



National Audit Office

DEPARTMENTAL OVERVIEW

A summary of the NAO's work on the Department of Energy and Climate Change 2010-11

SEPTEMBER 2011

Our vision is to help the nation spend wisely.

We apply the unique perspective of public audit to help Parliament and government drive lasting improvement in public services.

The National Audit Office scrutinises public spending on behalf of Parliament. The Comptroller and Auditor General, Amyas Morse, is an Officer of the House of Commons. He is the head of the NAO, which employs some 880 staff. He and the NAO are totally independent of government. He certifies the accounts of all government departments and a wide range of other public sector bodies; and he has statutory authority to report to Parliament on the economy, efficiency and effectiveness with which departments and other bodies have used their resources. Our work led to savings and other efficiency gains worth more than £1 billion in 2010-11.



National Audit Office

Contents

Introduction 4

Part One

About the Department **5**

Part Two

Financial management **10**

Part Three

Use of information **13**

Part Four

Service delivery **16**

Appendix One

The Department's sponsored bodies at 1 April 2011 **17**

Appendix Two

Results of the Civil Service People Survey 2010 **18**

Appendix Three

Publications by the NAO on the Department or its delivery bodies since 2008 **20**

Appendix Four

Cross-government NAO reports of relevance to the Department since 2008-09 **21**

Appendix Five

Other sources of information **22**

Introduction

Aim and scope of this briefing

The primary purpose of this Departmental Overview is to provide the Energy and Climate Change Select Committee with a summary of the work by the National Audit Office on the Department of Energy and Climate Change (the Department) since June 2010. It is one of seventeen we have produced covering our work on each major government department. The briefing draws on the Department's Annual Report and Accounts for 2010-11 and other published sources, but its main focus is the findings of work published by the National Audit Office (NAO), in particular, those areas where we believe the Department's performance could be improved. The content of the briefing has been shared with the Department to ensure that the evidence presented is factually accurate, but the content of the briefing is the sole responsibility of the NAO.

This is the latest in a series of briefings that we have prepared for the Energy and Climate Change Select Committee on various aspects of the Department's work such as deepwater drilling¹ and the electricity generating landscape in Great Britain.²

We will continue to support all select committees in 2011-12, providing briefing on each major department and supporting specific inquiries wherever our expertise and perspective can add value.

1 *Energy and Climate Change Committee inquiry into UK deepwater drilling* – Memorandum submitted by the National Audit Office, National Audit Office, October 2010, http://www.nao.org.uk/publications/1011/uk_deep_water_drilling_memo.aspx

2 *The Electricity Generating Landscape in Great Britain – Briefing for the House of Commons Energy and Climate Change Select Committee*, July 2010, http://www.nao.org.uk/publications/1011/electricity_generating.aspx

Part One

About the Department

The Department's responsibilities

1 The Department is responsible for driving action to meet national and international commitments to reduce greenhouse gas emissions, and for achieving European Union targets to supply 15 per cent of the UK's energy from renewable sources by 2020. Its current priorities are to:

- save energy through its 'Green Deal' initiative and support vulnerable consumers;
- deliver secure energy supplies and incentivise investment in renewable and low carbon energy;

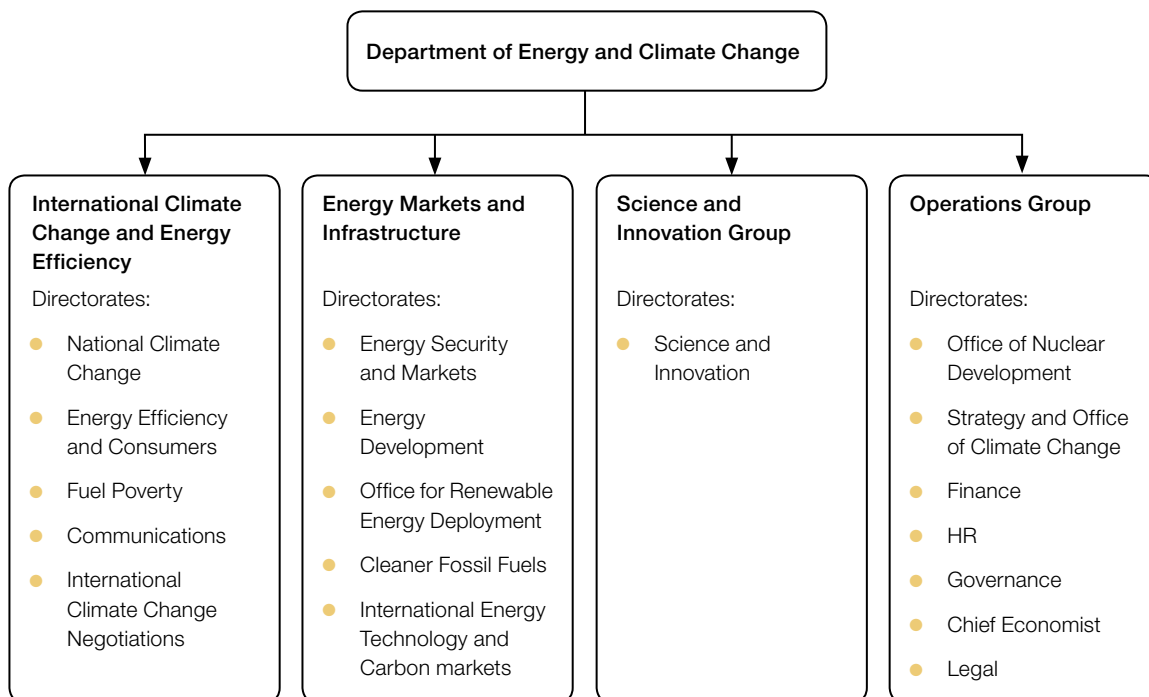
- drive action on climate change domestically and internationally; and
- manage energy liabilities, inherited from the nuclear and coal industries, responsibly and cost-effectively.

