House of Commons
Energy and Climate Change Committee


First Special Report of Session 2014–15

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The Energy and Climate Change Committee

The Energy and Climate Change Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department of Energy and Climate Change and associated public bodies.

Current membership

Mr Tim Yeo MP (Conservative, South Suffolk) (Chair)
Dan Byles MP (Conservative, North Warwickshire)
Ian Lavery MP (Labour, Wansbeck)
Dr Phillip Lee MP (Conservative, Bracknell)
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Graham Stringer MP (Labour, Blackley and Broughton)
Dr Alan Whitehead MP (Labour, Southampton Test)

Powers

The committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the internet via www.parliament.uk.

Publication

Committee reports are published on the Committee's website at www.parliament.uk/ecc and by The Stationary Office by Order of the House. Evidence relating to this report is published on the Committee's website at www.parliament.uk/ecc

Committee staff

The current staff of the Committee are Farrah Bhatti (Clerk), Vinay Talwar (Second Clerk), Tom Leveridge (Committee Specialist), Marion Ferrat (Committee Specialist), Shane Pathmanathan (Senior Committee Assistant), Amy Vistuer (Committee Support Assistant), and Nick Davies (Media Officer).

Contacts

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Appendix: Government Response

Introduction

The Levy Control Framework (LCF) is designed to help DECC achieve its fuel poverty, energy and climate change goals in a way that is consistent with economic growth whilst minimising the impact on consumer bills. HM Treasury (HMT) has responsibility for the Government’s public spending framework, and the LCF forms part of that. The LCF caps expenditure of all DECC’s existing or new policies which are funded by consumers and that are classified as public expenditure. We are very grateful to the Energy and Climate Change Select Committee (ECC) for conducting its inquiry into the LCF and its report of that inquiry, Levy Control Framework: Parliamentary oversight of Government levies on energy bills, published on 17th February 2014. We are also grateful that the Committee gave Parliament an opportunity to debate the report during an Estimates Debate on 3rd March 2014.

The Committee has made a number of important and helpful recommendations which have been considered by Ministers and their officials in both DECC and HMT.

This memorandum is the Government’s formal response to the report. In the following sections we provide the committee’s recommendations in bold italics followed by the Government response.

Recommendation 1

There should be a single annual report covering all the DECC levy-funded schemes along with other Government initiatives which affect energy bills but which fall outside of the Levy Control Framework (LCF), such as the Energy Companies Obligation (ECO)...

The Government agrees with this recommendation. The Department will publish information on spend and outcomes of consumer-funded policies as a Command Paper, and aims to do so by the end of the calendar year.

Transparency and openness are important principles, which is why as well as giving Parliament the opportunity to scrutinise actual and forecast levy-spending, the Department will work with the NAO to agree an appropriate and proportionate audit regime is put in place.

It should be noted that expenditure associated with Contracts for Difference and with the Capacity Market will be included in the Department’s Budgets, Estimates and Accounts.
The derogation from the clear line of sight principles applies only to the Renewable Obligation, to the Feed in Tariff Scheme and to the Warm Homes Discount.

...This report should contain:

- Future plans, and comparisons of agreed budgets and final spend (outturn) for each funding stream and/or programme and energy company;

The Government agrees that it should include this information, while noting that it may not be possible to disaggregate this information by energy company for reasons of commercial confidentiality.

- Easily identifiable “costs per customer” for each scheme on a consistent basis across years and between reports, including information on the impact that government decisions have upon requirements over time. This information is not provided currently; and

The Government agrees it should report on the impact policies have had on the average household bill and will set out this information in the annual Prices and Bills report, which is due to be published later this year.

However, to provide Parliament with the most complete picture of final spend and forecasts, the Department proposes to publish the report on consumer funded policies separately, later in the financial year. This will allow the most complete spend and outcomes for 2013/14 to be reported, along with estimates for 2014/15 and the most accurate forward look for 2015/16 and beyond.

In future years, the Department will work to better align the reporting cycle for both scheme costs and household bill impacts.

- Measurable outcomes achieved through spending, including as a minimum the progress made against carbon targets and any other specified objectives of the schemes, and the impacts on consumers. This should include an appraisal of the relationship of the LCF to its overall policy targets.

The Government agrees that as far as is possible the information published should include the outcomes achieved by each policy in the Levy Control Framework, relative to the objectives of the schemes.

**Recommendation 2**

We consider that the effective spending and taxation proposed should be subject to some level of Parliamentary authority before it arises. While we understand the difficulties that including the items within Estimates could cause for the Departmental Accounts, we believe it would be highly desirable that there should be a means for Parliament to express its views from time to time on the sums involved and the purposes for which they are intended, despite the fact that no monies are actually issued from, or surrendered to, the Consolidated Fund. The Government should look further into how this might be achieved.

The Government acknowledges and appreciates the important role of Parliament in scrutinising expenditure. The Government agrees with the Committee’s recommendation
to look at this issue further, and has done so. We will ask that the Liaison Committee considers the Command Paper we intend to publish as being within scope for potential selection in Estimates Days debates. This would give Members the opportunity to scrutinise the Department’s report and perform Parliament’s very important role of holding the Government to account for the money it spends.

**Conclusion**

This memorandum forms the Government’s response to the recommendations set out in the Committee’s report: Levy Control Framework: Parliamentary oversight of Government levies on energy bills. The Government has and will continue to regularly publish information on its consumer-funded polices, keeping the Committee and other stakeholders informed.