nature of the function. Governance and assurance processes have continued to evolve, and although these have been enhanced over the course of the year, they still require further improvement, particularly in terms of setting more distinct boundaries between the department and ICS.

National Audit Office and the Public Accounts Committee

The National Audit Office (NAO) have shown continued interest in the work of the department, publishing two studies focusing on DESNZ-specific activities as well as one overview of the department between April 2025 and March 2026:

- 30 Jun 2025 – UK Emissions Trading Scheme
- 14 Oct 2025 – Energy efficiency installations under the Energy Company Obligation
- 11 Nov 2025 – DESNZ departmental overview 2024-25

DESNZ has also been involved in the following cross-government studies, published between April 2025 and March 2026:

- 28 Nov 2025 – Implementation of climate-related reporting in central government annual reports
- 21 Jan 2026 – Regulating for growth
- 20 Mar 2026 – Resilience to severe space weather

Given the significance of DESNZ priorities, there have been two Public Accounts Committee (PAC) hearings drawn from DESNZ value for money studies and involving DESNZ witnesses, whose hearings were held between April 2025 and March 2026:

- 13 Nov 2025 – Faulty energy efficiency installations
- 16 Mar 2026 – Regulation of growth

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 recommendation's 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 2025-26, programmes and projects continued to follow the department's Integrated Assurance and Approvals Framework. During 2025-26, 40 assurance reviews were conducted. The department currently has 12 projects/programmes on Government Major Projects Portfolio (GMPP). The department works closely with the National Infrastructure and Service Transformation Authority (NISTA) to manage assurance requirements for GMPP projects/programmes.

Project teams review the assurance report recommendations and record actions against each to address these. The actions against recommendations are reviewed by the 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 InvestCo on an 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 72 models in use in DESNZ as at March 2026. Over 90% 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 ALBs 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).

Our focus on security risk management across the department continues, working closely on cross Government initiatives and with National Technical Authorities to ensure best practice is adopted.

We continue to evolve and respond to mitigate emerging risks through local and cross Government awareness campaigns, targeted advisories, advanced tools and senior level briefings and advice. Our security culture programme is in full swing, increasing colleagues' awareness of threats and improving ability to respond.

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 2025-26.

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 are committed to fostering a 'Speak up' culture where colleagues feel 'safe to challenge'. This is reinforced by messages from our senior leaders 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 are reflected in our approach. This includes a learning package and resources to support colleagues to sustain a speak-up culture.

Our procedures for raising concerns are accessible to all DESNZ employees and we offer 6 different escalation routes including via an external anonymous 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 2025-26 we had no whistleblowing concerns raised by DESNZ employees. The 2025 People Survey highlighted that 77% of employees had confidence that any concerns raised under the Civil Service Code would be properly investigated (the same as the previous year). The Whistleblowing policy was reviewed and updated in September 2025.

This information relates to the DESNZ core department only. ALBs disclose their own performance on whistleblowing in their respective annual reports. The Permanent Secretary, as Accounting Officer, ensures accountability throughout the Group as any whistleblowing cases in ALB's are handled by DESNZ whistleblowing nominated officers and logged on a central tracker.

External whistle blowing

In 2025-26, DESNZ received no direct reports of external whistleblowing.

Any reports of external whistleblowing relating to ALBs will be disclosed in their respective annual reports and accounts.

Although DESNZ has received no reports of external whistleblowing, ALBs are able to approach the DESNZ Permanent Secretary, and any concerns would be investigated. We will continue to promote our Whistleblowing Nominated Officers and the importance of a speak-up culture to ALBs.

Governance of DESNZ's public bodies

The department sponsors 14 public bodies which underpin the delivery of essential government schemes, services, and regulatory functions. They 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 organisation.

Over the past year we have focused on strong assurance and scrutiny of DESNZ public bodies to ensure value for money, operational effectiveness and efficiency, as well as alignment with the Government's missions and priorities. Central to this is the implementation of a standardised design for sponsorship, which builds in the controls and governance we need as the accountable department. Our efforts have focused on developing clearer expectations for sponsors, providing them with practical tools and resources. Independent ARAC members rotate attendance at DESNZ's public body ARAC meetings.

For the 2025-26 reporting year, assurance over the effective operation of our public bodies for has been supported by:

- A rigorous annual assurance exercise reviewing governance, accountability and sponsorship practices for DESNZ public bodies. Insights from this activity will help guide further capability building and targeted improvements throughout 2026-27
- An assessment of the department's alignment with the principles and standards of the Cabinet Office Sponsorship Code
- A review of public bodies' governance statements to ensure that the essential criteria have been met and to identify any significant risks and issues for inclusion in the consolidated 2025-26 DESNZ governance statement
- A GIAA review of DESNZ sponsorship arrangements for 2025-26

- Work undertaken in response to the Cabinet Office review of the arm's length body landscape. This resulted in the reclassification of the Committee on Fuel Poverty and the Committee on Radioactive Waste Management, both formerly advisory non-departmental public bodies, as expert committees
- An annual audit for 2024-25 by 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 quarterly review of public bodies' top-level risks by the departmental Executive Committee
- Discussions on cyber security and business continuity at the DESNZ forum for Audit and Risk Assurance Committee chairs
- Revised governance arrangements for scrutinising investments via the new departmental Investment Committee and Portfolio Boards
- A departmental review of Ofgem, the recommendations of which will result in a more focused regulator that is better equipped to deliver on the government's priorities

For 2026–27, we will be looking at how we can further evolve and shape our sponsorship and oversight arrangements to provide the optimum conditions for effective delivery, while also strengthening the quality, timeliness and robustness of the information underpinning annual reports and accounts to support clear, transparent and reliable reporting. We will also enhance our induction and support offer to new chairs and non-executive members to DESNZ public body boards.

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.

Building on the outcomes from 2024-25, the Governance Assurance Process (GAP) has been streamlined to be more risk-focused. The changes made were intended to reduce burden, sharpen senior challenge and ensure the process focused on areas of greatest risk and impact.

The panels were chaired by the ARAC Chair and supported by non-executive members and internal auditors. The outcomes of the panels were presented to ARAC in May. Based on the evidence gathered through the GAP and other assurance activities considered by ARAC in 2025-26, in ARAC's opinion the Department has an overall sound system of governance, assurance and internal control, within the scope and limitations of the assurance evidence available for the year.

Key improvements included greater engagement from senior stakeholders, focus on closure of internal audit actions, and further work to identify and report control breaches for clearer accountability and strengthened assurance.

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 2026.

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 2025-26 is 'moderate'.

This rating reflects two component opinions: a 'moderate' opinion for the core department, underpinned by maturing controls and progress in tailoring inherited governance processes to the department's specific needs; and 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 arm's-length bodies
- 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.

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.

Jonathan Brearley
Permanent Secretary and Principal Accounting Officer

13 July 2026

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 2026. 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 2026	As at 31 March 2025
SCS 3 (£125,000 - £210,000)	7	7
SCS 2 (£95,000 - £175,000)	47	41
SCS 1 (£70,000 - £135,000)	162	172
Total	**216**	**220**

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.

					2025–26	2024–25
	Permanently employed staff	Others	Ministers	Special advisers	Total	Total
Core department	4,700	80	6	5	**4,791**	**4,505**
Non-departmental public bodies (NDPBs)	5,861	688	-	-	**6,549**	**4,981**
Total	**10,561**	**768**	**6**	**5**	**11,340**	**9,486**

Staff costs (audited information)

			2025–26	2024–25
	Permanently employed staff	Others	Total	Total
Wages and salaries (£m)	580	65	**645**	**575**
Social security costs (£m)	78	-	**78**	**68**
Other pension costs (£m)	130	-	**130**	**115**
Sub total (£m)	**788**	**65**	**853**	**758**
Less recoveries in respect of outward secondments (£m)	(1)	-	**(1)**	**(2)**
Total net costs (£m)	**787**	**65**	**852**	**756**
Core department (£m)	404	16	**420**	**377**
NDPBs and other designated bodies (£m)	383	49	**432**	**379**
Total net costs (£m)	**787**	**65**	**852**	**756**

Staff costs have increased by £96m 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, £68,215,987 of staff costs were capitalised (2024–25: £11,072,683). 1164 employees were engaged on capital projects (2024–25: 108 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 £50.1m in the current financial year. In the prior year, capitalised staff costs related only to Board members and Managing Directors. The current-year costs reflect the onboarding of employees directly by the Company, rather than reliance on contractors and legacy employment contracts previously held by EDF.

UKAEA – capitalised staff costs have increased by £3.7m during the current financial year. The increase is largely due to continuation of the LIBRTI (Neutron Source) and Tritium Loop projects alongside new strategic investment and development for Energy and AI (STRIDE).

Great British Energy – Nuclear – capitalised staff costs have increased by £3.7m during the current financial year compared to £nil in the prior year. This increase reflects the capitalisation of staff costs directly attributable to the development of the Small Modular Reactor (SMR) programme and its associated Asset-Under-Construction.

Liverpool Bay – capitalised staff costs of £11.3m were recognised in the current financial year, reflecting the first year of consolidation for the entity. These staff costs relate directly to the development of the Carbon Capture Transport and Storage Network and its associated Asset-Under-Construction.

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 £168,429 (2024–25: £181,693).

Staff numbers and costs included in utilisation of provisions – Nuclear Site Licence Companies, Civil Nuclear Police Authority and UK Atomic Energy Authority (audited information)

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

			2025–26	2024–25
	Permanently employed staff	Others	Total	Total
Number of staff (full time equivalent)	**17,374**	**943**	**18,317**	**18,273**
Costs				
Wages and salaries (£m)	1,261	46	**1,307**	**1,222**
Social security costs (£m)	163	-	**163**	**132**
Other pension costs (£m)	185	-	**185**	**198**
Total costs (£m)	**1,609**	**46**	**1,655**	**1,552**

Principal Civil Service Pension Scheme

Nuclear Site Licence Companies (SLCs) are not included in these pension schemes. Details of those are provided in note 19.

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS), known as "alpha", are 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 about the civil service pension arrangements can be found at the website: **www.civilservicepensionscheme.org.uk**

For 2025–26, employer contributions of £98,660,220 were payable to the PCSPS (2024–25: £90,420,656) at one of 4 rates in the range 26.6% to 30.3% (2024–25: 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 2025–26 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 £695,967 (2024–25: £626,214) 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 £22,227 (2024–25: £20,022), 0.5% (2024–25: 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 2026 were £6,886 (31 March 2025: £5,404). Contributions prepaid at that date were £nil (31 March 2025: £nil).

Ill-health retirement

In 2025–26, 12 persons (2024–25: 21 persons) across the departmental group retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £273,950 (2024–25: £1,225,611).

Other pension schemes

Employer contributions to other pension schemes in 31 March 2026, amounted to £43,890,308 (31 March 2025: £37,580,525). 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 the core department's staff composition as at 31 March 2026.

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	2025-26	2024-25
All employees	4,942	4,781
Men	49%	51%
Women	51%	49%
Off-Payroll	396	359
Men	51%	54%
Women	49%	46%
Senior civil servants	224	236
Men	54%	54%
Women	46%	46%

Gender	2025-26	2024-25
Executive committee	12	14
Men	58%	57%
Women	42%	43%

Disability	2025-26	2024-25
Declaration rate	77%	79%
No	80%	80%
Yes	14%	13%
Prefer not to say	7%	6%
Ethnicity	**2025-26**	**2024-25**
Declaration rate	84%	86%
White	73%	74%
Ethnic minority	22%	22%
Prefer not to say	4%	4%
Sexual orientation	**2025-26**	**2024-25**
Declaration rate	84%	86%
Straight	79%	80%
LGBT+	11%	11%
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 to sickness absence in the core department.

	2025-26	2024-25
Core department	3.9%	3.85%

Staff turnover percentage

The table below shows the staff turnover percentage in 2025-26 for the core department as defined for Civil Service statistics collection.

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

	2025-26		2024-25	
	Departmental turnover	Turnover	Departmental turnover	Turnover
Core department	15.5%	6.0%	9.9%	5.4%

Civil service people survey staff engagement scores

	2025-26	2024-25
Engagement score	67%	67%

The Civil Service People Survey ran from September to October 2025. The department achieved a response rate of 84% and an engagement index of 67%. This is DESNZ's third departmental people survey since the machinery of government change in 2023.

The department has met or exceeded the Civil Service benchmark score in five key areas, namely:

- inclusion and fair treatment (84%) is 4 points higher than the Civil Service benchmark, and 1 point lower than 2024 results
- leadership and managing change (60%) is 7 points above the Civil Service benchmark, and 1 point lower than 2024 results
- resources and workload (75%) is the same as the Civil Service benchmark, and 1 point higher than the 2024 results
- organisational objectives and purpose (87%) are 4 points above the Civil Service benchmark and 1 point higher than our 2024 results
- my manager (80%) is 2 points above the Civil Service benchmark and the same as the 2024 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 staff with disabilities or long-term health conditions by conducting assessments, providing equipment and training and endeavouring to make workplaces accessible. We work with our 'CAN' disability staff network to ensure suitable awareness sessions are promoted to understand health conditions and to ensure knowledge of the reasonable adjustments scheme. In addition, disability leave, a form of special leave, is available as part of our attendance management policy to support staff whose absence is directly related to their disability rather than sickness, with this absence not counting towards sickness review points or sick pay calculations. We also support the mental health and wellbeing of staff through our Employee Assistance programme and Occupational Health provision. Wellbeing sessions are available for staff including information on stress, resilience, and change management.

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.

Health, safety and wellbeing

We continue to provide a safe work environment. We ensure staff have the correct equipment and training to perform their duties safely for all activities whether in the office, at home or in other locations.

In 2025-26, 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
- 264 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:

- continued to deliver our first multi-year equality, diversity and inclusion strategy
- published our departmental Equality Objectives
- published our departmental gender pay gap report, as well as disability pay gap data and ethnicity pay gap data
- achieved an 'inclusion and fair treatment' score of 84% in the People Survey
- made progress against our goals to support under-represented groups of colleagues at more senior grades, including women, disabled colleagues and ethnic minority colleagues
- launched a departmental sponsorship scheme alongside mentoring and reverse mentoring schemes, aimed at colleagues from underrepresented groups
- entered the Social Mobility Employer Index and ranked in the top 75 employers at 66
- achieved the Carer Confident benchmark of 'level 2 accomplished'
- 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

Meeting the Public Sector Equality Duty (PSED)

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 embedding equality duty governance at a local level to support delivery of our equality objectives. We aim to integrate equality reporting into existing group-level governance, senior boards, and forums. This is to ensure that all levels of seniority are involved in supporting our objectives.

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.

Staff redeployments

The table below shows the number of staff loaned and hosted as at 31 March 2026.

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

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

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

Loans in

	Non-Payroll		Payroll		Total	
	Short-term	Long-term	Short-term	Long-term	Short-term total	Long-term total
EO	1	-	-	1	1	1
HEO	-	4	3	5	3	9
SEO	-	7	1	7	1	14
G7	1	-	3	9	4	9
G6	-	1	3	9	3	10
SCS	1	1	-	3	1	4
Total	**3**	**13**	**10**	**34**	**13**	**47**

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	-	6	1	-	1	6
G7	1	1	-	-	1	1
G6	-	2	-	-	-	2
SCS	1	1	-	-	1	1
Total	**2**	**12**	**1**	**-**	**3**	**12**

Consultancy and temporary staff expenditure

The departmental group's expenditure on consultancy in 2025-26 was £59.4m (2024-25: £160.9m). The consultancy expenditure relating to arm's length bodies was £17.7m (2024-25: £31.3m) of which £8.9m (2024-25: £11.2m) was related to Site Licence Companies (SLCs).

During the year, the Department undertook a comprehensive review of its expenditure classification, in line with Cabinet Office guidance, to ensure a more consistent and accurate distinction of consultancy spend. This review identified instances where expenditure had previously been classified as consultancy that more appropriately sits within other categories, resulting in a reclassification of costs in the year. As a result of these improvements, the 2024-25 and 2025-26 consultancy figures are not directly comparable. It is not practicable to restate prior year figures on a consistent basis, as doing so would require an onerous review of individual contracts and transactions across the Department and its arm's length bodies.

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 2025-26 was £65m (2024-25: £84m), 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.

Site Licence Companies (SLCs) are subsidiaries of the NDA and fall within the departmental accounting boundary. However, SLCs 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 2026, 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 2026	76	353	616	1
Of which, no. that existed for				
less than 1 year	10	150	143	1
between 1 and 2 years	22	44	115	-
between 2 and 3 years	2	57	51	-
between 3 and 4 years	16	35	29	-
4 or more years	26	67	278	-

Table 2: All highly paid off-payroll workers engaged at any point during the year ended 31 March 2026, 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 2026	76	527	769	1
Of which				
Not subject to off-payroll legislation	-	101	660	-
Subject to off-payroll legislation and determined as in-scope of IR35	75	399	75	-
Subject to off-payroll legislation and determined as out-of-scope of IR35	1	27	34	1
No. of engagements reassessed for compliance or assurance purposes during the year	-	23	65	-

Table 3: For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2025 and 31 March 2026

	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	-	23	-	18
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.	-	62	15	-

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 2025-26. Of this, £29,732,473 exit costs were paid during the year (2024-25: £1,265,256).

The increase in exit packages in 2025-26 is due to operating a Mutually Agreed Voluntary Exit (MAVE) scheme across the NDA group which totalled £65.4m.

	2025–26	2025–26	2025–26	2024–25	2024–25	2024–25
	Number of compulsory redundancies	**Number of other departures agreed**	**Total number of exit packages by cost band**	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**
Less than £10,000	-	23	23	1	21	22
£10,000 - £25,000	1	55	56	1	8	9
£25,000 - £50,000	1	109	110	-	4	4
£50,000 - £100,000	-	658	658	1	11	12
£100,000 - £150,000	3	22	25	-	-	-
£150,000 - £200,000	1	4	5	-	-	-
More than £200,000	2	1	3	-	1	1
Total number	**8**	**872**	**880**	**3**	**45**	**48**
Of which						
Core department	-	107	107	-	14	14
NDPBs and other designated bodies	8	765	773	3	31	34
Total number	**8**	**872**	**880**	**3**	**45**	**48**
Total cost (£)	**886,654**	**73,240,936**	**74,127,590**	**58,005**	**1,353,053**	**1,411,058**
Of which						
Core department	-	6,719,541	6,719,541	-	567,135	567,135
NDPBs and other designated bodies	886,654	66,521,395	67,408.049	58,005	785,918	843,923
Total cost (£)	**886,654**	**73,240,936**	**74,127,590**	**58,005**	**1,353,053**	**1,411,058**

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 2025-26. 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.

	2025-26				2024-25			
	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	**67,505**	**-**	**17,000**	**85,000**	49,903	67,505	13,000	63,000
Ministers of State								
Michael Shanks MP (from 6 Sep 2025)[3]	**27,544**	**31,680**	**7,000**	**35,000**	16,300	22,375	4,000	**20,000**
Lord Patrick Vallance (from 6 Sep 2025)[4]	**-**	**-**	**-**	**-**	-	-	-	**-**
Lord Whitehead (from 11 Nov 2025)[5]	**-**	**-**	**-**	**-**	-	-	-	**-**
Sarah Jones MP (to 8 Sep 2025)[6]	**15,840**	**31,680**	**3,000**	**19,000**	23,079	31,680	6,000	**29,000**
Baroness Curran (from 23 May to 6 Jun 2025)[7]	**-**	**-**	**-**	**-**	-	-	-	**-**
The Rt Hon Lord Hunt of Kings Heath OBE (to 22 May 2025)[8]	**-**	**-**	**-**	**-**	-	-	-	**-**

	2025-26				2024-25			
	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
Parliamentary Under-Secretaries of State								
Martin McClusky MP (from 7 Sep 2025)[9]	11,485	22,375	3,000	**14,000**	-	-	-	**-**
Katie White OBE MP (from 7 Sep 2025)	12,679	22,375	3,000	**16,000**	-	-	-	**-**
Chris McDonald MP (from 11 Sep 2025)[10]	12,431	22,375	3,000	**15,000**	-	-	-	**-**
Miatta Fahnbulleh MP (to 6 Sep 2025)	11,187	22,375	2,000	**13,000**	16,300	22,375	4,000	**20,000**
Kerry McCarthy MP (to 7 Sep 2025)[11]	15,351	22,375	2,000	**17,000**	16,300	22,375	4,000	**20,000**

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 (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.
3. Michael Shanks MP Minister of State for DESNZ from 11 September 2025. Previously Jointly Minister of State at Department for Business and Trade but paid by DESNZ from 6 to 10 September 2025 and Parliamentary Under Secretary of State for DESNZ from 9 July 2024 to 5 September 2025.
4. Lord Patrick Vallance jointly Minister of State at Department for Energy Security and Net Zero (DESNZ), but paid by Department for Science, Innovation and Technology.
5. Lord Whitehead does not draw salary or pension benefits.

6. Sarah Jones MP was jointly Minister of State at Department for Business and Trade but paid by DESNZ.
7. Baroness Curran did not draw salary or pension benefits.
8. The Rt Hon Lord Hunt of Kings Heath OBE did not draw salary or pension benefits.
9. Martin McCluskey MP for DESNZ from 6 September 2025. Previously Assistant Government Whip at HM Treasury.
10. Chris McDonald MP Jointly Parliamentary Under Secretary of State at Department for Business and Trade but (was) paid by DESNZ.
11. Kerry McCarthy MP salary includes £5,593 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 2026 £'000	Real increase in pension at age 65 £'000	CETV at 31 March 2026[1] £'000	CETV at 31 March 2025[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	354	317	13
Ministers of State					
Michael Shanks MP (from 6 Sep 2025)	0-5	0-2.5	10	4	3
Lord Patrick Vallance (from 6 Sep 2025)[2]	-	-	-	-	-
Lord Whitehead (from 11 Nov 2025)[2]	-	-	-	-	-
Sarah Jones MP (to 8 Sep 2025)	0-5	0-2.5	11	7	2
Baroness Curran (from 23 May to 6 Jun 2025)[2]	-	-	-	-	-
The Rt Hon Lord Hunt of Kings Heath OBE (to 22 May 2025)[2]	-	-	-	-	-
Parliamentary Under-Secretaries of State					
Martin McCluskey MP (from 7 Sep 2025)	0-5	0-2.5	8	4	2
Katie White OBE MP (from 7 Sep 2025)	0-5	0-2.5	3	-	2
Chris McDonald MP (from 11 Sep 2025)	0-5	0-2.5	4	-	2
Miatta Fahnbulleh MP (to 6 Sep 2025)	0-5	0-2.5	6	4	1
Kerry McCarthy MP (to 7 Sep 2025)	0-5	0-2.5	29	25	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 a 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 2025-26. 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.

	2025-26					2024-25				
	Salary[1] £'000	Full year[7] equivalent salary if different £'000	Bonus £'000	Pension[2] to nearest £1,000	Total £'000	Salary[1] £'000	Full year[7] equivalent salary if different £'000	Bonus £'000	Pension[2] to nearest £1,000	Total £'000
Permanent secretary										
Jonathan Brearley (from 23 Mar 2026)[3]	5-10	205-210	-	1	**5-10**	-	-	-	-	**-**
Jeremy Pocklington (to 23 Nov 2025)	120-125	185-190	15-20	35	**170-175**	180-185	-	15-20	97	**295-300**
Clive Maxwell[4]	180-185	-	-	134	**315-320**	165-170	-	-	41	**210-215**
Director General										
Lee McDonough[5]	155-160	-	0-5	53	**210-215**	150-155	-	10-15	103	**235-240**
Jonathan Mills	165-170	-	10-15	63	**240-245**	160-165	-	5-10	95	**260-265**
Director										
Martin Gaunt (from 2 Feb 2026)[6]	15-20	105-110	-	6	**20-25**	-	-	-	-	**-**
David Thomas (to 1 Feb 2026)	105-110	140-145	10-15	53	**170-175**	125-130	135-140	10-15	84	**220-225**

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 Jonathan Brearley, Permanent Secretary from 23 March 2026. Previously Chief Executive Officer of Office of Gas and Electricity Markets.

4 Clive Maxwell, interim Permanent Secretary from 24 November 2025 to 26 March 2026.

5 Lee McDonough, Director General pension results disclosure has been restated as prior year were on pre 2015 remedy basis.

6 Martin Gaunt, interim Chief Financial Officer from 2 February 2026, therefore 2025-26 salary received was not reflective of a full year.

7 The "full year equivalent salary" represents the salary for a full year, full time role and is presented alongside actual salary to provide a consistent basis for comparison. Differences arise where individuals worked part-time or for part of the year.

Senior officials – pension benefits (audited information)

The table below shows the pension entitlements for each senior official for the year ending 2026. Senior officials comprise members of the departmental board.

	Accrued pension at pension age as at 31 March 2026 and related lump sum[3] £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31 March 2026[1] £'000	CETV at 31 March 2025[1, 2] £'000	Real increase in CETV £'000	Employer contribution to partnership pension account Nearest £100
Permanent secretary						
Jonathan Brearley (from 23 Mar 2026)	60 - 65 plus a lump sum of 130 - 135	0 - 2.5 plus a lump sum of 0	1,300	1,299	-	-
Jeremy Pocklington (to 23 Nov 2025)	90 - 95 plus a lump sum of 35 - 40	0 - 2.5 plus a lump sum of 0	1,768	1,672	20	-
Clive Maxwell	80 - 85 plus a lump sum of 200 - 205	5 - 7.5 plus a lump sum of 7.5 - 10	1,851	1,639	113	-
Director General						
Lee McDonough	75 - 80 plus a lump sum of 185 - 190	2.5 - 5 plus a lump sum of 0	1,730	1,651	42	-
Jonathan Mills	60 - 65 plus a lump sum of 140 - 145	2.5 - 5 plus a lump sum of 0	1,236	1,126	39	-
Director						
Martin Gaunt (from 2 Feb 2026)	30-35	0 - 2.5	437	433	3	-
David Thomas (to 1 Feb 2026)	65-70	2.5 - 5	1,137	1,050	31	-

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 Taking account of inflation, the CETV funded by the employer has decreased in real terms.

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.

4 Lee McDonough, Director General pension results disclosure has been restated as prior year were on pre 2015 remedy basis.

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.

	2025-26		2024-25	
	Fee entitlement £'000	Full year equivalent if different £'000	Fee entitlement £'000	Full year equivalent if different £'000
Ravi Gurumurthy (from 1 May 2025)[1]	20-25		-	-
Humphrey Cadoux-Hudson (to 28 May 2025)[1]	0-5	20-25	20-25	-
Vikas Shah[2]	15-20	20-25	30-35	20-25
Sue Ferns (from 1 May 2025)	10-15	15-20	-	-
Dame Mary Archer (to 2 May 2025)	0-5	15-20	15-20	-

Notes

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

2 Audit Risk and Assurance Committee Chair for DESNZ.

Fair pay disclosure (audited information)

The narrative below shows the relationship during the year ending 31 March 2026 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 2025-26 was £205,000 - £210,000 (2024-25: £195,000-£200,000). This was 3.50 times (2024-25: 3.44) the median remuneration of the workforce, which was £59,355 (2024-25: £57,447).

In 2025-26, 2 (2024-25: 21) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £27,430 to £322,575 (2024-25: £18,465 - £323,840).

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.

2025-26

	Highest paid director	Staff average
Salary and allowances	5%	1%
Performance pay & bonuses	0%	13%

2024-25

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

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 2025-26, with comparatives for 2024-25. The slight increase in ratio is due to pay award implementation in 2025-26, which included updates to Allowances.

	2025-26			2024-25		
	Lower quartile	**Median**	**Upper quartile**	**Lower quartile**	**Median**	**Upper quartile**
Total pay & benefits	46,360	59,355	68,556	45,021	57,447	66,714
Ratio	4.48:1	3.50:1	3.03:1	4.39:1	3.44:1	2.96:1
Salary	44,791	56,900	65,331	43,162	51,540	62,955

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 £93,904 (from 1 April 2025) 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 2025-26 relate to performance in 2024-25 and the comparative bonuses reported for 2024-25 relate to performance in 2023-24.

