

**Northern Ireland Authority
for Utility Regulation
(The Utility Regulator)**

Resource Accounts

**Accounts for the year ended
31 March 2009**

NORTHERN IRELAND AUTHORITY FOR UTILITY REGULATION

RESOURCE ACCOUNTS

For the year ended 31 March 2009

*Laid before the Northern Ireland Assembly by the Department of Finance
and Personnel under section 10(4) of the Government Resources and
Accounts Act (Northern Ireland) 2001*

3rd July 2009

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Northern Ireland Accounts for the year ended 31 March 2009

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ANNUAL REPORT

DIRECTOR'S REPORT

These Resource Accounts have been prepared and published by the Northern Ireland Authority for Utility Regulation (the Utility Regulator). The Accounts have been prepared under a direction issued by the Department of Finance and Personnel and in accordance with the guidance set out in the 2008–09 *Government Financial Reporting Manual (FReM)* issued by Department of Finance and Personnel. The accounts demonstrate the resources that have been used to deliver the Utility Regulator's objectives.

This document should be read in conjunction with the Utility Regulator Annual Report for 2008–09, which is published separately and will be available from the Utility Regulator's website (www.niaur.gov.uk).

Description of the Utility Regulator's Business, objectives, duties and activities

Background to the Utility Regulator

This is the second set of Resource Accounts prepared under the auspices of the Utility Regulator.

The offices of the Director General of Electricity Supply for Northern Ireland and the Director General of Gas for Northern Ireland were abolished on 31 March 2003 and replaced by the Northern Ireland Authority for Energy Regulation, a body corporate empowered under the Energy (Northern Ireland) Order 2003 (the Energy Order) to independently regulate both the electricity and gas industries. The Energy Order also transferred responsibility for electricity complaints and consumer representation to the General Consumer Council for Northern Ireland (the Consumer Council). The Water and Sewerage Services (Northern Ireland) Order 2006 changed the name of the Northern Ireland Authority for Energy Regulation to the Northern Ireland Authority for Utility Regulation (the Utility Regulator) and imposed on it additional duties and functions associated with the regulation of the supply of water by water undertakers and the provision of sewerage services by sewerage undertakers

Objectives and duties

The Utility Regulator's objectives and duties are set out in primary legislation. In relation to electricity and gas the Utility Regulator's duties are contained in the Energy (Northern Ireland) Order 2003 (the Energy Order). In relation to water they are set out in the Water and Sewerage Services (Northern Ireland) Order 2006 (the Water and Sewerage Order).

Electricity

The principal objective of the Utility Regulator, in respect of electricity, is to protect the interests of consumers of electricity, wherever appropriate by promoting effective competition. In performing its duties the Utility Regulator must have regard to (among other things) the interests of:

- individuals who are disabled or chronically sick;
- individuals of pensionable age;
- individuals with low incomes;
- individuals residing in rural areas.

Subject to the above, the Utility Regulator shall promote the efficient use of electricity, promote efficiency and economy on the part of licence holders, secure a diverse and viable long-term energy supply and shall have regard to the effect on the environment.

Gas

The principal objective of the Utility Regulator in respect of gas is to promote the development and maintenance of an efficient, economic and co-ordinated gas industry in Northern Ireland. The Utility Regulator must also have regard to (among other things) the interests of consumers of gas and the need to ensure that gas licence holders can properly finance their activities and the interests of:

- individuals who are disabled or chronically sick;
- individuals of pensionable age;
- individuals on low incomes.

Subject to these duties, the Utility Regulator must have regard to (among other things) the need to secure a diverse and viable long term energy supply and the effect on the environment of activities connected with the conveyance, storage or supply of gas.

Water

In respect of water and sewerage services, the Utility Regulator must carry out its functions in a manner it considers best calculated to:

- protect the interests of consumers of water and sewerage services, where appropriate by the promotion of effective competition;
- ensure that water and sewerage undertakers properly carry out their functions in all areas of Northern Ireland;
- ensure that water and sewerage companies can properly finance their activities.

In doing so the Utility Regulator shall have regard to (among other things) the interests of:

- individuals who are disabled or chronically sick;
- individuals who are of pensionable age;
- individuals on low income;
- individuals residing in rural areas.

Management Report

The Board of the Utility Regulator

As per Schedule 1 of the Energy (Northern Ireland) Order 2003 (as amended by the Water and Sewerage Services (Northern Ireland) Order 2006) the Utility Regulator Board is required to have a minimum of three members including the Chairman to enable it to discharge its duties.

During 2008-09 the Board of the Utility Regulator comprised one executive member (the Chief Executive) and seven other non executive members of the Authority. The Board is the body that sets the overall strategic direction of the organisation and decides on major policy matters.

Peter Matthews, Chairman of the Board, was appointed by the Department of Enterprise, Trade and Investment (DETI) on 1 April 2006 following open competition. Five other members of the Authority, Etain Doyle, Clive Elphick, Christopher Le Fevre, Philip Johnson and James Oatridge were appointed by DETI for a period of 3 years, from 1 October 2006. Alan Rainey was appointed by DETI for a period of 3 years, from 1 October 2007.

The Chief Executive, Iain Osborne, was appointed on 15 June 2006, and is the Utility Regulator's Accounting Officer.

From 1 April 2007, the Department of Finance and Personnel (DFP) will carry out new appointments to the Utility Regulator board in accordance with Article 3 of the Water and Sewerage Services (Northern Ireland) Order 2006.

Board Sub Committees

The Audit Committee

The Audit Committee provides the Chief Executive, as Accounting Officer, and the Board with impartial advice on the effectiveness of the Utility Regulator's governance, risk and control arrangements. In fulfilling this role, the Audit Committee reviews significant issues identified by Internal Audit (IA) and the Northern Ireland Audit Office (NIAO), and invites executive managers to attend and provide an account of action being taken to address these issues.

Membership of the Audit Committee is drawn exclusively from non-executive board members. During 2008-09, the Audit Committee comprised James Oatridge (Chairman), Clive Elphick, Etain Doyle and Christopher Le Fevre. A number of standing invitees also attend Audit Committee meetings. These include the Chief Executive, the Director of Corporate Affairs, the Head of Internal Audit and representatives from the Northern Ireland Audit Office.

The Audit Committee Chairman reports on Audit Committee business to the Board.

The Audit Committee met seven times during 2008-09. Its terms of reference and minutes of meetings are available on request.

Board Advisory Groups

Board Advisory Groups (BAGs) were established for Water and Energy. The membership of these BAGs is made up of non-executive board members, with relevant sectoral experience, and senior staff. The BAGs are designed to provide detailed scrutiny of key policy issues in support of the decision making processes at board level.

The Water BAG comprised the following non-executive directors during 2008-09: Clive Elphick (Chairman), Peter Matthews and James Oatridge.

The Energy BAG comprised the following non-executive directors during 2008-09: Christopher Le Fevre (Chairman), Etain Doyle, Philip Johnson and Alan Rainey.

The Remuneration Committee

The Remuneration Committee considers and approves recommendations regarding the remuneration of the Chief Executive and senior staff. It also has responsibility for contributing to wider pay policy issues affecting all staff.

The Remuneration Committee comprised the following non-executive directors during 2008-09: Etain Doyle (Chairman) and Philip Johnson. Peter Matthews also normally attends Remuneration Committee meetings.

Attendance during the year at various board and board Sub Committee meetings by the Chairman and the Non-Executives was as follows:

	The Board	Board Advisory Groups	Audit Committee	Remuneration Committee
Peter Matthews	9/9	3/5		7/7
Etain Doyle	7/9	4/6	6/7	7/7
Clive Elphick	7/9	5/5	6/7	
Christopher Le Fevre	9/9	6/6	7/7	
Philip Johnson	8/9	5/6		7/7
James Oatridge	8/9	5/5	7/7	
Alan Rainey	9/9	6/6		

As well as their involvement through board and board Sub-Committee meetings during the year, the Chairman and Non Executive Board members contributed extensively to the Utility Regulator's business. This included attendance at Utility Regulator seminars and briefings, meetings with external stakeholders, attendance at conferences and seminars.

Details of the remuneration of Utility Regulator Board members are provided on page 19.

The Senior Management Team

The Senior Management Team comprises the Chief Executive, the Directors respectively of Electricity, Gas, Water and Corporate Affairs and the Head of Legal Services. The Board Secretary acts as a secretariat to the Senior Management Team, which meets weekly and decides - subject to the direction provided by the Board - on all strategic and operational issues.

Single Electricity Market (SEM) Committee

The SEM Committee, which is a committee of the Utility Regulator, comprises an independent member and a deputy independent member and three persons (who must either be a member of the Utility Regulator board or Staff) appointed by DETI after consultation with the Utility Regulator and with the approval of the Minister of Communications, Energy and Natural Resources (being a Minister of the Government of Ireland), “the Irish minister”, and three persons (who must be members of the Commission for Energy Regulation) appointed by DETI with the approval of the Irish Minister.

