OFFICE FOR THE
REGULATION OF ELECTRICITY & GAS

OFFICE FOR THE REGULATION OF ELECTRICITY AND GAS

RESOURCE ACCOUNTS

For the year ended 31 March 2003

Presented to The Houses of Parliament
by the Secretary of State for Northern Ireland,
in accordance with paragraph 2(2)(a) of the Northern Ireland
Act 2000 (Prescribed Documents) Order 2002

13 November 2003

Ordered by The House of Commons to be printed
13 November 2003

HC 1196 **London: The Stationery Office** **£**

OFFICE for the REGULATION of ELECTRICITY and GAS

Presented to The Houses of Parliament
by the Secretary of State for Northern Ireland
in accordance with paragraph 2(2)(a) of the Northern Ireland
Act 2000 (Prescribed Documents) Order 2002

OFFICE for the REGULATION of ELECTRICITY and GAS

Resource Accounts
for the year ended 31 March 2003

CONTENTS **Page**

OFFICE for the REGULATION of ELECTRICITY and GAS

ANNUAL REPORT

Introduction

These Resource Accounts have been prepared and published by The Office for the Regulation of Electricity and Gas (Ofreg). 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 Northern Ireland Resource Accounting Manual (NIRAM). The accounts demonstrate the resources that have been used to deliver Ofreg's objectives.

HISTORY OF THE DEPARTMENT

Status

The role of the Director General of Electricity Supply for Northern Ireland was predicated by the Electricity (Northern Ireland) Order 1992 and the first Director General of Electricity Supply was appointed on 1 March 1992.

The role of the Director General of Gas for Northern Ireland was predicated by the Gas (Northern Ireland) Order 1996 and the first Director General of Gas was appointed on 10 June 1996.

Mr Douglas McIldoon is the current holder of the posts of Director General of Electricity Supply for Northern Ireland and Director General of Gas for Northern Ireland both of which are part-time, fixed term, statutory appointments. He is supported by the Office for the Regulation of Electricity and Gas (Ofreg) (formerly OFFER NI) an independent, non-Ministerial Government Department.

Statutory authority for the office is vested in the Director General of Electricity Supply under (Schedule 1) of the Electricity (Northern Ireland) Order 1992 and the Director General of Gas under (Schedule 1) of the Gas (Northern Ireland) Order 1996.

The Director General of Electricity Supply and the Director General of Gas are jointly and severally the Accounting Officer for Ofreg.

The Director General of Electricity Supply was responsible for establishing and is responsible for funding and supporting the Northern Ireland Consumer Committee for Electricity, the Chairman of which is appointed by him and the members by him in conjunction with the Chairman.

The Director General of Gas for Northern Ireland is permitted to fund that part of the work of The General Consumer Council for Northern Ireland (GCCNI) identified as relating to gas consumer issues.

The Director General of Electricity Supply and the Director General of Gas are both appointed by the Department of Enterprise Trade and Investment (DETI) formerly the Department of Economic Development (DED). All Ofreg staff are seconded from DETI, the Department of Finance and Personnel (DFP) or the Department for Regional Development (DRD).

OFFICE for the REGULATION of ELECTRICITY and GAS

DEPARTMENTAL AIMS AND OBJECTIVES

Strategic Aim 1

Protecting Electricity and Gas consumers with regard to price and quality of service.

Strategic Objectives

(i) To promote competition in the generation and supply of electricity and to protect the interests of electricity consumers with regard to price and quality of service.

(ii) 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.

Performance Targets

Objective (i)

to assist DETI in developing a trading system to comply with E.U. Directive - 35% of market open to customers by 2003;

to reduce the cost of electricity to consumers in Northern Ireland to £253 p.a. by 2002; and

to set and monitor standards of customer service by the Public Electricity Supplier.

Objective (ii)

to promote the development of the natural gas industry in NI;

to ensure that the number of premises passed in relevant districts is in line with Phoenix Natural Gas development plan;

to issue gas conveyance licences for areas outside Greater Belfast and Larne; and

to set and monitor standards of customer service to be provided by gas suppliers.

Efficiency

Service Delivery Targets

To put in place by April 2002 the second price control for Northern Ireland Electricity plc (NIE).

To increase the transparency of Ofreg's decision making process as suggested in the Modernisation of Utility Regulation.

OFFICE for the REGULATION of ELECTRICITY and GAS

Efficiency Targets

To reply to all customer complaint correspondence within three working days.

To pay all creditors within 30 working days of receipt of a valid invoice.

DEPARTMENTAL ACTIVITIES

Activities

The main duties of the Director General of Electricity Supply as set out in the Electricity Order are:

- ensuring that all reasonable demands for electricity are satisfied;
- ensuring that licensees can finance their licensed activities; and
- promoting competition in generation and supply while ensuring that the public electricity supplier is not competitively disadvantaged and that prices charged to customers do not distinguish between different areas within Northern Ireland.

The main duties of the Director General of Gas as set out in the Gas Order are:

- promoting the development and maintenance of an efficient and co-ordinated gas industry in Northern Ireland; and
- ensuring that licensees can finance their licensed activities.

Funding

As a non-ministerial Government Department, Ofreg's funds are voted by Parliament and accounted for on an annual basis through the Resource Account.

A change flowing from the Government's consultation on Utility Regulation was that receipts from electricity and gas licensees, which are classified as CFERs 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 gave the Director General of Electricity Supply a delegated authority to collect licence fees on its behalf. These were licence fees due to DETI in respect of licences issued at the time of privatisation of the electricity industry. Gas licences issued by DETI and the Director General of Gas provided for licence fees to be paid to the Director. Prior to this electricity and gas licence fees were paid directly into the Northern Ireland Consolidated Fund by DED and Ofreg respectively.