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 **Home | Parliamentary Contributory Pension Fund (PCPF)**.

Those Ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report).

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

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

Ministerial pensions – the Cash Equivalent Transfer Value (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by

a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits, they have accrued in their former scheme.
The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total Ministerial service, not just their current appointment as a Minister. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Ministerial pensions – the real increase in the value of the CETV

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

Civil Service pensions

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

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

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

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

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

As a result, steps are being taken to remedy those 2015 reforms, making the pension scheme provisions fair to all members. The public service pensions remedy 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. This is known as "rollback".

For members who are in scope of the public service pension remedy, the calculation of their benefits for the purpose of calculating their Cash Equivalent Transfer Value and their single total figure of remuneration, as of 31 March 2025 and 31 March 2026, reflects the fact that membership between 1 April 2015 and 31 March 2022 has been rolled back into the PCSPS. Although members will in due course get an option to decide whether that period should count towards PCSPS or **alpha** benefits, the figures show the rolled back position i.e., PCSPS benefits for that period.

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 Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). The employee does not have to contribute but, where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

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

Civil service pensions – Cash Equivalent Transfer Values

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

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

CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Civil service pensions – Real increase in CETV

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

Compensation for loss of office

Ministers

One Minister left under severance terms on 7 September 2025. They received a compensation payment of £5,593.

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 Consolidated Fund Extra Receipts (CFERs) 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 147 to 155 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 47, 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 2025-26

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 48 to 50.

		Outturn			Estimate			Outturn vs Estimate: saving/ (excess)		2024-25 outturn
		Voted	Non-voted	Total	Voted	Non-voted	Total	Voted	Total	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Departmental Expenditure Limit										
Resource	Note 1.1	2,930,583	(1,006,651)	**1,923,932**	3,067,922	(998,000)	**2,069,922**	137,339	145,990	**193,800**
Capital	Note 1.2	11,456,651	-	**11,456,651**	11,728,226	-	**11,728,226**	271,575	271,575	**549,646**
Total DEL		**14,387,234**	**(1,006,651)**	**13,380,583**	**14,796,148**	**(998,000)**	**13,798,148**	**408,914**	**417,565**	**743,446**
Annually Managed Expenditure										
Resource	Note 1.1	28,508,151	-	**28,508,151**	81,018,335	-	**81,018,335**	52,510,184	52,510,184	**47,125,166**
Capital	Note 1.2	(13,749)	-	**(13,749)**	80,413	-	**80,413**	94,162	94,162	**169,825**
Total AME		**28,494,402**	**-**	**28,494,402**	**81,098,748**	**-**	**81,098,748**	**52,604,346**	**52,604,346**	**47,294,991**
Total budget										
Resource	Note 1.1	31,438,734	(1,006,651)	**30,432,083**	84,086,257	(998,000)	**83,088,257**	52,647,523	52,656,174	**47,318,966**
Capital	Note 1.2	11,442,902	-	**11,442,902**	11,808,639	-	**11,808,639**	365,737	365,737	**719,471**
Total budget expenditure		**42,881,636**	**(1,006,651)**	**41,874,985**	**95,894,896**	**(998,000)**	**94,896,896**	**53,013,260**	**53,021,911**	**48,038,437**
Non-budget expenditure		(31,194)	-	(31,194)	-	-	-	31,194	31,194	-
Total budget and non-budget		**42,850,442**	**(1,006,651)**	**41,843,791**	**95,894,896**	**(998,000)**	**94,896,896**	**53,044,454**	**53,053,105**	**48,038,437**

Net cash requirement 2025–26

				2025–26	2024–25
	SOPS note	Outturn	Estimate	Outturn vs Estimate: saving/ (excess)	Outturn total
		£'000	£'000	£'000	£'000
Net cash requirements	3	7,415,604	10,598,794	3,183,190	9,198,480

Administration costs 2025-26

				2025–26	2024–25
	SOPS note	Outturn	Estimate	Outturn vs Estimate: saving/ (excess)	Outturn total restated
		£'000	£'000	£'000	£'000
Administration costs	1.1	431,679	445,116	13,437	399,650

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

Notes to the SOPS 2025–26 (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 48 to 50.

		Resource outturn							Estimate			2025-26 Outturn vs Estimate: saving/ (excess)	2024-25 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	Affordable energy	-	-	**-**	177,693	(3,463)	**174,230**	**174,230**	204,826	-	**204,826**	30,596	190,614
B	Energy system	-	-	**-**	47,532	(10,009)	**37,523**	**37,523**	53,514	-	**53,514**	15,991	92,378
C	Climate change and decarbonisation	-	-	**-**	213,476	(7,136)	**206,340**	**206,340**	244,725	(25,961)	**218,764**	12,424	174,070
D	Energy legacy	-	-	**-**	164,779	(3,476)	**161,303**	**161,303**	166,150	-	**166,150**	4,847	158,329
E	Science and research	-	-	**-**	2,958	-	**2,958**	**2,958**	3,000	-	**3,000**	42	3,036
F	Capability	472,153	(80,976)	**391,177**	211,777	(1,168)	**210,612**	**601,789**	617,794	-	**617,794**	16,005	385,934
G	Energy system (ALB) net	-	-	**-**	9,379	-	**9,379**	**9,379**	28,214	-	**28,214**	18,835	5,816
H	Climate change and decarbonisation (ALB) net	2,824	-	**2,824**	71,463	-	**71,463**	**74,287**	54,345	25,961	**80,306**	6,019	41,295
I	Energy legacy (ALB) net	5,678	-	**5,678**	63,233	-	**63,233**	**68,911**	73,688	-	**73,688**	4,777	60,410
J	Science and research (ALB) net	-	-	**-**	43,780	-	**43,780**	**43,780**	54,679	-	**54,679**	10,899	13,299

		Resource outturn							Estimate			2025-26 Outturn vs Estimate: saving/ (excess)	2024-25 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
K	Government as shareholder (ALB) net	2	-	**2**	-	-	**-**	**2**	50	-	**50**	48	8
L	NDA and SLC expenditure (ALB) net	31,998	-	**31,998**	1,518,086	-	**1,518,086**	**1,550,084**	1,566,937	-	**1,566,937**	16,853	1,484,362
Total voted DEL		**512,655**	**(80,976)**	**431,679**	**2,524,156**	**(25,252)**	**2,498,904**	**2,930,583**	**3,067,922**	**-**	**3,067,922**	**137,339**	**2,609,551**
Non-voted expenditure													
M	Nuclear Decommissioning Authority income (CFER)	-	-	**-**	(6,497)	(1,000,154)	**(1,006,651)**	**(1,006,651)**	(998,000)	-	**(998,000)**	8,651	(1,146,825)
Total non-voted DEL		**-**	**-**	**-**	**(6,497)**	**(1,000,154)**	**(1,006,651)**	**(1,006,651)**	**(998,000)**	**-**	**(998,000)**	**8,651**	**(1,146,825)**
Total spending in DEL		**512,655**	**(80,976)**	**431,679**	**2,517,659**	**(1,025,406)**	**1,492,253**	**1,923,932**	**2,069,922**	**-**	**2,069,922**	**145,990**	**1,462,726**

Spending in Annually Managed Expenditure (AME)

Voted expenditure													
N	Affordable energy	-	-	**-**	(1,594)	(3)	**(1,597)**	**(1,597)**	5,400	-	**5,400**	6,997	(74,413)
O	Energy system	-	-	**-**	1,192	(5,481)	**(4,289)**	**(4,289)**	932,000	(37,154)	**894,846**	899,135	(45,422)
P	Climate change and decarbonisation	-	-	**-**	(4,178)	-	**(4,178)**	**(4,178)**	99,000	-	**99,000**	103,178	11,009
Q	Energy legacy	-	-	**-**	(109,120)	7,623	**(101,497)**	**(101,497)**	(74,789)	-	**(74,789)**	26,708	(149,893)
R	Science and research	-	-	**-**	208,049	-	**208,049**	**208,049**	304,608	(13,936)	**290,672**	82,623	18,929
S	Capability	-	-	**-**	29,554	-	**29,554**	**29,554**	(7,600)	37,154	**29,554**	-	(4,450)
T	Renewable Heat Incentive	-	-	**-**	1,226,870	-	**1,226,870**	**1,226,870**	1,243,000	-	**1,243,000**	16,130	1,213,370

		Resource outturn							Estimate			2025-26 Outturn vs Estimate: saving/ (excess)	2024-25 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
U	Energy system (ALB) net	-	-	**-**	8,762	-	**8,762**	**8,762**	11,980	-	**11,980**	3,218	8,571
V	Climate change and decarbonisation (ALB) net	-	-	**-**	21,490,826	-	**21,490,825**	**21,490,825**	45,523,000	-	**45,523,000**	24,032,175	2,413,619
W	Energy legacy (ALB) net	-	-	**-**	(132,299)	-	**(132,299)**	**(132,299)**	344,321	-	**344,321**	476,620	118,672
X	Science and research (ALB) net	-	-	**-**	16,351	-	**16,351**	**16,351**	2,415	13,936	**16,351**	-	(1,815)
Y	Government as shareholder (ALB) net	-	-	**-**	(86,611)	-	**(86,611)**	**(86,611)**	(80,000)	-	**(80,000)**	6,611	(83,577)
Z	Nuclear Decommissioning Authority (ALB) net	-	-	**-**	5,858,211	-	**5,858,211**	**5,858,211**	32,715,000	-	**32,715,000**	26,856,789	5,573,594
Total voted AME		**-**	**-**	**-**	**28,506,013**	**2,139**	**28,508,151**	**28,508,151**	**81,018,335**	**-**	**81,018,335**	**52,510,184**	**8,998,194**
Total spending in AME		**-**	**-**	**-**	**28,506,013**	**2,139**	**28,508,151**	**28,508,151**	**81,018,335**	**-**	**81,018,335**	**52,510,184**	**8,998,194**
Total resource before prior period adjustments		**512,655**	**(80,976)**	**431,679**	**31,023,672**	**(1,023,267)**	**30,000,404**	**30,432,083**	**83,088,257**	**-**	**83,088,257**	**52,656,174**	**10,460,920**
Non-budget: voted													
Prior Period Adjustments		-	-	**-**	(31,194)	-	**(31,194)**	**(31,194)**	-	-	**-**	31,194	-
Total Resource and non-budget spending		**512,655**	**(80,976)**	**431,679**	**30,992,478**	**(1,023,267)**	**29,969,210**	**30,400,889**	**83,088,257**	**-**	**83,088,257**	**52,687,368**	**10,460,920**

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			2025-26 Outturn vs Estimate, savings/ (excess)	2024-25 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	Affordable energy	1,484,013	(52,489)	**1,431,524**	1,483,825	-	**1,483,825**	52,301	**1,259,371**
B	Energy system	116,012	-	**116,012**	115,150	862	**116,012**	-	**(2,025,259)**
C	Climate change and decarbonisation	867,942	(20,235)	**847,707**	1,153,870	(232,452)	**921,418**	73,711	**706,288**
D	Energy legacy	9,255	(185)	**9,070**	12,314	-	**12,314**	3,244	**17,130**
E	Science and research	9,172	-	**9,172**	8,985	187	**9,172**	-	**70,464**
F	Capability	181,496	(226)	**181,270**	71,918	109,352	**181,270**	-	**26,012**
G	Energy system (ALB) net	4,725,127	-	**4,725,127**	4,277,000	448,127	**4,725,127**	-	**1,688,707**
H	Climate change and decarbonisation (ALB) net	1,043,243	-	**1,043,243**	1,487,330	(387,889)	**1,099,441**	56,198	**446,064**
I	Energy legacy (ALB) net	44,245	-	**44,245**	46,294	-	**46,294**	2,049	**31,711**
J	Science and research (ALB) net	514,836	-	**514,836**	453,023	61,813	**514,836**	-	**382,791**
L	NDA and SLC expenditure (ALB) net	2,534,445	-	**2,534,445**	2,618,517	-	**2,618,517**	84,072	**2,637,432**
	Total voted DEL	**11,529,786**	**(73,135)**	**11,456,651**	**11,728,226**	**-**	**11,728,226**	**271,575**	**5,240,711**
Non-voted expenditure									
M	Nuclear Decommissioning Authority income (CFER)	-	-	-	-	-	-	-	**(74)**
Total non-voted DEL		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(74)**
Total spending in DEL		**11,529,786**	**(73,135)**	**11,456,651**	**11,728,226**	**-**	**11,728,226**	**271,575**	**5,240,637**

		Capital Outturn			Estimate			2025-26 Outturn vs Estimate, savings/ (excess)	2024-25 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	Energy system	175,000	(175,000)	**-**	-	-	**-**	-	**-**
Q	Energy legacy	(7,623)	-	**(7,623)**	-	(390)	**(390)**	7,233	**-**
S	Capability	(7)	-	**(7)**	-	-	**-**	7	**-**
U	Energy system (ALB) net	(1,857)	-	**(1,857)**	79,897	-	**79,897**	81,754	**51,967**
V	Climate change and decarbonisation (ALB) net	168	-	**168**	-	168	**168**	-	**-**
W	Energy legacy (ALB) net	738	-	**738**	516	222	**738**	-	**-**
X	Science and research (ALB) net	(5,168)	-	**(5,168)**	-	-	**-**	5,168	**(3,674)**
Total voted AME		**161,251**	**(175,000)**	**(13,749)**	**80,413**	**-**	**80,413**	**94,162**	**48,293**
Total spending in AME		**161,251**	**(175,000)**	**(13,749)**	**80,413**	**-**	**80,413**	**94,162**	**48,293**
Total capital		**11,691,037**	**(248,135)**	**11,442,902**	**11,808,639**	**-**	**11,808,639**	**365,737**	**5,288,930**
Total capital and non-budget spending		**11,691,037**	**(248,135)**	**11,442,902**	**11,808,639**	**-**	**11,808,639**	**365,737**	**5,288,930**

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 48 to 50.

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 2025.

	SOPS note	2025-26 Outturn total £'000	2024-25 Restated outturn total £'000
Total resource Outturn in Statement of Outturn against Parliamentary Supply	**SOPS 1.1**	**30,400,889**	**10,460,921**
Add			
NDA remedial decommissioning costs which are capital in budgets but taken through the SoCNE		2,535,334	2,623,050
Capital grants		2,290,486	1,809,090
Share of profit/loss of joint ventures, associates and non-controlling interests		(31,589)	(76,588)
Other non-budget		(20,010)	26,114
Prior period adjustments		31,194	(31,194)
Research and development costs		469,872	773,583
Utilisation of provisions		25,548	63,312
Total		**5,300,836**	**5,187,367**
Less			
NDA income scored in SOPS only		-	(61,506)
Capital income in SoCNE		(360,906)	(844)
Research and development income		(39,471)	(52,648)
Other			
Impact of intra group transactions		(1,239)	82,542
Total		**(401,616)**	**(32,456)**
Net operating expenditure for the period in Consolidated Statement of Comprehensive Net Expenditure	**SoCNE**	**35,300,109**	**15,615,832**

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.

For more detail on the prior period adjustment in SOPS 2, please see note 25.

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, rather than on a cash basis. Therefore, this reconciliation bridges the resource and capital outturn to the net cash requirement.

	SOPS note	Outturn	Estimate	Outturn vs Estimate:
		£'000	£'000	£'000
Total Resource Outturn	**SOPS 1.1**	**30,400,889**	**83,088,257**	**52,687,368**
Total Capital Outturn	**SOPS 1.2**	**11,442,902**	**11,808,639**	**365,737**
Adjustments for ALBs				
Remove voted resource and capital		(37,757,460)	(89,257,206)	(51,499,746)
Removal of intra-group transactions		(101,936)	-	101,936
Add cash in grant-in-aid		4,581,503	4,976,114	394,611
Add share purchase and loans		2,904,416	-	(2,904,416)
Less loan repayment		(502)	-	502
Less share disposals		(5,133,216)	-	5,133,216
Other ALB cash adjustments		-	-	-

	SOPS note	Outturn	Estimate	Outturn vs Estimate:
		£'000	£'000	£'000
Adjustments to remove non-cash items				
Depreciation and amortisation		(18,118)	(1,052,709)	(1,034,591)
New provisions and adjustments to previous provisions		(222,225)	(415,233)	(193,008)
Other non-cash items		(22,506)	(1,271)	21,235
Lease payments		(13,654)	-	13,654
Prior period adjustment		31,194	-	(31,194)
Adjustments to reflect movements in working balances				
Increase/(decrease) in receivables		83,267	250,000	166,733
(Increase)/decrease in payables		21,512	-	(21,512)
Use of provisions		138,567	204,203	65,636
Cash transactions added back		74,320	-	(74,320)
Total		**(35,434,838)**	**(85,296,102)**	**(49,861,264)**
Removal of non-voted budget items				
Other non-voted budget items		1,006,651	998,000	(8,651)
Total		**1,006,651**	**998,000**	**(8,651)**
Net cash requirement		**7,415,604**	**10,598,794**	**3,183,190**

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.

	2025-26		2024-25	
	Outturn total		Outturn total	
	Accruals	*Cash basis*	Accruals	*Cash basis*
	£'000	£'000	£'000	£'000
Operating income of the NDA within the Ambit	486,783	*453,817*	549,162	*684,943*
Income outside the ambit of the Estimate	13,634	*13,634*	20,881	*20,889*
[Excess] cash surrenderable to the Consolidated Fund	-	-	-	-
Total amount payable to the Consolidated Fund	**500,417**	***467,451***	**570,043**	***705,832***

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

	2025–26		2024–25	
	Core department	Departmental group	Core department	Departmental group
Total number of losses	**689**	**176,463**	**980**	**515,980**
Total value of losses – £m	**1**	**41**	**2**	**133**

Losses over £300,000 – core department

There were no losses over £300,000 for the core department 2025-26.

Losses over £300,000 – departmental group

Nuclear Decommissioning Authority had a constructive loss of £8,968,000 related to the premature closure of the Berkeley Blower House Remediation Project at the NRS Berkeley site. Constructive losses in 2024-25 related to the change in approach of the Sellafield Replacement Analytical Project. As the project is not proceeding in its original form, costs were incurred which cannot be utilised in the revised approach.

Nuclear Decommissioning Authority had a fruitless payment of £1,659,313 related to late payment interest in respect of changes to the NDAs corporation tax status which was retrospectively applied to years 2021-22 and 2024-25 and accrued interest against the original payment deadlines for each financial year. Also included in fruitless payments is an equipment purchase of £784,470 which failed during commissioning due to a design failure.

United Kingdom Atomic Energy Authority had an administrative loss over £300,000 regarding an impairment of £26.2m following a review of the future value of work delivered to date on the design and build of a complex, first of a kind, test rig.

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

Special payments

	2025–26	2024–25
	Departmental group	Departmental group
Total number of special payments	1,539	2
Total value of special payments – £m	10	5

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

Special payments over £300,000 – core department

A special payment of £9m was made to Ofgem in relation to its administration of the Non-Domestic Renewable Heat Incentive scheme.

Special payments over £300,000 – departmental group

Nuclear Decommissioning Authority had special payment of £465,541 resulting from a voluntary disclosure to HMRC due to an underpayment of tax, affecting a large number of employees due to a payroll error.

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 2025–26, the core department did not give any reportable gifts above £300,000.

Fees and charges

Core department

The core department has no material fees and charges to report in the financial year 2025-26.

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

Remote contingent liabilities

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

Quantifiable remote contingent liabilities

	1 April 2025 £m	Increase / (decrease) in year £m	Crystallised in year £m	Expired in year £m	31 March 2026 £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)	-	-	-	-
Total	**3**	**(3)**	**-**	**-**	**-**	**-**

Unquantifiable remote contingent liabilities – core department

Statutory indemnities

- Indemnities have been given to the UK Atomic Energy Authority (UKAEA) 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
- 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 the Nuclear Decommissioning Authority (NDA) in respect of their nuclear third party liability requirements under the Nuclear Installations Act 1965
- A contingent liability exists in relation to the possibility of claims for any exposure to ionising radiation arising from the fusion activities of the UKAEA

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 (LCCC) and Electricity Settlements Company Limited (ESC) 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 LCCC and ESC 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 (NLF) 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 NLF 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 sub-contractors
- 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
- An indemnity has been provided to the Official Receiver, appointed as liquidator of Prax Lindsey Oil Refinery Ltd, for actions he undertakes as Receiver and claims and proceedings that are made against the company or him personally in relation to his appointment. The indemnity does not extend to any costs which may legitimately be charged to the company in liquidation. The indemnity was provided in June 2025 and may be terminated by the Government not giving less than 14 days' notice

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

- 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 the 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
- A contingent liability exists in the remote scenario that HMG decides to discontinue the Sizewell C project and is required to compensate Sizewell C accordingly
- A contingent liability exists in the remote scenario that HMG is required to provide operational property insurance or NTPL insurance to Sizewell C in the event that this cannot be covered by the market
- A contingent liability exists in the remote circumstance that the Higher Regulatory Threshold (HRT) is breached and shareholders are unable to provide additional finance meaning HMG chooses to provide contingent finance to Sizewell C

- A contingent liability exists in relation to the remote scenario whereby the prudent provisions in Sizewell C's Funded Decommissioning Programme are insufficient and HMG may need to meet any outstanding decommissioning
- A contingent liability exists in the remote scenario that the Nuclear Administration and Statutory Transfers Agreement (NASTA) is triggered and the costs for implementation of the Administration and Transfer of assets is required
- The department has agreed to permit UK Industrial Fusion Solutions Ltd (UKIFS), a wholly owned subsidiary of the UKAEA, to offer indemnities to third party landowners as part of its Intrusive and Non-intrusive Survey Access Licences for the Spherical Tokamak for Energy Production (STEP) site characterisation programme. The indemnities relate to loss or damage that may arise directly from UKIFS authorised survey activity undertaken on third party land. An indemnity cap of up to £5m per licence has been approved, replacing the previously approved £1m cap
- Indemnities arising from UKIFS' occupation of the Modular Units site at West Burton, including a £1,000,000 capped lease indemnity that flows down from UKAEA to UKIFS under the underlease, alongside standard work related and breach-linked liabilities owed to EDF
- Following the UK's accession to the convention on supplementary compensation for nuclear damage (CSC), the UK is obliged to make a contribution to the CSC's shared international fund of supplementary compensation for victims of a nuclear incident. In 2026, the UK's contribution to the fund is £6.6m, which could be called upon in the event of a nuclear incident in a contracting party to the convention. The UK's contribution may vary each year, based on the UK's installed rate of capacity and United Nations rate of assessment
- A contingent liability exists in relation to the funding of critical operating costs of the Prax Lindsey Oil Refinery

Unquantifiable remote contingent liabilities – departmental group

Civil Nuclear police Authority (CNPA)

- CNPA undertakes a detailed review of potential legal claims and where appropriate a provision is made. However, there could be potential liabilities in respect of claims from employees that are yet unknown or unlikely to succeed. These liabilities have not been provided for as the CNPA believes that any potential claims are unlikely to be successful and unlikely to lead to a transfer of economic benefits

NDA

- The NDA has non-quantifiable contingent liabilities arising from indemnities given as part of the contracts for the management of the nuclear site licence 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 have now joined to form Nuclear Restoration Services and LLWR with Radioactive Waste Management have joined to form Nuclear Waste Services

Sellafield

- A potential financial obligation may have arisen inadvertently from historic regulatory changes. There is considerable uncertainty whether any outflow of cash will be required and not currently possible to reliably measure any potential amount because of the uncertainty in application of the relevant legislation and evaluation of the estimated financial effect would be speculative and unreliable

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]

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

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 2026 T-4 capacity auction will require capacity to be delivered in the delivery year commencing 2030-31.

As at 31 March 2026 there were 13 live capacity auctions out of a total of 24, which have been awarded from the start of the scheme in 2014 for the delivery year commencing 2016-17, and 10 active auctions in financial year 2025-26.

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.

	Departmental group as at 31 Mar 2026				Departmental group as at 31 Mar 2025			
	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	2,937	11,807	11,465	26,209	1,741	12,413	11,844	25,998
Income from levy – ESC	(2,937)	(11,807)	(11,465)	(26,209)	(1,741)	(12,413)	(11,844)	(25,998)
Total	-	-	-	-	-	-	-	-

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

A reconciliation of differences between contingent 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 2025-26.

The list of Written Ministerial Statements and Departmental minutes which notify parliament of the departmental contingent liabilities during the reporting period can be found by following the link

Find written statements – Written questions, answers and statements – UK Parliament

Quantifiable contingent liabilities

Description	Amount per supply estimate £'000	Amount disclosed in ARA £'000	Variance
Core department – Convention on Supplementary Compensation for Nuclear Damage (CSC)	6,600	Unquantifiable	The amount included in the Supplementary estimates represents the maximum exposure. The value of the contingent liability is highly uncertain and on this basis is presented in the Annual Report as unquantifiable.
Core department – SSEN Transmission Orkney Link	20,000	Not disclosed	A legal agreement has not yet been drafted by 31 March 26.
Core department - Sizewell C Funded Decommissioning Programme	12,000	Unquantifiable	The value of the contingent liability is highly uncertain and on this basis presented in the Annual Report as unquantifiable.
LCCC - Carbon Capture Usage and Storage – Contingent liabilities Track-1 – Padeswood	447,000	Unquantifiable	The amount included in the Supplementary estimates represents the maximum exposure. The value of the contingent liability is highly uncertain and on this basis is presented in the Annual Report as unquantifiable.
UKAEA – Contingent Liabilities in relation to indemnities provided on land access licences at adjoining farmland to the West Burton site	Not disclosed	6,000	This contingent liability was notified to the department after the Supplementary Estimates.

Unquantifiable contingent liabilities

Description	Included in Supply Estimate	Disclosed in the ARA?	Explanation
Sellafield – Guarantees and other transactions	Yes	No	Contingent liability expired
UKAEA – Eurofusion audit 2014-2022	Yes	No	The contingent liability has been reclassified as an accrual and is reflected in the 2025-26 financial statements
Sizewell C – IR35	Yes	No	The contingent liability has been reclassified as a provision and is reflected in the 2025-26 financial statements
Sellafield – Historic Regulatory Change	No	Yes	This contingent liability was notified to the department after the Supplementary Estimates
NDA – Legislative Changes	No	Yes	This contingent liability was notified to the department after the Supplementary Estimates

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

Qualified 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 2026 under the Government Resources and Accounts Act 2000. The departmental group consists of the core department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) (Amendment) Order 2025. The financial statements comprise: the department's and the departmental group's:

- Consolidated Statement of Financial Position as at 31 March 2026;
- Consolidated Statement of Comprehensive Net Expenditure, Consolidated Statement of Cash Flows, Statement of Changes in Taxpayers' Equity (core department) and Statement of Changes in Taxpayers' Equity (departmental group) 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, except for the possible effects of the matter described in the basis for qualified opinion on the group financial statements and regularity section below, 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 2026 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.

Qualified opinion on regularity

In my opinion, except for the effects of the matters described in the Basis for qualified opinion on the group financial statements and regularity, 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 2026 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 qualified opinion the group financial statements and regularity

I have been unable to obtain sufficient appropriate evidence with regards to the transactions and balances managed by Liverpool Bay CCS Limited (Liverpool Bay). The following material balances from Liverpool Bay have been consolidated into the departmental group Consolidated Statement of Comprehensive Expenditure and Statement of Financial Position for 2025-26:

Financial statement line	£ millions
Assets	
Property, plant and Equipment	637.4
Liabilities	
Long term borrowings	(352.7)
Reserves	
Non-controlling interests	(197.5)
Disclosures	
Capital commitments	351.7

The above table includes £197.5 million in respect of non-controlling interests. While the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2025 requires the department to consolidate Liverpool Bay as a subsidiary, the net assets are attributable to the company's shareholders.

I was unable to use the work of the external auditors of Liverpool Bay and at the date of my report, I have not been able to perform alternative procedures. I have been unable to determine whether any adjustments to these amounts are necessary or whether these balances include material levels of irregularity. Consequently, there is a limitation of the scope of my audit opinion on the group financial statements and on regularity in respect of Liverpool Bay's transactions and balances.