The primary function of the SEM Committee is ‘the taking of any decision as to the exercise of a relevant function of the Commission for Energy Regulation (CER) or the Northern Ireland Authority for Utility Regulation (the Utility Regulator) in relation to a SEM matter on behalf of CER and the Utility Regulator by the SEM Committee as the case may be’.

Iain Osborne, Dermot Mac Cann (the Director of Electricity) and Alan Rainey were appointed to serve as the Utility Regulator members on the SEM Committee. Members are appointed for a term not exceeding 5 years.

The independent member and deputy independent member are paid by CER who in turn recoups 50% of those costs from the Utility Regulator.

During 2008-09, the SEM Committee met 11 times.

Departmental Accounting Boundary

No other entities fall within the Utility Regulator’s accounting boundary.

The Utility Regulator Reporting System

Article 6 of the Energy Order and Article 4 of the Water and Sewerage Order require the Utility Regulator to produce and publish, before 1 April in each year, a Forward Work Programme (FWP) for that particular financial year, but before doing so it must consult on a draft of the Programme in time to allow it to consider any representations or objections made. Article 6 (4) of the Water and Sewerage Order specifically enables the Utility Regulator to prepare a combined forward programme covering its energy and water and sewerage functions.

A FWP for 2008-09 was consulted on and published (and can be accessed from the Utility Regulator’s website, www.niaur.gov.uk). It described the Utility Regulator’s objectives, identified the main priorities for meeting those objectives and outlined the specific projects and tasks which the organisation planned to undertake in the year commencing 1 April 2008. It also included an estimate of the overall expenditure which the Utility Regulator expected to incur during the year.

The Utility Regulator's Annual Report 2008-09, in addition to outlining the organisation's activities and providing a general survey of developments, reports on the progress of the projects as described in the FWP. Article 5 of the Water and Sewerage Order enables the Utility Regulator to produce an Annual Report that is combined with the Annual Report of the organisation prepared under Article 6 of the Energy Order.

Utility Regulator Reporting Cycle

As a Non-Ministerial Government Department, the Utility Regulator's funds are voted by the Assembly and accounted for on an annual basis in the Resource Accounts.

Receipts from electricity and gas licenses which are classified as Consolidated Fund Extra Receipts within the respective Orders have, in line with a Treasury direction using its powers under the 1920 Treasury Act, been reclassified as Accruing Resources. To put this into effect DETI nominated the Director General of Electricity Supply (now the Utility Regulator) as its agent to collect licence fees on its behalf. These were licence fees due to DETI in respect of licences issued by it at the time of privatisation of the electricity industry. Gas licences issued by DETI and the Director General of Gas both provided for licence fees to be paid to the Director (now the Utility Regulator). Prior to this electricity and gas licence fees were paid directly into the Northern Ireland Consolidated Fund by the respective organisations. The licence issued by the Department of Regional Development (DRD) to Northern Ireland Water (NIW) in respect of Water and Sewerage services provides for licence fees under that licence to be paid to the Utility Regulator

The Utility Regulator's expenditure is therefore primarily offset by annual licence fees paid by the electricity and gas licensees and water and sewerage undertakers, which are ultimately recovered from customers. Licence fees are set annually by a determination made by the Utility Regulator – the income from electricity, gas and water and sewerage licence fees in 2008-09 was £6.122 million (this figure represents the net amount after deducting fees already overpaid by licensees in respect of 2007-08).

Pension Liabilities

The Utility Regulator is now staffed both by directly recruited employees and a smaller number of staff who are either seconded or loaned from DETI or the Department of Finance and Personnel (DFP) in the main.

Those staff seconded from their parent departments and those directly recruited have access to the Northern Ireland Principal Civil Service Pension Scheme (PCSPS (NI)) and the Utility Regulator bears the cost of pension provision for those staff choosing to access this scheme by payment of an Accruing Superannuation Liability Charge (ASLC). The directly recruited staff of the Utility Regulator who have elected not to join PCSPS (NI) are employed on a permanent, non-pensionable basis.

Equal Opportunities

The Utility Regulator is an Equal Opportunity employer. It is fully committed to the elimination of all forms of discrimination, harassment and victimisation, not only because of the legal requirements under which it operates, but because it makes sound business sense and ensures that working relationships are based on mutual trust, respect and understanding. This allows the best use to be made of the wide variety of skills, abilities and attributes available in the organisation and promotes a harmonious working environment.

Disabled Persons

The Utility Regulator is committed to ensuring that its policies and practices comply with the requirements of the Disability Discrimination Act 1995.

Employee Involvement

The Utility Regulator recognises the benefit of keeping all its employees regularly informed about progress towards achieving its aims and objectives. During 2008-09 a staff committee was established, to provide an opportunity for the Utility Regulator staff to have a say and be involved in organisational development, and the Committee met 10 times.

Moreover, a survey was initiated to seek staff views on internal communication at the Utility Regulator. The views of staff were analysed and provided the basis of an action plan for improving internal communications, which was approved by Directors in January 2009.

Health and Safety

The Utility Regulator is committed to applying all existing health and safety at work legislation and regulations to ensure that staff and visitors enjoy the benefits of a safe environment. Circulating a Health and Safety Policy Statement and associated organisational and other arrangements to staff, to ensure safe and healthy working conditions, is a key aspect of the Utility Regulator's health and safety commitments.

Payment to Suppliers

The Utility Regulator is committed to the prompt payment of bills for goods and services received in accordance with the Late Payment of Commercial Debts (Interest) Act 1998 and British Standard BS 7890 – Achieving Good Payment Performance in Commercial Transactions. Unless otherwise stated in the contract, payment is due within 30 days of the receipt of the goods or services, or on presentation of a valid or undisputed invoice or similar demand, whichever is later. During the year, 94% (07/08 – 97%) of undisputed invoices were paid within this standard. In response to the current economic position, the Department for Business Enterprise and Regulatory Reform (BERR) announced on the 21st October that central Government had committed to paying invoices within 10 days. In line with other NI Departments and following DAO 12/08 issued on the 27th November, the Utility Regulator has aimed to promptly pay invoices within the 10 day target. Since this date the Utility Regulator has paid 95% of undisputed invoices within 10 days.

Equality Scheme

The Utility Regulator has produced an equality scheme as required by Schedule 9 of the Northern Ireland Act 1998 (the Act). This scheme sets out how it proposes to fulfil the duties imposed on it by section 75 of the Act. The scheme has been approved by the Equality Commission and is available in either paper or electronic format. It is also available on request in a variety of alternative formats.

The Board considered a paper on the Equality scheme at its meeting in October.

External Auditor

Under section 10 of the Government Resource and Accounts Act (Northern Ireland) 2001, the Comptroller and Auditor General for Northern Ireland is the statutory auditor for the Utility Regulator. The notional charge for this audit service as disclosed in these accounts is £15k (£15k in 2007-08).

So far as I am aware, there is no relevant audit information of which the auditors are unaware and the Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

Internal Audit

The Internal Audit of the Utility Regulator is carried out on a contract basis. A company of professional accountants and auditors Tribal Helm (an organisation which operates to standards defined in the Government Internal Audit Manual), were appointed following open competition and carried out the Internal Audit function for the year under review.

Register of Interests

The Utility Regulator maintains a Register of Interests containing details of company directorships and any other significant interests held by the Authority / Board members. Public access to this register can be obtained by contacting the Utility Regulator.

SUSTAINABILITY REPORT

Taking account of sustainability in the Utility Regulator's work

Although the promotion of sustainable development is not a primary duty of the Utility Regulator, secondary duties clearly outline the organisation's responsibility in relation to sustainability issues. Subject to the interests of named groups - such as individuals on low income - the Utility Regulator:

- shall promote the efficient use of electricity, promote efficiency and economy on the part of licence holders, secure a diverse and viable long-term energy supply and shall have regard to the effect on the environment;
- must have regard to (among other things) the need to secure a diverse and viable long term energy supply and the effect on the environment of activities connected with the conveyance, storage or supply of gas; and
- must also contribute to the achievement of sustainable development (in relation to water and sewerage).

The Utility Regulator is responsible for implementing a number of policy instruments aimed at promoting energy efficiency and lower carbon, including the Northern Ireland Renewables Obligation and the promotion of the gas industry.

Moreover, the Utility Regulator also encourages a number of other instruments, implemented through Northern Ireland Electricity, such as the Sustainable Management of Assets and Renewable Technologies (SMART) programme which encourages environmentally friendly approaches to the provision of the electricity network and infrastructure to meet consumer demand in Northern Ireland. The Utility Regulator also has responsibility for a number of instruments aimed at promoting behavioural change in relation to sustainability, such as the Energy Efficiency Levy and price controls.

All electricity consumed in the offices of the Utility Regulator is generated from renewable sources.

Key developments relating to sustainability

The consultation document, Sustainable Development - The Regulator's Role, was published on 31 March 2008 for formal consultation. At the close of the consultation in August 2008, 22 responses had been received. A decision paper on the way forward for advancing sustainability was published in November 2008. The Corporate Strategy and Forward Work Programme published at the end of March 2009 outlined a range of actions for advancing sustainability.

A review of the Energy Efficiency Levy programme commenced during 2008. Following consultation, a decision paper proposing - among other things - a staged opening and a re-branding of the programme, was published at the end of March 2009.