Ofreg's expenditure is therefore primarily offset by annual licence fees paid by the electricity and gas licensees and recovered from electricity and gas customers. Licence fees are calculated on the basis of annual determinations made by the Director General of Electricity Supply for Northern Ireland and the Director General of Gas for Northern Ireland respectively.

Pension Liabilities

The Department is covered by the Northern Ireland Civil Service Pension Scheme (PCSPS (NI)) and bears the cost of pension provision for its staff by payment of an Accruing Superannuation Liability Charge (ASLC).

OFFICE for the REGULATION of ELECTRICITY and GAS

Departmental Boundary

The Departmental boundary is determined by the way in which in-year budgetary control is exercised by the Department and for the year 2002-03 the following are considered within the boundary:

Northern Ireland Consumer Committee for Electricity.

Important Events Occurring After Year End

There have been no significant events since the year-end which would affect these accounts.

Operating and Financial Review

The work of the Director General of Electricity Supply for Northern Ireland and the Director General of Gas for Northern Ireland is set out in the respective Electricity and Gas orders.

The Directors General are required to make a full review of their activities in annual reports to DETI which are in turn laid before the assembly. These reports are currently made on a calendar year basis. The Directors General are independent of Ministers.

As a non-ministerial government department Ofreg's objectives are set by the Directors General in line with the duties set out in the respective Electricity and Gas Orders.

During the year under review the Director General of Electricity Supply issued seven consultation papers covering such diverse subjects as, Price Control Proposals for NIE, Competition in the Northern Ireland Electricity Market, Preparing for Effective Domestic Competition, Payments for Generation Capacity, the Next Steps towards Increasing Competition in the N.I. Electricity Market, Recommendations on a Framework for Northern Ireland's £5 Energy Efficiency Levy Programme and a request by NIE for a Determination regarding Belfast West Power Station. He also issued a decision paper dealing with Interconnector Trading. The Director General of Gas in conjunction with DETI issued a consultation paper dealing with the Implementation of the Postalisation System for the Northern Ireland Gas Transmission Network.

The introduction of a new price control for Northern Ireland Electricity plc's Transmission and Distribution Business with effect from 1 April 2002

This year saw the completion of the process of getting agreement on a new price control for Northern Ireland Electricity plc's Transmission and Distribution Business. This new control comes into effect in April 2002 and runs until March 2007. Agreement on the new price control was achieved in July 2002.

Promoting competition in the generation and supply of electricity.

Ofreg continued to work towards the further liberalisation of the electricity generation and supply markets in 2002 - 03, by introducing new arrangements to facilitate the trade in renewable electricity and extend customer choice to allow the purchase of "renewable only" energy.

Ofreg finalised and agreed the arrangements for the price controls relating to the NIE PPB and TSO businesses.

OFFICE for the REGULATION of ELECTRICITY and GAS

Ongoing monitoring of the operational procedures in the liberalised sector of the market continued, and Ofreg continued to receive feedback from the industry via regular meetings with the "IME (Internal Market in Electricity) Group", a consultative panel composed of industry, users and DETI participants.

Ofreg examined the options for ensuring generation adequacy by publishing a consultation paper on generation capacity margin payments in August 2002.

Ofreg continued to oversee the arrangements by which the Moyle interconnector was operated, and in addition to annual review of allocation arrangements, entered into discussions with NIE regarding the establishment of new financing arrangements for the interconnector business which would deliver cost savings to customers.

Ofreg published a paper in March 2003 which sets out the options for extending market liberalisation to meet the next targets set by EU Directives, with the aim of achieving 69% market opening in 2004.

Ofreg has consistently encouraged and supported any initiatives that reduce costs to electricity consumers. To this end Ofreg facilitated the transfer of Moyle Interconnector plc, a wholly owned subsidiary of Viridian group, to Moyle Holdings Ltd a "not for profit" company limited by guarantee with no shareholders and funded entirely by low cost, long term bond finance securing a lower cost of finance than would otherwise be the case. Ofreg negotiated with financiers and other parties to agree a regulatory framework that would minimise the cost of capital. The Energy (Northern Ireland) Order 2003 (Article 4 which commenced on 28 February 2003) gave the Director General of Electricity Supply the power to issue a transmission licence to the new company.

Promoting the Development and Maintenance of an Efficient Economic and co-ordinated gas industry and protecting the interests of gas consumers with regard to price and quality of service

During the financial year, work continued on promoting the expansion of the natural gas industry throughout Northern Ireland. In December, the Director General of Gas invited licence applications for distribution and supply to potential consumer nodes outside the Greater Belfast area. Applications from Phoenix Natural Gas and Bord Gais Eireann are being assessed and negotiations will subsequently take place with preferred bidder(s) on new licences.

Also in December, Ofreg in conjunction with DETI, issued a consultation paper on the implementation and operation of a postalised tariff system for the Northern Ireland transmission network. A common tariff will facilitate the construction of the transmission pipeline to the Coolkeeragh Power Station in the Northwest and it is planned that the postalised system will take effect from October 2004.

Energy Efficiency and Fuel Poverty

Ofreg, in conjunction with NIE and the Energy Savings Trust has facilitated energy efficiency initiatives through the Customer Energy Efficiency Levy. Furthermore levy money has been targeted at assisting the eradication of fuel poverty with many households benefiting, especially homes that are disadvantaged through rurality or ill health. Whilst figures for 2002 - 03 are not available yet, in 2001 - 02 levy expenditure of £1.4m delivered customer benefits of

£13.2m and energy savings of 188.9 gigawatt hours of electricity over the lifetime of the measure.