While I have not been able to reliably quantify the effect of this matter due to the limitations described, I consider the effect of this issue to be potentially material to the group financial statements for 2025-26.

My assessment of the matter giving rise to a qualified opinion

Consolidated results of Liverpool Bay	
Matter giving rise to qualification	Liverpool Bay is a limited Company wholly owned by Eni S.p.A and operates under licence from Ofgem, supported by the department through a Government Support Package. As a result of the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2025, in 2025-26, the department is required to consolidate the results and balances of Liverpool Bay into the departmental group financial statements for the first time. Under ISA (UK) 600 Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors), component auditors are required to confirm whether they comply with the FRC's Ethical Standard as it applies to the group audit engagement. The external auditors of Liverpool Bay, who accepted the audit appointment before the company was brought within the departmental group accounting boundary, were unable to confirm their independence from the department. I have therefore not been able to use their work and do not currently have access to audit Liverpool Bay directly.

Consolidated results of Liverpool Bay	
Scope of my audit work	In responding to the above, my procedures included: Meeting with the external auditors of Liverpool Bay and issued draft group instructions; Obtaining and assessing the extent of potential independence conflicts; Assessing the scope of audit procedures required to be performed to gain assurance; and Reviewing the balances consolidated into the departmental group accounts.
Why I was unable to obtain sufficient appropriate audit evidence	At the date of my audit report, I have been unable to perform alternative procedures to obtain sufficient appropriate evidence over the transactions and balances, and their regularity, of Liverpool Bay.

The department are taking steps to ensure that suitable arrangements are in place for the 2026-27 financial statements.

Basis for qualified 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 (2024)*. 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 2024. 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 otherwise obtained is sufficient and appropriate to provide a basis for my qualified opinions.

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

Framework of authorities	
Authorising legislation	Government Resources and Accounts Act 2000
Parliamentary authorities	Supply and Appropriation Acts
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.

Except for the matter described in the Basis for Qualified Opinions section, I have determined that there are no other key audit matters to communicate in my 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 the presumed risks of management override of controls and fraud in revenue recognition.

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 page 100.

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

- I no longer consider the group accounting for Low Carbon Hydrogen Agreements (LCHA) to be a Key Audit Matter. I have reviewed the accounting treatment for these agreements during 2024-25 and, through the Low Carbon Contracts Company (LCCC), the department has signed agreements with a fair value at 31 March 2026 of £2.2 billion which I do not consider to be material to the accounts as a whole.
- The department has completed the financial close of Sizewell C, including the disposal and acquisition of material financial assets and the signing of a Government Support Package. Due to the size and scope of these activities, I have recognised a Key Audit Matter in relation to their accounting treatment.

<table>
<tr><th colspan="2">Group valuation of Nuclear Provisions</th></tr>
<tr><td colspan="2">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 £115.6 billion as at 31 March 2026 (31 March 2025 restated: £111.0 billion), representing discounted expected cashflows. See note 18 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 2150.

The provision also contains updates in respect of the valuation of the Geological Disposal Facility (GDF) affected by Nuclear Waste Service Limited's progress with the siting process. The timing of the completion of construction works may have a material impact on the provision.</td></tr>
<tr><td>How the scope of my audit responded to the risk</td><td>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:

• Reviewed the design and implementation of key controls surrounding the nuclear provision estimate;
• Performed testing of the Lifetime Plans underpinning each site's estimate, including refreshes of the Sellafield and NRS plans;
• Reviewed the new Sellafield SQL model including the design of the model, application and model reperformance;
• 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;
• 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 relation in updates to the Sellafield & Nuclear Restoration Services lifetime plans which required a change in assumptions supporting the estimate;
• Assessed and challenged management on the key assumptions within the GDF estimate including whether the model represents the best estimate given current government policy;</td></tr>
</table>

	• Agreed a sample of the inputs to the nuclear provision to supporting evidence; • 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 NDA into the group financial statements.

Key observations

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 made in note 18 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. My opinion is not modified in respect of this matter.

Group valuation of Contracts for Difference

Description of risk

The Statement of Financial Position contains 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. Their estimation requires significant, complex, and subjective judgements. 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) CfD than for 'standard' CfDs due to: its significance to the financial statements; it relying on forecasting over a much longer timescale in comparison to 'standard' CfDs; and the contract containing numerous clauses and conditions whose forecasted impact can materially alter the lifetime valuation of the HPC CfD.

<table>
<tr><td colspan="2">Following the results of Hydrogen Allocation Round 1 (HAR1), LCCC signed five of the eleven HAR1 contracts in 2024-25, and the remaining six have been signed in 2025-26. At 31 March 2026, the department has reported a net liability for the fair value of CfDs of £110.9 billion (31 March 2025: £90.4 billion), including £3.0 billion of contracts in an asset position (31 March 2025: £3.0 billion), and £113.9 billion (31 March 2025: £93.4 billion) in a liability position. The department has disclosed undiscounted valuations of CfDs of £79.2 billion (excluding Hinkley Point C) and £86.9 billion (Hinkley Point C)

In note 9.1 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 21, the Department further disclose risks impacting the valuation of CfDs.</td></tr>
<tr><td>How the scope of my audit responded to the risk</td><td>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:

• 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.
• Assessed the accuracy of management's model through independent reperformance, utilising our in-house modelling experts.
• 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 7 contracts, back to source documentation.
• 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; and
• Evaluated the accuracy and sufficiency of CfD disclosures, including sensitivity disclosures.</td></tr>
</table>

Key observations

While I found that the controls supporting the implementation of the new valuation model were not adequately designed and implemented, I did not identify material misstatements in relation to the valuation of Contracts for Difference as a result of the work I have performed

I draw attention to the disclosures made in notes 1.18 and 9 to the financial statements concerning the measurement of liabilities relating to CfDs. As set out in these notes, there is a high degree of estimation uncertainty inherent in forecasting electricity generation volumes and wholesale electricity prices into the late 2030s (and 2060s for the purposes of the Hinkley Point C CfD) and there is a great deal of subjectivity involved in selecting a wholesale electricity price forecast input that conforms to the principles of fair value. Significant changes to the liability could occur as a result of subsequent information and events which are different from the current assumptions adopted. My opinion is not modified in respect of this matter

Group accounting for Carbon Capture Usage and Storage (CCUS)

Description of risk

In 2025-26, through its subsidiary the LCCC, the department signed contracts to become the counter-party to a number of new schemes, including the Industrial Carbon Capture (ICC) and Industrial Carbon Capture Waste (ICCW) schemes. The accounting treatment for these new schemes has been assessed for the first time in 2025-26.

This assessment includes whether the appropriate recognition point, valuation method, and 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 treatment of these new schemes has been determined by the relevant contractual terms, principally whether these schemes are recognised or only disclosed in the 2025-26 financial statements.

This risk over the ICC and ICCW has been recognised due to: the contracts being novel and containing differences to existing schemes; the contracts and associated accounting requiring a full assessment in-year; and the risk that 2025-26 financial statements may include inappropriate accounting, recognition, valuation and disclosure. This also includes the risk to the Statement of Parliamentary Supply.

<table>
<tr>
<td>How the scope of my audit responded to the risk</td>
<td>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:

Assessed the design and implementation of the group's controls relevant to the assessment of accounting treatments and development of valuations pertaining to the ICC and ICCW contracts;
Considered management's review of contractual terms to ensure all those with potential accounting and reporting implications have been identified;
Used the work of auditors' experts to evaluate management's contractual reviews and accounting assessments;
Reviewed LCCC's model and assessed the inputs and assumptions;

</td>
</tr>
</table>

	- Used the work of external market expert to assess the reasonableness of key subjective assumptions that require more specialist knowledge; - Reviewed accounting entries and the disclosures; - Assessed the department's budgeting treatment and the impact on the Statement of Parliamentary Supply; and - Tested the consolidation of LCCC into the group financial statements.

Key observations

I did not identify material misstatements in relation to the accounting for CCUS as a result of the work I have performed

Accounting for Sizewell C

Description of risk

The department group includes the balances and results of the Sizewell C group of companies responsible for the construction and subsequent operation of a nuclear power plant on the South-East coast. Following a Final Investment Decision in July 2025, plans for completing Sizewell C involved a Financial Close process, involving the securing of external finance, comprising of both equity and debt, restructuring of the core department's existing holding in the Sizewell C group, and the signing of a Government Support Package (GSP) comprising of several agreements with the department. Financial Close for Sizewell C was concluded in November 2025.

The risk over Sizewell C has been recognised due to: the department recognising the disposal of £5.1 billion and acquisition of £1.1 billion of financial assets in relation to financial close which could lead to material misstatement; the GSP and associated accounting requiring a full assessment in-year; and that the equity and loan interests of other parties are not adequately reflected in the 2025-26 financial statements.

How the scope of my audit responded to the risk	• Assessed the design and implementation of the core department's controls over the accounting for Sizewell C. This included how the core department identified the required accounting over the financial close and Government Support Package; • Reviewed the June 2025 Spending Review and July 2025 Final Investment Decision; • Reviewed the new Shareholder and Investment agreements, each of the Government Support Package agreements and the payment direction issued; • Obtained, reviewed and challenged management's assessment on the accounting for the agreements; • Assessed the impact of changes to the Designation Orders to the group account; • Reviewed the journals posted by reference to the agreements and filings at Companies House; • Tested the consolidation of the Sizewell C group into the group financial statements, including consolidation adjustments made; and • Reviewed all disclosures made related to Sizewell C for compliance with the Government Financial Reporting Manual (FReM).
Key observations While I found that the controls supporting the accounting for Sizewell C were adequately designed, I found that they had not been adequately implemented. The department had initially classified the shareholder loans as investments in public sector companies despite the substance of arrangements in the revised agreements being consistent with a loan. As a result of my audit work, this has been corrected before the financial statements were signed by the Accounting Officer. I have not identified any further material misstatements as a result of my audit work.	

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 group materiality by including the department's other managed liabilities – the UK Atomic Energy Agency (UKAEA) site restoration provision, and the Mining Remediation Authority (MRA) provision – within group materiality as they demonstrate similar risks to the group accounts as the NDA nuclear decommissioning provision and the net value of LCCC's derivatives due to estimation through models, use of experts and estimation uncertainty. I have also revised my assessment on the residual account and department parent materialities by including other budgetary capital expenditure with adjusted gross operating expenditure as this is also an outturn activity that the department reports against as part of the Statement of Parliamentary Supply.

	Departmental group	Department parent
Materiality	£4.6 billion *(2024-25: £4.0 billion on an equivalent basis)*	£146.6 million *(2024-25: £146.2 million on an equivalent basis)*
Basis for determining overall account materiality	Approximately 2% of the reported value of the NDA nuclear decommissioning, UKAEA site restoration and MRA provisions and LCCC derivatives net fair value as at 31 March 2026 of £231.3 billion *(31 March 2025: £204.7 billion on an equivalent basis)*	Approximately 1.5% of gross operating expenditure and other budgetary capital expenditure, capped by additional group materiality during 2025-26, of £9,774 million *(2024-25: £9,748 million on an equivalent basis)*
Rationale for the benchmark applied	The NDA nuclear decommissioning, UKAEA site restoration and MRA provisions and the net value of LCCC's derivatives include the largest items in the departmental group Statement of Financial Position and are of primary interest to users of the accounts as the largest and most complex balances managed by the department. Their valuation is subject to significant uncertainty arising from the complexity of work to be performed, the forecasting of future cashflows, and the long timescales involved.	To reflect the sensitivity of financial statement users to transactions and balances reflecting taxpayer-backed financial activity. Capital expenditure is included since this reflects additional spend.
Particular classes of transactions, account balances and disclosures where an additional level of materiality has been applied	Additional materiality of £209.2 million applies to all transactions, balances and disclosures except for those identified above *(2024-25: £141.6 million on an equivalent basis)*	N/A

	Departmental group	Department parent
Basis for determining residual account materiality	1.5% of adjusted gross operating expenditure and other budgetary capital expenditure during 2025-26, of £13,949 million *(2024-25: £9,442 million on an equivalent basis)*	N/A
Rationale for the benchmark applied	To reflect the sensitivity of financial statement users to transactions and balances reflecting taxpayer-backed financial activity. Capital expenditure is included since this reflects additional spend. Provision and derivatives expenditure is excluded as they are assessed against the departmental group materiality.	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 performance materiality was set at 75% of Group materiality for the 2025-26 audit (2024-25: 70%). I consider the risk of uncorrected and undetected misstatements exceeding materiality has reduced compared with last year due to there being fewer residual issues arising from the Machinery of Government (MoG) changes on 1 April 2023 and adjustments made on consolidation of group components. In determining performance materiality, we have also considered the uncorrected misstatements identified in the previous period.

Other Materiality Considerations

There were significant revisions compared to the prior period, primarily arising from the increase in capital expenditure through Sizewell C and the CCUS Transport & Storage Companies. This reflects the increase in activities at these components as construction activities get underway.

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. I also report to the Audit and Risk Assurance Committee on disclosure matters that I identified when assessing the overall presentation of the financial statements.

Total unadjusted audit differences reported to the Audit and Risk Assurance Committee would further decrease reserves as at 31 March 2025 by £3.7 billion, decrease comprehensive net expenditure for the year by £3.5 billion and increase net assets as at 31 March 2026 by £283 million.

Audit scope

The scope of my group audit was determined by obtaining an understanding of the department and its group's and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level.

I have audited the full financial information in the core department, as well as the group consolidation, with the exception of the information in respect of Liverpool Bay which forms the basis of my qualified opinion. 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.

The department has total liabilities of £253.3 billion (2024-25 restated: £217.5 billion). This includes liabilities of £118.4 billion managed by the Nuclear Decommissioning Agency (NDA), £110.1 billion managed by the Low Carbon Contracts Company (LCCC) and £5.9 billion managed by the core department. This also includes liabilities of £505.1 million in respect of Liverpool Bay.

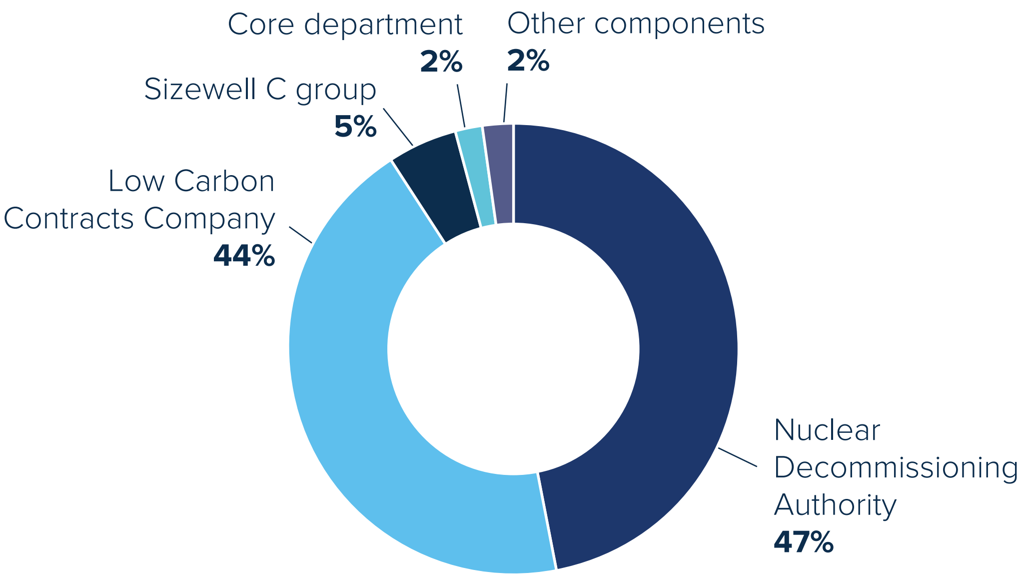
As group auditor, with the exception of Liverpool Bay, I have used the work of the component auditors of these balances and disclosures and engaged regularly on the group key audit matters and significant risks.

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 qualified opinions on the group financial statements and regularity.

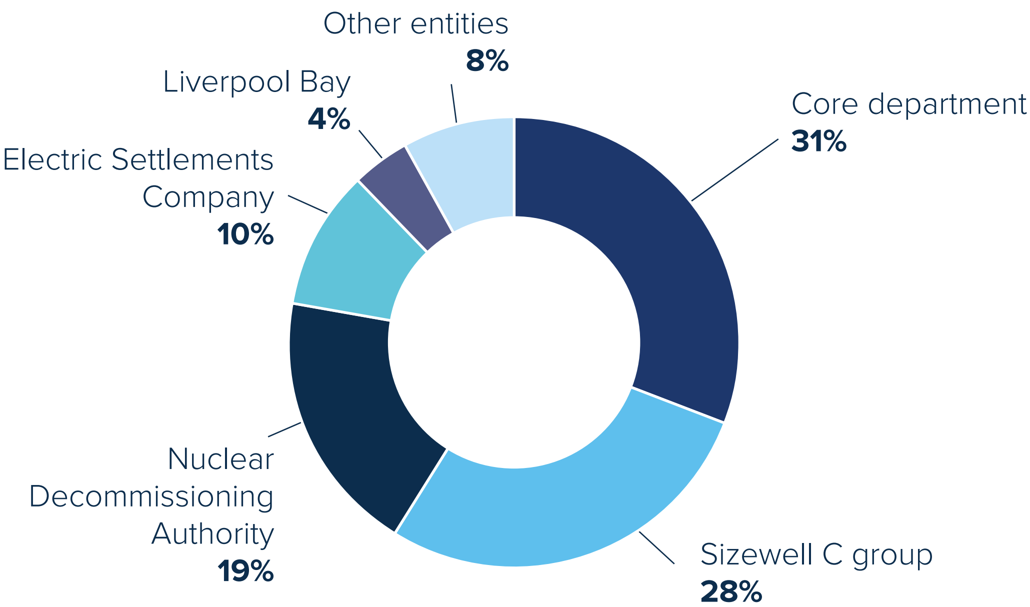
I also reviewed the Statement of Parliamentary Supply, which includes figures derived from the group financial statements. I obtained assurance over the classification of items within this statement and confirmed that these had been properly disclosed and classified. I also tested reconciling items.

Through my direct audit procedures and the work of component auditors, I have gained assurance over 98% of the group's liabilities and 88% of the group's total operating and budgetary capital expenditure through audit work on balances and disclosures managed by components required for me to obtain sufficient assurance over the group's consolidated results. Together with my audit work on consolidation adjustments, except for matters covered by the basis for qualified opinion the group financial statements and regularity section above, this work covered substantially all of the group's assets and net expenditure, and together with the procedures performed at group level, gave me the evidence I needed for my qualified opinion on the group financial statements as a whole.

Departmental group liabilities by component (as at 31 March 2026)



Departmental group operating and budgetary capital expenditure by component (y/e 31 March 2026)



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.

As stated under the basis of qualified opinion on the group financial statements and regularity, I have been unable to obtain sufficient appropriate evidence with regards to the transactions and balances managed by Liverpool Bay. Where other information refers to these balances, it may be materially misstated for the same reason.

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, except for the possible effect of the matter described above under the basis for qualified opinions on the group financial statements and regularity, I have not identified material misstatements in the Performance and Accountability Report.

As described in the basis for qualified opinions on the group financial statements and regularity, I have not received all of the information and explanations I require for my audit.

In all other respects, 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
- 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 key performance indicators.
- 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 Acts, The Energy Price Act 2022, The Contracts for Difference Order and Regulations 2014, The Coal Industry Act 1994, and Supply and Appropriation Acts;
- 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 components within scope of the group audit, 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, the Energy Acts, The Energy Price Act 2022, The Contracts for Difference Order and Regulations 2014, The Coal Industry Act 1994, Supply and Appropriation Acts, 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 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 components within scope of the group audit 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 further observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General

15 July 2026

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 2026

		31 March 2026		31 March 2025 Restated	
	Note	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Revenue from contracts with customers	5.1	(104)	(6,164)	(70)	(4,863)
Other operating income		-	-	(1)	(29)
Total operating income		**(104)**	**(6,164)**	**(71)**	**(4,892)**
Staff costs	2	420	852	377	756
Purchase of goods and services	3.1	444	2,836	602	2,652
Depreciation and impairment charges	3.2	40	253	59	204
Provision and other liabilities expenses	3.3	195	6,480	(34)	6,474
Grants expenditure	3.4	8,433	3,859	8,055	3,287
Other operating expenditure		-	19	-	(7)
Total operating expenditure		**9,532**	**14,299**	**9,059**	**13,366**
Net operating expenditure		**9,428**	**8,135**	**8,988**	**8,474**
Finance income	5.2	(135)	(121)	(129)	(73)
Finance expense	4	63	2,922	46	2,596
Remeasurement of derivatives, including Contracts for Differences	9	-	24,394	-	4,610
Share of post-tax loss/(profits) of associates and joint ventures	13	-	(58)	-	(77)
Total net expenditure for the year from operations		**9,356**	**35,272**	**8,905**	**15,530**
of which:					
Net (income)/expenditure for the year attributable to non-controlling interests	**SoCTE**	**-**	**27**	**-**	**85**
Net (income)/expenditure for the year attributable to taxpayers		**9,356**	**35,299**	**8,905**	**15,615**

	Note	31 March 2026		31 March 2025 Restated	
		Core department	Departmental group	Core department	Departmental group
	Note	£m	£m	£m	£m
Other comprehensive income and expenditure					
Net (gain)/loss on:					
Revaluation of property, plant and equipment	SoCTE, 6	-	(16)	-	(7)
Items that may be reclassified subsequently to net operating costs:					
Revaluation of investments	SoCTE, 10, 11	87	26	(67)	(95)
Actuarial (gains)/losses	SoCTE, 19	-	87	-	(278)
Total other comprehensive net income and expenditure attributable to taxpayers		**87**	**97**	**(67)**	**(380)**
Comprehensive net (income)/expenditure for the year attributable to taxpayers		**9,443**	**35,396**	**8,838**	**15,235**

All operations are continuing.

The notes on pages 193 to 292 form part of these accounts. Note 25 describes why the 2024-25 values have been restated and the impact of the change.

Consolidated Statement of Financial Position

as at 31 March 2026

	Note	31 March 2026 Core department £m	31 March 2026 Departmental group £m	31 March 2025 Restated Core department £m	31 March 2025 Restated Departmental group £m	1 April 2024 Restated Core department £m	1 April 2024 Restated Departmental group £m
Non-current assets							
Property, plant and equipment	6	15	10,896	11	4,936	11	2,769
Right of use assets	7	130	422	128	287	125	201
Investment properties		-	66	-	93	-	63
Intangible assets	8	48	159	33	96	29	39
Investment and loans in public bodies	10	2,528	1,703	4,726	1,661	1,959	859
Other financial assets	11	307	325	285	285	258	258
Recoverable contract costs	12	-	694	-	635	-	582
Derivative financial instruments	9, 21	-	2,984	-	2,959	-	2,883
Investment in joint ventures and associates	13	-	869	-	915	-	921
Trade and other receivables	14	329	662	341	750	225	313
Retirement benefit obligations	19	-	988	-	987	-	663
Total non-current assets		**3,357**	**19,768**	**5,524**	**13,604**	**2,607**	**9,551**
Current assets							
Inventories		-	11	-	14	-	15
Trade and other receivables	14	276	1,151	188	1,005	476	1,104
Investments and loans in public bodies	10	130	132	49	48	2,961	2,961
Other financial assets	11	-	-	-	-	-	17
Derivative financial instruments	9, 21	-	194	-	148	-	-
Cash and cash equivalents	15	991	3,155	705	2,594	1,025	2,737
Total current assets		**1,397**	**4,643**	**942**	**3,810**	**4,462**	**6,834**
Total assets		**4,754**	**24,411**	**6,466**	**17,414**	**7,069**	**16,385**
Current liabilities							
Trade payables and other liabilities	16	(4,206)	(7,726)	(3,969)	(7,180)	(4,687)	(7,922)
Lease liabilities	17	(14)	(71)	(12)	(28)	(9)	(18)
Borrowings	21	-	(43)	-	-	-	-

	Note	31 March 2026		31 March 2025 Restated		1 April 2024 Restated	
		Core department £m	Departmental group £m	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Provisions for liabilities and charges	18	(208)	(4,274)	(215)	(4,591)	(342)	(4,427)
Derivative financial instruments	9, 21	-	(2,354)	-	(2,656)	-	(3,055)
Total current liabilities		**(4,428)**	**(14,468)**	**(4,196)**	**(14,455)**	**(5,038)**	**(15,422)**
Non-current assets plus/ less net current assets/ liabilities		**326**	**9,943**	**2,270**	**2,959**	**2,031**	**963**
Non-current liabilities							
Trade payables and other liabilities	16	-	(1,628)	(1)	(1,514)	-	(1,340)
Lease liabilities	17	(125)	(366)	(123)	(241)	(122)	(196)
Borrowings	21	-	(8,314)	-	(493)	-	-
Provisions for liabilities and charges	18	(1,362)	(114,681)	(1,271)	(108,815)	(1,405)	(104,198)
Derivative financial instruments	9, 21	-	(113,838)	-	(92,014)	-	(88,996)
Total non-current liabilities		**(1,487)**	**(238,827)**	**(1,395)**	**(203,077)**	**(1,527)**	**(194,730)**
Total assets less total liabilities		**(1,161)**	**(228,884)**	**876**	**(200,118)**	**504**	**(193,767)**
Taxpayers' equity and other reserves							
General fund	SoCTE	(1,230)	(230,097)	719	(201,474)	415	(194,925)
Revaluation reserve	SoCTE	69	713	157	712	89	612
Non-controlling interests	SoCTE	-	500	-	644	-	546
Total equity		**(1,161)**	**(228,884)**	**876**	**(200,118)**	**504**	**(193,767)**

The notes on pages 193 to 292 form part of these accounts. Note 25 describes why the 2024-25 values have been restated and the impact of the change.

Jonathan Brearley

Permanent Secretary and Principal Accounting Officer

13 July 2026

Consolidated Statement of Cash Flows

for the year ended 31 March 2026

The Statement of Cash Flows shows the change 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. The 2024-25 comparative figures shown below have been both restated and re-presented in the current year. Note 25 describes the reason for the restatement of 2024-25 values and the impact of the change. The re-presentation does not include any changes to the underlying figures beyond the restatement.