The Utility Regulator also consulted on a Social Action Plan during 2008-09. This also included carrying out consumer research, in conjunction with the Consumer Council, which involved disadvantaged customers in particular. 29 responses were received to the Social Action Plan consultation, and consideration of these was in progress at the end of the March 2009.

MANAGEMENT COMMENTARY

Operating Review

The Annual Report (produced separately) provides a comprehensive account of the performance of the Utility Regulator during 2008-09, including a detailed commentary on the organisation's achievement against its Forward Work Programme for 2008-09. A printed copy of the Annual Report can be obtained by contacting the Utility Regulator by phone on 028 90311575 or by writing to the Finance and Administration Branch, the Utility Regulator, Queens House, 14 Queens Street, BELFAST, BT1 6ER. Alternatively it can be downloaded free from the Utility Regulator's website www.niaur.gov.uk.

A high level summary of aspects of organisational performance during 2008-09 is outlined below.

Achievement against key duties and objectives

To protect the interests of electricity consumers with regard to price and quality of service by promoting competition in the Generation, Transmission and Supply of Electricity.

- Electricity tariff reviews were completed against a background of volatile wholesale energy costs. NI customers were the first in GB/ROI to benefit from falling wholesale prices as a result of an extraordinary tariff review in December 2008. An independent review of the electricity tariff setting process was carried out by Douglas McIlDoon, and reported on 5 December 2008.
- The SEM Committee agreed a decision paper relating to a formal inquiry into participant commercial behaviour (in June 2008), a consultation paper on options for the stabilisation of the capacity payment mechanism (March 2009), and the first Annual Report on the operation of the SEM (at the end of March 2009 - for publication in April 2009).
- A Single Electricity Market Operator price control was completed.
- The divestment of the System Operator of Northern Ireland took place

To promote the development and maintenance of an economic, efficient and co-ordinated gas industry and to protect the interests of gas consumers with regard to price and quality of service.

- A programme for moving forward on the Common Arrangements for Gas is now in place, which sets out the benefits to consumers of moving forward with this project (a second cost benefit analysis, for instance, was published in March 2009).
- A review of Governance arrangements relating to Northern Ireland Energy Holdings was led by the Gas directorate, and published for consultation in March 2009.
- Price controls relating to Firmus Energy Distribution and Phoenix Supply Ltd were undertaken during the year.
- Two tariff reviews relating to Phoenix Supply Ltd were undertaken during 2008.

To protect the interests of consumers of water and sewerage services, where appropriate by the promotion of effective competition.

- Work was advanced on planning the price control process that will establish NI Water's revenue and charging levels from April 2010 to March 2013. The Utility Regulator published its Approach to 2010-2013 Overall Cost and Price Control for Northern Ireland.
- The Costs and Performance Report, published in March 2009 provided an overview on how NI Water was managing its costs and performing against target and other water companies across the United Kingdom.
- An investigation into the mis-apportionment of costs by NI Water was carried out during the 2008-09 year. The key outcome from the investigation was binding undertakings from the water company to improve systems.

Effective and Efficient Regulator

- The Utility Regulator consulted extensively on a 5 year Corporate Strategy, which was finalised for publication at the end of the financial year.
- The Utility Regulator carried out a review of the Energy Efficiency programme and published a decision paper in March 2009.
- A new dedicated unit to advance work on retail competition was created towards the end of the financial year.
- Initiatives to support better communication and engagement with stakeholders were progressed during the year, including enhancement to the organisation's website, and the delivery of a stakeholder engagement programme.

Forward Work Programme Performance

The Forward Work Programme 2008-09 outlines a list of time limited tasks. Of the 76 time limited tasks identified, the progress report 31 March 2009 is as follows:

Achieved -	54 (71%)
Partially achieved tasks -	9 (12%)
Revised tasks	13 (17%)
Not achieved	0 (0%)

Trends and Strategic Direction

The Utility Regulator's 5 year Corporate Strategy was published on 31 March 2009 and examines the strategic direction and priorities for its work programme in the coming five year planning horizon.

The Corporate Strategy document recognises the key regulatory trends and issues that will affect our work in the coming five year period and set out our longer-term work priorities to meet these challenges. The main trends that are likely to be addressed include:

- Wholesale costs of energy – these have been high and volatile and contribute to significant price rises to end users and to wider social problems such as fuel poverty. We need to develop strategic responses to alleviating these where possible.
- Delivering effective competition – we will be seeking to further develop competition, particularly in relation to gas and electricity retail markets, to contribute to cost reduction, innovation and incentivising regulated companies to be more efficient.
- Assimilating the regulation of water and sewerage into our organisation – the formal economic and consumer regulatory framework for these services is new, both to NIW, and also to the Utility Regulator. We will be working to deliver effective regulation in this area.
- Sustainability challenges – these are covered above and will be a key area for resource and priority action.
- The trend towards “internationalisation” – developments in cross-border and inter-state regulation will continue to affect the work of the Utility Regulator. Much of this is driven by EU legislation and policy (e.g. EU renewable generation targets) and will need to be factored into our plans and priorities.
- Technological and information advances will continue to impact on our work within the regulated industries and companies. Issues such as the roll out of “Smart” metering can have potentially large impacts on regulatory policy and actions.

Financial Review

The Utility Regulator’s gross expenditure in pursuit of its objectives as detailed in the *Statement of Operating Costs by Departmental Aim and Objectives* was as follows:

- Objective A (Electricity) - £2,764,000 (£4,043,000 in 2007-08)
- Objective B (Gas) - £1,537,000 (£1,010,000 in 2007-08)
- Objective C (Water) - £2,109,000 (£1,317,000 in 2007-08)

The reduction in costs for Objective A is due mainly to the post implementation SEM cost requirements being lower than the pre implementation costs

Objective B costs have increased as the resourcing needs have increased towards complement and additional resources have been required to deliver the firmus and PNG Price Controls and initiate CAG.

The 2007/08 costs of objective C represented the 1st year costs of beginning the process of establishing the water regulation related function and processes. This process continued during the 2008/09 year.

The *Operating Cost Statement* shows that salary costs rose in line with the increase in staff numbers and inflation from the previous year (£3,541k for 2008-09 against £2,553k for 2007-08).

The Utility Regulator's net resource outturn was £288k against an estimate of £315k resulting in a saving against estimate of £27k.

The net resource outturn reflects the cost borne by Central Government in respect of work undertaken by the Utility Regulator which is not yet recoverable from a licensee or group of licensees. There was a significant decrease in net resource outturn from £1,498k in the 2007/08 year to £288k in 2008/09. This decrease is mainly caused by the transfer of funding of the Single Electricity Market from Central Government to electricity licensees.

Reconciliation of Resource Expenditure between Estimates, Accounts and Budgets

	2008-09	2007-08
	£000	£000
Net Resource Outturn (Estimates)	288	1,498
<i>Adjustments to additionally include:</i>		
Consolidated Fund Extra Receipts in the OCS		
Net Operating Cost (Accounts)	288	1,498
<i>Adjustments to remove:</i>		
Notional Charges	56	65
<i>Adjustments to additionally include:</i>		
Other Consolidated Fund Extra Receipts	-	
Resource Outturn (Budget)	232	1,433
Of which		
Departmental Expenditure Limits (DEL)	232	1,433
Annually Managed Expenditure (AME)		

The significant change in other current expenditure includes the net decrease in consultancy costs from £2,573k in 2007/08 to £1,756k in 2008/09. Staff resources increased during 2008/09 and Costs associated with the development of the Single Electricity Market began to reduce

The percentage of staff costs to total costs has risen from 40% in 2007/08 to 55% in 2008/09. This is due to the ongoing recruitment of staff during the year as progress continued towards achieving the required complement.

There were no contingent liabilities in 2008/09.

Fixed Assets

Details of the movement of fixed assets are set out in Notes 13 & 14 to the Accounts. There were £22k of additions to fixed assets during the financial year consisting of leasehold improvements and the purchase of computer equipment and furniture.

Governance

Code of Good Practice on Corporate Governance in Central Government Departments

The Utility Regulator operates within the context of the provisions of HM Treasury's Code of Good Practice on Corporate Governance in Central Government Departments.

Ministerial arrangements

The Utility Regulator, a body corporate, established by the Energy (Northern Ireland) Order 2003 as amended by the Water and Sewerage Services (Northern Ireland) Order 2006 is a Non-Ministerial Government Department. Its status as a Non-Ministerial Government Department ensures that the regulation of the electricity and gas industries and water and sewerage services is fair and impartial and conducted within parameters established by Ministers. The Utility Regulator is accountable to the Northern Ireland Assembly.

Article 5 of the Water and Sewerage Services (Northern Ireland) Order 2006 enables the Utility Regulator to produce an annual report to DRD that is combined with the annual report to DETI prepared under Article 6 of the Energy (Northern Ireland) Order 2003. This combined report will continue to be laid before the assembly by DETI.

The Utility Regulator Board

The Utility Regulator Board / Authority consists of eight members (a non-executive chairman, six other non-executive members and an executive member – the Chief Executive).