How the Department is organised

2 The Department is headed by the Secretary of State for Energy and Climate Change, who chairs the Departmental Board which was established in March 2011 to replace a Management Board, which was chaired by the Permanent Secretary. The Board's responsibilities include setting corporate strategy, agreeing business plans, monitoring the performance of the Department and oversight of sponsored bodies. The Department reorganised its structure in March 2011, following an internal review of budgets and workloads, which reduced the number of business groups from five to four (**Figure 1**).

Figure 1

The Department's main business groups as at 31 March 2011



Source: Department of Energy and Climate Change, Annual Report and Accounts 2010-11

3 The Department devolves some of its delivery responsibilities to sponsored bodies, the largest being the Nuclear Decommissioning Authority. It also works with other delivery partners that include the Office of the Gas and Electricity Markets (Ofgem), which is a non-ministerial department. During 2010-11, the number of non-departmental public bodies in the 'Departmental family' reduced from ten to seven following the closure of the Advisory Committee on Carbon Abatement Technologies, the Renewables Advisory Board and the UK Chemical Weapons Convention National Authority Advisory Committee. These closures were made in response to the Coalition Government's review of public bodies. The Department's sponsored bodies as at 31 March 2011 are listed in Appendix One.

Where the Department spends its money

4 The Department's expenditure in 2010-11 was £4.1 billion, of which £2.9 billion was paid to its main sponsored bodies (**Figure 2**) and the remainder was spent across a number of different areas including fuel poverty (£319 million) and the International Environmental Transformation Fund (£275 million).

5 Government programmes to save energy, reduce emissions and tackle climate change account for an estimated 10 per cent of electricity bills and 4 per cent of gas bills.³ The Department's annual report and accounts do not set out the target or actual costs of delivering schemes that are funded by placing obligations and levies on industry and, therefore, increase the annual cost of energy to consumers. However, the Department has set a cap for levy and other similar spend in 2011-12 of £2.15 billion, covering the Renewables Obligation, Renewable Heat Incentive, Feed-in Tariffs, and Warm Home Discount Scheme.

6 Receipts collected by the Department during 2010-11 from the auctioning of EU Emissions Trading Scheme allowances (£446 million) and from petroleum licence fees (£70 million) were paid into the Consolidated Fund, rather than used to fund the Department's spending.

Recent developments

7 Significant developments that affected the Department during the last year include:

- the Comprehensive Spending Review settlement;
- the completion of the Department's review of its delivery landscape; and
- the publication of the white paper on electricity market reform.

8 The Department received a Comprehensive Spending Review settlement in October 2010 that reduced its programme and administration budget by 18 per cent in real terms for the period 2011-15 against a baseline in 2010-11 of £1.2 billion.⁴ However, the Department's budget for capital spending increased by 41 per cent in real terms for the period 2011-15 against a baseline of £1.7 billion. This increase reflects the Department's plan to award a contract at the end of 2011 to construct a carbon capture and storage demonstration project, which received a funding allocation of up to £1 billion over the spending review period, and to allow the Nuclear Decommissioning Authority to maintain annual spending at around £3 billion over the spending review period in the context of a projected fall in commercial income.

9 In May 2011, the Department published the results of two reviews of its arrangements with delivery partners.⁵ The Department:

- concluded that in future, the Department will lead the delivery of new programmes itself unless there is a clear case for allocating responsibility to a third party;
- decided to cease grant funding for the Carbon Trust and Energy Saving Trust from 2012-13, and expected both organisations to be interested in bidding for contracts with the Department, initially to support the Green Deal; and
- concluded that the regulatory system for energy markets was broadly sound, but that it should be strengthened to bring greater clarity and coherence to the distinct roles of Government and the regulator.

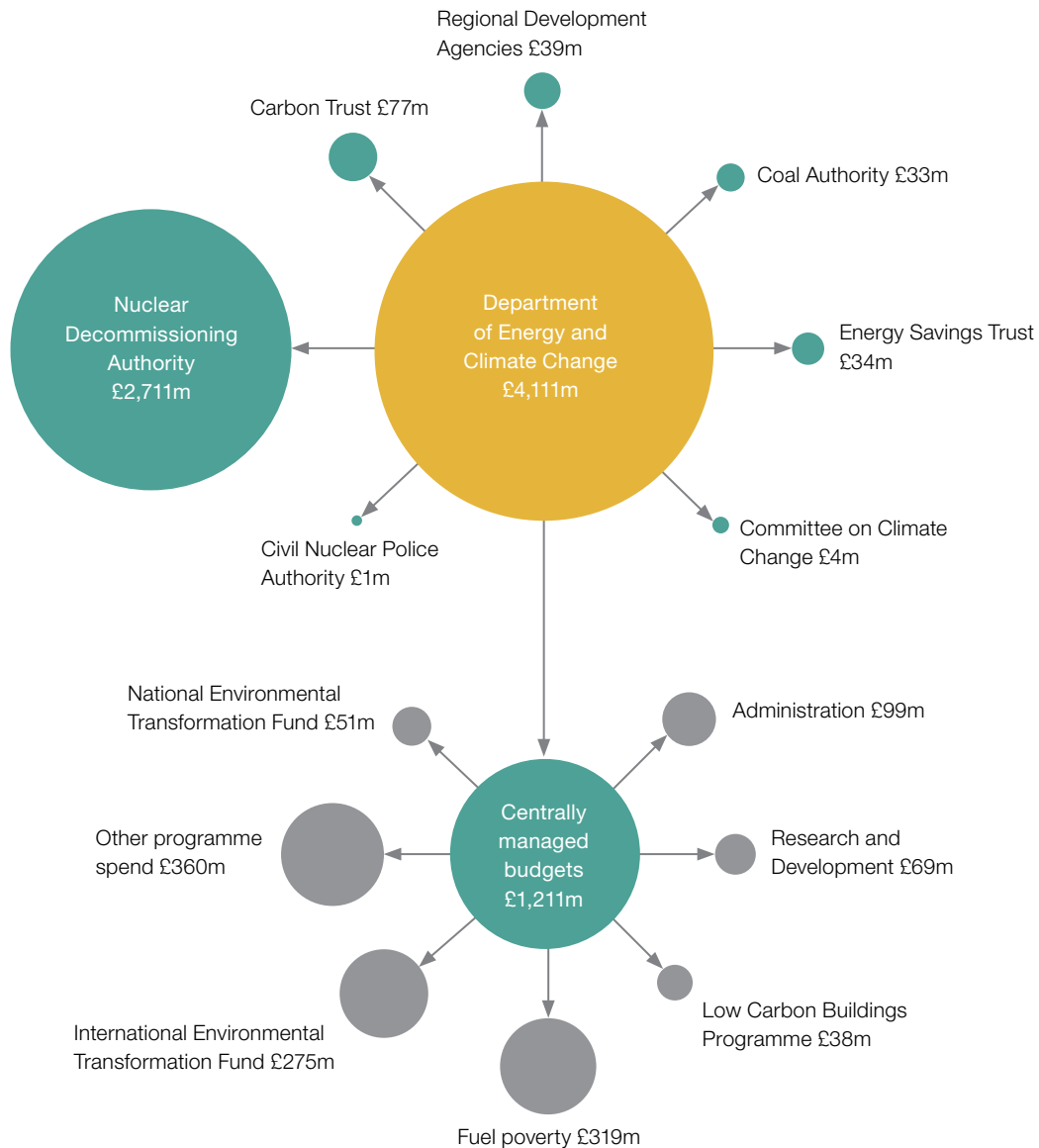
³ *Household energy bills explained* (Factsheet 97), Ofgem, January 2011, <http://www.ofgem.gov.uk/Media/FactSheets/Documents/updatedhouseholdbillsjan11.pdf>