	Note	2025–26		2024–25 Restated	
		Core department £m	Departmental group £m	Core department £m	Departmental group £m
Cash flows from operating activities					
Net operating cost	SoCNE	(9,356)	(35,299)	(8,905)	(15,615)
Adjustments for non-cash expenditure	SoCNE	259	33,975	(62)	13,830
Reclassification of finance cash flows	4, 5.2	(96)	(52)	-	(53)
(Increase)/decrease in inventories		-	4	-	2
(Increase)/decrease in trade and other receivables	14	(83)	(62)	183	(343)
Increase/(decrease) in trade payables and other liabilities	16	(22)	400	(349)	301
Less movements in payables relating to items not passing through the Consolidated Statement of Comprehensive Net Expenditure	16	18	(392)	38	(134)
Use of provisions	18	(139)	(4,009)	(258)	(4,320)
Interest on lease liabilities	17	-	2	-	10
Payments to retirement benefit obligations	19	-	(96)	-	(116)
Movement attributable to non-controlling interests	SoCTE	-	(375)	-	79
Other cash flow adjustments		-	(4)	-	(15)
Net cash outflow from operating activities		**(9,419)**	**(5,908)**	**(9,352)**	**(6,376)**
Cash flows from investing activities					
Purchase of property, plant and equipment	6	(6)	(5,723)	(3)	(1,980)
Purchase of investment property		-	-	-	(25)
Purchase of intangible assets	8	(21)	(73)	(10)	(65)
Additions to right of use assets	7	-	(262)	(12)	(109)
Disposal of property, plant and equipment	6	-	(1)	-	1

	Note	2025–26 Core department £m	2025–26 Departmental group £m	2024–25 Restated Core department £m	2024–25 Restated Departmental group £m
Disposal of right-of-use assets	7	-	100	-	12
Investment in public sector shares	10	(1,862)	(98)	(2,679)	(692)
Disposal of public sector shares	10	5,133	-	-	-
Investment in other financial assets	11	(37)	(51)	(33)	(34)
Disposal of other financial assets	11	20	20	2	2
Investment in public sector loans	10	(1,478)	(325)	(50)	(5)
Public sector loans redemptions	10	228	228	2,907	2,907
Venture capital fund investments	11	(2)	-	(2)	-
Dividends from joint ventures and associates	13	90	87	84	84
Income from financial assets	5.2	6	122	27	55
Payments to the Contracts for Difference generators	9	-	(2,924)	-	(2,198)
Net cash outflow from investing activities		**2,071**	**(8,901)**	**231**	**(2,048)**
Cash flows from financing activities					
From Consolidated Fund (supply) – current year	SoCTE	7,675	7,675	8,840	8,840
Interest paid and bank charges	4	-	(67)	-	(1)
Payment of lease liabilities	17	(14)	(12)	(14)	(33)
New leases in the year	17	-	132	14	119
Capital contributions from non-controlling interests	SoCTE	-	205	-	17
Private sector borrowings	SoFP	-	7,865	-	-
Movement on other reserves	SoCTE	-	(14)	-	-
Net cash flow from financing activities		**7,661**	**15,783**	**8,840**	**8,942**
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**313**	**974**	**(282)**	**518**
Receipts due to the Consolidated Fund which are outside the scope of the department's activities		229	500	(720)	584
Payments of amounts due to the Consolidated Fund		(256)	(913)	682	(1,245)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**286**	**561**	**(320)**	**(143)**
Cash and cash equivalents at the beginning of the period	15	705	2,594	1,025	2,737
Cash and cash equivalents opening balance		**705**	**2,594**	**1,025**	**2,737**
Cash and cash equivalents at the end of the period	**15**	**991**	**3,155**	**705**	**2,594**

Statement of Changes in Taxpayers' Equity (core department)

for the year ended 31 March 2026

	Note	General fund £m	Revaluation reserve £m	Taxpayers' equity £m	Total reserves £m
Balance at 1 April 2024		**415**	**89**	**504**	**504**
Net parliamentary funding – drawn down	SoCF	8,840	-	**8,840**	**8,840**
Net parliamentary funding – deemed		1,025	-	**1,025**	**1,025**
Supply (payable)/receivable adjustment	16	(667)	-	**(667)**	**(667)**
Income payable to the Consolidated Fund		-	-	**-**	**-**
Net expenditure for the year	SoCNE	(8,905)	-	**(8,905)**	**(8,905)**
Auditors' remuneration	3.1	1	-	**1**	**1**
Other Comprehensive Net Expenditure/Income for the year	SoCNE	-	67	**67**	**67**
Transfers between reserves		1	-	**1**	**1**
Other movements		8	-	**8**	**8**
Balance at 31 March 2025		**719**	**157**	**876**	**876**
Balance at 1 April 2025		**719**	**157**	**876**	**876**
Net parliamentary funding – drawn down	SoCF	7,675	-	**7,675**	**7,675**
Net parliamentary funding – deemed	16	667	-	**667**	**667**
Supply (payable)/receivable adjustment	16	(926)	-	**(926)**	**(926)**
Income payable to the Consolidated Fund		-	-	**-**	**-**
Net expenditure for the year	SoCNE	(9,356)	-	**(9,356)**	**(9,356)**
Auditors' remuneration	3.1	1	-	**1**	**1**
Other Comprehensive Net Expenditure/Income for the year	SoCNE	-	(87)	**(87)**	**(87)**
Other movements		(9)	-	**(9)**	**(9)**
Balance at 31 March 2026		**(1,230)**	**69**	**(1,161)**	**(1,161)**

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

for the year ended 31 March 2026

	Note	General fund £m	Revaluation reserve £m	Taxpayers' equity £m	Non controlling interest £m	Total reserves £m
Balance at 1 April 2024 Restated		**(194,925)**	**612**	**(194,313)**	**546**	**(193,767)**
Net parliamentary funding – drawn down	SoCF	8,840	-	8,840	**-**	**8,840**
Net parliamentary funding – deemed		1,025	-	1,025	**-**	**1,025**
Supply (payable)/receivable adjustment	16	(667)	-	(667)	**-**	**(667)**
Income payable to the Consolidated Fund	SOPS 4	(549)	-	(549)	**-**	**(549)**
Net expenditure for the year	SoCNE	(15,615)	-	(15,615)	**85**	**(15,530)**
Auditors' remuneration	3.1	1	-	1	**-**	**1**
Other comprehensive net (expenditure)/ income for the year	SoCNE	278	102	380	**-**	**380**
Transfers between reserves		8	(2)	6	**(2)**	**4**
Non-controlling interest		-	-	-	**16**	**16**
Other movements		133	-	133	**-**	**133**
Balance at 31 March 2025 Restated		**(201,474)**	**712**	**(200,762)**	**644**	**(200,118)**
Balance at 1 April 2025 Restated		**(201,474)**	**712**	**(200,762)**	**644**	**(200,118)**
Net parliamentary funding – drawn down	SoCF	7,675	-	7,675	**-**	**7,675**
Net parliamentary funding – deemed	16	667	-	667	**-**	**667**
Supply (payable)/receivable adjustment	16	(926)	-	(926)	**-**	**(926)**
Income payable to the Consolidated Fund	SOPS 4	(487)	-	(487)	**-**	**(487)**
Net expenditure for the year	SoCNE	(35,299)	-	(35,299)	**27**	**(35,272)**
Auditors' remuneration	3.1	1	-	1	**-**	**1**
Other comprehensive net (expenditure)/ income for the year	SoCNE	(87)	(9)	(96)	**-**	**(96)**
Transfers between reserves		(12)	12	-	**-**	**-**
Non-controlling interest		-	-	-	**(171)**	**(171)**
Other movements		(155)	(2)	(157)	**-**	**(157)**
Balance at 31 March 2026		**(230,097)**	**713**	**(229,384)**	**500**	**(228,884)**

The notes on pages 193 to 292 form part of these accounts. Note 25 describes why the 2024-25 values have been restated and the impact of the change.

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 2025-26 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 HM Treasury 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

The department has adopted IFRS 17 (Insurance Contracts) during the 2025-26 financial year in line with wider public sector adoption of the standard this financial year. See note 1.22 for further details.

The 2025-26 FReM was updated to change the valuation and accounting of non-investment assets and intangible assets. See notes 1.11 and 1.13 for further details.

All other accounting policies are unchanged compared to those in the 2024-25 departmental group financial statements.

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 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 Financial Reporting Advisory Board (FRAB) endorsement). The impact of IFRS 18 on the Public Sector is still being assessed, and a decision has not yet been taken on an implementation date.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 Subsidiaries without Public Accountability: Disclosures was issued in May 2024 and applies to annual reporting periods beginning on or after 1 January 2027 (subject to Financial Reporting Advisory Board (FRAB) endorsement). The impact of IFRS 18 on the Public Sector is still being assessed, and a decision has not yet been taken on an implementation date.

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 HM 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.

As LCCC does not apply the FReM they are able to recognise levy income relating to future years. The departmental group is unable to do this as the FReM does not permit recognition of tax income unless a taxable event has occurred. 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.

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.

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. The department holds promissory notes under various programmes. They have been classified as financial liabilities measured at amortised cost and have been shown as due within 1 year, as they are legally payable on demand, so the maturity profile in the Consolidated Statement of Financial Position, and in note 16, shows the earliest date at which they could be payable.

Grant contributions to international organisations in the form of promissory notes are recognised as expenses when they become payable on demand with the department exercising no further control over disbursement. The only exception to this treatment is where promissory notes are used for investing in a fund. In this scenario, a financial asset is created at the point of a note being encashed.

Grant in aid

Financing to the department's arm's length bodies (ALBs) and other entities through grant in aid payments is reported on a cash basis in the period in which payments are made. All grant in aid transactions between the department and its ALBs are fully eliminated within the departmental group accounts.

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 (formerly Coal Authority) at £nil value because they are used to address pollution caused by past mining activities where the economic benefits have already been received.

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 6) 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.

From 1 April 2025 HM Treasury changed the requirements in the FReM in respect of revaluations of PPE. Where group entities do not have a rolling programme of revaluations in place and/or the assets are not non-property assets subject to indexation, entities revalue their assets every five years with annual indexation applied to assets during the four intervening years. In rare circumstances where an index is not available, entities revalue those assets using a quinquennial revaluation with a desktop revaluation in year 3.

Throughout the transition period (the first full revaluation cycle), entities are not required to follow the requirements of IAS 8 following a change in accounting policy. Changes to the valuation of non-investment assets will be applied prospectively, with no restatement of prior year figures. Revaluations carried out prior to 2025-26, remain valid throughout the transition period (the transition period being 1 April 2025 to the date the next revaluation is due for a given asset). During the transition period, the maximum period between revaluations must not exceed five years.

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

Assets under construction are capitalised during the period of construction and valued at historical cost. Assets under construction are not depreciated or amortised until completion. On completion, balances are transferred to the appropriate asset category.

Expenditure is capitalised where it is directly attributable to bringing an asset into working condition such as cost of materials, external consultants and relevant employee costs and an appropriate portion of relevant overheads. Costs may also include costs associated with the preparation of sites.

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. Fair value is determined annually by external independent valuers. 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.

From 1 April 2025 HM Treasury has withdrawn the option to measure intangible assets using the revaluation model. After initial recognition, intangible assets are carried at their cost less any accumulated amortisation and any accumulated impairment losses.

The intangible non-current assets 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.

During construction, assets under construction will be tested for impairment if any indicators of impairment are identified.

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 includes intra-UK government agreements where non-performance may not be enforceable by law, such as Memorandum of Understanding (MoU) agreements.

The group's definition of a lease includes arrangements with £nil or significantly below market value consideration, for example peppercorn leases, in line with HM Treasury guidance. These assets are fair valued at initial recognition. On transition, any difference between the discounted lease liability and the right of use asset is included in equity; for new leases, any differences are recognised in income.

In accordance with the FReM, 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, comprising:

- The initial measurement of the lease liability
- Lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs incurred
- Estimate costs for dismantling, removing, or restoring the underlying asset or site required by the lease terms

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 underlying asset's value is likely to fluctuate significantly with 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 consistently with the related PPE class; or
- 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 recognise any impairment loss identified.

Measurement of lease liabilities

Initial measurement

Lease liabilities are initially measured at the present value of future lease payments not paid at the commencement date. Lease payments are discounted using:

- 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 considers it a more accurate representation of 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 2024 to 31 December 2024	4.72%
1 January 2025 to 31 December 2025	4.81%
1 January 2026 to 31 December 2026	5.32%

Lease payments included in the initial measurement comprise the following payments for the right to use the underlying asset during the term not paid at the commencement date:

- Fixed payments, including in-substance fixed payments less any lease incentives receivable
- Variable lease payments that depend on an index or a rate, measured using amounts at the commencement date
- Amounts expected to be payable under residual value guarantees
- The exercise price of a purchase option if the departmental group is reasonably certain to exercise it
- Penalties for termination where the lease term assumes exercising that option and the departmental group is reasonably certain to do so

Subsequent measurement

Lease liabilities are remeasured when future lease payments change. A revised discount rate is applied where the change relates to:

- Lease term
- Assessment of a purchase option
- Amounts expected under a residual value guarantee
- For changes in payments arising from a change in an index or rate used the liability is remeasured when revised cash flows take effect

Remeasurements are recognised as adjustments to the right-of-use asset, where there it has a carrying value. If the right-of-use asset has a £nil value and the liability decreases further, the remaining amount of the remeasurement is recognised in the Statement of Comprehensive Net Expenditure.

Lessor Accounting

The departmental group classifies leases where it is lessor, as either an operating lease or a finance lease. A lease is classified as a finance lease where substantially all risks and rewards of ownership are transferred; otherwise, it is classified as an operating lease.

Finance leases

At the commencement date, assets held as finance leases are recognised as receivables at an amount equal to the net investment in the lease, measured using the interest rate implicit in the lease. Initial direct costs are included in the net investment. Finance lease income is allocated over the lease term to reflect a constant periodic rate of return on the group's net investment.

Operating leases

Operating lease income is recognised on a straight-line basis. Costs incurred in earning, including depreciation, are recognised as expenses. Initial direct costs are added to the carrying amount of the underlying asset and expensed on a straight-line basis over the lease term in line with 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 instruments are classified and subsequently measured in line with requirements of IFRS 9 as interpreted and adapted for public sector by FReM.

Under IAS 27, investments in subsidiaries are accounted for in the parent's own financial statements at historic cost less any provision for impairment. This applies to the department's treatment of investments in equity instruments of entities within the departmental boundary.

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, or when there is considered to be no reasonable expectation of recovering the contractual cash flows in accordance with the Group's credit risk policies. Gains and losses on derecognition of financial assets are recognised in the SOCNE.

Financial liabilities are derecognised when the obligation is discharged, cancelled, or expires.

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 of entities outside of the departmental boundary 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
- Under IAS 27, investments in subsidiaries are accounted for in the parent's own financial statements at historic cost less any provision for impairment. This applies to the department's treatment of investments in equity instruments of entities within the departmental boundary

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

In line with the IAS 27 treatment of subsidiaries, investments in equity instruments of entities within the departmental boundary are recognised at historic cost less any provision for impairment. These investments are eliminated on consolidation.

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, lifetime ECL is recognised, and interest revenue is calculated on the net carrying amount net of credit allowance

For impairment gains or losses, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised in accordance with the standard, is recognised in profit or loss.

For long-term trade receivables, contract assets which do not contain a significant financing component and lease receivables within the scope of IFRS 16 'Leases', the simplified approach is applied and lifetime ECL are recognised as dictated by the FReM.

The impairment methodology is detailed in the financial instruments note 21.

Derecognition of financial assets

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

Financial liabilities

Classification and measurement of financial liabilities

The departmental group's financial liabilities excluding derivatives and some financial guarantees are initially recognised at fair value including directly attributable transaction costs; they are subsequently measured at amortised cost using the effective interest rate method, except for:

- Financial liabilities at FVTPL, which is applied to derivatives and other financial liabilities designated as such at initial recognition
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer
- Financial guarantee contracts and loan commitments

Derivative financial instruments

1) instruments intended to hedge against currency or interest rate risk, such as forward contracts and interest rate swaps, to which hedge accounting is applied. Gains and losses in fair value are recognised in other comprehensive income.

2) other derivative instruments to which hedge accounting is not applied. Gains and losses in fair value are recognised in net expenditure for the year. Contracts for Difference (CfDs) and Low Carbon Hydrogen Agreement (LCHA) contracts are the most significant derivative financial instruments in the departmental group and fall under this class.

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 department first assesses, in accordance with IFRIC 14, whether it has an unconditional right to benefit from that surplus. The asset recognised in these statements is then 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.

Unfunded defined benefit pension schemes

The departmental group contributes towards several unfunded defined benefit pension schemes of which employees are members: these include the Principal Civil Service Pension Scheme (PCSPS), the Civil Servant and Other Pension Scheme (CSOPS) and the United Kingdom Atomic Energy Authority (UKAEA) combined pension scheme. The participating employers in these schemes are unable to identify their share of the underlying net liability; as such these schemes are accounted for as defined contribution pension schemes, with employers' contributions charged to the SoCNE in the period to which they relate. Further information regarding PCSPS and CSOPS is presented in the staff report.

Defined contribution pension schemes

Contributions are charged to the SoCNE when they become payable. The departmental group has no further liabilities in respect of benefits to be paid to members.

More information about the departmental group's pension schemes can be found in the accounts of the consolidated entities, including in note 2 for the core department, and of the pension schemes themselves.

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 inflation rates provided by HM Treasury except where a more appropriate forecast has been identified for specific provisions. These exceptions are outlined in note 18. Please refer to note 18 'Provisions for liabilities and charges' for a table of discount rates used for 2025-26 and 2024-25.

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 18.1). 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. IFRS 17 (Insurance Contracts)

IFRS 17: Insurance Contracts replaces IFRS 4: Insurance Contracts and is included in the FREM for mandatory implementation from 1 April 2025. It establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of this Standard.

The Department has assessed whether IFRS 17 will impact the financial statements in 2025-26 and concluded that there will be no impact.

1.23. 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 in these statements are described below:

Dispatchable Power Agreement (DPA), Industrial Carbon Capture and Waste Industrial Carbon Capture (ICC and ICCW) contracts (note 20.2)

The contractual payments under DPA, ICC and ICCW contracts that do not meet the definition of a derivative are accounted for as unrecognised contractual commitment under IAS 1. Expenditure and liabilities for the payments are recognised to the extent that the contractual performance conditions have been fulfilled by the projects. The estimated whole contractual commitment for the future periods is disclosed in the note 20.2.

Income recognition (note 5)

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.

Contracts for Difference (CfDs) and Low Carbon Hydrogen Agreements (LCHA) (note 9)

CfDs and LCHAs are recognised as derivatives and valued at FVTPL in accordance with IFRS 9 requirements as adapted by the FReM guidelines. The changes in fair value (as measured by a valuation model) are recognised in net expenditure for the year.

Fair value measurement of Hinkley Point C CfD (note 9)

Significant judgements in relation to the fair value measurement of Hinkley Point C CfD are set out in note 9.

Provisions (note 3.3)

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 3.3, in relation to future decommissioning costs to be incurred by the NDA, UKAEA and Mining Remediation Authority (formerly Coal Authority), which are described in that note.

Renewable Heat Incentive Scheme

The Renewable Heat Incentive (RHI) is a demand-led renewable heat subsidy scheme administered by Ofgem on behalf of the department. Expenditure is recognised on an accruals basis reflecting the renewable heat produced in the period using deemed heat profiles (Domestic RHI) and meter readings (Non-Domestic RHI). The department have developed a model that estimates the value of heat-generation payments that relate to the period but have not yet been claimed. It combines payments to date with modelled accruals for unsubmitted meter readings to provide an estimate of RHI spend for the month and future periods. There is a risk that the reality diverges from modelled estimates due to the model not accurately reflecting reality. This risk is considered to be low as most of the known uncertainties have been identified and assessed using statistical or scenario analysis. However, there may be some unknown factors that mean our model systematically over or underestimates spend. Modelling specification uncertainty is mitigated by periodically reviewing performance of past estimates against actual outcomes.

Grant accruals & receivables

The core department operates several Capital Grant schemes that require estimations for accrued expenditure in each reporting period. The department relies on third party delivery partners of these schemes to provide the information that underpins each of these estimates.

Any amounts that are paid out by the department to a third party delivery partner on a grant scheme, but the delivery partner has not yet paid the grant to the recipient by the end of the reporting period, are recognised as receivables.

Financial assets – equity investments in public corporations

The core department holds equity investments in two public corporations outside of the departmental boundary. Under IFRS 9, the department has elected FVOCI treatment of both assets, where changes in fair value are taking to a fair value reserve. Net Asset Value has been used as a proxy for fair value in both instances, as the underlying assets of each entity are held at fair value.

2. Staff costs

			2025–26	2024–25
	Permanently employed staff £m	Others £m	Total £m	Total £m
Wages and salaries	580	65	**645**	**575**
Social security costs	78	-	**78**	**68**
Other pension costs	130	-	**130**	**115**
Sub total	**788**	**65**	**853**	**758**
Less recoveries in respect of outward secondments	(1)	-	**(1)**	**(2)**
Total net costs	**787**	**65**	**852**	**756**
Of which:				
Core department	404	16	420	377
NDPBs and other designated bodies	383	49	432	379
Total net costs	**787**	**65**	**852**	**756**

Further detailed information on staff costs can be found in the staff and remuneration reports. The staff report also includes staff numbers 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 18.

3. Operating expenditure

3.1. Purchase of Goods and Services

	2025–26		2024–25 Restated	
	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Accommodation and office equipment costs	47	183	44	153
Legal, professional and consultancy costs	154	244	198	237
Finance, HR, IT and support costs	55	108	39	94
Training and other staff costs	8	29	6	17
Travel and subsistence costs	8	26	8	23
Advertising and publicity	13	16	5	7
Programme management and administration of grants and awards	91	294	93	271
Capacity Market payments	-	1,612	-	1,246
Professional and international subscriptions	28	31	27	29
Purchase of geographical and scientific equipment	-	49	-	59
Payment of taxes and levies	2	34	1	5
Other purchase of goods and services cost	18	189	37	365
Research and development	20	21	144	146
Total	**444**	**2,836**	**602**	**2,652**

Core department

Research and Development

Research and Development expenditure totalled £20m in 2025-26 (2024-25: £144m). The reduction in spend is a result of the scheduled closure of the Net Zero Innovation Programme.

Departmental group

Capacity Market (CM) payments of £1,612m were recognised as at 31 March 2026 (31 March 2025: £1,246m). 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.

Restatement of the Purchase of Goods and Services as a result of prior period adjustments

Prior year comparatives have been restated to reflect the prior period adjustment as detailed in note 25. Site Licence Companies (SLC) pensions movements are now accounted in line with IAS 19 Employee Benefits, with the pension service cost and net interest recognised within the Net Expenditure from operations. The table above shows restated balance including the omitted balances from the financial years 2023-24 and 2024-25.

Audit fees

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

	2025–26		2024–25	
	Core department £	Consolidated ALBs £	Core department £	Consolidated ALBs £
Core department	700,000	2,153,116	805,000	2,226,567
UKAEA pension scheme accounts	54,886	-	52,371	-
Trust statement	25,000	-	21,000	-
Nuclear Decommissioning funding accounts	5,000	-	5,000	-
Total NAO audit services	**784,886**	**2,153,116**	**883,371**	**2,226,567**
Non-NAO audit services	-	789,094	-	518,250
Non-NAO non-audit services	-	202,000	-	1,000
Total	**784,886**	**3,144,210**	**883,371**	**2,745,817**

The table above does not include Site Licence Companies (SLC) audit fees as all expenditure incurred by the SLC is already consolidated into the NDA Nuclear Provision Utilisation cost. In 2024-25, SLC audit fee was included in the table. For transparency, SLC audit fees reported for the year are: £540,000.

3.2. Depreciation and impairment charges

	2025–26		2024–25	
	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Amortisation of recoverable contract costs	-	127	-	118
Depreciation	13	84	15	64
Amortisation	5	9	5	8
Impairment of property, plant and equipment	1	34	-	14
Impairment of investments and remeasurement of expected credit losses	21	(1)	38	1
Total	**40**	**253**	**59**	**204**

3.3. Provisions and Other Liability Expenses

	2025–26		2024–25	
	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Increase/(decrease) in nuclear provisions due to changes in discount rate	(28)	(7,108)	(2)	1,317
Increase/(decrease) in other provisions due to changes in discount rate	(7)	(189)	(2)	(39)
Increase/(decrease) in nuclear provisions due to other movements	267	13,837	77	5,319
Increase/(decrease) in other provisions due to other movements	(37)	(60)	(107)	(123)
Total increase/(decrease) in provisions	**195**	**6,480**	**(34)**	**6,474**

The change in the provision expenses was driven both by the increase in nuclear provisions (£13.8bn) as well as the change in provision discount rates. The real discount rate for cash outflows expected after ten years, prescribed by HM Treasury, increased from 2.40% at 31 March 2025 to 2.95% at 31 March 2026. The change in discount rate has the impact of decreasing the expected future costs of settling the department's nuclear liabilities; the actual costs of settling the liabilities could be different.

In addition, during the reporting period Nuclear Decommissioning Authority (NDA) management performed a comprehensive review of all the decommissioning plans and other estimates maintained on its behalf by the operating companies. This review incorporates the outcomes of the most recent Spending Review by HM Government, as well as changes in strategic assumptions (for example final site clearance dates). The resulting changes in the discounted value of the plans produce a significant increase in the nuclear provision.

Further detail of the movements in the nuclear decommissioning provision can be found in note 18.1.

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 (formerly Coal Authority's) provisions.

Further detail of movements in other provisions can be found in note 18.2.

3.4. Grants expenditure

	2025–26		2024–25	
	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Grant in Aid	4,582	-	4,774	-
Boiler Upgrade Scheme	233	233	190	190
Carbon Capture, Usage & Storage	96	96	-	-
Energy Affordability Schemes	(2)	(2)	(12)	(12)
Energy Company Obligation	219	219	-	-
Future Nuclear Enabling Fund	15	15	49	49
Grant support provided to Official Receiver	170	170	-	-
Great British Energy Community Fund	19	19	-	-
Green Homes Grant	(1)	(1)	(9)	(9)
Heat Decarbonisation Technologies	220	220	158	158
Home Upgrade Grant scheme	(17)	(17)	155	155
Industrial Decarbonisation	44	44	60	60
International Climate Finance	742	742	367	367
Local Net Zero Hubs	12	12	16	16
Net Zero Hydrogen	12	12	20	20
Net Zero Innovation	23	23	155	155
Other Grants	50	58	70	77
Public Sector Decarbonisation Scheme	414	414	362	362
Renewable Heat Incentive	1,218	1,218	1,209	1,209
Social Housing Decarbonisation Fund	(14)	(14)	453	453
UK National Nuclear Laboratory Facilities	(2)	(2)	38	38
Warm Homes: Local Grant	105	105	-	-
Warm Homes: Social Housing Fund	295	295	-	-
Total	**8,433**	**3,859**	**8,055**	**3,287**

Core department

Renewable Heat Incentive

The Renewable Heat Incentive scheme (RHI) spend totalled £1,218m in 2025-26 (2024-25: £1,209m). 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.

International Climate Finance

International Climate Finance (ICF) spend totalled £742m in 2025-26 (2024-25: £367m). The increase in spend was driven by the re-profiling of activity.

Energy Company Obligation

Energy Company Obligation (ECO) spend totalled £219m in 2025-26. This represents a one-off capital payment at the close of the ECO programme to cover unrecovered costs from delivery of the scheme, preventing a £12 rise in the energy price cap.

Warm Homes: Local Grant

The Green Homes Grant (GHG) and Home Upgrade Grant (HUG) schemes have now closed, and credit expenditure recognised in 2025-26 (£1m and £17m respectively) relates to clawbacks, where unspent funds have been returned to the department. These schemes have been succeeded by the Warm Homes: Local Grant (WH:LG), which incurred expenditure of £105m in 2025-26 (2024-25: £nil). WH:LG is a capital grant scheme delivered via local authorities to fund energy efficiency improvements for low income households.

Warm Homes: Social Housing Fund

The Social Housing Decarbonisation Fund (SHDF) has closed and credit expenditure of £14m in 2025-26 reflects an adjustment to align previously estimated spend with final delivery data reported by grant recipients. SHDF has been succeeded by the Warm Homes: Social Housing Fund (WH:SHF), which incurred expenditure of £295m in 2025-26 (2024-25: £nil). WH:SHF is a capital grant scheme delivered through social housing providers to fund energy efficiency improvements to social housing stock.

4. Finance expense

	2025–26		2024–25 Restated	
	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Net loss/(gain) on foreign exchange	-	-	-	1
Borrowing costs (unwinding of discount) on provisions	28	2,876	30	2,608
Bank charges and interest payable	-	67	-	-
Interest charges under finance leases	5	9	5	6
Unrealised foreign exchange rate losses/(gains)	-	1	-	-
Interest on pension liabilities	-	(61)	-	(30)
Change in fair value – Financial assets and liabilities	30	30	11	11
Total	**63**	**2,922**	**46**	**2,596**

The increase in borrowing costs on provisions was predominantly due to the unwinding of discount of provisions costs for nuclear decommissioning of £2,771m as at 31 March 2026 (31 March 2025 £2,507m). Further detail on the movements in provisions can be found in notes 3.3 and 18.

Restatement of the Finance Expense as a result of prior period adjustments

Prior year comparatives have been restated to reflect the prior period adjustment as detailed in note 25. Site Licence Companies (SLC) pensions movements are now accounted in line with IAS 19 Employee Benefits, with the pension service cost and net interest recognised within the Net Expenditure from operations. The table above shows restated balance including the omitted balances from the financial years 2023-24 and 2024-25.