Under the enabling legislation all non-executive members, including the chairman, have equal authority.

The Chief Executive oversees the day to day running of the organisation and is the Utility Regulator's Accounting Officer.

The Board provides the strategic management of the Utility Regulator. Its responsibilities include:

- forming the Utility Regulator vision and setting high-level objectives;
- setting strategic direction and deciding priorities for the Utility Regulator;
- shaping the Utility Regulator's underpinning behaviours, policies, processes and structures;
- leading and promoting change to secure improved performance;
- reviewing overall business planning and performance;
- ownership and management of key strategic risks; and
- leading horizon scanning and scenario planning.

Its primary purpose is to discuss and review key operational and strategic matters including the development of the future strategy for the organisation.

Additional objectives of the Board include:

- contributing at an early stage to the development of strategic and operational proposals;
- providing advice on the achievement of performance objectives;
- assessing and advising on the management of risk, supported by the Audit Committee;
- encouraging enterprise and innovation;
- overseeing the Utility Regulator's governance arrangements.

The Board met nine times during 2008-09 and its minutes are published on the Utility Regulator's website. (www.niaur.gov.uk).

The Chairman leads an annual evaluation of the performance of the Board. Every two years the Board considers its remit, constitution and operating procedures.

It is supported by:

- Board Advisory Groups encompassing energy and water

The Board currently has three committees that reports to it on a regular basis:

- Audit Committee
- Remuneration Committee
- SEM Committee

On appointment non-executive Board members undertake a structured induction process organised within the Utility Regulator.

Structure of the Utility Regulator

The organisational structure of the Utility Regulator is based on five work areas: Electricity, Gas, Water, Chief Executive's Office and Corporate Affairs

Relationships with Arms Length Bodies

The Utility Regulator has no arms length bodies.

Declaration of Interests

The Utility Regulator also maintains a register of Board Members interests which is available for inspection on request.

Sickness absence data

The overall absence rate (the number of days of absence as a percentage of the total available working days) was 1.84% for the year ended 31st March 2009.

Personal data

The nature of the Utility Regulator's business only requires it to hold a limited amount of personal data. There have been no incidents relating to this personal data during the year to the 31st March 2009.



Iain Osborne
Accounting Officer:
26th June 2009

REMUNERATION REPORT

Remuneration Policy

The Non Executive Chairman and Non Executive Directors of the Utility Regulator were appointed by DETI (Schedule 1 paragraph 1(1) of the Energy Order) and the Utility Regulator appointed its own Chief Executive. The salary level and terms for the Non Executive posts were set by DETI while the remuneration for the Chief Executive post was determined by the Utility Regulator and approved by the Department of Finance and Personnel (Schedule 1 paragraph 5 of the Energy Order) as being the minimum necessary to attract and retain a person of the necessary calibre to fill the position. The non executive member of the SEM Committee was appointed by DETI and the salary level and terms for this post were also set by DETI.

The pay award for senior managers is comprised of two elements, a base pay uplift and a non-consolidated award, the latter of which is based on performance.

Service Contracts

Civil service appointments are made in accordance with the Civil Service Commissioners for Northern Ireland's Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended until they reach the normal retiring age of 60. Policy relating to notice periods is reflected in contracts of employment and policy relating to termination payments is contained in the Northern Ireland Civil Service (NICS) Staff Handbook.

The Utility Regulator, a body corporate as described in the Energy Order. DFP has authorised the independent exercise of the appointment power contained within Schedule 1, paragraph 5 of the Energy (Northern Ireland) Order 2003 and the Utility Regulator thereby sets the numbers and terms and conditions of service of those civil servants employed by it within the context of the public sector pay remit. The direct appointments are permanent, pensionable (optional) appointments and in the period covered by this report 9 such appointments were made.

Further information about the work of the Civil Service Commissioners can be found at www.nicscommissioners.org.

Salary and pension entitlements (audited)

The salary and benefits in kind of the senior officials of the Utility Regulator were as follows:

	2008-09		2007-08	
	Salary (excluding benefits in kind) £000	Benefits in kind	Salary (excluding benefits in kind) £000	Benefits in kind
<i>Authority members and senior management team</i>				
Mr Peter Matthews** (Non Executive Chairman)	30-35	7,947*	30-35	7,186*
Ms Etain Doyle** (Non Executive Director)	5-10	2,795*	5-10	2,616*
Mr Clive Elphick** (Non Executive Director)	5-10	7,852*	5-10	6,902*
Mr Philip Johnson** (Non Executive Director)	5-10	9,928*	5-10	7,687*
Mr Christopher Le Fevre** (Non Executive Director)	10-15	5,703*	5-10	5,618*
Mr Jim Oatridge** (Non Executive Director)	5-10	7,121*	5-10	7,755*
Mr Alan Rainey** (Non Executive Director)	20-25***	28*	0-5 (5-10 full year equivalent)	655*
Mr Iain Osborne Chief Executive	135-140#	-	130-135	-
Mr Dermot MacCann Director of Electricity Regulation	80-85#	-	75-80	-
Mrs Jo Aston Director of Water Regulation	85-90#	-	75-80	-
Mr Donald Henry Director Corporate Affairs	85-90#	-	30-35 (80-85 full year equivalent)	-
Mr Brian Mc Hugh Director of Gas Regulation	65-70#	-	20-25 (60-65 full year equivalent)	-
Mr J P Irvine Head of Legal Services	55-60#	-	65-70#	-

* Taxable value of home to office costs + overnight accommodation and expenses incurred by members of the Authority.

** Part time non-pensionable appointments

*** Includes payment for SEM Committee

Includes performance pay where relevant

Salary and pension entitlements (audited)

The following sections provide details of the remuneration and pension interests of the senior officials of the Utility Regulator.

2008 – 2009

	Real increase in Pension and related lump sum at age 60 £000	Total accrued pension at age 60 or leaving date if earlier and related lump sum £000	CETV At 31/3/09 or at date of leaving £000	CETV ** At 31/3/08 or at date of commencement £000	Real increase in CETV After adjustment For inflation and changes in market Investment factors (nearest £000)
Ministers					
<i>None</i>					
Officials					
Mr Peter Matthews (Non Executive Chairman)	Non-pensionable	N/A	N/A	N/A	N/A
Ms Etain Doyle (Non Executive Director)	Non-pensionable	N/A	N/A	N/A	N/A
Mr Clive Elphick (Non Executive Director)	Non-pensionable	N/A	N/A	N/A	N/A
Mr Philip Johnson (Non Executive Director)	Non-pensionable	N/A	N/A	N/A	N/A
Mr Christopher Le Fevre (Non Executive Director)	Non-pensionable	N/A	N/A	N/A	N/A
Mr Jim Oatridge (Non Executive Director)	Non-pensionable	N/A	N/A	N/A	N/A
Mr Alan Rainey (Non Executive Director)	Non-pensionable	N/A	N/A	N/A	N/A
Mr Iain Osborne Chief Executive	0-2.5 2.5-5	0-5 10-15	54	32	17
Mr Dermot MacCann Director of Electricity Regulation	0-2.5 0-2.5	30-35 95-100	747	695	-5
Mrs Jo Aston Director of Water Regulation	5-7.5 17.5-20	20-25 60-65	344	224	100
Mr Donald Henry (Director Corporate Affairs)	0-2.5 5-7.5	5-10 25-30	75	27	23
Mr Brian Mc Hugh (Director of Gas Regulation)	0-2.5 5-7.5	5-10 15-20	52	31	18
Mr J P Irvine Head of Legal Services	0-2.5	0-5	6	0	4

** The figures may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with the Occupational Health Pension Schemes (Transfer Values) (Amendment) Regulations 2009
CETV figures used in these accounts are exclusive of any GMP adjustments.

Salary

“Salary” includes gross salary; performance pay; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance (including benefits in kind) to the extent that it is subject to UK taxation.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument.

Pension benefits are provided through the Northern Ireland Civil Service pension arrangements which are administered by Civil Service Pensions (CSP). Staff in post prior to 30 July 2007 may be in one of three statutory based ‘final salary’ defined benefit schemes (Classic, Premium, and Classic Plus). These arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants joining on or after 1 October 2002 and before 30 July 2007 may choose between membership of premium or joining a good quality ‘money purchase’ stakeholder arrangement with a significant employer contribution (partnership pension account). New entrants joining on or after 30 July 2007 are eligible for membership of the nuvos arrangement or they can opt for a partnership pension account. Nuvos is an ‘earned pension’ arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The current rate is 2.3%. Earned pension benefits are increased annually in line with increases in the RPI and attract annual pension increase.

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years’ pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly in the same way as in classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a selection of approved products. 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 0.8% 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.civilservicepensions-ni.gov.uk .

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 CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV effectively 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.



Iain Osborne
Accounting Officer:
26th June 2009

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Government Resources and Accounts Act (NI) 2001, the Utility Regulator is required to prepare resource accounts for each financial year, in conformity with a DFP direction, detailing the resources acquired, held, or disposed of during the year and the use of resources by the Utility Regulator during the year.

The Resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Utility Regulator, the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

DFP has appointed the Chief Executive of the Utility Regulator as Accounting Officer of the Utility Regulator, with responsibility for preparing the Utility Regulator's accounts and transmitting them to the Comptroller and Auditor General.

In preparing the accounts the Accounting Officer is required to comply with the Financial Reporting Manual (FRM) prepared by DFP, and in particular to:

- observe 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 FRM have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

The responsibilities of an 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 Utility Regulator's assets are set out in the Accounting Officers' Memorandum issued by DFP and published in "Managing Public Money Northern Ireland".

STATEMENT ON INTERNAL CONTROL

1. Scope of responsibility

As Accounting Officer I have responsibility for maintaining a sound system of internal control that supports the achievement of the Utility Regulator's policies, aims and objectives, whilst safeguarding the public funds and Utility Regulator assets for which I am personally responsible in accordance with the responsibilities assigned to me in Managing Public Money Northern Ireland.

The Utility Regulator Board approves the Utility Regulator's financial and operational Budget and Forward Work Programme and is kept informed of performance against relevant targets during the course of the year.

Further checks and balances are provided by Internal and External Audit and by the Utility Regulator Audit Committee and appropriate records of meetings are maintained.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Utility Regulator's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Utility Regulator for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts and accords with DFP guidance.

3. Capacity to handle risk

The risk management strategy provides detail on risk management activity across the Utility Regulator. It provides a framework for the management of risk and promotes a consistent approach across the organisation. The risk management cycle in the Utility Regulator encompasses both a "top-down" and "bottom-up" approach. This approach allows risks to be identified and managed and escalated as appropriate.

The Utility Regulator has established the following processes to ensure that leadership is given to the risk management process and that risk is managed in an appropriate manner: -

- Members of the Utility Regulator's board met 9 times in 2008/09 to consider its plans and overall strategic direction. Board Advisory groups meet separately to consider sector specific issues;
- The Utility Regulator has both a Chief Executive and Accounting Officer and a Non Executive Chairman;
- The Utility Regulator's senior staff meet weekly to review key issues and risks as they arise;

- The board's Audit Committee meets at least four times each year and risk is a standing agenda item;
- The Annual Report reports on performance against targets set out in the Forward Work Programme;
- In-house Legal Counsel are employed;
- Procurement and tendering processes are based on Central Procurement Directorate (DFP) guidance;
- The Corporate Affairs Directorate is led by a fully qualified accountant;
- The Utility Regulator has an integrated accounting system with reporting modules in order to improve the provision of management information; and
- The Utility Regulator has outsourced aspects of its IT function to DETI ISU/IT Assist to improve levels of service and to facilitate compliance with NICS IT procedures and regulations.

4. The Risk and Control Framework

The system of internal control within the Utility Regulator is based on an on-going risk management process. This identifies the principal risks associated with the achievement of departmental policies, aims and objectives, along with the controls in place to manage those risks, at two key levels:

- Corporate – High level risks for the Utility Regulator managed by the senior management team and considered by the Audit Committee; and
- Directorate Level – key risks identified and managed by Directors and their management teams.

The Utility Regulator manages risk by:

- the consistent identification, assessment and prioritisation of risk, with clear assignment of accountability for management;
- the structured selection and implementation of measures to treat the risk, involving all relevant parties as appropriate;
- the appropriate escalation, monitoring and reporting to ensure information on risks, controls, and progress of planned actions is made available on a timely basis; and
- managers providing appropriate assurance that risk management responsibilities and processes have been discharged and that risks are being managed as intended.

The Corporate Risk Register evaluates the likelihood and impact of occurrence and also assesses the controls in place to manage those risks. Further actions to improve controls are agreed where appropriate. The ownership of each risk has been allocated to appropriate staff.

The Utility Regulator identifies, evaluates and controls risks through a number of mechanisms including:

- a detailed annual budget with key outputs identified in the Forward Work Programme. The Utility Regulator management, the Audit Committee and the Board monitor in-year performance;
- a formal risk management strategy that identifies key risks and their consequences. These are recorded in a risk register and current risk status is reviewed regularly by the senior management team and the Audit Committee which reviews the Corporate Risk register and reports to the Authority's Board accordingly;
- a properly constituted Audit Committee which reports directly to the Board;
- independent Internal Audit which reports to the Audit Committee to standards defined in the Government Internal Audit Manual and agrees a rolling programme of audits for each year with the Audit Committee;
- the Audit Committee conducts a yearly review of the audit programme, including an assessment of general risk, and an opinion on the adequacy and effectiveness of the system of internal control together with recommendations for improvement;
- the Utility Regulator consults fully with its stakeholders before finalising its decisions on key issues; and
- periodic review of risk management within the Utility Regulator by Internal Audit.

The Utility Regulator has further progressed its information management and governance agenda. The nature of the Utility Regulator's business only requires it to hold a limited amount of personal data. We have identified the owners of information assets across the organisation, issued guidance notes for information owners to assist them in understanding how to classify their information assets and held workshops to assist information owners with the classification and risk assessment of their information assets. A draft information asset register has been produced and actions to progress the implementation of further information management policies and controls are being identified. Work to develop an overall IT strategy for the Utility Regulator is also ongoing and that will provide a vehicle for identifying and progressing further IT related workstreams.

5. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the Audit Committee, the internal auditors and the executive managers within who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. Directors also provide me with Assurance Statements commenting on the adequacy and effectiveness of the control environment at year-end. Plans are in place to address weaknesses and ensure continuous improvement.

The main duties of the Audit Committee include the following:

- to examine the manner in which management ensures and monitors the adequacy of the nature, extent and effectiveness of accounting and internal control systems;
- to monitor relationships with NIAO auditors, particularly, to ensure that there are no restrictions on the scope of the statutory audit and to review the activities, findings conclusions and recommendations of the NIAO auditors;
- to review management response and compliance with the results of external and internal audit activity;
- to review arrangements established by management for compliance with regulatory and financial reporting requirements; and
- to review the scope and nature of the work of the Internal Audit service which shall be in accordance with predetermined standards of internal audit.

The Utility Regulator's contracted-out Internal Audit service operates to Government Internal Audit Standards (GIAS). The work of the Internal Audit is informed by an analysis of the risks to which the organisation is exposed, and annual internal audit plans take account of this analysis.

The analysis of risk and the internal audit plans are endorsed at the Authority's Audit Committee meeting. The Head of Internal Audit (HIA) provides the Audit Committee with reports on internal audit activity within the Authority. The Annual Assurance Reports for the Utility Regulator includes the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the risk management, control and governance processes.

6. Significant Internal Control Problems

For 2008-09, Internal Audit has provided me with satisfactory assurance, in overall terms, regarding the adequacy and effectiveness of the risk management, control and governance processes for the Utility Regulator. Action plans are put in place to address audit recommendations.

The Audit Committee ensures that appropriate action is taken to address internal and external findings raised throughout the year.



Accounting Officer:
Iain Osborne

26th June 2009

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY

I certify that I have audited the financial statements of Northern Ireland Authority for Utility Regulation for the year ended 31 March 2009 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the Statement of Net Operating Costs by Departmental Strategic Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

The Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance and Personnel directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with Department of Finance and Personnel directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001. I report to you whether, in my opinion, the information which comprises the Directors Report and Management Commentary, included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Department has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by the Department of Finance and Personnel regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Department's compliance with the Department of Finance and Personnel's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the unaudited part of the Remuneration Report and the Sustainability Report. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Department's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and directions made thereunder by the Department of Finance and Personnel, of the state of the Department's affairs as at 31 March 2009, and the net cash requirement, net resource outturn, net operating cost, net operating costs applied to departmental strategic objectives, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with Department of Finance and Personnel directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001; and
- information which comprises the Directors Report and the Management Commentary included within the Annual Report, is consistent with the financial statements.

Opinion on Regularity

In my opinion, in all material respects, the expenditure and income have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them.

Report

I have no observations to make on these financial statements.



JM Dowdall CB
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU

29th June 2009

The maintenance and integrity of the Northern Ireland Authority for Utility Regulations website is the responsibility of the Accounting Officer; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Statement of Parliamentary Supply

Summary of Resource Outturn 2008-09

2008-09 £000								2007-08 £000	
Estimate				Outturn			Net total outturn compared with Estimate saving/ (excess)	Outturn	
Note	Gross expenditure £000	Accruing Resources £000	Net Total £000	Gross expenditure £000	Accruing Resources £000	Net Total £000			
Resources									
Request for resources A	2	8,002	(7,687)	315	6,410	(6,122)	288	27	1,498
Total resources		8,002	(7,687)	315	6,410	(6,122)	288	27	1,498
Non-operating cost Accruing Resources									

Net Cash Requirement 2008-09

2008-09					2007-08
Note	Estimate £000	Outturn £000	Net total outturn compared with Estimate saving/ (excess) £000	Prior year outturn £000	
Net cash requirement	4	1,110	227	883	2,015

Summary of income payable to the Consolidated Fund

Note	Forecast 2008-09 £'000		Outturn 2008-09 £'000	
	Income	Receipts	Income	Receipts
Total	5	-	-	-

Explanations of any significant variances between Estimate and outturn are given in Note 2 and in the Management Commentary.