⁴ *Spending review 2010*, Cm 7942, HM Treasury, October 2010.

⁵ *Review of DECC's Delivery landscape*, Department of Energy and Climate Change, May 2011; and *Ofgem Review*, Department of Energy and Climate Change, July 2011.

Figure 2

Where the Department spent its money in 2010-11

**NOTES**

- 1 The figure for the Nuclear Decommissioning Authority is gross of commercial income. The net cost of funding the Authority was £1,620 million.
- 2 The figure for departmental spend on administration is gross. Net spend was £97 million.
- 3 Grant funding for the Carbon Trust and Energy Savings Trust is due to cease at the end of 2011-12.
- 4 Regional Development Agencies are due to close at the end of March 2012.
- 5 The Civil Nuclear Police Authority receives this capital funding from the Department but recovers operating costs from the sites it guards.
- 6 In 2011-12, the International Environmental Transformation Fund was replaced by the International Climate Fund.
- 7 Some numbers do not sum due to rounding.

Source: Department of Energy and Climate Change, Annual Report and Accounts 2010-11

10 The Department intends to publish a statutory 'Strategy and Policy Statement' to clarify responsibilities and provide context for Ofgem's independent regulatory role. A further change to regulatory arrangements was the launch in April 2011 of the Office for Nuclear Regulation (ONR) as an agency of the Health and Safety Executive, pending legislation to establish it as a new independent statutory regulator of the nuclear power industry.

11 The Department published a White Paper in July 2011 that will result in significant reforms to the electricity market.⁶ The Department has forecast that a quarter of the UK's generating capacity will shut down over the next ten years as old coal and nuclear power stations close. It estimates that £110 billion in investment is needed to build new power stations and upgrade the grid to deliver secure and low-carbon energy. The reform package is intended to secure the investment required and reduce the risks to future security of supply.

Capability and leadership

12 In 2006, the Cabinet Office launched Capability Reviews to assess departments' leadership, strategy and delivery – to improve departmental readiness for future challenges and to enable departments to act on long-term key development areas. Since publication of the last round of external assessments, between April 2008 and December 2009, departments are now required to conduct and publish self-assessments and resultant action plans against standard criteria set out in the Cabinet Office model of capability, which was updated in July 2009.⁷ Departments must rate their capability against ten criteria under three themes:

- **Leadership criteria** – 'set direction'; 'ignite passion, pace and drive'; and 'develop people'.
- **Strategy criteria** – 'set strategy and focus on outcomes'; 'base choices on evidence and customer insight'; and 'collaborate and build common purpose'.
- **Delivery criteria** – 'innovate and improve delivery'; 'plan, resource and prioritise'; 'develop clear roles, responsibilities and delivery models'; and 'manage performance and value for money'.

13 All self-assessments are due for completion by March 2012, with the first self-assessment nearing completion. In addition to self-assessment, departments also have the option of asking the Cabinet Office to undertake a full external Capability Review assessment.

14 The Civil Service People Survey aims to provide consistent and robust metrics to help government understand how it can improve levels of engagement across the Civil Service. As part of this survey, civil servants across all participating organisations are asked a range of questions across nine themes which seek to measure their experiences at work. We present here the results of the second annual people survey for the Department of Energy and Climate Change – undertaken between mid-September 2010 and the end of October 2010 – covering the themes of leadership and managing change, and understanding of organisational objectives and purpose (**Figure 3**).

15 As part of the annual survey, each Department receives an engagement index, assessing the level of staff engagement determined by: the extent to which staff speak positively of the organisation, are emotionally attached and committed to it, and are motivated to do the best for the organisation. In 2010, the Department of Energy and Climate Change achieved an engagement index of 62 per cent, one percentage point lower than in 2009 but six percentage points higher than the 2010 Civil Service average. The results of 17 major departments are in Appendix Two.