Ofreg has been particularly active in reducing harmful emissions and protecting the environment through its encouragement of renewable electricity generation by developing a regulatory policy that has been supportive of renewables. Our policy here has seen an acceptable expansion of renewable projects which will contribute significantly towards Government emission targets.

Other Activities

Ofreg is actively seeking to resolve the funding discrepancy associated with its accreditation work on the Climate Change Levy exemption scheme, the current funding arrangement ended on 31 March 2002.

Future Developments

The Energy (Northern Ireland) Order 2003 became law on the 27th February 2003. The Order will come into effect on 1 April 2003 and will abolish the offices of the Director General of Electricity Supply and Director General of Gas. Most of the functions of the Directors will be transferred to a new body to be known as the Northern Ireland Authority for Energy Regulation (the Authority) consisting of up to six people, appointed by the Department of Enterprise Trade and Investment, one of which will be Douglas McIldoon who will be the full time Chairman of the Authority. The Order also abolishes the Northern Ireland Consumer Committee for Electricity. The General Consumer Council for Northern Ireland will take over the electricity consumer complaints function formerly handled by the Director General of Electricity Supply, will continue to deal with gas complaints and will also establish a group in connection with the exercise of its functions in relation to energy. The costs of these energy functions will be recovered from electricity and gas consumers.

While, as a working arrangement, it is intended to use the popular name Ofreg, the vote as from 1 April 2004 will be made to The Northern Ireland Authority for Energy Regulation.

Management

Mr Douglas McIldoon was appointed Director General of Electricity Supply on 1 December 1995 for a period of 3 years, this was renewed for a further period of 3 years in 1998 and again in 2001 ending 13 September 2005.

Mr Douglas McIldoon was additionally appointed Director General of Gas on 10 June 1996 for a period co-terminus with that of the Director General of Electricity Supply, this has also been renewed for similar periods ending 13 September 2005, both of these are part time statutory appointments made by the Department of Enterprise Trade and Investment under the respective legislation. Mr McIldoon as a career civil servant is paid at the equivalent civil service rate commensurate with the grade agreed for this post (this is a non substantive grade) and in addition receives increases in line with those paid to senior civil servants within his parent department (DETI). The Directors General when appointed are required to carry out the duties as detailed in the respective Orders and are personally responsible for their actions and may be challenged in the courts. It was and still is government policy that economic regulation should be conducted at arms length from ministers by independent regulators.

OFFICE for the REGULATION of ELECTRICITY and GAS

Management Boards

The Department's management board which held its inaugural meeting in December 1998 is made up of the Directors General and the heads of each division within Ofreg and meets on a regular basis. During the period under review the board consisted of the following individuals Douglas McIldoon, Dermot MacCann, Leslie Adams, Mary McWilliams, Kevin Shiels, James Hutchinson and Gerry Donnelly. Details of the remuneration of senior officers in salary bands are provided in Note 2 to these accounts.

NICCE

In accordance with the Electricity Order the Director General of Electricity Supply is required to establish a Consumer Committee for Electricity, appoint a chairman (for a period not exceeding 4 years) after consultation with DETI and after consultation with that chairman appoint a minimum of 6 and a maximum of 9 other members. The committee was established in 1992 and the chairman during the period 1 April 2000 to its abolition on 31 March 2003 was Mrs Felicity Huston. The budget for the committee, in exercising the functions attributed to it under the Order includes the chairman's salary and expenses together with members' expenses but excludes support staff provided by Ofreg. The budget is approved annually by the Director General of Electricity Supply and paid for from the electricity licence fees collected by Ofreg.

GCCNI

In accordance with the Gas Order the Director General of Gas, with the approval of DFP, is permitted to defray or contribute to that part of the costs incurred by the General Consumer Council in exercising the functions attributed to it under the Order. The budget for this area of work is approved annually by the Director General of Gas and paid for from the gas licence fees collected by Ofreg.

Fixed Assets

Details of the movement of fixed assets are set out in Note 10 to the Accounts.

There were £15,000 of additions to fixed assets during the financial year consisting mainly of computer replacement across the Department.

Equal Opportunities

The Department 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 Department and promotes a harmonious working environment.

Disabled Persons

The Department's Equal Opportunities policy applies to the employment of people with a disability. The Department is committed to ensuring that its policies and practices comply with the requirements of the Disability Discriminations Act 1995.

Employee Involvement

The Department recognises the benefit of keeping all its employees regularly informed about progress towards achieving its aims and objectives. The Department circulates the agenda for each board meeting to all staff in advance to encourage participation and also circulates the ensuing minutes to all staff.

Health and Safety

The Department 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. The Department has circulated to all staff a Health and Safety Policy Statement and associated organisation arrangements to ensure safe and healthy working conditions.

Payment to Suppliers

The Department 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 invoice or similar demand, whichever is later. During the year, 96% per cent of bills were paid within this standard.

Equality Scheme

The Directors General have produced an equality scheme as required by Schedule 9 of the Northern Ireland Act 1998 (the Act). This scheme sets out how they propose to fulfil the duties imposed on them 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.

Climate Change Levy

In the Finance Act 2000 "the Director General of Electricity Supply" was tasked with the responsibility of administering the Climate Change Levy scheme on behalf of Customs and Excise. As this work fell outside his statutory responsibilities as covered by the Order, funding in respect of the period to 31 March 2003 was provided by DFP; long term funding arrangements have not yet been resolved.