The notes on pages 37 to 53 form part of these accounts.

Operating Cost Statement for the year ended 31 March 2009

	2008-09			2007-08
	Note	Staff Costs £000	Other Costs £000	Income £000
Programme Costs:				
Staff costs	9	3,541		2,553
Other non-staff costs	10		2,869	3,817
Operating income	11			(6,122)
				(4,872)
Totals		3,541	2,869	(6,122)
				1,498
Net Operating Cost	3,12			288
				1,498

All income and expenditure is derived from continuing operations

The notes on pages 37 to 53 form part of these accounts.

Statement of Recognised Gain and Losses for the year ended 31 March 2009

		2008-09	2007-08
	Note	£000	£000
Net Gain/(Loss) on revaluation of tangible fixed assets	20	1	2
Net Gain/(Loss) on revaluation of intangible fixed assets		-	-
Recognised gains and (losses) for the financial year		1	2

The notes on pages 37 to 53 form part of these accounts.

Balance Sheet as at 31 March 2009

	Note	31 March, 2009		31 March, 2008	
		£000	£000	£000	£000
Fixed assets:					
Tangible assets	13		86		107
Intangible assets	14		10		14
Current assets:					
Debtors	15	228		262	
Debtors falling due after 1 year	15	-		5	
Cash at bank and in hand	16	773		1,378	
		1,001		1,645	
Creditors (amounts falling due within one year)	17	(3,714)		(4,154)	
Net current liabilities			(2,713)		(2,509)
Total assets less current liabilities			(2,617)		(2,388)
Provisions for liabilities and charges	18		-		(135)
Net assets			(2,617)		(2,523)
Taxpayers' equity					
General fund	19		(2,618)		(2,525)
Revaluation reserve	20		1		2
			(2,617)		(2,523)



Iain Osborne
Accounting Officer
26th June 2009

The notes on pages 37 to 53 form part of these accounts.

Cash Flow Statement for the year ended 31 March 2009

		2008-09	2007-08
	Note	£000	£000
Net cash outflow from operating activities	21a	(205)	(943)
Capital expenditure and financial investment	21b	(22)	(71)
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities			-
Payments of amounts due to the Consolidated Fund	21e	(1,378)	(4)
Financing	21d	1,000	1,531
Increase/(decrease) in cash in the period		(605)	513

The notes on pages 37 to 53 form part of these accounts

Statement Of Net Operating Cost by Department Strategic Objectives for the year ended 31 March 2009

	2008-09			2007-08		
	Gross	Income	Net	Gross	Income	Net
	£000	£000	£000	£000	£000	£000
Aim:						
Protecting Electricity, Gas and Water and Sewerage consumers with regard to price and quality of service.						
Objective A:						
To promote competition in the generation and supply of Electricity and to protect the interest of electricity consumers with regard to price and quality of service	2,764	(2,641)	123	4,043	(2,545)	1,498
Objective B:						
To promote the development and maintenance of an efficient, economic and co-ordinated gas industry and to protect the interests of gas consumers with regard to price and quality of service	1,537	(1,454)	83	1,010	(1,010)	-
Objective C:						
To protect the interests of consumers of water and sewerage services, where appropriate by the promotion of effective competition	2,109	(2,027)	82	1,317	(1,317)	-
Net operating costs	6,410	(6,122)	288	6,370	(4,872)	1,498

Notes to the accounts

1 Statement Of Accounting Policies

These financial statements have been prepared in accordance with the 2008-09 Government Financial Reporting Manual (FReM) issued by the Department of Finance and Personnel. The accounting policies contained in the FReM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

In addition to the primary statements prepared under UK GAAP, the FReM also requires the Department to prepare two additional primary statements. The Statement of Parliamentary Supply and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement. The Statement of Operating Cost by Departmental Aims and Objectives and supporting notes analyse the Department's income and expenditure by the objectives agreed with Ministers.

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Department for the purpose of giving a true and fair view has been selected. The Department's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting Convention

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of fixed assets at their value to the business by reference to their current costs.

1.2 Tangible Fixed Assets

The minimal level for capitalisation of a tangible fixed asset is £500 for PCs and £1,000 for all other assets. Where material assets may be pooled/grouped so as to reflect more accurately asset holdings.

The following asset categories existed at the start of the year, namely IT equipment, office equipment, fixtures and fittings and leasehold improvements. Asset additions have been valued at purchase price. Existing assets are revalued annually by reference to revaluation indices obtained from the Office for National Statistics and the construction industry.

1.3 Intangible Fixed Assets

Intangible fixed assets comprise computer software licences with a capitalisation threshold of £1,000. They are revalued annually by reference to the RPI.

1.4 Cost Apportionment

Utility Regulator total costs in 2008-09 were apportioned on the basis of each divisions directly identifiable costs plus a percentage allocation of common costs based on the relationship of divisional staff numbers to total Utility Regulator staff numbers.

1.5 Depreciation and Amortisation

Depreciation is provided at the rates calculated to write off the valuation of tangible and intangible fixed assets by equal instalments over their estimated useful lives. Lives are normally in the following ranges:

Leasehold improvements	10 years or lifetime of lease
IT equipment	3 years
Fixtures and Fittings	5 to 10 years
Office Equipment	5 years
Intangible assets:	5 years

1.6 Revenue Recognition

The costs of the Utility Regulator are offset primarily by annual licence fees paid on the issue of of electricity, gas and water and sewerage licences as defined under statute. Electricity licence fees are calculated on the basis of a determination made by the Utility Regulator. It was decided in 1992 that one third of the cost of electricity regulation should be charged to the holders of generation licences, one third to the holders of transmission licences and one third to the holders of public electricity supply licences; second tier licence holders pay a minimum fee of £250 plus an additional amount based on Mws supplied in the previous year which reduces the fee payable by the public electricity supply licence holder. Licence fees are ultimately recovered from electricity customers through an operating cost allowance in the Price Controls of NIE's regulated businesses.

The commencement date for the collection of Gas fees was 5 September 1996. Prior to that date, costs were borne by central government. Gas licence fees are based on the annual identifiable costs of gas regulation.

Gas licence fees are calculated on the basis of a determination made by the Utility Regulator. Following a consultation process on how gas licence fees should be apportioned it was decided that as from the 2002-03 financial year 80% (formerly 95%) of the cost of gas regulation should be borne by the holders of gas conveyance licences and 20% (formerly 5%) by the holders of gas supply licences. The holders of conveyance licences who engage in distribution activities will pay a £50,000 basic fee plus a further amount based on volumes conveyed in the previous year. Gas licence fees are recovered from gas customers through an operating cost allowance in the Price Control of Phoenix Natural Gas's conveyance business.

In the year following payment of licence fees, the Utility Regulator adjusts the new licence fees by the amount of over/under recovery of actual costs arising in the previous licence year. Since licence fees are based on estimated costs, any over-recovery is treated as Deferred Income within Creditors and any under-recovery as Accrued Income within Debtors.

Under the terms of Northern Ireland Water Ltd's instrument of appointment water and sewerage fees are payable on the 1st July in each year representing the estimated costs of the Utility Regulator in carrying out its functions under the Water and Sewerage Services (Northern Ireland) Order 2006. This can be supplemented if required by a determination coming into effect on 1 January in any year.

In addition, the cost of the Consumer Council in dealing with electricity consumer issues was recovered from the public electricity supply licence holder, with gas consumer issues from (apportioned equally) the holders of gas conveyance licences who engage in distribution activities and water and sewerage consumers from the water and sewerage licence holder. For 2008-09 the Utility Regulator collected and passed on to the Consumer Council an amount of £979,025 of which £199,087 was in respect of its electricity functions, £149,316 in respect of its gas functions and £630,622 in respect of its Water functions. These licence fees are accounted for in the accounts of the Consumer Council.

1.7 Administration and Programme Expenditure

A reclassification exercise was carried out via the Budget and Monitoring Rounds during 2005/06 to ensure that the classification of expenditure was consistent with the Licence Fee income. As licence fee income is classified as DEL Other Resource, the Utility Regulator gained DFP approval to reclassify all its expenditure as DEL Other Resource. This reclassification continues to be reflected in the Estimates.

1.8 Capital Charge

A capital charge, reflecting the cost of capital utilised by NIAUR, is included in operating costs. The charge is calculated at the Government's standard rate of 3.5% in real terms on all assets less liabilities.

The negative value of total net assets arises because the funds owed to Electricity, Gas and water and sewerage licencees are correctly shown as a liability. However under Government Accounting rules the Utility Regulator is required to surrender surpluses to the Consolidated Fund, these are reflected in the cash requirement for the following financial year. This is required because the respective licences make provision for a reduction in the licence fee collected to reflect any underspend in the previous year.

1.9 Taxation

VAT is accounted for in accordance with SSAP 5.

The amount due from HM Customs and Excise in respect of VAT is included within Debtors in the Balance Sheet.