16 The Department took steps during 2010-11 to improve its capability to plan and manage its major projects and programmes. It has worked to have in place programme and project plans for all its workstreams and established an Approvals Committee to assess whether major projects and programmes are deliverable, affordable and supported by adequate planning, resourcing and governance. Projects that the Approvals Committee has examined to date include electricity market reform, carbon capture and storage and smart meters. The Department also worked to identify and fill gaps in the skills available through its staff, and increased its total staff numbers by 10 per cent to 1,211 in 2010-11.

⁶ *Planning our electric future: a White Paper for secure, affordable and low-carbon electricity*, Cm 8099, Department of Energy and Climate Change, July 2011.

⁷ More information about Capability Reviews is available at: www.civilservice.gov.uk/about/improving/capability/index.aspx

Figure 3
2010 Civil Service People Survey: Department of Energy and Climate Change

Theme	Theme score (% positive) ¹	Difference from 2009 survey	Difference from Civil Service 2010 ²
Leadership and managing change			
I feel that the Department as a whole is managed well	47	+3	+6
Senior Civil Servants in the Department are sufficiently visible	68	+2	+23
I believe the actions of Senior Civil Servants are consistent with the Department's values	52	+2	+13
I believe the Departmental Board has a clear vision for the future of the Department	35	-6	0
Overall, I have confidence in the decisions made by the Department's Senior Civil Servants	49	0	+13
I feel that change is managed well in the Department	31	-4	+3
When changes are made in the Department they are usually for the better	25	-9	+2
The Department keeps me informed about matters that affect me	69	-1	+14
I have the opportunity to contribute my views before decisions are made that affect me	34	-1	+2
I think it is safe to challenge the way things are done in the Department	45	0	+5
Organisational objectives and purpose			
I have a clear understanding of the Department's purpose	89	0	+5
I have a clear understanding of the Department's objectives	83	-2	+5
I understand how my work contributes to the Department's objectives	84	-1	+3

NOTES

- 1 Percentage positive measures the proportion of respondents who selected either 'agree' or 'strongly agree' for a question.
- 2 The 2010 benchmark is the median per cent positive across all organisations that participated in the 2010 Civil Service People Survey. The difference between the Department and the Civil Service (Appendix Two) may differ due to rounding.
- 3 2010 results <http://www.decc.gov.uk/assets/decc/accesstoinformation/1212-decc-staff-survey-results-2010.pdf>

Source: Department of Energy and Climate Change People Survey Results Autumn 2010

Part Two

Financial management

17 The ability of departments to control costs and drive out waste requires professional financial management and reporting. In particular, departments need to be better at linking costs to services and benchmarking performance to determine whether costs are justified and value for money can be improved. Organisations also need to move their risk management arrangements from a process-led approach to one which supports the efficient and effective delivery of services. Organisations have to publish Statements on Internal Control⁸ with their Annual Financial Statements which describe their arrangements for risk management, internal control and governance.

Financial outturn for 2010-11 and comparison with budget

18 In 2010-11, the Department's gross expenditure was £4,111 million. Its net spending was £2,974 million, which was £134 million less than its Supply Estimate. Funding for nuclear decommissioning was £73 million lower than planned due to unanticipated income from the sale of uranium stocks and higher than forecast income from electricity generation, although income from reprocessing and land sales was less than planned. The Department also reduced other areas of programme and administration expenditure to meet its efficiency target. The Department had total liabilities at 31 March 2011 of £2,976 million, which included provisions for coal liabilities (£570 million) and nuclear fuel liabilities inherited from British Energy (£2,009 million).

Progress on efficiency and cost reduction

19 Departments are under increasing pressure to reduce costs. The scale of cost reduction required means that they are having to look beyond immediate short-term savings and think more radically about how to take cost out of the business and how to sustain this in the longer term. Our **Short Guide to Structured Cost Reduction**,⁹ published in June 2010, sets out the high level principles that we expect departments to follow in taking a structured approach to cost reduction. It covers the three stages of cost reduction – tactical efficiency savings, strategic operational realignment, and sustainable cost reduction – and outlines nine principles underlying structured cost reduction, including, having a data-driven approach to understanding, comparing and interrogating costs.

20 We have published detailed information and guidance on a number of the principles underpinning effective structured cost reductions, including, **Managing risks in government**,¹⁰ **Progress in improving financial management in government**,¹¹ and **Taking the measurement of government performance**.¹²

21 As part of wider savings across Whitehall, the Department committed to save £85 million during 2010-11 by:

- reducing support for low carbon technology (£34 million);
- achieving efficiencies by the Department's delivery bodies (£20 million);
- reducing support for Regional Development Agencies (£26 million); and
- achieving administrative efficiencies (£5 million).

8 From 2011-12, Departments will produce a Governance Statement rather than a Statement of Internal Control.

9 *A short guide to structured cost reduction*, National Audit Office, June 2010, http://www.nao.org.uk/publications/1011/structured_cost_reduction.aspx

10 *Managing risks in government*, National Audit Office, June 2011, http://www.nao.org.uk/publications/1012/managing_risks_in_government.aspx

11 *Progress in improving financial management in government*, National Audit Office, February 2011, http://www.nao.org.uk/publications/1011/financial_management_in_govt.aspx

12 *Taking the measure of government performance*, National Audit Office, July 2010, http://www.nao.org.uk/publications/1011/government_performance.aspx

22 The Department did not report on results against the overall target in its annual report and accounts. It did, however, report that spend on 'bringing about a low carbon UK' was £45 million (7 per cent) less than estimated, mainly due to underspends on the Low Carbon Building Programme, smart meters and bio-energy grants, and that administration costs were £21 million (18 per cent) less than budgeted due to government spending controls over recruitment, consultancy, travel, communications, information technology and accommodation.

23 Over the current Spending Review period, the Department intends to reduce administration costs, which were £99 million in 2010-11, by 33 per cent through increased use of shared services, focusing on critical workstreams and reducing travel and expenditure on accommodation and information technology.