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 Department.

Douglas B McIldoon

Accounting Officer ______________________________ Date: 22 October 2003

OFFICE for the REGULATION of ELECTRICITY and GAS

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES WITH RESPECT TO RESOURCE ACCOUNTS FOR OFREG

1. Under the Government Resources and Accounts Act (NI) 2001, Ofreg 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 Department during the year.

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

3. DFP has appointed the Director General of Electricity Supply for Northern Ireland and the Director General of Gas for Northern Ireland jointly and severally as Accounting Officer of Ofreg, with responsibility for preparing the Department's accounts and transmitting them to the Comptroller and Auditor General.

4. In preparing the accounts the Accounting Officer is required to comply with the Northern Ireland Resource Accounting Manual (NIRAM) 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 NIRAM have been followed, and disclose and explain any material departures in the accounts; and
    - prepare the accounts on a going concern basis.

5. 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 the Department's assets are set out in the Accounting Officers' Memorandum issued by DFP and published in "Government Accounting Northern Ireland".

STATEMENT OF INTERNAL CONTROL - TRANSITIONAL STATEMENT

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of departmental aims and objectives, set by the Directors General, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve 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 the principal risks to the achievement of departmental aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process was taken forward during the period ending March 2003 when on 31 January 2003 I appointed external consultants charged with ensuring the Department's full compliance with DFP guidance for the year ending 31 March 2004. This takes account of the time needed to fully embed any processes which the Department agrees should be established and improve their robustness.

We are in the process of carrying out appropriate procedures to ensure that we have identified the Department's objectives and risks and determined a control strategy for any significant risks. The completion of this process was delayed by the introduction of The (Northern Ireland) Energy Order 2003 (the Energy Order) which abolished the roles of the Director General of Electricity Supply and the Director General of Gas and replaced them with The Northern Ireland Authority for Energy Regulation (The Authority) a body consisting of 6 people appointed by DETI. It is expected that this process will be completed by September 03 and risk ownership will be allocated to the appropriate staff and the Authority will set out its attitude to risk to the achievement of the departmental objectives. The Authority like the Directors General is not subject to ministerial control and its aims and objectives will be derived from the duties and functions prescribed to it under the Energy Order.

The management board in conjunction with the Audit Committee (consisting of designated members of the Authority) will ensure that procedures are in place for verifying that aspects of risk management and internal control are regularly reviewed and reported on. There will be a full risk and control assessment before reporting on the year ending 31 March 2004. Risk management will be incorporated more fully into the corporate planning and decision making processes of the Department.

The board receives periodic reports concerning internal control. Appropriate steps will be taken to manage risks in any significant areas of responsibility and monitor progress on key projects.

Following the identification of the Department's key objectives and risks, further work will be done to bring about more consistency in the way in which the Department treats risks.

In addition to the actions mentioned above, in the coming year the Department plans to:

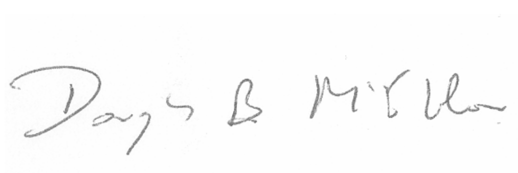
- Regularly review and update the record of risks facing the organisation;
- Set up a system of key performance and risk indicators; and
- Develop and maintain a risk register.

The Department has contracted out its Internal Audit services to Helm Corporation, an organisation which operates to standards defined in the Government Internal Audit Manual. It submits annual reports which include opinion on the adequacy and effectiveness of the Department's system of internal control together with recommendations for improvement.

My review of the effectiveness of the system of internal financial control is informed by the work of the audit unit, the Management Board which oversees the work of the audit unit, the executive managers within the Department who have responsibility for the development and maintenance of the financial control framework, and comments made by the external auditors in their management letter and other reports.

The internal audit assignment carried out during 2002/2003 concluded that it could offer me substantial assurance in relation to the systems of internal control in Ofreg.

Douglas B McIldoon



Accounting Officer ______________________________ Date: 22 October 2003

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements on pages 15 to 38 under to the Government Resources and Accounts Act (Northern Ireland) 2001. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 23 to 26.

Respective responsibilities of the Accounting Officer and Auditor

As described on page 10, the Accounting Officer is responsible for the preparation of 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. The Accounting Officer is also responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance and Personnel directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by the Northern Ireland Assembly and Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Annual Report is not consistent with the financial statements, if the Department has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 11 and 12 reflects the Department's compliance with the Department of Finance and Personnel's guidance 'Corporate Governance: Statement on Internal Control'. I report if it does not meet the requirements specified by the Department of Finance and Personnel, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Department in the preparation of the financial statements, and of whether the accounting policies are 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 are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by the Northern Ireland Assembly and Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Office for the Regulation of Electricity and Gas at 31 March 2003 and of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and directions made thereunder by the Department of Finance and Personnel; and

- in all material respects the expenditure and income have been applied to the purposes intended by the Northern Ireland Assembly and Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

J M Dowdall CB
Comptroller and Auditor General
29 October 2003

Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU

Schedule 1

Summary of Resource Outturn for the year ended 31 March 2003

	2002/03							2001 02
	Estimate			Outturn				
	Gross expenditure	Accruing Resources	NET TOTAL	Gross expenditure	Accruing Resources	NET TOTAL	Net total outturn compared with Estimate saving	Prior –Year Outturn
	1	2	3	4	5	6	7	8
	£000	£000	£000	£000	£000	£000	£000	£000
Request for Resources A (notes 5 and 8)	2,236	(1,888)	348	1,874	(1,542)	332		
Total resources			**348**			**332**	**16**	**231**
Net cash requirement			**652**			**433**	**219**	**257**