1.10 Foreign Exchange

Revenue and expenditure incurred in foreign currencies are translated at the rate of exchange ruling on the date of the transaction.

1.11 Notional Costs

Since Resource Accounts are required to show the full cost of delivery of public services, the operating cost statement therefore includes certain notional items of expenditure.

1.12 Operating Leases

Rentals due under operating leases are charged to the operating cost statement over the term of the lease on a straight line basis or on the basis of actual rental payments where this fairly reflects usage.

1.13 Pensions

Past and present employees, including directly recruited Utility Regulator employees (who take up this facility), are covered by the provisions of the PCSPS (NI) which is a defined benefit scheme and is unfunded and non-contributory. The Utility Regulator recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS (NI) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS (NI). From 1 October 2002, civil servants may be in one of three statutory based "final salary" defined benefit schemes (classic, premium and classic plus). New entrants after 1 October 2002 may choose between membership of premium or joining a good quality "money purchase" stakeholder based arrangement with a significant employer contribution (partnership pension account). Further details of these pension arrangements are given in the Remuneration Report above.

1.14 Early Departure Costs

All Utility Regulator staff who are not directly recruited Authority staff or Non Executive Directors are seconded from their respective parent departments. Those departments are required to meet the additional cost of benefits beyond the normal PCSPS (NI) benefits in respect of their employees who retire early. This additional cost runs from the date of their retirement until they reach normal pensionable age. The Utility Regulator would meet only such obligations in respect of its directly employed staff.

1.15 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12, the Utility Regulator discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to the Assembly in accordance with the requirements of Government Accounting Northern Ireland.

Where the time value of money is material, contingent liabilities which are required to be disclosed under FRS 12 are stated at discounted amounts and the amount reported to the NI Assembly separately noted, where relevant. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to the NI Assembly.

2 Analysis of Net Resource Outturn by section

	2008-09						2007-08		
	Admin	Other Current	Grants	Gross Resource Expenditure	Accruing Resources	Outturn	Net total	Net total compared with Estimate	Prior Year Outturn
						Net total			
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Request for Resources A:									
Departmental Expenditure in DEL:									
1. Administration	-	6,354	-	6,354	(6,122)	232	250	18	1,433
Non Budget									
2. Notional Costs	-	56	-	56	-	56	65	9	65
Resource Outturn	-	6,410	-	6,410	(6,122)	288	315	27	1,498

Analysis of outturn against estimate

This resulted from a delay in the commencement of projects associated with ROCs/LECs

Key to Request for Resources

Request for resources A - To protect the interests of electricity, gas and water and sewerage consumers with regard to price and quality of service.

3 Reconciliation of outturn to net operating cost and against Administration Budget

3a	Reconciliation of net resource outturn to net operating cost	2008-09		2007-08		
		Note	Outturn	Supply Estimate	Outturn compared with Estimate	Prior Year Outturn
	Net Resource Outturn	2	288	315	27	1,498
	Non - supply income (CFERs)		-	-	-	-
	Net Operating Cost		288	315	27	1,498

3b	Outturn against final Administration Budget	2008-09*		2007-08
		Budget	Outturn	Outturn
		£'000	£'000	£'000
	Gross Administration Budget	-	-	-
	Income allowable against the Administration Budget	-	-	-
		-	-	-

4 Reconciliation of resources to cash requirement

	Note	2008-09		Net Total Outturn compared with estimate savings/ (excess)	2007-08
		Estimate	Outturn		£000
		£000	£000		£000
Resource Outturn	2	315	288	27	1,498
Capital :					
Aquisition of fixed assets	13 & 14	120	22	98	80
Non-operating Accruing Resources :					
Proceeds of fixed asset disposals	13 & 14	-	-	-	-
Accruals adjustments :					
Non-cash items	10	(75)	(14)	(61)	(273)
Changes in working capital other than cash	15 & 17	500	(204)	704	(406)
Use of provision	18	250	135	115	115
Net Cash Requirement		1,110	227	883	1,014

5 Analysis of income payable to the Consolidated Fund

In addition to accruing resources, the following income relates to the department and is payable to the Consolidated Fund (cash receipts being shown in italics)

	Note	Forecast 2008-09		Outturn 2008-09	
		Income	Receipts	Income	Receipts
		£000	£000	£000	£000
Operating income and receipts - excess Accruing Resources		-	-	-	-
Other operating income and receipts not classified as Accruing Resources		-	-	-	-
Non-operating income and receipts excess Accruing Resources		-	-	-	-
Other non-operating income and receipts not classified as Accruing Resources		-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund		-	-	-	-
Excess cash surrenderable to the Consolidated Fund		-	-	-	-
Total income payable to the Consolidated Fund		-	-	-	-

6 Reconciliation of income recorded within the Operating Cost Statement to operating income payable to the Consolidated Fund

		2008-09	2007-08
	Note	£'000	£'000
Operating income	11	6,122	4,872
Income authorised to be treated as Accruing Resources		(6,122)	(4,872)
Operating income payable to the Consolidated Fund	5	-	-

7 Non-operating income - Excess Accruing Resources

	2008-09	2007-08
	£'000	£'000
Non-operating income - excess Accruing Resources	-	-
	-	-

8. Non-operating income not classified as Accruing Resources

	2008-09	2007-08
	Income	Receipts
	£'000	£'000
Non-operating income not classified as Accruing Resources	-	-
	-	-

9 Staff numbers and related costs

9a Staff costs comprise of:

	2008-09					2007-08
	Total	Permanently employed staff	Other	Ministers	£'000 Special Advisers	£'000 Total
Wages and Salaries	2,882	2,744	138	-	-	2,049
Social Security Costs	243	243	-	-	-	184
Other Pension Costs	380	380	-	-	-	299
Sub Total	3,505	3,367	138	-	-	2,532
Agency Staff and Inward Secondments	36	-	36	-	-	21
TOTAL	3,541	3,367	174	-	-	2,553
Less recoveries in respect of outward secondments	-	-	-	-	-	-
TOTAL NET STAFF COSTS	3,541	3,367	174	-	-	2,553

The Principal Civil Service Pension Scheme in NI (PCSPS (NI)), of which most of the Utility Regulator's staff are members, is an unfunded defined benefit scheme which produces its own resource accounts, but the Utility Regulator is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31 March 2003 and details of this valuation are available in the PCSPS(NI) resource accounts.

For 2008-09, employers' contributions of £379,588.77 were payable to the PCSPS (NI) (2007-08 - £299,595.80) at one of four rates in the range 16.5 to 23.5 per cent of pensionable pay, based on salary bands. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Nil employers' contributions (2007-08 £nil) were paid to a stakeholder pension provider. Employer contributions are age-related and range from 3 to 12.5 percent (2007-08 : 3 to 12.5 per cent) of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £nil 0.8 per cent (2007-08 £nil, 0.8 per cent) of pensionable pay, were payable to the PCSPS (NI) 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 the partnership pension providers at the balance sheet date were £nil (2007-08 £nil). Contributions prepaid at that date were £nil (2007-08 £nil).

No persons (2007-08:0 persons) retired early on ill health grounds; the total additional accrued pension liabilities in the year amounted to £nil (2006-07;£nil).

At the balance sheet date there were no contributions due to any partnership pension provider. There were no early retirements on ill-health grounds.

Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows. These figures include those working in the department as well as in agencies and other bodies included within the consolidated departmental resource account

	2008-09					2007-08
	Total	Permanently employed staff	Other	Ministers	£'000 Special Advisers	£'000 Total
Total	62.6*	60.4*	2.2			50*

* includes staff on loan or seconded from other NICS departments

10 Other non-staff costs

	Note	2008-09		Restated 2007-08	
		£'000	£'000	£'000	£'000
Rentals under operating leases:					
Property rentals		170		219	
Hire of office equipment		17		13	
			187		232
Non-cash items:					
Depreciation and amortisation of fixed assets					
Tangible fixed assets		40		35	
Intangible fixed assets		4		1	
Impairment of fixed assets		2		-	
Cost of capital charge (credit)		(88)		(78)	
Provision provided in year	18	-		250	
Auditors' remuneration and expenses		15		15	
Other notional costs		41		50	
Total non-cash items			14		273
Other Expenditure					
Consultancy		1,756		2,573	
Management of Renewable Outputs Certificate Scheme		132		136	
Property service charges		68		47	
Contracted Services		59		40	
Publicity		185		115	
Hospitality		13		28	
Travel and Subsistence		95		100	
Rates		82		82	
Training		88		70	
Utilities		47		30	
Exchange (Gains)/Losses		8		4	
Miscellaneous expenditure		135		87	
			2,668		3,312
			2,869		3,817

11 Income

	Note	2008-09	2007-08
		RfRA £000	Total £000
Electricity Licence Fees		2,641	2,545
Gas Licence Fees		1,454	1,010
Water Licence Fees		2,027	1,317
	6	6,122	4,872

12 Analysis of net operating cost by spending body

	2008-09		2007-08
	Estimate	Outturn	Outturn
Spending Body:	£000	£000	£000
Utility Regulator	315	288	1,498
Net Operating Cost	315	288	1,498