NAO reports on financial management and efficiency

24 During the last year, we have identified three key areas for improving the Department's approach to financial management and efficiency:

- **Setting budgets:** Our report on **Preparations for the roll-out of smart meters**¹³ found that the Department's budgeting was initially insufficient to support clear monitoring and accountability as it had not set a budget for the first phase of the programme. The Department subsequently prepared more detailed plans and a budget, but it did not develop an estimate of the whole life cost of programme management beyond the current spending review period.
- **Monitoring spending:** We found in our report on **Government funding for developing renewable energy technologies**¹⁴ that the Department did not have a clear understanding of how much public funding had been spent on supporting renewable energy technologies as data had not been routinely collected. In addition, information the Department had collected excluded some key sources of public funding. We recommended that the Department should gather information from delivery bodies on their spending on renewable energy and impacts achieved, and publish it annually.
- **Benchmarking costs:** Monitoring spending on administrative costs is an essential part of assessing value for money, but a further finding from our report on **Government funding for developing renewable energy technologies** was that the Department had not routinely collected information on, or benchmarked the administrative cost of, funding for renewable energy technologies. The Department had inherited several external management contracts, but had not considered the scope for reducing scheme management costs by rationalising the number of these contracts where they involved similar elements of work.

NAO financial audit findings

25 The Comptroller and Auditor General, has given an unqualified opinion on the Department's accounts since its creation in October 2008.

26 As part of HM Treasury Alignment Project, from 2011-12, the liabilities of the Department's sponsored bodies will be consolidated into the departmental accounts. This will result in the Department's accounts consolidating in a provision for the future cost of the decommissioning and clean-up of civil nuclear sites totalling £49 billion as at 31 March 2011 that is currently held in the Nuclear Decommissioning Authority's accounts balance sheet, and a provision of £915 million held by the Coal Authority for legacy coal liabilities including mine water and subsidence.

27 The Comptroller and Auditor General, who audits the Nuclear Decommissioning Authority, provided an unqualified opinion on the Authority's 2010-11 accounts, but the accounts included an emphasis of matter to recognise the inherent uncertainties in the estimate of nuclear liabilities due to the long timescales involved.

¹³ *Preparations for the roll-out of smart meters*, National Audit Office, June 2011, http://www.nao.org.uk/publications/1012/smart_meters.aspx

¹⁴ *Government funding for developing renewable energy technologies*, National Audit Office, June 2010, http://www.nao.org.uk/publications/1011/renewable_energy.aspx

Issues raised in Statements on Internal Control

28 We work with the Department and its sponsored bodies to improve their published Statements on Internal Control. We aim to ensure that the processes by which statements are produced are robust and that the statements comply with Treasury guidance.

29 The Department's Statement on Internal Control identified no significant issues during 2010-11. It highlighted some areas for improvement, such as raising commercial awareness across the Department and developing its programme management capability. The Department also identified that it needed to take steps to embed risk management across its business.

30 The Department's largest non-departmental public body, the Nuclear Decommissioning Authority, reported that it had a relatively sound system of internal control. This resulted from developing its governance arrangements, undertaking various reviews of its effectiveness and addressing the recommendations made by its internal and external auditors. The Authority reported that its estimate for the costs associated with the nuclear decommissioning of its sites by 2137, had increased by £4.1 billion to £49 billion as at 31 March 2011. The estimated cost of decommissioning at Sellafield increased by £7.5 billion, but this was partially offset by reductions at the Authority's Magnox sites.

Part Three

Use of information

31 Government needs robust and timely information on context, activities, costs, progress against its objectives, and the cost-effectiveness of its activities. It also needs to be able to interpret that information, by reference to trends, expectations, benchmarks and other comparisons, to identify problems and opportunities. Departments need reliable information on which to design and deliver services and monitor quality, be confident about their productivity, and drive continuous improvement.

32 The Coalition Government has pledged, under the transparency agenda, to make more government information available to the public to help improve accountability and deliver economic benefits. In June 2010, the system of Public Service Agreements ended and instead, departments are to be held accountable to the public based on the data they use to manage themselves.

Reporting performance: Annual Reports and Business Plans

33 Each government department now reports its performance against the priorities and objectives set out in its Business Plan. The Plan's transparency section includes performance indicators selected by the department to reflect its key priorities and demonstrate the cost and effectiveness of the public services it is responsible for. These indicators fall broadly into two categories:

- input indicators: a subset of the data gathered by the department on the resources used in delivering services; and
- impact indicators: designed to help the public judge whether departmental policies are having the desired effect.

34 The Plan's structural reform section provides a detailed list of actions and milestones designed to show the steps the department is taking to implement the Government's reform agenda.

35 Departmental progress against indicators is published regularly in a Quarterly Data Summary, most recently in July 2011. The Quarterly Data Summary is designed as a standardised tool for reporting selected performance metrics for each government department, in a way that facilitates comparison across departments where this is appropriate. Data published in the summary can be compared to the previous quarter (April 2011), which will also be the baseline for this data set. The information in the summary has not been audited and the Cabinet Office has said that the accuracy of the data for all departments needs to improve.¹⁵ However, the Cabinet Office expects that over time, with improvements in data quality and timeliness, the public will be able to judge the performance of each department in a meaningful and understandable manner. An annual version of this information is expected to be formally laid in Parliament in departments' Annual Reports and Accounts from 2012 onwards.

36 It is too early to comment on Departmental performance reported against the new performance indicators. Through its review of departmental business planning, however, the House of Commons Committee of Public Accounts¹⁶ identified some essential elements to help ensure effective accountability and value for money, including the need for:

- monitoring arrangements which align costs and results for all significant areas of Departmental activity and spending; and
- clear definitions of expected outcomes and standards, rigorous timelines and appropriate strategies to intervene when expectations are not met.