Reconciliation of resources to cash requirement	**Note**	**£000**	**£000**	**£000**	
Net total resources		**348**	**332**	**16**	**231**
Capital:					
Purchase of fixed assets	10 and 11	23	15	8	17
Non-operating cost Accruing Resources					
Accruals adjustments:					
Non-cash items	3&4	(145)	(58)	(87)	(59)
Changes in working capital other than cash	12	426	144	282	68
Net cash requirement (Schedule 4)		**652**	**433**	**219**	**257**

Explanation of the variation between Estimate and outturn (net total resources):

No significant reasons to report

Explanation of the variation between Estimate and net cash outturn net cash requirement:

Projected increase in working capital did not materialise

Notes

1 Actual Outturn – Resources

RfR A: Net total outturn £332,072.46

Actual amount of saving compared to estimate £15,927.54

2 Actual Outturn – Cash

Net Cash requirement: Outturn net requirement £432,676.66 which is £219,363.34 less than Estimate

The notes on pages 23 to 39 form part of these accounts

OFFICE for the REGULATION of ELECTRICITY and GAS

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):

		2002-03 forecast		2002-03 outturn	
		Income	**Receipts**	**Income**	**Receipts**
	Note	£000	£000	£000	£000
Operating income and receipts – Excess A in A	5	-	-	-	-
Non -operating income and receipts – Excess A in A	5	-	-	-	-
Operating income and receipts not classified as Accruing Resources	5	5	5	1	1
Other non-operating income and receipts not classified as A in A	5	-	-	-	-
Other amounts collectable on behalf of the consolidated fund	5	-	-	-	-
Total		**5**	**5**	**1**	**1**

Notes:

The actual receipts surrenderable to the Consolidated Fund are £868.34

The notes on pages 23 to 39 form part of these accounts

Schedule 2

Operating Cost Statement
for the year ended 31 March 2003

		2002-03		2001-02	
	Note	**£000**	**£000**	**£000**	**£000**
Administration Costs					
Staff Costs	**2**		829		684
Other administration Costs	**3**		385		340
Gross Administration Costs			**1,214**		**1,024**
Operating Income	**5**		(1,543)		(1,674)
Net Administration Income			**(329)**		**(650)**
Programme Costs					
Request for Resources A					
Expenditure	**4**	660		873	
Less: income		-		-	
Net Programme Costs			**660**		**873**
NET OPERATING COST	**7&8**		**331**		**223**
NET RESOURCE OUTTURN	**7&8**		**332**		**231**

All income and expenditure are derived from continuing operations

The notes on pages 23 to 39 form part of these accounts

OFFICE for the REGULATION of ELECTRICITY and GAS

Statement of Recognised Gains and Losses
for the year ended 31 March 2003

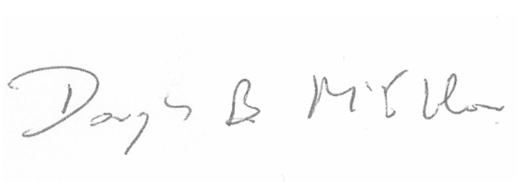
		2002-03	2001-02
Total recognised gains and losses for the Financial year	**Note**	**£000**	**£000**
Surplus on revaluation of tangible fixed assets	**16**	2	2

The notes on pages 23 to 39 form part of these accounts

Balance Sheet as at 31 March 2003

	Note	31 March 2003 £000	31 March 2003 £000	31 March 2002 £000	31 March 2002 £000
Fixed Assets					
Tangible assets	**10**	58		62	
Intangible assets	**11**	5		8	
			63		**70**
Current Assets					
Debtors	**13**	192		296	
Cash at bank and in hand	**14**	228		141	
		420		437	
Creditors (amounts falling due within one year)	**15**	(842)		(1003)	
Net Current Liabilities			**(422)**		**(566)**
Total Assets less Total Liabilities			**(359)**		**(496)**
TAXPAYERS' EQUITY					
General Fund	**21**		(368)		(505)
Revaluation Reserve	**16**		9		9
			(359)		**(496)**

Douglas B McIldoon



SIGNED Accounting Officer: 22 October 2003

The notes on pages 23 to 39 form part of these accounts

Schedule 4

Cash Flow Statement for year ended 31 March 2003

	Notes	2002-03 £000	2001-02 £000
Net cash (outflow) from operating activities	(i)	**(417)**	**(21)**
Capital expenditure and financial investment	(ii)	**(15)**	**(16)**
Payments of amounts due to the Consolidated Fund	15	**-**	**(520)**
Financing from the consolidated fund	(iii)	**519**	**391**
Increase/(Decrease) in cash in the period		**87**	**(166)**

Notes to the Cash flow Statement

(i). *Reconciliation of operating cost to operating cash flows*

		2002-03 £000	2001-02 £000
Net operating cost		**331**	**223**
Adjustments for non-cash transactions	3 & 4	(58)	(59)
Adjustments for movements in working capital other than cash	12	144	(143)
Use of provision		-	-
Net cash outflow from operating activities		417	21

(ii). *Analysis of capital expenditure and financial investment*

		2002-03 £000	2001-02 £000
Tangible fixed-asset additions	9 & 10	**15**	**17**
Proceeds from disposal of fixed assets		**-**	**(1)**
Net cash outflow from investing activities		**15**	**16**