5. Income

5.1. Operating income

	2025–26		2024–25	
	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Fees, charges and recharges to/ from external customers and central government organisations	88	203	61	78
Levy income	-	4,961	-	3,509
Sales of goods and services	10	986	8	1,260
Miscellaneous income	6	12	-	13
Current grants and capital grants	-	2	1	2
Other operating income	-	-	1	29
Total	**104**	**6,164**	**71**	**4,892**

Core department

‘Fees, charges and recharges to/from external customers and central government organisations’ for the core department were £88m (2024–25: £61m).

This is mainly driven by 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 to both 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 was Electric Settlements Company's (ESC) income from capacity market suppliers of £1,620m (2024–25: £1,254m), LCCC's supplier obligation levy (SOL) income of £2,924 (2024–25: £2,198m) and LCCC's regulated asset base (RAB) income of £361m (2024-25: £nil).

Within 'sales of goods and services', NDA's revenue was £924m (2024–25: £1,193m). 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.

5.2. Finance income

	2025–26		2024–25	
	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Effective Interest from amortised cost assets	2	2	18	18
Interest income from FVTPL assets	5	6	24	24
Interest income from amortised cost assets	38	113	2	30
Dividend income from investments in joint ventures, associates and public dividend capital	90	-	84	-
Total	**135**	**121**	**129**	**73**

Core department

In 2025–26 the core department recognised finance income of £135m (2024–25: £129m). This includes £86m (2024-25: £84m) of dividends received from Urenco through Enrichment Holdings Limited shown in note 13.

Departmental Group

Interest from amortised cost assets amounted to £113m (2024-25: 30m) is reflective of Sizewell C interest income of £112.7m.

6. Property, plant and equipment

	Departmental group 2025–26									
	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 2025	**502**	**451**	**39**	**57**	**4,409**	**9**	**11**	**4,053**	**1**	**9,532**
Additions	17	191	-	1	8	1	3	5,823	-	**6,044**
Disposals	-	(63)	(13)	(14)	(566)	(2)	(1)	-	-	**(659)**
Impairments	-	-	-	-	-	-	-	(26)	-	**(26)**
Reclassifications	30	27	1	4	11	5	-	(78)	-	**-**
Revaluations	9	(3)	-	-	5	-	-	-	-	**11**
At 31 March 2026	**558**	**603**	**27**	**48**	**3,867**	**13**	**13**	**9,772**	**1**	**14,902**
Depreciation										
Balance at 1 April 2025	**-**	**(249)**	**(34)**	**(35)**	**(4,261)**	**(7)**	**(9)**	(1)	**-**	**(4,596)**
Charged in year	-	(7)	-	(8)	(44)	(1)	(2)	-	-	**(62)**
Disposals	-	63	13	14	566	2	1	-	-	**659**
Impairments	-	-	-	-	(7)	-	-	-	-	**(7)**
At 31 March 2026	**-**	**(193)**	**(21)**	**(29)**	**(3,746)**	**(6)**	**(10)**	(1)	**-**	**(4,006)**
Carrying amount at 31 March 2026	**558**	**410**	**6**	**19**	**121**	**7**	**3**	**9,771**	**1**	**10,896**
Carrying amount at 1 April 2025	**502**	**202**	**5**	**22**	**148**	**2**	**2**	**4,052**	**1**	**4,936**
Asset financing										
Owned	558	410	6	19	121	7	3	9,771	1	**10,896**
Carrying amount at 31 March 2026	**558**	**410**	**6**	**19**	**121**	**7**	**3**	**9,771**	**1**	**10,896**
Of the total										
Core department	-	-	1	3	-	2	-	9	-	**15**
NDPBs and other designated bodies	558	410	5	16	121	5	3	9,762	1	**10,881**
Carrying amount at 31 March 2026	**558**	**410**	**6**	**19**	**121**	**7**	**3**	**9,771**	**1**	**10,896**

	Land	Buildings	Leasehold improvements	Information technology	Plant and machinery	Furniture, fixtures and fittings	Transport equipment	Assets under construction	Infrastructure assets	Total
										Departmental group 2024–25
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£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

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 – Global Standards, 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 2026 were held by Nuclear Decommissioning Authority (NDA), UKAEA and Sizewell C.

Assets under construction (AUC) additions as at 31 March 2026 include £4,457.9m (31 March 2025 £1,736.3m) 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 £534.9m as at 31 March 2026 (31 March 2025 £394.9m) relate to Net Zero North Sea Storage and the construction of onshore and offshore CO_2 pipelines, injection wells, subsea infrastructure, control rooms, and compression facilities.

AUC additions of £637.4m as at 31 March 2026 (31 March 2025 £nil) relate to Liverpool Bay CCS Limited and the construction of assets related to the HyNet Carbon Capture and Storage Network.

AUC additions of £110.0m as at 31 March 2026 (31 March 2025 £60.8m) 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 for 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.

7. Right of use assets

	Departmental group 2025–26				
	Land £m	Buildings £m	Plant and machinery £m	Transport equipment £m	Total £m
Cost or valuation					
Balance at 1 April 2025	**27**	**288**	**9**	**19**	**343**
Additions	(9)	83	167	13	**254**
Disposals	(1)	(115)	-	(11)	**(127)**
Remeasurements	1	-	-	-	**1**
Transfers	2	24	1	3	**30**
Revaluations	-	(16)	-	-	**(16)**
At 31 March 2026	**20**	**264**	**177**	**24**	**485**
Depreciation					
Balance at 1 April 2025	**(2)**	**(34)**	**(7)**	**(13)**	**(56)**
Charged in year	-	(28)	1	(6)	**(33)**
Disposals	-	16	-	10	**26**
Transfers	(1)	2	-	(1)	**-**
At 31 March 2026	**(3)**	**(44)**	**(6)**	**(10)**	**(63)**
Carrying amount at 31 March 2026	**17**	**220**	**171**	**14**	**422**
Carrying amount at 31 March 2025	**25**	**254**	**2**	**6**	**287**
Of the total					
Core department	-	121	-	9	**130**
NDPBs and other designated bodies	17	99	171	5	**292**
Carrying amount at 31 March 2026	**17**	**220**	**171**	**14**	**422**

	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	**128**
NDPBs and other designated bodies	25	129	2	3	**159**
Carrying amount at 31 March 2025	**25**	**254**	**2**	**6**	**287**

Total additions to right-of-use assets during the year were £253.8m (2024-25: £109m). This mainly relates to acquisitions of leased buildings, which amounts to £71.8m (2024-25: £98m) and leased plant and machinery which amounts to £175.3m (2024-25 £nil).

8. Intangible Assets

	Departmental group 2025–26				
	Information technology £m	Software licences £m	Websites £m	Assets under construction £m	Total £m
Cost or valuation					
Balance at 1 April 2025	**68**	**9**	**-**	**67**	**144**
Additions	7	-	-	67	**74**
Disposals	(1)	-	-	-	**(1)**
Impairments	-	-	-	(1)	**(1)**
Reclassifications	11	-	1	(12)	**-**
Transfers	1	-	-	(1)	**-**
At 31 March 2026	**86**	**9**	**1**	**120**	**216**
Amortisation					
Balance at 1 April 2025	**(44)**	**(5)**	**-**	**-**	**(49)**
Charged in year	**(7)**	**(1)**	**(1)**	**-**	**(9)**
Disposals	1	-	-	-	**1**
At 31 March 2026	(50)	(6)	(1)	-	**(57)**
Carrying amount at 31 March 2026	**36**	**3**	**-**	**120**	**159**
Carrying amount at 1 April 2025	**24**	**4**	**-**	**67**	**96**
Asset financing					
Owned	36	3	-	120	**159**
Carrying amount at 31 March 2026	**36**	**3**	**-**	**120**	**159**
Of the total					
Core department	30	-	-	18	**48**
NDPBs and other designated bodies	6	3	-	102	**111**
Carrying amount at 31 March 2026	**36**	**3**	**-**	**120**	**159**

	Departmental group 2024–25			
	Information technology £m	Software licences £m	Assets under construction £m	Total £m
Cost or valuation				
At 1 April 2024	**64**	**7**	**9**	**80**
Additions	6	1	58	**65**
Disposals	(1)	-	-	**(1)**
Reclassifications	1	1	(2)	**-**
Transfers in/(out)	(2)	-	2	**-**
At 31 March 2025	**68**	**9**	**67**	**144**
Amortisation				
At 1 April 2024	**(37)**	**(5)**	**-**	**(42)**
Charged in year	**(7)**	**-**	**-**	**(7)**
Disposals	1	-	-	**1**
At 31 March 2025	(43)	(5)	-	**(48)**
Carrying amount at 31 March 2025	**25**	**4**	**67**	**96**
Carrying amount at 1 April 2024	**27**	**2**	**9**	**38**
Asset financing				
Owned	25	4	67	**96**
Carrying amount at 31 March 2025	**25**	**4**	**67**	**96**
Of the total				
Core department	19	-	14	**33**
NDPBs and other designated bodies	6	4	53	**63**
Carrying amount at 31 March 2025	**25**	**4**	**67**	**96**

Departmental Group

There are presentational differences in the 2024-25 intangibles table compared to the prior year. In 2024-25, rows within the amortisation section were incorrectly labelled. Figures disclosed were correct but attributed to incorrect line items. This affected Note 8 Intangible assets only and was not replicated elsewhere in the financial statements.

Increases in AUC additions of £44m at 31 March 2026 (31 March 2025: £45m) relate to Net Zero North Sea Storage. The increase relates to setting up the Carbon Capture, Usage and Storage network.

9. Derivative financial instruments

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

In addition, Net Zero North Sea Storage Limited (NZNSS) and Liverpool Bay CCS Limited (Liverpool Bay) are required by their project funding arrangements to implement interest rate derivative financial instruments to hedge interest rate exposure on borrowings. NZNSS has opted not to apply hedge accounting to their interest rate swaps, which are measured at fair value through profit and loss (FVTPL) and have a fair value of £136m at 31 March 2026 (31 March 2025: £86m).

Liverpool Bay has elected to apply hedge accounting to their interest rate swaps, which are measured at fair value with the effective portion of fair value movements recognised in OCI. They have a fair value of £18m at 31 March 2026.

Sizewell C have also executed EUR/GBP forward contracts to hedge exposure to foreign currency risk, applying hedge accounting. These are measured at fair value with the effective portion of fair value movements recognised in OCI. The fair value is immaterial at 31 March 2026.

9.1. Contracts for Difference

9.1.1. Accounting policies

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. 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 contract payment period is typically either 15 or 20 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.

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.

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.

During the year, the Clean Industry Bonus (CIB) was introduced as part of Allocation Round 7 (AR7) of the CfD scheme to incentivise investment in UK supply chains and manufacturing associated with offshore wind projects. CIB eligibility applies to AR7 contracts only. Approximately £204 million of public funding under the CIB is expected to leverage significant private sector investment in domestic manufacturing, infrastructure and supply chains. The detailed mechanism and timing of CIB payments remain under development.

9.1.2. Estimates – valuation of CfD liabilities and assets

As at 31 March 2026 LCCC was counterparty to 562 contracts, including Hinkley Point C and Low Carbon Dispatchable (LCD) contracts which are bespoke CfDs. Further details relating to these bespoke contracts may be found in the LCCC Annual Report and Accounts. 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 2.45% adjusted by the latest OBR CPI inflation forecasts for each modelled year.

The valuation requires management to make certain assumptions about the model inputs, including cash flows, the discount rate, credit risk and volatility.

One of the key inputs into the cash flow model is the estimate of future electricity prices, which is derived by applying certain inputs and assumptions such as overall electricity demand, commodity prices, carbon prices, government policy, technology, and deployment of new generating capacity. Most commercial and public sector modelling of the electricity system for long-term forecasting takes a very similar approach, but the detailed assumptions and methodology may differ.

Given the complexity, range of possible inputs, and long-term nature of the modelling, and 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 2026. The independent industry recognised price series applied was not an outlier of other industry recognised price series.

The valuation model uses observable historical load factor data and excludes forward-looking adjustments where evidence is insufficient. Residual curtailment risk and broader system dynamics, including increasing renewable penetration and potential network congestion, are expected to continue. Incorporating such adjustments into the valuation would significantly increase complexity with limited benefit. In addition, without a consistent and evidence-based framework the robustness of the model could reduce.

These adjustments are built into scenarios prepared by the independent price series providers. The range of low to high scenarios is illustrated in the sensitives below and gives a range of £90.1bn for generic CfDs (excluding HPC and LCD). The spread of just the base scenario between the 3 providers has a range of £31.3bn.

Load factors are an estimate used in the model, and the sensitivity analysis (note 9.1.4) provides two scenarios impacting generic CfDs should the load factor increase/decrease by 2% and 4%. Wind generators are expected to suffer the most curtailment which has a negative impact on load factor. For this reason, this technology is separated out in the sensitives which provides an indication of the impact which is unpredictable and outside of the departmental group's control. It is noted that a reduction in load factor for wind technology can impact the valuation in both directions, as it adjusts the future amounts paid and received by the departmental group, determined by the strike prices in the respective contracts.

The valuation therefore combines historical evidence and forward-looking inputs, with the departmental group applying judgment to balance the two. As more data becomes available, the gap between historical and forward-looking assumptions, such as curtailment is expected to narrow.

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	-	-	(93,427)	(93,427)
Assets	-	-	3,022	3,022
As at 31 March 2025	**-**	**-**	**(90,405)**	**(90,405)**
Liabilities	-	-	(113,928)	(113,928)
Assets	-	-	3,005	3,005
As at 31 March 2026	**-**	**-**	**(110,923)**	**(110,923)**

9.1.3. 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 years period). On windy days, the price that wind generators receive is likely to be reduced.

Estimated future electricity generation

a. Transmission Loss Multiplier (TLM)

TLM reflects the fact that electricity is lost as it passes through the transmission system from generators to suppliers. If the TLM is incorrect, this will have implications for the volume of electricity subject to CfD payments. Any change in TLM will be corrected through adjustments in strike prices although the change in TLM is expected to be immaterial.

b. Start date

Generators nominate a Target Commissioning Date (TCD) in their binding application form for a CfD, and this date is specified in their CfD, following contract award. However, the generator is free to commission at any time within their Target Commissioning Window (TCW), a period of one year from the start of the TCW for most technologies, with no penalty, or after the end of the TCW and up to their "Longstop Date" (one to two years after the end of the TCW depending on technology and seven years for HPC) with a penalty in the form of reduction of contract length for each day they are late in commissioning after the end of the TCW. The contract can be terminated if the generator has not commissioned 95% (or 85% for Investment Contracts and offshore wind) of their revised installed capacity estimate by the Longstop Date. The valuation uses the latest estimate from generators on the start date.

The estimated start dates for reactor one and reactor two of the Hinkley Point C project are 1 June 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.

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 (NNB Generation Company (HPC) Limited) provided the company with a generation profile, which forecasts the generation over the life of the contract. In 2024-25 work was commissioned to gain an independent view which resulted in reasonable range where the midpoint has been chosen to value HPC and a ramp up period.

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 2026, in line with the requirements of the CfD contract.

In this financial year, HPC saw the impact of a reduction in strike price, triggered by the signing of the Nuclear RAB agreement in relation to Sizewell C before the reactor one start date. The applicable strike price was reduced with effect from the date of satisfaction of the Sizewell C condition by £3/MWh.

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, 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.

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 the consumers. There is, however, no similar upward adjustment if the construction cost of Hinkley Point C is over budget.

No adjustment to the valuation has been made for construction gain share on the grounds that there has not been any construction gain share during the year, and none is forecasted to occur in the future.

OPEX reopener for Hinkley Point C

The strike price may be adjusted upwards if the operational expenditure costs are more than assumed and downwards if they are less. There are two operational expenditure reopener dates, at 15 years and 25 years after the first reactor start date. The rationale behind the reopener is that the strike price is based on long-term assumptions on operational expenditure costs. The reopener provides a way of mitigating long-term cost risks for both parties.

No adjustment to the valuation has been made for OPEX reopener on the grounds that the OPEX reopener dates have not been reached yet and there is no evidence that original assumptions are invalid.

9.1.4. 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.

CfDs are valued on a nominal basis, using HMT’s 2.45% discount rate 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.

	Other CfDs (undiscounted) £m	LCD CfD (undiscounted) £m	HPC CfD (undiscounted) £m	Total (undiscounted) £m
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
As at 31 March 2026	77,078	2,108	86,875	166,061

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 £m	Favourable/ (unfavourable) LCD CfD £m	Favourable/ (unfavourable) Other CfDs £m	Favourable/ (unfavourable) Total impact £m
Change in fair value of CfDs of:				
Highest price third party series	20,027	713	45,255	65,995
Lowest price third party series	(16,335)	(593)	(44,895)	(61,823)
Discount rate of 3.5%	9,750	61	5,835	15,646
2024-25 Discount rate	(3,317)	(18)	(1,844)	(5,179)
Undiscounted	(37,044)	(154)	(17,950)	(55,148)
Specific to LCD & Other CfDs:				
2% more load factor	-	(39)	(1,183)	(1,222)
4% more load factor	-	(78)	(2,365)	(2,443)
4% more load factor - Wind	-	-	(1,833)	(1,833)
2% less load factor	-	39	1,183	1,222
4% less load factor	-	78	2,365	2,443
4% less load factor - Wind		-	1,833	1,833
Estimated Commissioning Date moves back-ward by one year	-	4	140	144
Generation starts at the earliest possible date*	-	-	1,124	1,124
Specific to HPC CfD:				
10% less load factor	4,983		-	4,983
2% increased load factor	(997)		-	(997)
Generation cap	(1,795)		-	(1,795)
Generation delayed one year from estimated start date	1,436		-	1,436
Generation start date delayed two years from estimated start date	2,968		-	2,968

*Generation start at the earliest possible date is not applicable to LCD and is due to commence on the 1st April 2027.

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.

The impact of the load factor for wind generators has been included above in the sensitivities as this technology type is expected to suffer the most curtailment.

The estimated valuation of generic CfDs (excluding HPC and LCD) is £59.1bn using the base scenario. The base case scenarios for the other 2 price series providers were valued at £47.1bn and £78.5bn.

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
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
2026	110,923	DCF	Electricity prices	16.00-170.60	£/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 31st March 2026.

	LCCC CfDs assets £m	LCCC CfDs liabilities £m	Departmental group total £m
CfD liability as at 1 April 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 in prior year	-	265	**265**
CfD liability as at 31 March 2025 recognised on the Consolidated Statement of Financial Position	**3,022**	**(93,427)**	**(90,405)**
Gain / Loss reclassification	(1)	1	-
Change in fair value during the year	(16)	2,249	**2,233**
Change in fair value during the year – AR7 & AR7a	-	(27,836)	**(27,836)**
Change in fair value during the year – LCD	-	(1,972)	**(1,972)**
Payments to the CfD generators	-	2,924	**2,924**
CfDs terminated during the year	-	4,134	**4,134**
CfD liability as at 31 March 2026 recognised on the Consolidated Statement of Financial Position	**3,005**	**(113,928)**	**(110,923)**
CfDs movement recognised in SoCNE, comprising:			**20,517**
CfD levy income recognised under other income	-	(2,924)	(2,924)
Remeasurement of CfD derivatives	17	23,424	23,441

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 2026 £m	CfDs as at 31 March 2025 £m
LCCC CfD assets		
Current	189	148
Non-current	2,816	2,874
Total LCCC CfD assets	**3,005**	**3,022**
LCCC CfD liabilities		
Current	(2,330)	(2,656)
Non-current	(111,598)	(90,771)
Total LCCC CfD liabilities	**(113,928)**	**(93,427)**

9.2. Low Carbon Hydrogen Agreement

9.2.1. Accounting policies

The 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 subsidy. This subsidy 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.

9.2.2. Estimates – valuation of LCHA 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 9.2.3).

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 2.45% adjusted by the latest OBR CPI inflation forecasts for each modelled year.

The PDI calculation in 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 sensitivity analysis (note 9.2.4) 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 2026 LCCC was counterparty to 10 LCHA contracts from the first Hydrogen Allocation Round (HAR1).

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
Liabilities	-	-	(1,243)	(1,243)
Assets	-	-	-	-
As at 31 March 2025	**-**	**-**	**(1,243)**	**(1,243)**
Liabilities	-	-	(2,244)	(2,244)
Assets	-	-	-	-
As at 31 March 2026	**-**	**-**	**(2,244)**	**(2,244)**

9.2.3. 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 price 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 consistent with the price series used in the CfD valuation, 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 90% 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 90% by their Longstop Date. The valuation uses the latest estimate from producers on the start date.

b. Sales volume

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 between 88-100% of 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 reflect the CPI rate for April 2026, in line with the requirements of the LCHA contract.

d. Reference price

The DA is calculated as the strike price 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.

9.2.4. 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 used the HM Treasury nominal discount rate of 2.45% adjusted by the latest CPI inflation forecasts for each modelled year.

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

	LCHA £m
As at 31 March 2025	1,255
As at 31 March 2026	2,796

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 the DA and PDI if triggered. SSTU payments are excluded from the fair value calculation as they do not meet the criteria for classification as a derivative. 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%	449
Decrease volume factor 40%	1,347
Increase price factor 2.0	234
Increase price factor 1.5	117
Start date delay 1 year	155
Start date delay 2 years	312
Highest price third party series	145
Lowest price third party series	(87)
Discount rate of 3.5%	192
2024-25 Discount rate 2.15%	(59)
Undiscounted	(552)

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 £132.5m.

The price factor in the model has been set to 1.0 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. The price factor sensitivity of 2.0 in the table above includes a PDI payment of £26m, and the price factor of 1.5 includes a PDI payment of £13m. A PDI payment is less than a DA payment hence the LCHA portfolio would reduce if this was triggered.

The table below represents the movement in LCHA valuation at 31st March 2026.

	LCCC LCHA Assets £m	LCCC LCHA Liabilities £m	Departmental group total £m
LCHA liability as at 1 April 2024 recognised on the Consolidated Statement of Financial Position	**-**	**-**	**-**
Gain / Loss reclassification	-	-	**-**
Change in fair value during the year	-	(1,243)	**(1,243)**
Payments to hydrogen producers	-	-	**-**
LCHAs terminated in prior year	-	-	**-**
LCHA liability as at 31 March 2025 recognised on the Consolidated Statement of Financial Position	**-**	**(1,243)**	**(1,243)**
Gain / Loss reclassification	-	-	**-**
Change in fair value during the year	9	(1,163)	**(1,154)**
Payments to hydrogen producers	-	-	**-**
LCHAs terminated during the year	-	153	**153**
LCHA liability as at 31 March 2026 recognised on the Consolidated Statement of Financial Position	**9**	**(2,253)**	**(2,244)**
LCHA movement recognised in SoCNE, comprising:			**1,001**
Remeasurement of LCHA derivatives	(9)	1,010	1,001

The table below represents the split of all LCHA assets and liabilities between current and noncurrent.

	LCHA as at 31 March 2026 £m	LCHA as at 31 March 2025 £m
LCCC LCHA assets		
Current	-	-
Non-current	9	-
Total LCCC LCHA assets	**9**	**-**
LCCC LCHA liabilities		
Current	(16)	-
Non-current	(2,237)	(1,243)
Total LCCC LCHA liabilities	**(2,253)**	**(1,243)**

10. Financial assets in other public sector bodies

	Equity 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 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**
Additions	1,887	1,459	**3,346**	(3,021)	98	**423**
Disposals	(5,133)	-	**(5,133)**	5,133	-	**-**
Redemptions	-	(228)	**(228)**	1	-	**(227)**
(Impairments)/ Impairment Reversal	(25)	(4)	**(29)**	29	(7)	**(7)**
Revaluations	(84)	(30)	**(114)**	-	47	**(67)**
Unwinding of Discount	-	40	**40**	(37)	-	**3**
Balance at 31 March 2026	**1,285**	**1,373**	**2,658**	**(2,380)**	**1,558**	**1,835**
Non-current	1,285	1,243	**2,528**	(2,383)	1,558	**1,703**
Current	-	130	**130**	2	-	**132**

10.1. Equity investments in other public sector bodies

	31 March 2026		31 March 2025	
	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Balance at 1 April	**4,640**	**1,581**	**1,892**	**793**
Transfers in/(out)	-	-	-	-
Additions	1,887	98	2,722	697
Disposals	(5,133)	-	-	-
(Impairments)/impairment reversal	(25)	(7)	(38)	-
Revaluations	(84)	(36)	64	91
Balance at 31 March	**1,285**	**1,636**	**4,640**	**1,581**
Comprising				
Ordinary shares held within the departmental boundary – held at cost	413	-	3,783	-
Ordinary shares held outside the departmental boundary - held at fair value	872	1,636	857	1,581
Balance at 31 March	**1,285**	**1,636**	**4,640**	**1,581**

Core department: Equity 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

- The Final Investment Decision for Sizewell C was taken on 22 July 2025 which represents the point at which the UK Government and investors formally committed to proceed with construction. Financial Close was reached on 4th November 2025 which locked in the financing structure, risk-sharing arrangements and project delivery model
- The value and class of the core department's shareholding changed at Financial Close. The core department, through the Secretary of State (SoS), now holds 449,000 Class A shares and 125,390,870 Class B shares (2024–25: 89,281,532 ordinary shares), each with a nominal value of £1. This represents a decrease in ownership from 90.5% to 44.9% in the year but DESNZ continues to have control as it retains power over the investee, exposure to variable returns, and the ability to use that power to affect those returns
- Class B Shareholder Loans were also purchased by DESNZ in a subsidiary of Sizewell C (Holding) Limited
- 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, Sizewell C Ltd, is the asset under construction of £7,784m (2024–25: £3,483m) included in note 6 Plant, Property and Equipment. Non-controlling interest of £165m (2024–25: £541m) is recognised in relation to the investment and is included in Consolidated Statement of Changes in Taxpayers' Equity (departmental group)

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 GBE-N 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 £287m at 31 March 2026 (2024-25: £305m)
- GBE-N is an arm's length body of the department, established to drive the delivery of the government's civil nuclear programme, including co-funding and facilitating new nuclear projects

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. The core department's holding had a carrying value of £nil at 31 March 2026
- GBE is an arm's length body of the department, established to invest in and develop clean energy projects across the UK in support of the government's energy security and clean power objectives

Oil and Gas Authority Limited (trading as the North Sea Transition Authority)

- Oil and Gas Authority Limited was incorporated on 1 July 2015, with the core department, through the SoS, holding the single issued ordinary share at a nominal value of £1
- The Oil and Gas Authority is an independent regulator established under the Energy Act 2016 to regulate the UK oil and gas sector, with a statutory objective to maximise the economic recovery of UK petroleum while supporting the delivery of net zero and the security of energy supply

Core department: Equity investments 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
- During 2025-26, DESNZ's shareholding in NESO decreased from 330,000,100 to 100,000,000 ordinary shares following a capital reduction approved in January 2026. Each share has a nominal value of £0.01
- 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 2026 was £649m (2024–25: £751m)

NNL Holdings Limited (NNLH)

- NNLH has been set up as a holding company, to hold all the shares in the National Nuclear Laboratory Limited
- In 2025-26, the department made a £98m equity investment into NNHL. At 31 March 2026, the core department through the SoS held 108,300,002 shares in NNLH with a nominal value of £1 each
- 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 2026 was £222m (2024–25: £106m)

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 £771m as at 31 March 2026 (31 March 2025: £721m).

Name	Nature of business	Country of incorporation	Holding entity	Proportion of ordinary shares held
Direct Rail Services Limited	Rail transport services within UK	UK	NDA	100%
International Nuclear Services France SAS[(i)]	Transportation of spent fuel	France	NDA	100%
International Nuclear Services Limited Japan KK[(i)]	Transportation of spent fuel	Japan	NDA	72%
International Nuclear Services Limited	Contract Management and transportation of spent fuel	UK	NDA	100%
Pacific Nuclear Transport Limited[(i)]	Transportation of spent fuel, reprocessing products and waste	UK	NDA	100%
NDA Properties Limited	Property Management	UK	NDA	100%
Rutherford Indemnity Limited	Nuclear Insurance	Guernsey	NDA	100%
NDA Archives Limited[(i)]	Operation of Nucleus – The Nuclear and Caithness Archive	UK	NDA	100%

(i) Ownership through International Nuclear Services Limited.