¹⁵ <http://www.cabinetoffice.gov.uk/resource-library/business-plan-quarterly-data-summary>

¹⁶ *Departmental Business Planning* (Thirty-seventh Report of Session 2010-12), House of Commons Committee of Public Accounts, May 2011, <http://www.publications.parliament.uk/pa/cm201012/cmselect/cmpubacc/650/650.pdf>

Performance reported by the Department

37 The Department's Business Plan¹⁷ outlines its vision and priorities for 2011-15, as well as the key commitments involved in delivering the Coalition Government's structural reform plan. The Plan sets out the indicators which the Department believes are most useful to the public in understanding the costs and outcomes of energy and climate change services. Input indicators include the unit cost of providing financial incentives for renewable energy generation and the proportion of the Nuclear Decommissioning Authority's budget that is spent on decommissioning and cleaning up nuclear plants. Impact indicators include percentage of renewable energy use, and measures of greenhouse gas emissions. The Department has not published any specific targets for these indicators against which to assess performance.

38 The monthly update from June 2011 reported that the Department had completed five of the seven actions due for June 2011. The Department reported that it had commenced all 50 of the actions that were due to have started by the end of June 2011. The two milestones missed related to:

- completing work with the Department for Transport to address the role of Renewable Transport Fuel in the UK Renewables Roadmap (which was subsequently completed in July 2011); and
- postponing decisions on whether to issue interim outputs from the Generic Design Assessment of new nuclear reactor designs, following the events at Fukushima in Japan.

Testing the reliability of performance data across government

39 Some of the data systems used to report against the new performance indicators will be the same as those used by the Department to report against Public Service Agreements. In July 2010, we published our Sixth Validation Compendium Report¹⁸ on our work to test the systems used to report against Public Service Agreements. Our report found that the quality of data systems had improved but a third of the systems examined needed strengthening to improve controls or transparency and 10 per cent of systems were not fit for purpose.

40 Over the next three years, we will complete work to validate the data systems underpinning the departmental business plans and other key management information.

Use of information by the Department

41 Decision-makers need information that allows them to focus on the things that matter, understand and agree on what the business needs to do to deliver organisational objectives, explain performance, and take well-informed decisions.¹⁹ Over the last year, our reports have highlighted three key areas for improvement in the Department's use of information:

- **Information to assess funding requirements for developing renewable energy technologies:** The Department is supporting the development of technologies such as renewable energy and carbon capture and storage to help it achieve energy and climate change goals. In our report on **Government funding for developing renewable energy technologies**, we examined the evidence underpinning the level and type of direct funding provided. The Department was not able to provide us with appraisal evidence showing how budgets for renewable energy technologies had been determined. This may partly reflect gaps

17 *Business Plan 2011-2015*, Department of Energy and Climate Change, May 2011, <http://www.decc.gov.uk/assets/decc/about%20us/decc-business-plan-2011-2015.pdf>

18 *Taking the measure of government performance*, National Audit Office, July 2010, http://www.nao.org.uk/publications/1011/government_performance.aspx

19 *Performance Frameworks and Board Reporting II*, National Audit Office, May 2011, http://www.nao.org.uk/publications/1012/performance_frameworks_and_boa.aspx

in records and staff continuity resulting from the transfer of policy responsibilities between a number of different departments. We also found that the Government's announcements had not provided a transparent account of the total amount of funding committed to achieving renewable energy objectives. The Department recognised in its response²⁰ to a subsequent report²¹ by the Committee of Public Accounts on funding renewable energy that it needed to provide more detail in the public domain.

- **Information to estimate benefits:** The Department is running a number of major projects and programmes that it expects will deliver significant economic and environmental benefits. For example, it estimates that its smart metering programme will deliver benefits totalling £18.6 billion. Our report on **Preparations for the roll-out of smart meters** identified uncertainties in the information the Department used to assess the impact of smart meters on energy use, which created risks to value for money. Its estimates were based on information contained in a 2008 literature review of trials and international experiences along with more recent reviews. The Department and its predecessors funded trials of smart metering in Great Britain in part to improve the reliability of the information, but the results did not relate to a nationally representative sample of households and so provided limited further support for the Department's forecasts.

- **Information to evaluate results:** Our reports have noted that the Department needs timely evidence on the impact of its programmes to allow it to assess cost-effectiveness and prioritise activities. The Department has established an Evaluation Steering Board to prioritise and improve the evaluation of policies.

42 During 2010-11, we also examined, in our briefing on the Performance of Ofgem, how one of the Department's key delivery partners uses information to report on its performance. We found that Ofgem had designed a performance measurement system around a set of themes, deliverables and outputs that measured activities and outputs but did not provide a measure of the effectiveness of its regulatory activities or its administration of environmental programmes. Ofgem has initiated a process to improve its performance measurement and reporting, to provide a stronger focus on outcomes.

20 Treasury Minutes: *Government responses on the Third to the Thirteenth Reports from the Committee of Public Accounts Session 2010-11*, Cm 8014, HM Treasury, February 2011, http://www.hm-treasury.gov.uk/d/minutes_3_13_reports_cpas_feb2011.pdf

21 *Funding the development of renewable energy technologies* (Seventh Report of Session 2010-11), House of Commons Committee of Public Accounts, November 2010, <http://www.parliament.uk/pagefiles/45760/final%20pdf%20report%20to%20tso%20pdf.pdf>

Part Four

Service delivery

43 Public services are different in the ways they are delivered but their quality and cost-effectiveness depends on a number of common minimum requirements. For example, service delivery requires a well thought-out delivery model, sound programme and project management, strong commercial skills, mature process management and a real understanding of customer needs. Many of our reports to Parliament cover these issues. We summarise below some of this work, organised by key areas of the Department's business.

Recent NAO reports on service delivery

44 The Department concluded in its recent delivery review that existing arrangements were generally working well, but it intends to improve governance arrangements for the delivery of existing programmes to support value for money and improved oversight by Ministers.²² Our examination of the Department's existing programmes during the last year covered three important aspects of delivery: programme management, managing delivery chains and using consultants to support delivery.