The notes on pages 23 to 39 form part of these accounts

(iii). *Analysis of financing, and reconciliation to the net cash requirement*

	Notes	2002-03 £000	2001-02 £000
Repayments to the consolidated fund – prior year #	15	(133)	(312)
From the Consolidated Fund (Supply) - current year *		652	391
Payments to the Contingency Fund		(700)	(391)
Advances from the Contingency Fund		700	391
Net Financing		**519**	**79**
(Increase)/Decrease in cash	14	**(87)**	**166**
Net cash flows other than financing		**432**	**245**
Adjustment for payments and receipts not related to Supply:			
Amounts due to the Consolidated Fund received in a prior year and paid over – excess Accruing Resources	15	-	(173)
Amounts due to the Consolidated Fund – received in a prior year and paid over – other CFERS	15	-	(34)
Amounts due to the Consolidated Fund – received and not paid over – other CFERS	15	1	8
Transitional Adjustment	12	-	211
Net cash requirement (Schedule 1**)**		**433**	**257**

Amount of grant actually repaid in respect of the prior year net cash requirement £133,410.48

* Amount of grant actually issued to support the net cash requirement £652,000

The notes on pages 23 to 39 form part of these accounts

Schedule 5

Resources by Departmental Aims and Objectives

	2002 - 03			2001 - 02		
	Gross	Income	Net	Gross	Income	Net
	£000	£000	£000	£000	£000	£000
for the year ended 31 March 2003						
Aim:						
Objective (I) To promote competition in the generation and supply of Electricity and to protect the interests of electricity consumers with regard to price and quality of service	1,381	(1,298)	83	1,473	(1,398)	75
Objective (II) 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	493	(245)	248	424	(276)	148
TOTAL (Schedule 2)	**1,874**	**(1,543)**	**331**	**1,897**	**(1,674)**	**223**

The notes on pages 23 to 39 form part of these accounts

1. Statement of Accounting Policies

The financial statements have been prepared in accordance with the Northern Ireland Resource Accounting Manual (NIRAM) issued by DFP and the relevant accounting standards. The accounting policies contained in the NIRAM follow UK generally accepted accounting practice for Companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. The particular accounting policies adopted by the Department are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

(a) Suspension of the Northern Ireland Assembly

(i) The Secretary of State for Northern Ireland signed an Order on 14 October 2002 effectively suspending devolved government in Northern Ireland from midnight that night. Under suspension:

- the Assembly and its committees ceased to meet or conduct business;
- the First Minister, Deputy First Minister, Departmental Ministers, Junior Ministers, Chairmen and Deputy Chairmen of Statutory Committees all ceased to hold office;
- direct rule was reinstated; the Northern Ireland Departments discharged their functions subject to the direction and control of the Secretary of State; the functions of the First Minister and Deputy First Minister were discharged by the Secretary of State;
- legislation on devolved matters were made by Order in Council at Westminster.

(ii) The provisions allowing members of the Executive Committee to participate in the North/South Ministerial Council and the British/Irish Council were also suspended.

(iii) The Secretary of State could at any time make an Order, subject to Parliamentary approval, to restore devolved government.

(iv) As a non-ministerial government department, Ofreg complies with government policy that economic regulation should be conducted at arms length from ministers by independent regulators and consequently the Department is not materially affected by either devolution or its suspension.

(v) The costs and practicalities of producing separate resource accounts for the period up to and following suspension are prohibitive, and one resource account for the complete financial year has therefore been prepared.

1.1 Basis of Accounting and Consolidation

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.

These accounts include the costs of the Northern Ireland Consumer Committee for Electricity and that part of the costs of the General Consumer Committee related to gas consumer issues.

1.2 Tangible Fixed Assets

The minimum level for capitalisation of a tangible fixed asset is £500 for PCs and £1000 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.

1.3 Intangible Fixed Assets

Intangible fixed assets comprise computer software licences with a capitalisation threshold of £1000. They are revalued annually by reference to the RPI.

1.4 Depreciation and Amortisation

Depreciation is provided at rates calculated to write off the valuation of tangible 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

1.5 Revenue Recognition

The costs of Ofreg are offset primarily by annual licence fees paid on the issue of electricity and gas licences as defined under statute.

Electricity fees are calculated on the basis of a determination made by the Director General of Electricity Supply for Northern Ireland. 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. In addition the cost of the Northern Ireland Consumer Committee for Electricity is recovered from 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 Director General of Gas for Northern Ireland. 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. In addition that part of the costs of the General Consumer Council for Northern Ireland related to gas issues is apportioned equally and recovered from the holders of gas conveyance licences who engage in distribution activities. Gas supply licence holders pay a minimum fee of £1,000 plus an additional amount based on volumes supplied 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 Department 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.

1.6 Administration and Programme Expenditure

Administration costs reflect the costs of running the Department as defined under the Administration Cost Control Regime, together with associated operating income. Programme costs reflect non-administration costs, including publicity and consultancy and other disbursements by the Department.

1.7 Capital Charge

A capital charge, reflecting the cost of capital utilised by the Department, is included in operating costs. The charge is calculated at the Government's standard rate of 6 per cent in real terms on all assets less liabilities.

1.8 Taxation

VAT is accounted for in accordance with SSAP5.

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

1.9 Foreign Exchange

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

1.10 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.

1.11 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.

1.12 Pensions

Past and present employees are covered by the provisions of the PCSPS (NI) which is a defined benefit scheme and is unfunded and non-contributory. The Department 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 Note 2 to the accounts.