13 Tangible fixed assets

	Leasehold improvements	Information Technology Equipment	Office Equipment	Fixtures & Fittings	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2008	29	68	33	54	184
Additions	11	1	-	10	22
Disposals	-	-	-	-	-
Impairments	(1)	(2)	-	(4)	(7)
Revaluations	-	-	1	-	1
At 31 March 2009	39	67	34	60	200
Depreciation					
At 1 April 2008	1	35	20	21	77
Charged in year	5	18	5	12	40
Disposals	-	-	-	-	-
Impairments	-	(1)	-	(2)	(3)
Revaluations	-	-	-	-	-
At 31 March 2009	6	52	25	31	114
Net book value at 31 March 2009	33	15	9	29	86
Net book value at 31 March 2008	28	33	13	33	107
Asset financing:					
Owned-Supply financed	33	15	9	29	86
Net book value at 31 March 2009	33	15	9	29	86

14 Intangible fixed assets

Intangible fixed assets comprise software licences

	<u>2008-09</u>
	<u>£'000</u>
Cost or valuation	
At 1 April 2008	29
Additions	-
Disposals	-
Revaluation	-
At 31 March 2009	<u>29</u>
Amortisation	
At 1 April 2008	15
Charged in year	4
Disposals	-
Revaluation	-
At 31 March 2009	<u>19</u>
Net book value at 31 March 2009	<u>10</u>
Net book value at 31 March 2008	<u>14</u>

15 Debtors

a) Analysis by type

	<u>2008-09</u>	<u>2007-08</u>
	<u>£'000</u>	<u>£'000</u>
Amounts falling due within one year:		
Trade debtors	22	154
Other debtors	51	15
VAT Debtor	155	93
	<u>228</u>	<u>262</u>
Amounts falling due after one year:		
Other debtors	-	5
	<u>228</u>	<u>267</u>

b) Intra-government balances

	<u>2008-09</u>	<u>2007-08</u>
	<u>£'000</u>	<u>£'000</u>
Balances with other central government bodies	185	93
Balances with local authorities	-	-
Balances with NHS Trusts	-	-
Balances with public corporations and trading funds	-	-
	<u>185</u>	<u>93</u>
Subtotal: Intra-government balances	185	93
Balances with other bodies external to government	43	174
Total Debtors At 31 March 2008	<u><u>228</u></u>	<u><u>267</u></u>

16 Cash at bank and in hand

	2008-09	2007-08
	£'000	£'000
Balance at 1 April 2008	1,378	865
Net changes in cash balances	(605)	513
Balance at 31 March 2009	773	1,378

The above balances consist of balances in the Utility Regulator bank accounts within the centralised NICS pool of accounts, currently held at the Northern Bank, or cash in hand.

17 Creditors

a) Analysis by type	2008-09	2007-08
	£'000s	£'000s
Trade creditors	108	1,083
Accruals and deferred income	2,833	1,693
Amounts issued from the Consolidated Fund for supply but not spent at year end	773	1,378
	3,714	4,154

b) Intra-government balances	2008-09	2007-08
	£'000s	£'000s
Balances with other central government bodies	1,299	1,690
Balances with local authorities	-	-
Balances with NHS Trusts	-	-
Balances with public corporations and trading funds	-	-
Subtotal: Intra-government balances	1,299	1,690
Balances with other bodies external to government	2,415	2,464
Total Creditors At 31 March 2009	3,714	4,154

18 Provisions for liabilities and charges

	2008-09	2007-08
	£'000s	£'000s
Balance at 1 April 2008	135	-
Provided in the year	-	250
Provisions not required written back	-	-
Provisions utilised in the year	(135)	(115)
Unwinding of discount	-	-
Balance at 31 March 2009	-	135

Provision relates to costs of defending judicial review initiated by AES Kilroot.

19 General fund

The general fund represents the total assets less liabilities of each of the entities within the accounting boundary, to the extent that the total is not represented by other reserves and financing items

		2008-09	2007-08
	Note	£000	£000
Balance at 1 April 2008		(2,525)	(2,028)
Net Operating (Cost)/Surplus for the year (Statement 2)		(288)	(1,498)
Operating income not treated as Accruing Resources payable to Consolidated Fund	5	-	-
Non-operating income not treated as Accruing Resources payable to Consolidated Fund	5	-	-
Net parliamentary funding:			
Drawn from Consolidated Fund		1,000	1,531
Deemed issued from Consolidated Fund		1,378	861
Repaid to Consolidated Fund		(1,378)	-
Drawn from Contingencies Fund		-	-
Repaid to Contingencies Fund		-	-
Consolidated Fund credit for cash unspent		(773)	(1,378)
Non-cash charges			
Debit against cost of capital credit		(88)	(78)
Credit for other notional costs	10	56	65
Transfer of realised element of revaluation reserve	20	-	-
Balance at 31 March 2009		<u>(2,618)</u>	<u>(2,525)</u>

20 Revaluation Reserve

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments (excluding donated assets)

		2008-09	2007-08
		£'000s	£'000s
Balance at 1 April 2008		2	-
Transfer to general fund of realised element of revaluation reserve	19	-	-
Transfer to OCS		(2)	
Revaluation of tangible fixed assets		1	2
Revaluation of intangible fixed assets		-	-
Balance at 31 March 2009		<u>1</u>	<u>2</u>

21 Notes to the Cash Flow Statement

	Note	2008-09 £000	2007-08 £000
a) Reconciliation of operating cost to operating cash flows			
Net operating cost	12	(288)	(1,498)
Adjustments for non-cash transactions			
Other non staff costs	10	14	273
(Increase)/Decrease in Debtors	15	39	(154)
Increase/(Decrease) in Creditors	17	(440)	1,073
less movements in debtors relating to CFER items			
CFER amounts due to Consolidated Fund		-	4
less movements in creditors relating to items not passing through the OCS			
Supply amounts due to the Consolidated Fund	17	605	(517)
Capital accruals	17	-	(9)
Use of Provisions	18	(135)	(115)
Net cash outflow/(inflow) from operating activities		(205)	(943)

b) Analysis of capital expenditure and financial investment

	Note	2008-09 £000	2007-08 £000
Tangible fixed asset additions	13	(22)	(58)
Intangible fixed asset additions	14	-	(13)
Net Cash (outflow)/inflow from investing activities		(22)	(71)

c) Analysis of capital expenditure and financial investment by Request for Resources

	Note	Capital expenditure £000	Loans, etc. £000	A - in - A £000	Net Total £000
Request for Resources A		22	-	-	22
Net movement in debtors/creditors		-	-	-	-
Total 2008-09		22	-	-	22
Total 2007-08		71	-	-	71

21 Notes to the Cash Flow Statement (continued)**d) Analysis of financing**

	Note	2008-09	2007-08
		£000	£000
From the Consolidated Fund (Supply) - current year	19	1,000	1,531
From the Consolidated Fund (Supply) - prior year	19	-	-
Advances from the Contingencies Fund	19	-	-
Payments to the Contingency Fund	19	-	-
		<u>1,000</u>	<u>1,531</u>

e) Reconciliation of Net Cash Requirement to increase/(decrease) in cash

	Note	2008-09	2007-08
		£000	£000
Net cash requirement		(227)	(1,014)
From the Consolidated Fund (Supply) - current year	21d	1,000	1,531
From the Consolidated Fund (Supply) - prior year		-	-
Advances from the Contingencies Fund		-	-
Payments to the Contingencies Fund		-	-
Amounts due to the Consolidated Fund - received in a prior year and paid over		(1,378)	(4)
Amounts due to the Consolidated Fund received and not paid over		-	-
Increase/(Decrease) in Cash		<u>(605)</u>	<u>513</u>

22 Capital Commitments

There were no contracted capital commitments at 31 March 2009. (Nil, at 31 March 2008).

23 Commitments under leases

At 31 March 2009 the Utility Regulator was committed to making the following payments in respect of operating leases expiring:

	2008-09			2007-08
	Buildings	Other	TOTAL	TOTAL
	£'000	£'000	£'000	£000
Expiry within one year	244	12	256	216
Expiry after one year but not more than five years	977	34	1,011	838
Expiry thereafter	351	-	351	503
	<u>1,572</u>	<u>46</u>	<u>1,618</u>	<u>1,557</u>

24 Other Commitments

The Utility Regulator has not entered into any non-cancellable contracts (which are not operating leases) as at 31 March 2009. (Nil, at 31 March 2008)

25 Financial Instruments

As the cash requirements of the Utility Regulator are met through the Estimates process, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts to buy non-financial items in line with the Department's expected purchase and usage requirements and the Department is therefore exposed to little credit, liquidity or market risk.

26 Contingent Liabilities

There were no contingent liabilities existing as at 31 March 2009.

27 Related-Party Transactions

The Utility Regulator has had a number of transactions with other Government departments and Central Government bodies. These include DETI, DRD and DFP.

None of the Utility Regulator's Board members, key managerial staff or other related parties have undertaken any material transactions with Utility Regulator during the year.

The Resource Accounts for the year ended 31 March 2008 were authorised to be issued on 26 June 2009 by the Accounting Officer.



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