Improving programme delivery

45 The Department is responsible for the delivery of a number of major programmes that include reforming electricity markets, securing energy savings through the 'Green deal' and rolling-out smart electricity and gas meters across Great Britain. We examined the effectiveness of its programme delivery in our June 2011 report on **Preparations for the roll-out of smart meters**. We found that it had invested a considerable amount of time in the programme and provided certainty on its timetable and overall approach. However, we identified uncertainties in the estimates of consumer benefits and a risk that future costs could increase more than the Department had provided for. We also found the Department's plans for the programme so far were not as well developed as had originally been intended in some areas, notably consumer engagement and benefits realisation. We recommended that the Department should identify more precisely the critical paths and review points for updating its cost estimates and reassessing options.

Improving the management of delivery chains

46 Although the Department has recently concluded that it will lead the delivery of new programmes itself unless there is a clear case for allocating responsibility to a third party, it will continue to rely on other delivery partners to help achieve its objectives. Our report on **Government funding for developing renewable energy technologies** highlighted that whilst the Department has specific accountability for achieving the Government's renewable energy targets, it does not have direct control over the delivery of all public funding for renewable energy. We found that coordination of support had been limited, with each delivery body developing its own approach in accordance with its own objectives. Individually, supported projects had achieved outputs, but were not backed by a coherent delivery framework specifically for delivering the Government's plans for renewable energy. We recommended that the Department should agree with each of the main delivery bodies how they will contribute to implementing the plan and associated long-term innovation plans, and include them in supporting coordination and reporting arrangements. The Department agreed with the need for improved planning²³ and in July 2011, it published the UK Renewable Energy Roadmap, which sets out plans for accelerating the deployment and use of renewable energy, while driving down costs over time.²⁴

Using consultants to support delivery

47 The Department uses interims and consultants to support the achievement of its policy aims. In our October 2010 report on **Central government's use of consultants and interims**, we found that the Department's spending on consultants in 2009-10 was £25 million, which equated to around 40 per cent of its total staff costs in 2009-10. This was the fourth highest proportion among the 17 central government departments we examined. Our overall conclusion on the use of consultants across central government departments is that value for money is not being achieved because the government frequently lacks the information, skills and strategies to manage consultants effectively. We recommended that all departments should identify core skills gaps and decide the most cost-effective resource options, including when to train or recruit staff. In 2010-11, the Department had lower spending on consultants, totalling just over £9 million.

²² *Review of DECC's delivery landscape*, Department of Energy and Climate Change, May 2011, <http://www.decc.gov.uk/en/content/cms/about/partners/review/review.aspx>

²³ *Treasury Minutes: Government responses on the Third to the Thirteenth Reports from the Committee of Public Accounts Session 2010-11*, Cm 8014, HM Treasury, February 2011, http://www.hm-treasury.gov.uk/d/minutes_3_13_reports_cpas_feb2011.pdf

²⁴ *UK Renewable Energy Roadmap*, Department of Energy and Climate Change, July 2011, http://www.decc.gov.uk/en/content/cms/meeting_energy/renewable_ener/re_roadmap/re_roadmap.aspx

Appendix One

The Department's sponsored bodies at 1 April 2011

Department of Energy and Climate Change

Executive Non-Departmental Public Bodies (NDPBs)

Civil Nuclear
Policy Authority

Coal Authority

Committee on
Climate Change

Nuclear
Decommissioning
Authority

Advisory NDPBs

Committee on
Radioactive Waste
Management

Fuel Poverty
Advisory Group

Nuclear Liabilities
Finance
Assurance Board

Sponsored Partners

Carbon Trust

Energy Saving
Trust

National Non-food
Crops Centre

Other Delivery Partners

Carbon Capture
and Storage
Development
Forum

Environment
Agency

National
Nuclear
Laboratory

Nuclear
Liabilities
Fund

Ofgem

Pilot Task
Force for Oil
and Gas

UK Coal
Forum

Source: National Audit Office

Appendix Two

Results of the Civil Service People Survey 2010

Question scores (% strongly agree or agree)

Leadership and managing change

I feel that the department as a whole is managed well	41
Senior Civil Servants in the Department are sufficiently visible	45
I believe the actions of Senior Civil Servants are consistent with the Department's values	39
I believe that the Departmental Board has a clear vision for the future of the Department	35
Overall, I have confidence in the decisions made by the Department's Senior Civil Servants	36
I feel that change is managed well in the Department	27
When changes are made in the Department they are usually for the better	23
The Department keeps me informed about matters that affect me	54
I have the opportunity to contribute my views before decisions are made that affect me	32
I think it is safe to challenge the way things are done in the Department	39

Organisational objectives and purpose

I have a clear understanding of the Department's purpose	84
I have a clear understanding of the Department's objectives	78
I understand how my work contributes to the Department's objectives	80