(ii) Included in the departmental boundary but excluded from consolidation on materiality grounds.

10.2. Investments and loans in public sector bodies

	31 March 2026		31 March 2025	
	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Balance at 1 April	**135**	**128**	**3,027**	**3,026**
Additions	1,459	325	10	5
Repayments	(228)	(227)	(2,907)	(2,907)
Unwinding of Discount	40	3	5	5
Impairments	(4)	-	-	-
Revaluations	(30)	(31)	-	-
Balance at 31 March	**1,372**	**198**	**135**	**128**
Of which:				
Due within 12 months	129	132	49	48
Due after 12 months	1,243	66	86	80

Core department

The most significant loans are detailed below.

Sizewell C (PledgeCo) Limited Shareholder Loans

- As explained in note 10.1, Financial Close was reached during 2025-26, which substantially changed the financing structure for Sizewell C. Class A and Class B shares were purchased in the parent company Sizewell C (Holding) Limited, alongside Class B Shareholder Loans being provided to the subsidiary Sizewell C (PledgeCo) Limited
- At Financial Close Class B Shareholder loans for £1,013m (31 March 2025: £0) were issued, followed by a further £116m issued later in March 2026
- The total carrying amount of the Class B Shareholder Loans at 31 March 2026 is £1,162m. This is comprised of £1,129m of loan funding, interest accrued of £37m and Stage 1 12-month Expected Credit Loss of £4m
- It should be noted that the 2024-25 comparatives are nil because shareholder loans issued before Financial Close were treated as quasi-equity loans under IAS 32. These were settled as part of Financial Close
- The Class B Shareholder Loans have a maturity date of 31 March 2075 and accrue interest at 9% per annum. Interest payments can be made either in cash or in kind, the latter being added to the principal. The loans are measured at amortised cost in accordance with IFRS 9

10.3. 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 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 was created on 13 January 2005 and held jointly by the Secretary of State for Energy Security and Net Zero and the Secretary of State for Scotland
- The consent of the Special Shareholder, which can only be refused on grounds of national security (except in relation to an amendment to the company's Articles of Association), is required in respect of:
  - various amendments to the company's Articles of Association
  - any purchase of more than 15% of the company's shares
  - the issue of shares carrying voting rights of 15% or more in the company
  - variations to the voting rights attaching to the company's shares
  - the giving of consent in respect of the issue of shares by, the sale of shares in or amendments to the Articles of Association of various subsidiaries in certain cases

EDF Energy Nuclear Generation Limited (formerly British Energy Generation Ltd) – £1 Special Share

- British Energy Generation Ltd Special Share created in 1996 is held solely by the Secretary of State for Energy Security and Net Zero
- The consent of the Special Shareholder, which can only be refused on grounds of national security (except in relation to an amendment to the company's Articles of Association), is required in respect of:
  - various amendments to the company's Articles of Association
  - the disposal of any of the nuclear power stations owned by the company
  - prior to the permanent closure of such a station, the disposal of any asset which is necessary for the station to generate electricity

Nuclear Liabilities Fund Ltd – £1 Special Rights Redeemable Preference Share

- Created in 1996
- The Secretary of State for Energy Security and Net Zero has a Special 'A' Share (there is also a 'B' Share held by British Energy)
- The consent of the Special Shareholder is required for any of the following:
  - to change any of the provisions in the Memorandum of Association or Articles of Association
  - to alter the share capital or the rights attached thereto
  - the company to create or issue share options

- the ‘B’ Special Shareholder or any of the Ordinary shareholders to dispose or transfer any of their rights in their shares
- the company to pass a members voluntary winding-up resolution
- the company to recommend, declare or pay a dividend
- the company to create, issue or commit to give any loan capital
- the company to issue a debenture
- the company to change its accounting reference date

Sizewell C Group – £1 Special Shares

- Sizewell C (Holding) Limited – £1 Special Share
- Sizewell C (PledgeCo) Limited – £1 Special Share
- Sizewell C Limited – £1 Special Share
- One Special Share in each company was created under the relevant company’s Articles of Association in connection with the Sizewell C investment arrangements entered into in November 2025
- The Special Share in each company is held solely by the Secretary of State for Energy Security and Net Zero
- The Special Shares protect the Special Shareholder’s interest in the project and give the Special Shareholder the ability to intervene in limited specific scenarios to protect national security interest and to limit the involvement of sanctioned persons in the project

11. Other financial assets

	31 March 2026		31 March 2025	
	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Balance at 1 April	**285**	**285**	**258**	**258**
Additions	33	51	34	34
Repayments	(20)	(20)	(2)	(2)
Unwinding of Discount	6	6	2	2
Revaluations	(4)	(4)	(7)	(7)
Impairments	6	6	-	-
Balance at 31 March	**307**	**325**	**285**	**285**

11.1. Other loans and investments

	Term deposits £m	Private sector loans £m	Private sector shares	Investment funds £m	Other investments £m	Total £m
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 1 April 2025	**-**	**70**	**43**	**172**	**-**	**285**
Additions	-	-	6	33	12	**51**
Redemptions	-	(20)	-	-	-	**(20)**
Revaluations	-	-	(3)	(1)	-	**(4)**
Unwinding of discount	-	6	-	-	-	**6**
Impairments	-	6	-	-	-	**6**
Balance at 31 March 2026	**-**	**62**	**46**	**204**	**12**	**325**
Of the total						
Core department	-	62	41	204	-	**307**
NDPBs and other designated bodies	-	-	5	-	12	**18**
Balance at 31 March 2025	**-**	**62**	**46**	**204**	**12**	**325**

12. Recoverable contract costs

The departmental group has commercial agreements in place under which some or all of the expenditure required to settle nuclear provisions will be recovered from third parties. 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 2026 were £694m (31 March 2025: £635m). Further details can be found in NDA's annual report and accounts.

	Departmental group	Departmental group
	31 March 2026	31 March 2025
Recoverable contract costs relating to nuclear provisions	£m	£m
Gross recoverable contract costs	**3,400**	**3,414**
Less applicable payments received on account	(2,696)	(2,758)
Less associated contract loss provisions	(10)	(21)
Balance at 31 March	**694**	**635**

The balances above relate to the NDA. The table below shows the movements in gross recoverable contract costs during the year.

Movements in gross recoverable contract costs

	Departmental group	Departmental group
	31 March 2026	31 March 2025
	£m	£m
Gross recoverable contract costs at 1 April	**3,414**	**3,911**
Increase/(decrease) in year	333	(136)
Unwinding of discount	53	58
Amortisation of recoverable contract costs	(127)	(118)
Release in year – continuing operations	(273)	(301)
Balance at 31 March	**3,400**	**3,414**

The gross balance of recoverable contract costs of £3,400m (31 March 2025: £3,414m) comprises £803m (31 March 2025: £930m) 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 £2,597m (31 March 2025: £2,484m) of probable future costs which form part of the nuclear decommissioning provision (note 18.1) 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			Departmental group		
	31 March 2026			31 March 2025		
	Historic costs £m	Future costs £m	Total costs £m	Historic costs £m	Future costs £m	Total costs £m
Balance at 1 April	**930**	**2,484**	**3,414**	**1,048**	**2,863**	**3,911**
Increase/(decrease) in the year	-	333	**333**	-	(136)	**(136)**
Unwinding of discount	-	53	**53**	-	58	**58**
Amortisation	(127)	-	**(127)**	(118)	-	**(118)**
Release in year	-	(273)	**(273)**	-	(301)	**(301)**
Balance at 31 March	**803**	**2,597**	**3,400**	**930**	**2,484**	**3,414**

£70m (2025: £74m) 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			Departmental group		
	31 March 2026			31 March 2025		
	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	**621**	**309**	**930**	**672**	**376**	**1,048**
Amortisation	(84)	(43)	**(127)**	(51)	(67)	**(118)**
Balance at 31 March	**537**	**266**	**803**	**621**	**309**	**930**

Contract assets under IFRS 15 are deemed financial instruments for the purposes of IFRS 9 'Financial Instruments' and, therefore, are ordinarily required to be reviewed for expected credit loss impairment. The above contract asset balances comprise costs which have been previously incurred and are now being amortised in each reporting period. They are not related to or dependent on the future payments still to be made under each contract and therefore a credit loss impairment is not required.

13. Investments in joint ventures and associates

	31 March 2026		31 March 2025	
	Core department	Departmental group	Core department	Departmental group
	£m	£m	£m	£m
Balance at 1 April	**-**	**915**	**-**	**921**
Dividends	-	(86)	-	(84)
Profit/(loss)	-	58	-	77
Revaluations	-	(18)	-	1
Balance at 31 December	**-**	**869**	**-**	**915**

Urenco

Urenco is an international supplier of enrichment services. The department holds 33% (31 March 2025: 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 2026, the departmental group's holding is valued at £748m (31 March 2025: £776m).

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	2025–26	2024–25
	£m	£m
Non-current assets	5,650	5,349
Current assets	2,355	2,121
Current liabilities	(569)	(585)
Non-current liabilities	(5,192)	(4,431)
Revenue	(1,796)	(1,590)
(Profit)/loss from continuing activities	(213)	(153)

Other financial information	2025–26 £m	2024–25 £m
Cash and cash equivalents	600	795
Current financial liabilities (excluding trade and other payables and provisions)	(40)	(129)
Non-current liabilities (excluding trade and other payables, provisions and deferred tax liabilities)	(1,351)	(834)
Depreciation and amortisation	380	372
Interest income	(131)	(144)
Interest expense	210	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.

14. Trade and other receivables

	2025–26		2024–25	
	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Amounts falling due within 1 year				
Trade receivables	19	138	46	219
Deposits and Advances	-	1	-	-
Other receivables:				
VAT and other taxation	13	222	13	321
Staff receivables	1	1	1	1
Other	19	225	77	206
Contract assets	-	78	-	84
Prepayments and accrued income	224	486	52	173
	276	**1,151**	**188**	**1,005**
Amounts falling due after more than 1 year				
Trade receivables	-	51	-	49
Other receivables	327	363	335	372
Prepayments and accrued income	2	248	6	329
	329	**662**	**341**	**750**
Total receivables at 31 March	**605**	**1,813**	**529**	**1,755**

Core department

Within other receivables due after more than one year was £327m (2024–25: £334m) 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.

15. Cash and cash equivalents

	31 March 2026		31 March 2025	
	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Balance at 1 April	**705**	**2,594**	**1,025**	**2,737**
Net change in cash and cash equivalent balances	286	561	(320)	(143)
Balance at 31 March	**991**	**3,155**	**705**	**2,594**
The following balances were held at				
The Government Banking Service (GBS)	935	2,236	471	1,600
Commercial banks and cash in hand	56	919	234	994
Balance at 31 March	**991**	**3,155**	**705**	**2,594**

16. Trade payables and other liabilities

	31 March 2026		31 March 2025	
	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Amounts falling due within 1 year				
VAT, social security and other taxation	6	112	10	119
Trade payables	55	361	28	237
Other payables	58	936	89	1,037
Contract liabilities (see note 16.1)	-	365	-	658
Other accruals and deferred income	3,096	4,928	3,137	4,438
Amounts issued from the Consolidated Fund for supply but not spent at year end	926	926	667	667
Consolidated Fund extra receipts due to be paid to the Consolidated Fund: Received	65	98	38	24
	4,206	**7,726**	**3,969**	**7,180**
Amounts falling due after more than 1 year				
Trade payables	-	3	-	16
Contract liabilities (see note 16.1)	-	1,449	-	1,444
Other payables, accruals and deferred income	-	176	1	54
	-	**1,628**	1	**1,514**
Total payables at 31 March	**4,206**	**9,354**	**3,970**	**8,694**

Core department

The above table includes promissory note liabilities of £1,900m at 31 March 2026 (31 March 2025: £1,919m), presented within other accruals and deferred income. 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 £641m (31 March 2025: £598m) for Renewable Heat Incentive schemes.

Departmental group

For 2025-26 the presentation of borrowings was changed to be presented separately from trade payables and other liabilities. Therefore, the prior year comparative for the departmental group is reduced by £493m compared to the published 2024-25 DESNZ Annual Report and Accounts.

16.1. Contract liabilities

	31 March 2026		31 March 2025	
	Core department £m	Departmental group £m	Core department £m	Departmental group £m
Balance at 1 April	**-**	**2,103**	**-**	**2,019**
Additions	-	218	-	250
Change in measurement	-	567	-	786
Release to SoCNE	-	(1,074)	-	(952)
Balance at 31 March	**-**	**1,814**	**-**	**2,103**
Of the total				
Due within 1 year	-	365	-	658
Due in over 1 year	-	1,449	-	1,445
Balance at 31 March	**-**	**1,814**	**-**	**2,103**

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 £365m (31 March 2025: £658m) and after one year of £1,449m (31 March 2025: £1,445m).

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).

17. Lease liabilities

	31 March 2026 £m		31 March 2025 £m	
	Core department	Departmental group	Core department	Departmental group
Land				
Not later than one year	-	2	-	4
Later than one year and not later than 5 years	-	24	-	19
Later than 5 years	-	243	-	66
Total	**-**	**269**	**-**	**89**
Less interest element	-	(146)	-	(16)
Present value of obligations	**-**	**123**	-	**73**
Buildings				
Not later than one year	9	20	9	18
Later than one year and not later than 5 years	37	96	35	60
Later than 5 years	143	231	151	197
Total	**189**	**347**	**195**	**275**
Less interest element	(60)	(108)	(64)	(89)
Present value of obligations	**129**	**239**	**131**	**186**
Other				
Not later than one year	5	49	3	6
Later than one year and not later than 5 years	6	30	1	4
Total	**11**	**79**	**4**	**10**
Less interest element	(1)	(4)	-	-
Present value of obligations	**10**	**75**	**4**	**10**
Total present value of obligations	**139**	**437**	**135**	**269**
Of the total				
Current	14	71	12	28
Non-current	125	366	123	241

	31 March 2026 £m		31 March 2025 £m	
Lease liability – additional analysis	Core department	Departmental group	Core department	Departmental group
Interest on lease liabilities	5	9	5	9
Income of sub-leasing right-of-use assets	-	2	-	3
Expenses relating to short-term liabilities	-	7	-	6
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	-	2	-	1

18. Provisions for liabilities and charges

	Note	31 March 2026 Core department £m	31 March 2026 Departmental group £m	31 March 2025 – Restated Core department £m	31 March 2025 – Restated Departmental group £m
Current liabilities					
Not later than 1 year		208	4,274	215	4,591
Total current liabilities		**208**	**4,274**	**215**	**4,591**
Non-current liabilities					
Later than 1 year and not later than 5 years		509	16,166	664	16,710
Later than 5 years		853	98,515	606	92,105
Total non-current liabilities		**1,362**	**114,681**	**1,271**	**108,815**
Total at 31 March		**1,570**	**118,955**	**1,485**	**113,406**
Total provisions					
Nuclear	18.1	1,189	116,847	1,061	111,080
Other	18.2	381	2,108	424	2,326
Total at 31 March		**1,570**	**118,955**	**1,485**	**113,406**

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

Discounting as at 31 March 2026 and 31 March 2025 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 2026 Nominal discount rate	31 March 2026 Inflation rate	31 March 2026 Equivalent real discount rate	31 March 2025 Nominal discount rate	31 March 2025 Inflation rate	31 March 2025 Equivalent real discount rate
Cash outflows ex-pected within 2 years	3.64%	2.50%	1.11%	4.03%	2.60%	1.39%
Cash outflows ex-pected between 2-5 years	4.22%	2.00%	2.18%	4.07%	2.30%	1.73%
Cash outflows ex-pected between 5-10 years	5.32%	2.00%	3.25%	4.81%	2.30%	2.45%
Cash outflows ex-pected after 10 years	5.07%	2.00%	3.01%	4.55%	2.50%	2.50%

Allowances for future inflation and discounting can impact on reported liabilities significantly; uninflated, undiscounted equivalent values are provided in the descriptions of the provisions below to illustrate the effect.

18.1. Nuclear provisions

	British Energy £m	UK Atomic Energy Authority Decommissioning £m	Core department Total £m	NDA Decommissioning £m	Contract loss £m	Departmental group Total £m
Balance at 1 April 2024 - Restated	**356**	**748**	**1,104**	**105,155**	**(26)**	**106,233**
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**	4,917	57	**5,045**
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 – Restated	**292**	**769**	**1,061**	**109,999**	**20**	**111,080**
Net amount deducted from recoverable contract costs	-	-	-	-	10	**10**
Unwinding of discount	2	17	19	2,826	1	**2,846**
Change in discount rate	-	(28)	(28)	(7,211)	1	**(7,238)**
Provided in the year	11	219	230	14,099	6	**14,335**
Provisions not required written back	(3)	-	(3)	(273)	-	**(276)**
Provisions utilised in the year	(90)	-	(90)	(3,815)	(5)	**(3,910)**
Balance at 31 March 2026	**212**	**977**	**1,189**	**115,625**	**33**	**116,847**

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 2026 is £212m (31 March 2025: £292m). 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 2026, at prices as at the reporting date excluding the impact of future inflation, is £213m (31 March 2025: £292m).

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 2026 is £978m (31 March 2025: £769m); the undiscounted liability at 31 March 2026, at prices as at the reporting date so excluding the impact of future inflation, is £1,228m (31 March 2025: £887m).

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. This programme of work is estimated to take until 2145.

In preparing the estimate of the cost of decommissioning the designated sites, the NDA has greater certainty of the activities, capabilities and technologies to be applied within the first 20 years of the decommissioning plan. 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 £116bn at 31 March 2026 (31 March 2025: £110bn). The undiscounted equivalent of this reported liability is £276bn at 31 March 2026 (31 March 2025: £216bn).

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 2145.

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 12).

Amounts recognised as recoverable contract costs are presented separately from provision balances and are not netted off against the related expenses in the Statement of Financial Performance. 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.

Critical accounting judgements

The nuclear provision estimate for Sellafield is based on the site decommissioning plan which is updated annually for changes in price levels, other changes in cost estimates and strategic or operational changes. The estimate also reflects cost estimate changes which have not yet been applied to the site decommissioning plan but are expected to be applied in future (for example plutonium management costs) and accounting changes (for example the exclusion of costs which are not NDA's direct liabilities).

The nuclear provision estimate for Nuclear Restoration Services is based on management's preferred strategy for decommissioning the former Magnox sites, in which a rolling decommissioning approach is used to clear each site in sequence, with the last site reaching final site clearance in 2130. In accordance with the Scottish Waste policy the two former Magnox sites in Scotland will continue to manage waste locally after this date. For the purposes of the nuclear provision, the liability estimate for the former Magnox sites is capped at 2130.

The Nuclear Restoration Services segment includes the Dounreay site.

The activities of the Nuclear Waste Services division include the planning, construction and operation of the Geological Disposal Facility (GDF), the operation of the Low Level Waste Repository (LLWR) and the management of residual liabilities at the former NDA sites of Springfields and Capenhurst. The GDF will be the permanent disposal facility for wastes which are currently held at nuclear licensed sites in England and Wales.

The nuclear provision estimate for Nuclear Waste Services is based on the decommissioning cost estimate for the GDF, using assumptions of the location, size, and favourable geological conditions of the site (the location of which is not yet determined). Management have considered the implications of the decision by Lincolnshire County Council to withdraw from the GDF siting process in June 2025. Therefore, they have concluded that as the process to agree a suitable site is ongoing, the use of generic location, size and favourable geological assumptions remains appropriate.

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).	£8,327m reduction (50% reduction in the costs of the most uncertain elements of expenditure beyond the first 20 years)	£49,962m 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.	£2,219m reduction (10% variance in costs)	£2,219m 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.	£1,107m reduction (50% reduction in the costs of the most uncertain elements of expenditure beyond the first 20 years)	£6,640m increase (300% increase in the costs of the most uncertain elements of expenditure beyond the first 20 years)
Nuclear Waste Services (Low Level Waste Repository): Key sensitivities are in the timing and costs of completing waste management operations and decommissioning work at the LLW Repository.	£274m reduction (10% variance in costs)	£137m increase (5% variance in costs)
Nuclear Transport Solutions: Key sensitivities are in the and cost estimates for the decommissioning of transport assets.	£7m reduction (10% variance in costs)	£4m increase (10% variance in costs)
Total	**£11,934m reduction**	**£58,962m increase**

Undiscounted movements – NDA nuclear provision

	Sellafield £m	NRS £m	NWS £m	NTS £m	2026 Total £m
Opening balance	151,161	48,572	16,134	87	215,954
Net movements	40,130	5,849	13,456	3	59,438
Closing Balance	**191,291**	**54,421**	**29,590**	**90**	**275,392**

Cost estimates are reviewed annually to reflect changes in the site decommissioning plans and other assumptions on which they are based. During 2025/26 these reviews incorporated the revised cash flow expectations of the Spending Review settlement as well as other cost updates.

Whilst some movements in the provision are formulaic in nature and calculated by reference to external benchmarks, changes in cost estimates are inherently uncertain and require a significant amount of management review and judgement.

The precise cause and magnitude of cost estimate changes differ between operating companies, however the key drivers of these changes are:

- Prolongation costs: The decommissioning programme is inherently long-term and complex, and delivery timelines are influenced by both operational performance and funding constraints. The group reassessed the plans in the light of the recent Spending Review and operational performance and has assumed that some activities will start later in the decommissioning mission or take longer than originally assumed. The NDA continues to manage these impacts through active prioritisation, optimisation of delivery strategies and integration into long-term planning assumptions. The group recognises that extending site operations requires the annual support costs (such as site security, safety, and other support costs) to be incurred for a longer period, increasing the total costs of decommissioning over the life of the plan and therefore considers this within the context of balancing risk and hazard reduction, affordability and delivery of the overall mission.

- Asset condition: The NDA manages a complex estate of ageing assets, where condition and obsolescence present ongoing risks to safety, compliance and delivery of the decommissioning mission. As part of the recent Spending Review submissions, some planned activity has been deferred due to the constrained funding, extending asset lifecycles and increasing the importance of active asset management. The extended operation and maintenance of ageing facilities increases the lifetime costs, and therefore the nuclear provision.
- Repricing and cost changes: The NDA continues to operate in a complex and evolving cost environment, where inflationary pressures, supply chain constraints and market capacity have contributed to repricing across a range of activities. These factors have increased the cost of delivering the decommissioning mission and introduced additional uncertainty into both near-term plans and long-term estimates. The reprioritisation and, in some cases, deferral of activity extends delivery timelines, which can further increase costs over the lifecycle of programmes. Coupled with a reassessment of the site operational and support costs, while these pressures remain, they are actively managed through disciplined cost control, prioritisation of risk and hazard reduction, and integration into long-term planning and the nuclear provision.

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

Restatement of the Nuclear Decommissioning as a result of prior period adjustments

Prior year comparatives have been restated to reflect the prior period adjustment as detailed in note 25. Effect of the prior period restatements resulted in the NDA nuclear decommissioning provision liability to reduce by £961m, reflecting the removal of Site Licence Companies (SLCs) net pension balances incorrectly included within it.

18.2. Other provisions

	Concessionary fuel £m	Energy schemes £m	Legacy ailments £m	Other £m	Core department total £m	Mining Remediation Authority (formerly Coal Authority) £m	Other £m	Departmental group total £m
Balance at 1 April 2024	**300**	**107**	**164**	**73**	**643**	**1,608**	**140**	**2,391**
Change in discount rate	(2)	-	(1)	-	**(3)**	(60)	(11)	**(74)**
Provided in the year	2	-	-	4	**6**	143	88	**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**	**193**	**2,326**
Balance at 1 April 2025	**270**	**1**	**110**	**44**	**424**	**1,709**	**193**	**2,326**
Change in discount rate	(4)	-	(1)	(1)	**(6)**	(134)	1	**(139)**
Provided in the year	25	-	1	6	**32**	46	(29)	**49**
Provisions not required written back	(18)	(1)	(5)	(5)	**(29)**	(10)	(1)	**(40)**
Provisions utilised in the year	(33)	-	(10)	(6)	**(49)**	(60)	(9)	**(118)**
Unwinding of discount	5	-	2	2	**9**	20	1	**30**
Balance at 31 March 2026	**245**	**-**	**97**	**40**	**381**	**1,571**	**156**	**2,108**

Core department

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 20,476 beneficiaries at 31 March 2026, 18,208 have opted for the cash alternative at an average cost per beneficiary of £1,331 per annum; the average annual cost of solid fuel for the remainder is £2,121 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 2026 is £244m (31 March 2025: £270m); the undiscounted liability as at 31 March 2026, at prices as at the reporting date so excluding the impact of future inflation, is £289m (31 March 2025: £308m).

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 2026 is £97m (31 March 2025: £110m). The undiscounted liability, at prices as at the reporting date so excluding the impact of future inflation, is £113m (31 March 2025: £130m). 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 (formerly Coal Authority)

The provision for liabilities and charges at 31 March 2025 is £1,571m (2024: £1,709m). Forecasted cash flows, which reflect our latest assumptions, included within this provision before inflation and discounting are forecast at £4,150m (2025: £4,060.4m), an increase of £89.6m. This increase is predominantly driven by mine water scheme costs.

As at 31 March 2026, the provision consists of:

- Responsibilities for mine water treatment: £1,121m (2025 £1,238m)
- Public safety and subsidence: £328m (2025 £324m)
- Subsidence pumping stations: £74m (2025 £93m)
- Other property related provisions also exist amounting to £48m (2025 £55m).

19. Retirement benefit obligations

The departmental group consolidates eight defined benefit pension arrangements from its designated bodies including:

- Nuclear Decommissioning Authority (NDA)
- Nuclear site licence companies (SLCs)

All schemes are accounted for in accordance with IAS 19 'Employee Benefits'. They are subject to the UK regulatory framework and under the scope of the scheme specific funding requirement. The schemes' trustees are responsible for operating these defined benefit plans and have a statutory responsibility for ensuring the schemes are sufficiently funded to meet current and future benefit payments.

Defined benefit scheme liabilities expose the departmental group to material financial uncertainty, arising from factors such as changes in life expectancy and in the amount of pensions payable. Some scheme investments, such as equities, should offer long-term growth in excess of inflation, but can be more volatile in the shorter term than government bonds.

The details of each scheme are 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 2026.

As at 31 March 2026, the weighted average duration of the combined schemes is 11.8 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 5 defined benefit final salary pension schemes relating to the 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

All are closed to new entrants. The actuaries rolled forward the results to determine approximate positions as at 31 March 2026.

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 2026	31 March 2025
	Funded pension schemes	Funded pension schemes
	£m	£m
Present value of defined benefit obligation at 1 April	**4,186**	**4,698**
Interest cost	236	215
Current service cost	68	95
Benefits paid, transfers in and expenses	(222)	(214)
Actuarial (gains)/losses in financial assumption	(138)	(6)
Actuarial (gains)/losses on defined benefit obligation due to demographic assumptions	23	(632)
Actuarial (gains)/losses arising from experience adjustments	182	10
Employee contributions	22	20
Present value of defined benefit obligation at 31 March	**4,357**	**4,186**
Fair value of assets at 1 April	**5,172**	**5,361**
Expected return on plan assets	296	246
Employer contributions	95	116
Benefits paid, transfers in and expenses	(222)	(214)
Actuarial gains/(losses)	(18)	(357)
Employee contributions	22	20
Fair value of assets at 31 March	**5,345**	**5,172**
Net (asset)/liability at 31 March	**(988)**	**(986)**

The combined net asset value has increased to £988m as 31 March 2026 (£986m 31 March 2025). 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 2025 and 31 March 2026.