1.13 Early Departure Costs

As all Ofreg staff are on loan 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.

2. Staff Numbers and Costs

The average number of whole-time equivalent persons employed (including senior management) during the year was as follows:

	2002-03	2001-02
	Number	Number
Employees	**25**	**22**

The aggregate payroll costs of these persons were as follows:

	2002-03	2001-02
	£000	**£000**
Wages and salaries	674	551
Social Security costs	49	42
Other pension costs	100	82
Agency Staff	6	9
	829	**684**

The PCSPS (NI) is an unfunded multi employer defined benefit scheme but Ofreg is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 1999 and details can be found in the separate scheme statement of the PCSPS (NI).

For 2002-03, normal employer contributions of £100,043.20 were payable to the PCSPS (NI), for (2001-02 £81,496.26) at rates in the range 12 to 19.5 per cent of pensionable pay. The 2003-04 rates are in the range 12 to 18 per cent of pensionable pay based on the revalorised salary bands. Employer contribution rates are reviewed every three years following a scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

The average number of whole-time equivalent persons employed (including senior management), by objective during the year was as follows:

	2002 – 03 No. of Employees	2001 – 02 No. of Employees
Objective 1	18	16
Objective 2	7	6
	25	**22**

The salary and pension entitlements of the most senior members of the Department were as follows:

OFFICE for the REGULATION of ELECTRICITY and GAS

2002 - 03

	Age	Salary including Performance pay **£000**	Real increase in Pension at 60 **£000**	Total accrued Pension at 60 at 31/3/03 **(£000)**
Ministers				
None				
Officials				
Mr Douglas McIldoon	57	70-75	0-2.5	25-30
Director General of Electricity *Director General of Gas*				
Mr Dermot MacCann **	53	45-50	0-2.5	20-25
Mr Leslie Adams *	60	30-35	0-2.5	
Mr Gerry Donnelly	56	35-40	0-2.5	15-20
Mr Kevin Shiels	35	35-40	0-2.5	5-10
Mr James Hutchinson	31	30-35	0-2.5	0-5
Mrs Mary McWilliams ***	34	25-30	0-2.5	0-5
Mrs Felicity Huston Chairman of the Northern Ireland Consumer Committee for Electricity (3 days per week)	39	25-30	0-2.5	0-5

* Mr Adams retired 31 December 2002
** Mr MacCann (Salary from July 02 to March 03 only)
*** Mrs McWilliams (Salary from April 02 to Jan 03 only)

OFFICE for the REGULATION of ELECTRICITY and GAS

2001 - 02

	Age	Salary including Performance pay **£000**	Real increase in Pension at 60 **£000**	Total accrued Pension At 60 at 31/3/02 **(£000)**
Ministers				
None				
Officials				
Mr Douglas McIldoon	56	70-75	0-2.5	20-25
Director General of Electricity/Gas				
Mr Leslie Adams	59	40-45	0-2.5	20-25
Mr Gerry Donnelly	55	35-40	0-2.5	15-20
Mr Kevin Shiels	34	30-35	0-2.5	5-10
Mr James Hutchinson	30	25-30	0-2.5	0-5
Mrs Mary McWilliams	33	30-35	0-2.5	0-5
Mrs Felicity Houston Chairman NICCE (3days per week)	38	25-30	0-2.5	0-5

None of those detailed above have received any benefits in kind nor were there any employer contributions made to a Partnership Pension Account including Risk Benefit Cover.

Salary

(i) "Salary" includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

Pension

(ii) Pension benefits are provided through the Civil Service pension arrangements. 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).

(a) Classic Scheme

Benefits 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. Members pay contributions of 1.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death, in service the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

(b) Premium Scheme

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 commute some of their pension to provide a lump sum up to a maximum of 3/80ths of final pensionable earnings for each year of service or 2.25 times pension if greater (the commutation rate is £12 of lump sum for each £1 of pension given up). For the purpose of pension disclosure the tables assume maximum commutation. Members pay contributions of 3.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partner at a rate of 3/80ths the member's pension (before any commutation). On death in service, the scheme pays a lump-sum benefit of three times pensionable earnings and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member's ill health is such that it permanently prevents them undertaking any gainful employment, service is enhanced to what they would have accrued at age 60.

(c) Classic Plus Scheme

This is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

All staff in service at 1 October 2002 will be given the option to join the premium or classic plus arrangements.

Pensions payable under classic, premium, and classic plus are increased in line with the Retail Prices Index.

(d) Partnership Pension Account

This is a stakeholder-type arrangement where the employer pays a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product. The employee does not have to contribute but where they do make contributions, these will be matched by the employer up to a limit of 3% (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of risk benefit cover (death in service and ill health retirement). The member may retire at any time between the ages of 50 and 75 and use the accumulated fund to purchase a pension. The member may choose to take up 25% of the fund as a lump sum.

Benefits in Kind

(iii) The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument.