Civil Service overall

Department for Business, Innovation and Skills (excluding agencies)																	
Cabinet Office (excluding agencies)																	
Department for Communities and Local Government (excluding agencies)																	
Department for Culture, Media and Sport (excluding agencies)																	
Ministry of Defence (excluding agencies)																	
Department for Education																	
Department of Energy and Climate Change																	
Department for Environment, Food and Rural Affairs (excluding agencies)																	
Foreign and Commonwealth Office (excluding agencies)																	
Department of Health (excluding agencies)																	
HM Revenue & Customs																	
HM Treasury (excluding agencies)																	
Home Office (excluding agencies)																	
Department for International Development																	
Ministry of Justice (excluding agencies)																	
Department for Transport (excluding agencies)																	
Department for Work and Pensions (including Jobcentre Plus and Pension, Disability and Carers Service)																	
	38	33	27	38	23	55	47	38	58	39	12	56	43	60	38	42	25
	50	48	42	62	27	60	68	49	64	51	23	68	50	65	46	53	25
	40	38	28	43	28	49	52	37	60	42	19	52	43	56	40	39	23
	29	24	19	25	21	40	35	31	49	28	15	35	30	51	32	29	20
	33	33	23	33	20	46	49	32	52	37	11	51	39	50	34	32	17
	31	20	21	29	16	41	31	29	45	21	11	35	26	41	27	25	22
	18	15	13	12	12	23	25	20	37	14	9	32	21	30	24	15	15
	58	52	51	68	45	64	69	62	64	52	31	64	57	66	53	57	41
	28	32	29	48	22	34	34	34	43	29	16	54	34	44	31	36	19
	34	38	32	44	35	41	45	40	47	33	21	57	40	42	37	40	28
	75	70	63	71	83	79	89	77	82	74	65	85	82	94	76	68	76
	68	58	59	67	77	69	83	71	79	69	62	79	77	91	70	61	73
	76	67	67	70	81	73	84	77	83	74	65	77	79	90	73	69	75

Appendix Three

Publications by the NAO on the Department or its delivery bodies since 2008

Publication date	Report title	HC number	Parliamentary session
29 June 2011	Preparations for the roll-out of smart meters http://www.nao.org.uk/publications/1012/smart_meters.aspx	HC 1091	2010-12
October 2010	Energy and Climate Change Committee inquiry into UK deepwater drilling – Memorandum submitted by the National Audit Office	http://www.nao.org.uk/publications/1011/uk_deep_water_drilling_memo.aspx	
October 2010	Performance of Ofgem: A briefing for the House of Commons Energy and Climate Change Select Committee	http://www.nao.org.uk/publications/1011/performance_of_ofgem.aspx	
July 2010	The Electricity Generating Landscape in Great Britain: Briefing for the House of Commons Energy and Climate Change Select Committee	http://www.nao.org.uk/publications/1011/electricity_generating.aspx	
June 2010	Short guide to the NAO's work on the Department of Energy and Climate Change	http://www.nao.org.uk/publications/1011/short_guide_decc.aspx	
10 June 2010	Government funding for developing renewable energy technologies http://www.nao.org.uk/publications/1011/renewable_energy.aspx	HC 35	2010-11
February 2010	Energy and Climate Change Committee inquiry into Fuel Poverty – Memorandum for the House of Commons Energy and Climate Change Committee	http://www.nao.org.uk/publications/0910/ecc_memorandum.aspx	
22 January 2010	The sale of the Government's interest in British Energy http://www.nao.org.uk/publications/0910/british_energy.aspx	HC 215	2009-10
2 February 2009	The Warm Front Scheme http://www.nao.org.uk/publications/0809/the_warm_front_scheme.aspx	HC 126	2009-10

Appendix Four

Cross-government NAO reports of relevance to the Department since 2008-09

Publication date	Report title	HC number	Parliamentary session
14 October 2010	Central governments use of consultants and interims, http://www.nao.org.uk/publications/1011/use_of_consultants.aspx	HC 488	2010-11
19 July 2010	Progress with VFM savings and lessons for cost reduction programmes, http://www.nao.org.uk/publications/1011/vfm_savings_compendium.aspx	HC 291	2010-11
14 July 2010	Taking the measure of government performance, http://www.nao.org.uk/publications/1011/government_performance.aspx	HC 284	2010-11
18 March 2010	Reorganising central government, http://www.nao.org.uk/publications/0910/reorganising_government.aspx	HC 452	2009-10
29 April 2009	Addressing the environmental impacts of Government procurement http://www.nao.org.uk/publications/0809/addressing_sustainable_procure.aspx	HC 420	2008-09

Appendix Five

Other sources of information

Reports from the Committee of Public Accounts since 2008-09

Publication date	Report title	HC number	Parliamentary session
24 May 2011	Thirty-seventh report of Session 2010–12, Departmental Business Planning, http://www.publications.parliament.uk/pa/cm201012/cmselect/cmpubacc/650/650.pdf	HC 650	2010–12
30 November 2010	Seventh report of Session 2010-11, Funding the development of renewable energy technologies http://www.parliament.uk/business/committees/committees-a-z/commons-select/public-accounts-committee/news/pac-7th-report/	HC 538	2010-11
15 March 2010	Twenty-second report of Session 2009-10, The sale of the government's interest in British Energy http://www.publications.parliament.uk/pa/cm200910/cmselect/cmpubacc/356/356.pdf	HC 356	2009-10
29 July 2009	Thirty-ninth report of Session 2008-09, The Warm Front Scheme http://www.publications.parliament.uk/pa/cm200809/cmselect/cmpubacc/350/350.pdf	HC 350	2008-09
2 February 2009	Fifth report of Session 2008-09, Programmes to Reduce Household Energy Consumption http://www.publications.parliament.uk/pa/cm200809/cmselect/cmpubacc/228/9780215526618.pdf	HC 228	2008-09

Where to find out more

The National Audit Office website is
www.nao.org.uk

If you would like to know more about the NAO's work on Department of Energy and Climate Change, please contact:

Jill Goldsmith

Director
020 7798 7120
jill.goldsmith@nao.gsi.gov.uk

If you are interested in the NAO's work and support for Parliament more widely, please contact:

Rob Prideaux

Director of Parliamentary Relations
020 7798 7744
rob.prideaux@nao.gsi.gov.uk

Twitter: @NAOorguk



This report has been printed on Consort 155 and contains material sourced from responsibly managed and sustainable forests certified in accordance with FSC (Forest Stewardship Council).

The wood pulp is totally recyclable and acid-free. Our printers also have full ISO 14001 environmental accreditation. This ensures that they have effective procedures in place to manage waste and practices that may affect the environment.

Design & Production by
NAO Communications
DP Ref: 009692-001

© National Audit Office | September 2011

Printed by Precision Printing