Net (asset)/liability by scheme

	31 March 2026			31 March 2025		
	Present value of defined benefit obligation £m	Fair value of assets £m	Net (asset)/ liability £m	Present value of defined benefit obligation £m	Fair value of assets £m	Net (asset)/ liability £m
NWS CNPP[(a)]	32	45	(13)	31	40	(9)
NRS ESPS[(b)]	1,929	2,001	(72)	1,863	2,083	(220)
NRS CNPP[(a)]	265	345	(80)	255	315	(60)
Sellafield GPS	424	582	(158)	412	567	(155)
Sellafield CNPP	1,620	2,263	(643)	1,524	2,051	(527)
NDA[(a)]	87	109	(22)	101	116	(15)
Total net (asset)/liability at 31 March	**4,357**	**5,345**	**(988)**	**4,186**	**5,172**	**(986)**

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 CNPP and ESPS 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 2026 £m	31 March 2025 £m
Equities	1,031	1,077
Property	553	596
Government bonds	1,216	985
Corporate bonds	369	359
Other growth assets	681	743
Other	1,495	1,412
Balance at reporting date	**5,345**	**5,172**

As at 31 March 2026, the NRS schemes had a total asset balance of £2,346m (31 March 2025: £2,237m), of which £103m (31 March 2025: £76m) are government bond assets, £232m (31 March 2025: £323m) are other growth assets which are not quoted in an active market, £349m (31 March 2025: £371m) are property assets and £156m (31 March 2025: £171m) are corporate bonds.

The Sellafield schemes had £2,845m at 31 March 2026 (31 March 2025: £2,618m) 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

	NWS		NRS (ESPS)		NRS (CNPP)		Sellafield (CNPP)		Sellafield (GPS)	
	25-26	24-25	25-26	24-25	25-26	24-25	25-26	24-25	25-26	24-25
Discount rate	**6.1%**	5.7%	**6.0%**	5.7%	**6.1%**	5.7%	**6.1%**	5.7%	**6.1%**	5.7%
Inflation (Retail Price Index)	**3.3%**	3.1%	**3.4%**	3.2%	**3.3%**	3.2%	**3.3%**	3.1%	**3.3%**	3.2%
Life expectancy at 65, currently aged 65 (male)	**21.1**	20.7	**22.5**	21.8	**21.1**	20.7	**21.1**	20.7	**21.1**	20.7
Life expectancy at 65, currently aged 45 (male)	**22.3**	22.0	**23.1**	22.4	**22.3**	22.0	**22.3**	22.0	**22.3**	22.0
Life expectancy at 65, currently aged 65 (female)	**23.3**	23.3	**24.3**	23.8	**23.3**	23.3	**23.3**	23.3	**23.3**	23.3
Life expectancy at 65, currently aged 45 (female)	**24.8**	24.7	**25.1**	24.6	**24.8**	24.7	**24.8**	24.7	**24.8**	24.7
Life expectancy at 60, currently aged 60 (male)	**25.6**	25.2	**27.0**	26.3	**25.6**	25.2	**25.6**	25.2	**25.6**	25.2
Life expectancy at 60, currently aged 40 (male)	**27.1**	26.8	**27.8**	27.2	**27.1**	26.8	**27.1**	26.8	**27.1**	26.8
Life expectancy at 60, currently aged 60 (female)	**28.2**	28.1	**29.1**	28.5	**28.2**	28.1	**28.2**	28.1	**28.2**	28.1
Life expectancy at 60, currently aged 40 (female)	**29.7**	29.6	**30.0**	29.4	**29.7**	29.6	**29.7**	29.6	**29.7**	29.6

Major actuarial assumptions for NDA

	NDA (Closed)		NDA (Nirex)	
	2025–26	2024–25	2025–26	2024–25
Discount rate	6.05%	5.65%	5.95%	5.65%
Inflation (Retail Price Index)	3.30%	3.15%	3.35%	3.20%
Life expectancy at 65, currently aged 65 (male)	21.1	20.71	21.10	20.70
Life expectancy at 65, currently aged 45 (male)	22.3	21.99	22.30	22.00
Life expectancy at 65, currently aged 65 (female)	23.3	23.3	23.30	23.30
Life expectancy at 65, currently aged 45 (female)	24.8	24.7	24.80	24.70
Life expectancy at 60, currently aged 60 (male)	25.6	25.21	25.60	25.20
Life expectancy at 60, currently aged 40 (male)	27.1	26.81	27.10	26.80
Life expectancy at 60, currently aged 60 (female)	28.2	28.14	28.20	28.10
Life expectancy at 60, currently aged 40 (female)	29.7	29.63	29.70	29.60

Sensitivity analysis

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

	NWS	NRS	Sellafield	NDA
	£m	£m	£m	£m
0.5 percentage point decrease in annual discount rate	3	126	165	5
0.5 percentage point increase in inflation assumption	3	101	168	5
1 year increase in life expec-tancy	1	77	40	3

20. Capital and other commitments

Total minimum payments for capital and other commitments

		31 March 2026		31 March 2025	
		Core department	Departmental group	Core department	Departmental group
	Note	£m	£m	£m	£m
Contracted capital commitments	20.1	2	6,993	7	1,029
Other financial commitments	20.2	397	18,046	446	8,308
Total		**399**	**25,039**	**453**	**9,337**

20.1. Capital commitments

	31 March 2026	31 March 2025
	Departmental group	Departmental group
	£m	£m
Contracted capital commitments not otherwise included in these financial statements:		
Property, plant and equipment	6,972	1,017
Intangible assets	21	12
Total	**6,993**	**1,029**

Departmental group

Sizewell C

Capital commitments as at 31 March 2026 include purchase commitments of £6,056m, letters of credit issued via BNP Paribas and HSBC of £239.8m, all in respect of construction activities related to the development of the Sizewell C nuclear plant.

Carbon Capture, Transport & Storage Companies (T&SCo)

Capital commitments as at 31 March 2026 is £579m in relation to construction of carbon capture, transport, usage and storage infrastructure.

20.2. Other financial commitments

The financial commitments payable in future years include payments due under non-cancellable contracts to the organisations below.

Organisation	Within one year £m	Later than one year and not later than 5 years £m	Later than 5 years £m	Total 31 March 2026 £m	Total 31 March 2025 £m
Various suppliers	10	13	-	23	47
Other	45	37	8	90	118
International subscription - IAEA	15	61	83	159	168
International subscription - Other	16	44	65	125	113
Total core department	**86**	**155**	**156**	**397**	**446**
East Suffolk and Suffolk County Councils	-	-	145	145	142
Dispatchable Power Agreement (DPA)	-	-	12,300	12,300	7,720
Clean Industry Bonus (CIB)	-	-	204	204	-
Industrial Carbon Capture (ICC)	-	-	3,400	3,400	-
Industrial Carbon Capture Waste (ICCW)	-	-	1,600	1,600	-
Total departmental group	**86**	**155**	**17,805**	**18,046**	**8,308**

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 £145m 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 Sizewell C 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 Coast Cluster) on November 19, 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 contractual commitment by the departmental group to provide the Availability Payment once the generator has performed their obligations. The estimated future exposure is £12.3bn. The reason for this change from prior year is due to new information becoming available in 2025-26 as the T&S charges for the East Coast Cluster can now be incorporated into the forecast.

The departmental group entered into an Industrial Carbon Capture Agreement (ICC) with Castle Cement Limited (relating to Padeswood Cement Works) on 9 September 2025. ICC includes Capex, Opex, Transport and Storage (T&S) fees and Free Allowance (FA) payment mechanisms, which compensate the emitter for the capture of CO_2. No liability has been recognised in the financial statements as at the reporting date, but the ICC represents a contractual commitment by the departmental group to provide the Capex, Opex, T&S fees and FA payments once the emitter has performed their obligations. The estimated future exposure is £3.4bn.

The departmental group entered into a Waste Industrial Carbon Capture Agreement (ICCW) with Encyclis Limited (relating to Protos Energy Recovery Facility Project) on 11 September 2025. ICC includes Capex, Opex and Transport and Storage (T&S) fees payment mechanisms, which compensate the emitter for the capture of CO_2. No liability has been recognised in the financial statements as at the reporting date, but the ICC represents a contractual commitment by the departmental group to provide the Capex, Opex and T&S fees payments once the emitter has performed their obligations. The estimated future exposure is £1.6bn.

During the year, the Clean Industry Bonus (CIB) was introduced as part of Allocation Round 7 (AR7) of the CfD scheme to incentivise investment in UK supply chains and manufacturing associated with offshore wind projects. CIB statements are issued by the department. Government announcements indicate that approximately £204m of public funding under the CIB is expected to leverage significant private sector investment in domestic manufacturing, infrastructure and supply chains.

21. Financial instruments

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

	Note	31 March 2026		31 March 2025	
		Core department £m	Departmental group £m	Core department £m	Departmental group £m
Financial assets at amortised cost					
Cash and cash equivalents	15	991	3,155	705	2,594
Receivables[(i)]	14	367	777	459	847
Loans to public sector bodies[(ii) & (iii)]	10.2	1,361	199	128	126
Other financial assets and private sector loans	11.1	62	62	70	70
Total financial assets at amortised cost		**2,781**	**4,193**	**1,362**	**3,637**
Elected at fair value through other comprehensive income (FVTOCI)					
Ordinary shares in public sector companies[(iv)]	10.1	872	1,636	857	1,581
Other financial assets	11.1	40	46	43	43
Total financial assets elected at FVTOCI		**912**	**1,682**	**900**	**1,624**
Mandatory at fair value through profit or loss (FVTPL)					
Derivatives - forward contracts[(iv)]	9	-	11	-	-
Derivatives - CfD[(iv)]	9.1	-	3,005	-	3,022
Derivatives - LCHA[(iv)]	9.2	-	9	-	-
Derivatives - interest rate swaps[(iv)]	9	-	154	-	85
Other financial assets and private sector loans	11.1	205	217	172	172
Total financial assets mandatory at FVTPL		**205**	**3,396**	**172**	**3,279**
Financial liabilities at amortised cost					
Payables[(i)]	16	(114)	(1,299)	(117)	(797)
Borrowings[(vi)]		-	(8,357)	-	(493)
Total financial liabilities at amortised cost		**(114)**	**(9,656)**	**(117)**	**(1,290)**
Mandatory at fair value through profit or loss (FVTPL)					
Derivatives - forward contracts[(iv)]	9	-	(11)	-	-
Derivatives - CfD[(iv)]	9.1	-	(113,928)	-	(93,427)
Derivatives - LCHA[(iv)]	9.2	-	(2,253)	-	(1,243)
Total financial liabilities mandatory at FVTPL		**-**	**(116,192)**	**-**	**(94,670)**

Notes

(i) The amounts disclosed above as payables and receivables exclude any assets or liabilities which do not arise from a contractual arrangement.

(ii) Loans to public sector bodies comprises the loans detailed in note 10.

(iii) Ordinary shares in public sector companies excludes bodies that are consolidated in the departmental group, as these are held at cost, see note 10.1.

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

- forward contracts are classified as level 1
- the fair value of public sector shares is based upon net assets and classified as level 2
- the fair value of interest rate swaps is based on observable market inputs with adjustments for unobservable inputs and classified as level 2
- the fair value of the CfD and LCHA 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.

(vi) Borrowings include loan facilities entered into for the purpose of construction of infrastructure assets in relation to Sizewell C totalling £7,034m (31 March 2025: £nil), Net Zero North Sea Storage Limited totalling £890m (31 March 2025: £493m) and Liverpool Bay CCS Limited £353m (31 March 2025: £nil).

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 £3,155m as at 31 March 2026 (31 March 2025: £2,594m). 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 LCHA 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 NZNSS and Liverpool Bay CCS 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 these entities 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.

Forward contracts are held by Sizewell C as cash flow hedges to mitigate significant and sustained foreign currency exposure driven by the need to purchase many assets, materials and services from key European suppliers.

The departmental group is exposed to wider risks relating to the performance of the economy as a whole. The main risks resulting from a downward movement in the economy including failures of investee companies of investment funds, and loan defaults.

Inflation risk

The amounts payable under the CfD and LCHA 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 core department holds 382,592,900 deferred Class B Shares and £3,443,336,100 in deferred Class B Shareholder loans in relation to Sizewell C. These represent undrawn amounts at the reporting date. The departmental group's potential exposure to liquidity risk in relation to Sizewell C is considered low. This assessment reflects the availability of committed funding through debt facilities and equity investors, together with the Government Support Package and funding provided through the Regulated Asset Base levy. Sizewell C prepares an annual budget, supported by a three-year financing plan, as at the reporting date this period and the analysis performed extends to 31 March 2029 which has determined that the company is able to meet its obligations as they become due and comply with the debt covenants.

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 LCHA unless and until producers start hydrogen production in line with the terms of the contract.

Commodity price risk

Commodity price risk is the risk or uncertainty arising from possible price movements. The amounts payable under the CfD and LCHA 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.

22. Contingent liabilities

Core department – unquantifiable contingent liabilities

Deeds relating to the Mineworkers' Pension Scheme and British Coal Staff Superannuation Scheme under Paragraph 2(9) of Schedule 5 to the Coal Industry Act 1994

Government guarantees were put in place on 31 October 1994, the day the schemes were changed, to reflect the impact of privatisation of the coal industry. They are legally binding contracts between the scheme Trustees and the Secretary of State for Energy Security and Net Zero. The guarantees ensure that benefits earned by scheme members during their employment with British Coal, and any benefit improvements from surpluses which were awarded prior to 31 October 1994, will always be paid and will be increased each year in line with the Retail Prices Index. If, at any periodic valuation, the assets of the Guaranteed Fund of either scheme were to be insufficient to meet its liabilities, the assets must be increased to bring the Fund back into balance. This is a long-term contingent liability dependent on the performance of the schemes' investments and their mortality experience. Further details regarding the schemes can be found in note 14.

Indemnity to Public Appointment Assessors

The Cabinet Secretary has provided a government-wide indemnity to Public Appointments Assessors (PAAs) against personal civil liabilities incurred in the execution of their PAA functions.

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 2026 of £35bn (31 March 2025: £27.2bn) has a present value of £15.9bn (31 March 2025: £13.6bn). The value of the fund as at 31 March 2026 is £20.7bn (31 March 2025: £20.5bn). 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.

Bill Discounts Scheme for Electricity Transmission Network Infrastructure

The Department has entered into an agreement to fund certain set-up costs incurred by Ofgem in relation to the Bills Discount Scheme, which supports electricity network infrastructure build across the country, should Ofgem be unable to recover those costs in-year due to delays. The Department's potential exposure under this agreement is capped at £3.2m and delivery progress is being closely monitored to limit the likelihood that this liability will crystallise.

Departmental group – unquantifiable contingent liabilities

The departmental group has the following unquantifiable contingent liabilities. Other liabilities are disclosed in our arms 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 – Site Closures

CNPA monitors future service delivery through its medium-term financial planning, assessing the impact of site decommissioning on policing requirements. Services cease only once the Office for Nuclear Regulation (ONR) approves changes to site security, with cessation activities beginning following formal 18-month notice, at which point potential liabilities are considered.

ONR confirmed that CNPA policing service will no longer be required from July 2025 for the Hunterston site as it is being decommissioned. Uncertainties remain, including potential Public Interest Transfer costs that maybe incurred over the two-year period following policing ceasing onsite. Regarding the other nuclear sites, no confirmed cessation dates or notices exist and therefore no quantifiable obligations arise.

The CNPA undertakes a detailed review of potential legal claims and where appropriate, a provision is made. However, there could be potential liabilities in respect of claims from employees that are yet unknown or unlikely to succeed. These liabilities have not been provided for as the CNPA believes that any potential claims are unlikely to be successful and unlikely to lead to a transfer of economic benefits.

NDA – Pension Schemes

Whilst not the lead employer, the NDA is the lead organisation and has ultimate responsibility for certain nuclear industry pension schemes, including the Combined Nuclear Pension Plan and the Magnox section of the ESPS. Provisions for known deficits are included within Nuclear Provisions. However, movements in financial markets may adversely impact the actuarial valuations of the schemes, resulting in an increase in scheme deficits and consequent increase in nuclear provision.

NDA – Uranic Material

At 31 March 2026, 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.

NDA - Legislative Changes

NDA management has identified a potential financial obligation to pay landfill tax arising in connection with certain aspects of the Group's current and historic waste disposal operations. Whether an obligation exists and, if so, the extent of any such obligation, is contingent on the interpretation and application of changes to relevant legislation. There is significant uncertainty as to whether an obligation was intended to be created or in practice exists.

Based on the information currently available, management consider that the likelihood of an outflow of economic resources is higher than remote, but not probable. Accordingly, the criteria for recognition of a provision under IAS 37 have not been met and the matter has been classified as a contingent liability.

Due to the inherent uncertainties and the current stage of assessment, it is not currently possible to reliably estimate the potential financial effect, given the uncertainty regarding the applicability and scope of the relevant regulations. The matter is subject to ongoing review as further information becomes available.

LCCC – RSA with Net Zero North Sea Storage and Liverpool Bay CCS

As of the reporting date, LCCC has entered into a Revenue Support Agreement (RSA) with Net Zero North Sea Storage Limited and Liverpool Bay CCS 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 no triggering event that is linked to the T&SCo Commercial Operations Date (COD) 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.

LCCC and both T&SCos 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 T&SCo 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 (£17,780m)

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 Nuclear Restoration Services (NRS). 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 NDA therefore recognises a contingent liability for the future decommissioning costs of the stations. This has been estimated by the current owner of the stations at £17,780m (undiscounted) in its most recently published financial statements.

UKAEA – indemnities provided on land access licences at adjoining farmland to the West Burton site

UK Fusion Energy Ltd (UKFE) has remote contingent liabilities with respect to 6x indemnities provided to farmers. This is in relation to 3x land access licences to perform a non-intrusive topographic and tree surveys. The indemnity cap is £5m for 5 and £1m for the remaining licence, each expiring 3 months after the last access to the land. These indemnities are as at 31 March 2026 and all are set to have expired by June 2026.

Sizewell C – Deed of Obligation

Contingent liabilities of £55.8m (2024: £60.3m) depending on the Company's future activities in assessing and determining amount of contributions. The contingent liabilities are subject to approval and clawback if not allocated appropriately – therefore have been accounted for under the cost accumulation approach and will be capitalised as incurred.

23. Contingent assets

Core department – quantifiable contingent assets

Deed relating to the British Coal Staff Superannuation Scheme (BCSSS) under Paragraph 2(9) of Schedule 5 to the Coal Industry Act 1994 (£1.9bn)

In 2024-25, a contingent asset was disclosed in relation to potential receipts from any surplus remaining on the BCSSS net of any amount retained for the obligation, which was due back to the Guarantor (the DESNZ Secretary of State). In the 2025 Budget announcement, the government confirmed that the Investment Reserve Fund within the BCSSS will be transferred to the Scheme's Trustees and paid out to members as an additional pension. The Department therefore no longer assesses this to be a contingent asset.

Departmental group – unquantifiable contingent assets

Mining Remediation 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.

Sizewell C purchase price reduction

As part of the main site land purchase, a potential purchase price reduction was agreed contingent upon the conclusion of the Unexploded Ordnance programme and the actual costs incurred. The potential price reduction remains uncertain as of year-end.

United Kingdom Atomic Energy Authority – West Burton Site

There exist material pulverised coal ash deposits on the West Burton site. An ash disposal permit currently exists, to the end of March 2027, which the previous operators of the site hold. These deposits may generate future economic benefits if extraction is permitted upon UKAEA seeking a licence application from the Environment Agency. The permit application activity is expected to be undertaken, with the outcome of granting an ash disposal permit considered probable, but not virtually certain. Therefore, no asset has been recognised.

24. Related-party transactions

The core department is the parent of the bodies listed in note 26 'List of bodies within the departmental group' – these bodies are regarded as related parties and various material transactions have taken place during the reporting period between members of the departmental group. The related parties of the consolidating bodies are disclosed in their respective accounts. The core department is also the sponsor of NNL Holdings Limited.

The core department has engaged in material transactions with other consolidated bodies, other government bodies, and devolved administrations (the Northern Ireland Executive, Scottish government and Welsh government). The most significant of these transactions have been with the Exchequer Consolidated Fund and Contingencies Fund, Nuclear Decommissioning Authority, Office of Gas and Electricity Market, National Energy System Operator, Bank of England, United Kingdom Atomic Energy Authority and Department for Business and Trade.

Ministers, board members, key managers of the departmental group or other related party who have undertaken any material transactions with the core department during the year are listed below. Details of the department's ministers and senior managers are shown in the Remuneration Report. 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 £2m 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 investments in Sizewell C are detailed in note 10.

The former Chief Financial Officer (to 1 Feb 2026) of the core department, David Thomas, was a director of UK Shared Business Services Ltd which is an arm's length body of Department for Science Innovation and Technology, until resignation in October 2025. The core department transacted £16m via Integrated Corporate Services (ICS) which provides a range of corporate and support functions during 2025-26.

Conflicts of interest information for ministers and executive and non-executive board members can be found in Directors' report section of the corporate governance report on page 93.

25. Restatement as a result of prior period adjustments

The prior period accounts have been restated to reflect the correct accounting for the Site License Companies (SLCs) pensions and NDA nuclear decommissioning provision.

During the year, the Department identified that in DESNZ Group account SLCs pensions net balances had been incorrectly recognised within the NDA nuclear decommissioning provision liability, and that SLCs pensions in-year movements were omitted from SoCNE.

The effect of prior period restatements on the primary statements has been detailed below:

- The NDA nuclear decommissioning provision liability was reduced by £961m, reflecting the removal of SLCs net pension balances incorrectly included within it in prior periods.
- SLCs pensions movements now accounted in line with IAS 19 Employee Benefits, with the pension service cost and net interest recognised within the Net Expenditure from operations, with actuarial remeasurements recognised within Other Comprehensive Income (OCI).

Impact of restatements on opening balances for the Departmental Group at 31 March 2025

	Balance at 31 March 2025 per 2024-25 published accounts £m	Prior period adjustments £m	Restated balance at 31 March 2025 £m
Consolidated Statement of Comprehensive Net Expenditure			
Total operating income	(4,892)	-	**(4,892)**
Total operating expenditure	13,387	(21)	**13,366**
Other income and expenditure	7,171	(30)	**7,141**
Other comprehensive income and expenditure	(102)	(278)	**(380)**
Comprehensive net (income)/ expenditure for the year attributable to taxpayers	**15,564**	**(329)**	**15,235**
Consolidated Statement of Financial Position			
Non-current assets	13,604	-	**13,604**
Current assets	3,810	-	**3,810**
Current liabilities	(14,455)	-	**(14,455)**
Non-current liabilities	(204,038)	961	**(203,077)**
General fund	202,435	(961)	**201,474**
Revaluation reserve	(712)	-	**(712)**
Non-controlling interests	(644)	-	**(644)**
Consolidated Statement of Cash Flows			
Net operating cost	(15,666)	51	**(15,615)**
Adjustments for non-cash expenditure (presented on multiple lines in the published 2024-25 accounts)	13,881	(51)	**13,830**
Consolidated Statement of Changes in Taxpayers' Equity (departmental group)			
Balance at 1 April 2024	(195,557)	632	**(194,925)**
Net expenditure for the year	(15,666)	51	**(15,615)**
Other comprehensive net (expenditure)/ income for the year	-	278	**278**
Balance at 31 March 2025	(202,435)	961	**(201,474)**

Impact of restatements on opening balances for the Departmental Group at 1 April 2024

	Balance at 31 March 2024 per 2024-25 published accounts £m	Prior period adjustments £m	Restated balance at 31 March 2024 £m
Consolidated Statement of Financial Position			
Non-current assets	9,551	-	9,551
Current assets	6,834	-	6,834
Current liabilities	(15,422)	-	(15,422)
Non-current liabilities	(195,362)	632	(194,730)
General fund	195,557	(632)	194,925
Revaluation reserve	(612)	-	(612)
Non-controlling interests	(546)	-	(546)

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 2025 – known as the Designation Order, and amendments from the Government Resources and Accounts Act 2000 (Estimate and Accounts) (Amendment) Order 2025 – 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 2025–26 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 2025–26

Designated body	Status	Notes
AEA Insurance Limited		Consolidated by United Kingdom Atomic Energy Authority
Bulb Energy Ltd	Other public body	Assets and liabilities are included in the core department's figures
Civil Nuclear Police Authority	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
Electricity Settlements Company Ltd	Other public body	
Enrichment Holdings Ltd	Other public body	
Enrichment Investments Limited		Consolidated by Enrichment Holdings Limited
Great British Energy Group Limited	Other public body	
Great British Energy – Nuclear	Other public body	
Liverpool Bay CCS Limited		
Low Carbon Contracts Company Ltd	Other public body	
Mining Remediation Authority (formerly Coal Authority)	NDPB	
Net Zero North Sea Storage Limited	Other public body	
North Sea Transition Authority (formerly Oil and Gas Authority)	NDPB	
Nuclear Decommissioning Authority	NDPB	
Nuclear Liabilities Financing Assurance Board	Expert committee	Costs are included in the core department's expenditure
Nuclear Restoration Services Limited (formerly Magnox)		Consolidated by Nuclear Decommissioning Authority
Nuclear Waste Services Limited (formerly LLW Repository Limited)		Consolidated by Nuclear Decommissioning Authority
Radioactive Waste Management Limited		Consolidated by Nuclear Decommissioning Authority
Salix Finance Ltd	NDPB	
Sellafield Limited		Consolidated by Nuclear Decommissioning Authority
Sizewell C Limited	Other public body	
Sizewell C (Holding) Limited	Other public body	
Sizewell C (PledgeCo) Limited	Other public body	
United Kingdom Atomic Energy Authority	NDPB	

Designated body	Status	Notes
UKAEA Ltd		Consolidated by United Kingdom Atomic Energy Authority
UK Fusion Solutions Ltd		Consolidated by United Kingdom Atomic Energy Authority
UK Fusion Energy LTD (formerly UK Industrial Fusion Solutions Ltd)		Consolidated by United Kingdom Atomic Energy Authority

(b) Bodies not consolidated in departmental group accounts for 2025–26

Designated body	Status	Notes and website
BNFL (Investments US) Limited	Other public body	Turnover and net assets are not material to departmental group accounts
British Nuclear Group Limited	Other public body	Turnover and net assets are not material to departmental group accounts
Climate Change Committee (formerly the Committee on Climate Change)	NDPB	Turnover and net assets are not material to departmental group accounts
Departmental Nuclear Company Limited	Other public body	Dissolved 30 December 2025
Dounreay Site Restoration Limited		Turnover and net assets are not material to departmental group accounts
LLWR Limited	Other public body	Dissolved 12 May 2026
Magnox Limited	Other public body	Dissolved on 17 March 2026
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	Turnover and net assets are not material to departmental group accounts

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.

Rolls-Royce SMR Contract Signed

On 10 April 2026, Great British Energy – Nuclear (GBE-N) entered into a contract with Rolls-Royce SMR Limited, formally commencing the technology design activities required to support the delivery of the UK's first Small Modular Reactors (SMRs). This contract demonstrates a significant commitment to the programme and supports the Government's clean energy mission. The forecast Stage 1 contract value, covering the period up to a Final Investment Decision is approximately £359m.

Transfer of Hunterston B nuclear power station to NDA

On 23 June 2021, the NDA, UK Government and EDF Energy entered into new decommissioning arrangements for seven Advanced Gas-cooled Reactor (AGR) stations in which the UK Government has directed NDA to take on the future ownership of the stations for decommissioning. The work will be undertaken by the NDA subsidiary, Nuclear Restoration Services Limited. The costs of decommissioning are to be met by the Nuclear Liabilities Fund (NLF), which has been set up to secure funding for decommissioning of the AGR stations.

On 1 April 2026, the NDA took ownership of the first AGR station, Hunterston B. From this date, the NDA Group will assume the decommissioning liabilities associated with the station. Funding for qualifying decommissioning costs is to be provided through the NLF in accordance with the AGR Funding Agreement. Based on the current funding framework and the expectation that sufficient NLF assets exist to meet the qualifying Hunterston B liability, the NDA expects to recognise a corresponding asset in respect of reimbursable qualifying costs, subject to the relevant recognition criteria and the scope of the agreement. Based on the audited financial statements of EDF Energy Nuclear Generation Ltd, the most recent estimated decommissioning cost of Hunterston B is £2.5 billion (undiscounted).

The funding agreement between NDA Group and the NLF includes commitments for the NDA to prepare a detailed decommissioning plan and cost estimate for Hunterston B by March 2028. As NDA's own site-specific estimate is further developed and validated, revisions to current assumptions and cost estimates could be material and will have a direct impact on the nuclear provision and the amounts receivable from the NLF.

Prax Lindsey Oil Refinery

On 28 April 2026, the sale of the Prax Lindsey Oil Refinery to Phillips 66 completed. The government continues to indemnify the Official Receiver whilst the remaining liquidation matters are finalised.

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 HM Treasury Consolidated Fund. In 2025-26, DESNZ collected income for the 4 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 in sectors at risk of carbon leakage currently receive free allowances, though these are gradually being phased out.

Climate change agreements

Climate change agreements (CCA) are voluntary energy efficiency agreements made between industry and the government. CCAs give eligible businesses with energy-intensive processes a significant discount on the Climate Change Levy (CCL). The CCL is a tax on energy use in industry, commerce and the public sector. In return, participants sign up to energy efficiency improvement targets agreed between government and sector associations and set at a facility level. The Environment Agency took over administration of the scheme in 2013. The scheme is currently in Target Period 7 (1 Jan 2026 to 31 Dec 2026). Reporting for the scheme will end on 1 May 2031, with operators able to claim relief until 31 March 2033.

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 currently 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 297 to 301. 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
- financial systems and procedures promote the efficient and economical conduct of business and safeguard financial propriety and regularity
- financial considerations are fully taken into account in decisions on policy proposals, and
- 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 and 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.

Jonathan Brearley

Permanent Secretary and Principal Accounting Officer

13 July 2026

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 2026 under the Exchequer and Audit Departments Act 1921.

The financial statements comprise: the Trust Statement's

- Statement of Financial Position as at 31 March 2026;
- 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 2026 and its net revenue for the consolidated fund for the year then ended; and
- have been properly prepared in accordance with the Exchequer and Audit Departments Act 1921 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2024)*. 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 Forward by the Accounting Officer, the statement of the 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 Forward 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 forward 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 by the Trust Statement or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements 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 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 Foreward 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, 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 journal, 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, Supply and Appropriation (Main Estimates) Act 2025, 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 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 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 report.

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
Comptroller and Auditor General

15 July 2026

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 2026

	Note	2025–26 £'000	2024–25 £'000
Revenue			
License fees and taxes			
EU ETS auction income	2.1	53,381	48,531
UK ETS auction income	2.1	2,786,818	2,521,910
CCA buy-out payments income	2.1	43,387	233
Total licence fees and taxes		**2,883,586**	**2,570,674**
Fines and penalties			
Civil penalties – UK and EU ETS	2.2	16,936	13,351
Civil penalties – ESOS	2.2	3,981	-
Civil penalties – CRC	2.2	-	2
Total fines and penalties		**20,917**	**13,353**
Total revenue and other income		**2,904,503**	**2,584,027**
Expenditure			
Foreign exchange and interest – EU ETS	3.1	2	(472)
Credit losses – de-recognition of penalties	3.2	226	3,348
Total expenditure		**228**	**2,876**
Net revenue for the Consolidated Fund		**2,904,275**	**2,581,151**

The notes on pages 305 to 315 form part of this statement.

Statement of Financial Position

as at 31 March 2026

	Note	31 March 2026 £'000	31 March 2025 £'000
Current assets			
Receivables and accrued fees	4	13,865	7,432
Cash and cash equivalents	5	24,790	36,230
Total current assets		**38,655**	**43,662**
Current liabilities			
Payables	6	2,852	2,838
Total current liabilities		**2,852**	**2,838**
Net current assets		**35,803**	**40,824**
Total net assets		**35,803**	**40,824**
Represented by:			
Balance on Consolidated Fund Accounts		**35,803**	**40,824**

The notes on pages 305 to 315 form part of this statement.

Jonathan Brearley

Permanent Secretary and Principal Accounting Officer

13 July 2026

Statement of Cash Flows

for the year ended 31 March 2026

	Note	2025–26 £'000	2024–25 £'000
Net cash flows from operating activities	A	**2,897,856**	**2,586,363**
Cash paid to the Consolidated Fund	7	(2,909,296)	(2,590,913)
Increase/(decrease) in cash in this period	**B**	**(11,440)**	**(4,550)**

Notes to the Statement of Cash Flows

	Note	2025–26 £'000	2024–25 £'000
A: Reconciliation of Net Cash Flow to Movement in Net Funds			
Net Revenue for the Consolidated Fund	7	2,904,275	2,581,151
(Increase)/decrease in receivables and accrued fees	4	(6,433)	5,210
Increase/(decrease) in payables	6	14	2
Net cash flows from operating activities		**2,897,856**	**2,586,363**
B: Analysis in changes in Net Funds			
Increase/(decrease) in cash in this period		(11,440)	(4,550)
Net Funds as at 1 April (net cash at bank)	5	36,230	40,779
Net Funds as at 31 March (closing balance)	**5**	**24,790**	**36,229**

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 and UK ETS auction income is classified as tax 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. The point of recognition and the receipt of cash occur on the same date
- 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 and CCA 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.

1.8. Accounting standards – introduction of IFRS 18

IFRS 18 will replace IAS 1 Presentation of Financial Statements and is effective for annual reporting periods beginning on or after 1 January 2027 in the private sector. The impact of IFRS 18 on the public sector is still being assessed, and a decision has not yet been taken on an implementation date.

2. Revenue

2.1. Revenue

	2025–26 £'000	2024–25 £'000
EU ETS – auctions income	53,381	48,531
UK ETS – auctions income	2,786,818	2,521,910
CCA buy-out payment income receivable	43,387	233
Total	**2,883,586**	**2,570,674**

EU ETS

Auction dates and units auctioned for EUA Phase IV 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 2025-26, the income from buy-out payments generated £43.4m (2024–25: £0.2m). 2025-26 is the primary reporting year for target period 6. 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

	2025–26			2024–25	
	Number of penalties	Revenue before adjustments and refunds[1] £'000	Revenue £'000	Number of penalties	Revenue £'000
Levied under UK and EU ETS	146	16,404	16,936	141	13,351
Levied under CRC	-	-	-	1	2
Levied under ESOS	171	3,981	3,981	-	-
Total	**317**	**20,385**	**20,917**	**142**	**13,353**

Notes

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

3. Expenditure and disbursements

3.1. Costs incurred in the collection of receipts

	2025–26 £'000	2024–25 £'000
Foreign currency translation (gains)/losses – EU ETS	2	(472)
Total	**2**	**(472)**

3.2. Credit losses

	2025–26 £'000	2024–25 £'000
Credit losses – de-recognition of penalties	226	3,348
Total	**226**	**3,348**

Credit losses of £0.2m 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.

	2025–26 £'000	2024–25 £'000
EU ETS	150	290
UK ETS	2,368	2,230
CCA	1,657	515
ESOS	1,931	1,233

4. Receivables and accrued fees

	2025–26 £'000	2024–25 £'000
Civil Penalties receivable	13,865	7,432
Total	**13,865**	**7,432**

5. Cash and cash equivalents

	2025–26 £'000	2024–25 £'000
Balance as at 1 April	36,230	40,780
Net change in cash and cash equivalent balances	(11,440)	(4,550)
Balance at 31 March 2026	**24,790**	**36,230**
The following balances at 31 March 2026 were held at		
Government Banking Service	24,790	36,230
Total	**24,790**	**36,230**

6. Payables

	2025–26 £'000	2024–25 £'000
Other	2,852	2,838
Total	**2,852**	**2,838**

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

	2025–26 £'000	2024–25 £'000
Balance on the Consolidated Fund as at 1 April	40,824	50,586
Net revenue for the Consolidated Fund	2,904,275	2,581,151
Less amounts paid to the Consolidated Fund	(2,909,296)	(2,590,913)
Balance on the Consolidated Fund as at 31 March 2026	**35,803**	**40,824**

8. Financial Instruments

8.1. Classification and categorisation of financial instruments

	2025–26 £'000	2024–25 £'000
Financial assets		
Cash	24,790	36,230
Civil penalties receivable	13,865	7,432
Total financial assets	**38,655**	**43,662**
Financial liabilities		
Other Payables	(2,852)	(2,838)
Total financial liabilities	**(2,852)**	**(2,838)**

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 a small exchange rate loss of £1,849 incurred as at 31 March 2026 (31 March 2025: £471,560).

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 2026 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) 2025-26.
3. The statement shall be prepared, as prescribed in appendix 1, so as to give a true and fair view of (a) the state of affairs relating to the collection and allocation of taxes, licence fees, fines and penalties and other income by the department as agent and of the expenses incurred in the collection of those taxes, licence fees, fines and penalties insofar as they can properly be met from that revenue and other income; (b) the revenue and expenditure; and (c) the cash flows for the year then ended.
4. The statement shall also be prepared so as to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
5. When preparing the statement, the department shall comply with the guidance given in the FReM (Chapter 11). The department shall also agree with HM Treasury the format of the Principal Accounting Officer's foreword to the statement, and the supporting notes, and the accounting policies to be adopted, particularly in relation to revenue recognition. Regard shall also be given to all relevant accounting and disclosure requirements in Managing Public Money and other guidance issued by HM Treasury, and to the principles underlying International Financial Reporting Standards.
6. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with HM Treasury.

7. The statement shall be transmitted to the Comptroller and Auditor General for the purpose of his examination and report by a date agreed with the Comptroller and Auditor General and HM Treasury to enable compliance with the administrative deadline for laying the audited accounts before Parliament.

8. The statement, together with this direction (but with the exception of the related appendices) and the Report produced by the Comptroller and Auditor General under section 2 of the Exchequer and Audit Departments Act 1921 shall be laid before Parliament at the same time as the department's Resource Accounts for the year unless the Treasury have agreed that the Trust statement may be laid at a later date.

Charlotte Goodrich

Deputy Director, Government Financial Reporting

HM Treasury

18 December 2025

Appendix 1 to annex D

Trust statement for the year ended 31 March 2026

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, 2021-22 to 2026-27

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

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans
	£'000	£'000	£'000	£'000	£'000	£'000
Affordable energy	89,900	12,623,243	138,286	190,165	172,607	238,826
Energy system	903,061	(589,778)	(190,209)	92,378	37,523	59,080
Climate change and decarbonisation	215,060	95,142	141,619	173,728	205,399	141,687
Energy legacy	195,682	195,942	173,484	157,086	160,124	166,623
Science and Research	2,984	2,954	3,029	3,036	2,958	2,800
Deliver an ambitious industrial strategy	6,525	-	(361)	-	(3)	-
Capability	254,696	297,008	327,605	368,174	586,430	382,901
Energy system (ALB) net	(3,288)	332	9,876	5,357	8,077	20,501
Climate change and decarbonisation (ALB) net	14,305	19,758	36,724	40,518	69,629	98,687
Energy legacy (ALB) net	35,260	32,500	47,555	57,610	56,831	69,118
Science and Research (ALB) net	(332)	(846)	(923)	(832)	(618)	1,265
Government as Shareholder (ALB) net	(404)	76	41	8	2	50
NDA and SLC expenditure (ALB) net	1,427,343	1,538,372	1,582,949	1,484,362	1,550,084	1,445,500
Nuclear Decommissioning Authority Income (CFER)	(693,854)	(1,033,318)	(971,813)	(1,146,825)	(1,006,651)	(606,000)
Total Resource DEL	**2,446,938**	**13,181,385**	**1,297,862**	**1,424,765**	**1,842,392**	**2,021,038**
Current grants to persons and non-profit (net)	84,324	12,488,008	(7,116)	68,357	56,919	2,336
Income from sales of goods and services	(710,000)	(1,049,659)	(982,845)	(1,162,933)	(1,024,011)	(633,034)
Other resource	(979,860)	(921,014)	(,125,033)	(1,366,233)	(1,624,747)	(206,762)
Purchase of goods and services	2,609,252	2,675,850	3,109,594	3,240,068	3,707,622	2,234,463
Rentals	(1,389)	(1,528)	(3,640)	(1,407)	(808)	15,976

	2021-22 Outturn £'000	2022-23 Outturn £'000	2023-24 Outturn £'000	2024-25 Outturn £'000	2025-26 Outturn £'000	2026-27 Plans £'000
Staff costs	437,428	496,809	447,325	541,945	594,336	464,204
Subsidies to private sector companies	-	60,978	662	1,544	172	25,575
Subsidies to public corporations	895,000	(628,943)	(266,057)	-	-	-
Take up of provisions	(1,817)	1,186	7,936	20	(7,223)	-
Unwinding of discount rate on pension scheme liabilities	-	-	-	-	(6,497)	-
Change in pension scheme liabilities	(3)	1	60	5	9	-
Current grants abroad (net)	95,439	34,495	45,613	68,494	114,174	87,113
Current grants to local government (net)	18,564	25,202	71,363	34,905	32,446	31,167
Affordable energy	339,062	31,137,649	832,299	(73,964)	26	2,580,572
Energy system	192	(256,296)	(436,960)	(45,422)	(4,289)	9,100,000
Climate change and decarbonisation	(462)	(3,480)	18,024	11,351	(3,237)	4,042,974
Energy legacy	(78,736)	(51,441)	(126,891)	(148,650)	(100,318)	(80,881)
Science and Research	43,988	(69,240)	(16,192)	18,929	208,049	107,200
Capability	24,656	13,953	58,318	13,311	44,913	17,675
Government as Shareholder	21	(37)	-	-	-	-
Renewable Heat Incentive	919,555	1,001,880	1,218,131	1,213,370	1,226,870	1,288,000
Deliver an ambitious industrial strategy	2,814	(14,051)	(478)	-	-	-
Energy system (ALB) net	249	-	4	9,030	10,064	1,678
Climate change and decarbonisation (ALB) net	10,016,686	(13,506,172)	4,009,678	2,414,396	21,495,483	55,501,908
Energy legacy (ALB) net	3,117,194	(3,375,984)	(578,008)	121,472	(120,219)	1,554,313
Science and Research (ALB) net	8,233	5,935	12,031	12,316	60,749	39,415
Government as Shareholder (ALB) net	(84,810)	(87,548)	(86,285)	(83,577)	(86,611)	(80,000)
Nuclear Decommissioning Authority (ALB) net	(100,605,669)	(110,364,232)	(18,371,822)	5,573,594	5,858,211	3,572,000
Energy system (CFER)	-	-	-	-	-	(169,800)
Total Resource AME	**114,914,311**	**(95,569,064)**	**(13,468,151)**	**9,036,156**	**28,589,691**	**77,475,054**
Current grants to persons and non-profit (net)	148,768	20,378,499	978,928	140,435	94,986	16,967
Depreciation	10,473,899	(13,236,278)	6,119,364	4,818,959	24,696,656	68,835,226
Other resource	82,711	680,638	(2,126,648)	(2,117,457)	(2,740,071)	(249,650)
Purchase of goods and services	2,754	6,963	3,284,645	4,560	22,713	-

	2021-22 Outturn £'000	2022-23 Outturn £'000	2023-24 Outturn £'000	2024-25 Outturn £'000	2025-26 Outturn £'000	2026-27 Plans £'000
Release of provision	(3,304,065)	(3,281,469)	(7,215,332)	(4,019,026)	(4,025,340)	(202,723)
Staff costs	-	4	-	-	7	-
Subsidies to private sector companies	777,246	8,361,800	1,102,982	1,110,899	1,124,998	3,868,000
Subsidies to public corporations	345,889	(345,889)	-	-	-	-
Take up of provisions	106,387,109	(108,133,332)	(15,612,090)	9,097,786	9,379,186	5,207,154
Unwinding of discount rate on pension scheme liabilities	-	-	-	-	(53,140)	80
Change in pension scheme liabilities	-	-	-	-	89,696	-
Total Resource Budget	**117,361,249**	**(82,387,679)**	**(12,170,289)**	**10,460,921**	**30,432,083**	**79,496,092**
Current grants to persons and non-profit (net)	233,092	32,866,507	971,812	208,792	151,905	19,303
Depreciation	10,473,899	(13,236,278)	6,119,364	4,818,959	24,696,656	68,835,226
Income from sales of goods and services	(710,000)	(1,049,659)	(982,845)	(1,162,933)	(1,024,011)	(633,034)
Other resource	(897,149)	(240,376)	(3,251,681)	(3,483,690)	(4,364,818)	(456,412)
Purchase of goods and services	2,612,006	2,682,813	6,394,239	3,244,628	3,730,335	2,234,463
Release of provision	(3,304,065)	(3,281,469)	(7,215,332)	(4,019,026)	(4,025,340)	(202,723)
Rentals	(1,389)	(1,528)	(3,640)	(1,407)	(808)	15,976
Staff costs	437,428	496,813	447,325	541,945	594,343	464,204
Subsidies to private sector companies	777,246	8,422,778	1,103,644	1,112,443	1,125,170	3,893,575
Subsidies to public corporations	1,240,889	(974,832)	(266,057)	-	-	-
Take up of provisions	106,385,292	(108,132,146)	(15,604,154)	9,097,806	9,371,963	5,207,154
Unwinding of discount rate on pension scheme liabilities	-	-	-	-	(59,637)	80
Change in pension scheme liabilities	(3)	1	60	5	89,705	-
Current grants abroad (net)	95,439	34,495	45,613	68,494	114,174	87,113
Current grants to local government (net)	18,564	25,202	71,363	34,905	32,446	31,167
Affordable energy	1,256,202	365,271	706,012	1,259,371	1,431,524	1,751,587
Energy system	1,005,678	2,076,559	(325,713)	(2,025,259)	116,012	106,870
Climate change and decarbonisation	581,542	421,343	613,699	706,288	847,707	445,310
Energy legacy	5,620,909	9,131	7,474	17,130	9,070	2,415
Science and Research	230	-	28,576	70,464	9,172	970
Capability	21,363	3,635	133,676	26,012	181,270	(329,793)

	2021-22 Outturn £'000	2022-23 Outturn £'000	2023-24 Outturn £'000	2024-25 Outturn £'000	2025-26 Outturn £'000	2026-27 Plans £'000
Energy system (ALB) net	-	840,898	1,274,171	1,688,707	4,725,127	273,500
Climate change and decarbonisation (ALB) net	2,500	1,628	3,602	446,064	1,043,243	3,125,750
Energy legacy (ALB) net	25,769	24,311	16,904	31,711	44,245	31,083
Science and Research (ALB) net	233,724	264,318	277,053	382,791	514,836	429,500
Government as Shareholder (ALB) net	(59,398)	-	-	-	-	-
NDA and SLC expenditure (ALB) net	2,023,096	2,192,595	2,392,120	2,637,432	2,534,445	2,710,000
Nuclear Decommissioning Authority Income (CFER)	-	-	(129)	(74)	-	-
Total Capital DEL	**10,711,615**	**6,199,689**	**5,127,445**	**5,240,637**	**11,456,651**	**8,547,192**
Current grants to persons and non-profit (net)	2,902	47,703	139,950	153,734	16,793	14,000
Income from sales of assets	(159)	(7,444)	(173)	(1,259)	(179)	-
Income from sales of goods and services	(42,787)	(54,752)	(72,110)	(52,647)	(39,469)	(350)
Net lending to the private sector and abroad	277,550	9,538	(81,581)	32,879	30,936	256,500
Other capital	5,566,017	885	25,430	40,600	154,786	-
Purchase of assets	2,109,071	2,906,675	3,677,204	4,728,509	8,701,734	5,339,352
Purchase of goods and services	251,192	480,382	527,211	580,001	404,154	613,217
Staff costs	109,814	126,771	164,200	194,642	210,746	898
Take up of provisions	125	-	-	693	-	-
Capital grants abroad (net)	198,924	209,404	280,060	313,924	656,396	183,500
Capital grants to persons and non-profit (net)	4,063	(70)	71,546	-	-	-
Capital grants to private sector companies (net)	254,520	150,403	179,842	421,046	343,757	1,132,808
Capital support for local government (net)	641,001	(153,663)	57,743	588,898	462,742	996,267
Capital support for public corporations	1,339,382	2,483,857	158,094	(1,760,392)	514,188	-
Current grants abroad (net)	-	-	29	9	67	11,000
Energy legacy	23,091	-	14,099	-	(7,623)	-
Capability	-	-	-	-	(7)	-
Energy system (ALB) net	-	-	76,500	51,967	(1,857)	2,807,442
Climate change and decarbonisation (ALB) net	54	74	(74)	-	168	-
Energy legacy (ALB) net	-	558	(225)	-	738	146

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans
	£'000	£'000	£'000	£'000	£'000	£'000
Science and Research (ALB) net	(2,342)	(1,986)	(7,811)	(3,674)	(5,168)	-
Energy legacy (CFER)	(142,400)	(142,400)	(142,400)	-	-	-
Total Capital AME	**(121,597)**	**(143,754)**	**(59,911)**	**48,293**	**(13,749)**	**2,807,588**
Net lending to the private sector and abroad	(142,400)	(142,400)	(142,400)	-	-	-
Other capital	23,091	-	14,099	-	(6,847)	77
Purchase of assets	-	-	76,500	51,967	(2,093)	2,744,815
Purchase of goods and services	(2,342)	(1,986)	(7,811)	(3,674)	(5,168)	-
Release of provision	-	-	-	-	-	(2,075)
Staff costs	-	-	-	-	(7)	-
Take up of provisions	54	632	(299)	-	366	64,771
Total Capital Budget	**10,590,018**	**6,055,935**	**5,067,534**	**5,288,930**	**11,442,902**	**11,354,780**
Current grants to persons and non-profit (net)	2,902	47,703	139,950	153,734	16,793	14,000
Income from sales of assets	(159)	(7,444)	(173)	(1,259)	(179)	-
Income from sales of goods and services	(42,787)	(54,752)	(72,110)	(52,647)	(39,469)	(350)
Net lending to the private sector and abroad	135,150	(132,862)	(223,981)	32,879	30,936	256,500
Other capital	5,589,108	885	39,529	40,600	147,939	77
Purchase of assets	2,109,071	2,906,675	3,753,704	4,780,476	8,699,641	8,084,167
Purchase of goods and services	248,850	478,396	519,400	576,327	398,986	613,217
Release of provision	-	-	-	-	-	(2,075)
Staff costs	109,814	126,771	164,200	194,642	210,739	898
Take up of provisions	179	632	(299)	693	366	64,771
Capital grants abroad (net)	198,924	209,404	280,060	313,924	656,396	183,500
Capital grants to persons and non-profit (net)	4,063	(70)	71,546	-	-	-
Capital grants to private sector companies (net)	254,520	150,403	179,842	421,046	343,757	1,132,808
Capital support for local government (net)	641,001	(153,663)	57,743	588,898	462,742	996,267
Capital support for public corporations	1,339,382	2,483,857	158,094	(1,760,392)	514,188	-
Current grants abroad (net)	-	-	29	9	67	11,000
Total Departmental Spending (excl. depreciation)	**117,477,368**	**(63,095,466)**	**(13,222,119)**	**10,930,892**	**17,178,329**	**22,015,646**
Total DEL (excl. depreciation)	**13,158,553**	**19,381,074**	**6,425,307**	**6,665,402**	**13,299,043**	**10,568,230**
Toal AME (excl. depreciation)	**104,318,815**	**(82,476,540)**	**(19,647,426)**	**4,265,490**	**3,879,286**	**11,447,416**

Notes

Totals for Resource DEL and AME for 2024-25 and 2025-26 are different to those shown in the Statement of Parliamentary Supply due to the reclassifcation of ringfenced depreciation costs from DEL to AME. Although the change takes effect from 1st April 2026, Budget Regime Changes are applied to all live years on the HMT OSCAR database (from where these tables are published) from the date of the classification change.

The increases in spend from 2026-27 on energy system (ALB) net Capital AME are due to the reclassification of Sizewell C from Capital DEL.

The large increase in spend in 2022-23 on affordable energy 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 energy system Resource DEL is due to the energy special administration regime.

The credits in 2022-23, 2023-24 and 2024-25 on energy system Resource AME are due to the energy special administration regime.

The large increase in spend in 2021-22 and 2022-23 and credits in 2023-24 and 2024-25 on Energy system Capital DEL is due to the energy special administration regime.

The large increase in spend in 2021-22 on energy legacy Capital DEL is due to the Nuclear Liabilities Fund.

The increases in spend since 2022-23 on energy system (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 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 energy legacy (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 80 of the performance report.

Table 2 – Administration budget, 2021-22 to 2026-27

	2021-22 Outturn £'000	2022-23 Outturn £'000	2023-24 Outturn £'000	2024-25 Outturn £'000	2025-26 Outturn £'000	2026-27 Plans £'000
Resource DEL						
Capability	235,772	285,313	302,457	347,832	383,174	373,685
Climate change and decarbonisation (ALB) net	4,099	6,047	6,692	7,511	2,824	8,609
Energy legacy (ALB) net	1,760	(2,767)	1,975	1,906	1,900	4,401
Government as Shareholder (ALB) net	36	35	38	8	2	50
NDA and SLC expenditure (ALB) net	35,456	30,497	32,016	31,500	31,998	31,500
Total administration budget	**277,123**	**319,125**	**343,178**	**388,757**	**419,898**	**418,245**
Of which:						
Current grants to persons and non-profit (net)	394	751	785	215	352	283
Income from sales of goods and services	(1,979)	(2,545)	(1,679)	(924)	(1,126)	(10)
Other resource	(140,117)	(152,230)	(76,110)	(85,824)	(114,290)	(162,831)
Purchase of goods and services	104,266	133,885	128,489	139,311	161,032	212,961
Rentals	239	(14)	(202)	378	1,991	15,000
Staff costs	314,074	338,940	291,580	335,004	371,768	352,787
Subsidies to private sector companies	-	-	94	329	-	-
Change in pension scheme liabilities	2	-	-	-	-	-
Current grants abroad (net)	244	338	221	23	171	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 18.

Financial Information by ALB

	2025-26						
				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	(104)	9,533	9,356	4,700	404	80	16
UK Atomic Energy Authority	(379)	477	111	1,929	160	394	37
Enrichment Holdings Limited	-	-	(71)	-	-	-	-
North Sea Transition Authority	(43)	43	-	240	27	-	-
NDA	(935)	7,135	8,969	349	54	44	6
Mining Remediation Authority	(25)	(122)	(70)	414	31	44	1
Civil Nuclear Police Authority	(174)	177	4	1,233	130	17	1
Electricity Settlements Company	(1,617)	1,617	-	-	-	-	-
Sellafield Limited	-	-	-	-	-	-	-
Dounreay Site Restoration Ltd	-	-	-	-	-	-	-
Low Carbon Contracts Company	(192)	305	24,555	274	24	-	(2)
Great British Nuclear	(2)	25	19	98	9	136	3
Salix	(1)	31	30	217	13	4	1
Sizewell C	-	16	(6)	1,004	1	-	-
Nuclear Restoration Services Limited	-	-	-	-	-	-	-

							2025-26
				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
Nuclear Waste Services Limited	-	-	-	-	-	-	-
Liverpool Bay CCS Limited	-	-	21	33	-	30	-
Net Zero North Sea Storage Ltd	-	24	(25)	14	-	2	-
Great British Energy	-	14	14	56	6	17	2
Consolidation adjustments	(2,692)	(4,975)	(7,607)	-	(72)	-	-
Total departmental group	**(6,164)**	**14,300**	**35,300**	**10,561**	**787**	**768**	**65**

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

NEBM: Non-executive board member

NLF: Nuclear Liabilities Fund

NNBG: NNB Generation Company (HPC) Limited

NNHL: National Nuclear Holdings Ltd

NSTA: North Sea Transition Authority

OCI: Other Comprehensive Income

ODA: Official Development Assistance

Ofgem: Office of Gas and Electricity Markets

OGA: Oil and Gas Authority

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

SoCF: Statement of Cash Flows

SoCNE: Statement of Comprehensive Net Expenditure

SoCTE: Statement of Changes in Taxpayers' Equity

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

E03633638

ISBN 978-1-5286-6645-9