3. Other Administration Costs

	2002-03 £000	2002-03 £000	2001-02 £000	2001-02 £000
Rental under operating leases (see note 18)	89		68	
Hire of Office equipment	8		8	
		97		76
Non cash items:				
Diminution in value of fixed assets	1		3	
Depreciation	23		25	
Profit on disposal of fixed assets	-		(1)	
Cost of capital charge	(15)		(9)	
Auditor's remuneration and expenses	26		26	
Other Notional Costs	22		14	
Bad debts provision	1		1	
		58		59
Hospitality	7		6	
Travel and Subsistence	39		43	
Rates	31		34	
Training	36		25	
Other Expenditure	117		97	
		230		205
		385		**340**

4. Net Programme Costs

	2002-03 £000	2001-02 £000
Consultancy	624	825
Publicity	36	48
	660	**873**

5. Operating Income

	Accruing Resources £000	Payable to NICF £000	Total 2002-03 £000	Total 2001-02 £000
Operating income for 2002-03, analysed by classification and activity, is as follows:				
Administration income:				
Other – fees and charges external customers	-	-	-	-
Electricity Licence Fees				
Electricity Licence Fees	1,293	-	1,293	1,384
Miscellaneous	-	-	-	-
Gas Licence Fees				
Gas Licence Fees	245	-	245	276
Miscellaneous	-	-	-	-
Other - fees and charges other departments	4	1	5	14
	1,542	**1**	**1,543**	**1,674**
Programme income:	-	-	-	-
	1,542	**1**	**1,543**	**1,674**

Accruing Resources represent income due to Ofreg or collected by it under a delegated authority from DETI that can be retained for offset against other public expenditure. This contrasts with CFERs which are remitted by Ofreg to the Consolidated Fund.

6. Administration Cost Limits

The outturn against the administration costs control regime shown against administration costs limits is as follows:

	Limit £000	Outturn £000
Request for Resources A	1,547	1,156
Admin expenditure excluded From admin cost limit	145	58
Total Admin Outturn	1,692	1,214

7. Reconciliation of Net Operating Cost to Control Total and Net Resource Outturn.

	2002-03 £000	2001-02 £000
Net Operating Cost	**331**	**223**
Add		
- operating income not classified as A-in-A	1	8
Net Resource Outturn	**332**	**231**

Net operating cost is the total of expenditure and income appearing in the operating cost statement (Schedule 2). Net resource outturn is the total of those elements of expenditure and income that are subject to parliamentary approval and included in the Department's Supply Estimates.

8. Analysis of Net Resource Outturn and Net Operating Cost by Function.

2002-03

	Admin	Other current	Current grants	Capital Grants	Accruing Resources	Net Resource	Estimate	Net total outturn compared to estimate
	£000	£000	£000	£000	£000	£000	£000	£000
Request for Resources A								
Central Admin	1,156	660	-	-	(1,542)	274	204	(70)
Non Cash Items	58	-	-	-	-	58	145	87
Profit on sale of assets	-	-	-	-	-	-	(1)	(1)
Resource Outturn	**1,214**	**660**	-	-	**(1,542)**	**332**	**348**	**16**
Non Supply expenditure						-		
Non Accruing Resources operating income						(1)		
Net Operating Cost (Surplus)						**331**		

2001-02

	Admin	Other current	Current grants	Capital Grants	Accruing Resources	Net Resource	Estimate	Net total outturn compared to estimate
	£000	£000	£000	£000	£000	£000	£000	£000
Request for Resources A								
Central Admin	965	873	-	-	(1,666)	172	172	-
Non Cash Items	59	-	-	-	-	59	120	61
Resource Outturn	**1,024**	**873**	-	-	**(1,666)**	**231**	**292**	**61**
Non Supply expenditure						-		
Non Accruing Resources operating income						(8)		
Net Operating Cost (Surplus)						**223**		

Functions represent the disaggregation of Requests for Resources for control purposes and Parliamentary approval.

They may not correspond to departmental objectives, which in turn reflect a disaggregation of departmental aims for the management of activities. (For analysis of Accruing Resources see Note 5).

9. Analysis of Capital Expenditure, Financial Investment and associated Accruing Resources.

	Capital Expenditure	Loans etc	Accruing Resources	Net Total
	£000	£000	£000	£000
Request for Resources A	15	-	-	15
Total 2002 - 03	**15**	**-**	**-**	**15**
Total 2001 - 02	**17**	**-**	**-**	**17**

10. Tangible Fixed Assets

	Leasehold Improvements	IT Equipment	Office Equipment	Fixtures and Fittings	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2002	**374**	**42**	**4**	**55**	**475**
Additions	-	11	2	2	15
Disposals	-	(10)	(1)	-	(11)
Revaluations	23	(2)	-	-	21
At 31 March 2003	**397**	**41**	**5**	**57**	**500**
Depreciation					
At 1 April 2002	**335**	**23**	**4**	**51**	**413**
Charged in year	8	12	-	-	20
Disposals	-	(10)	(1)	-	(11)
Revaluations	21	(1)	-	-	20
At 31 March 2003	**364**	**24**	**3**	**51**	**442**
Net book value					
At 31 March 2003	**33**	**17**	**2**	**6**	**58**
At 1 April 2002	**39**	**19**	**-**	**4**	**62**

11. Intangible Fixed Assets

	2002-03
	£000
Cost or valuation	
At 1 April 2002	8
Additions	-
Disposals	-
Revaluations	-
At 31 March 2003	**8**
Depreciation	
At 1 April 2002	-
Charged in year	3
Disposals	-
Revaluations	-
At 31 March 2003	3
Net book value	
At 31 March 2003	**5**
At 1 April 2002	**8**

12. Movements in Working Capital other than Cash

	2002-03 £000	2001-02 £000
Decrease/(Increase) in debtors	104	(59)
(Decrease)/Increase in creditors (excld NICF)	(248)	202
Net increase in working capital other than cash (Sch 4)	**(144)**	**143**
Transitional Adjustment	-	(211)
Changes in Working Capital other than cash (Sch 1)	**(144)**	**(68)**

13. Debtors

	2002-03 £000	2001-02 £000
Amounts falling due within one year:		
Trade debtors	149	166
Prepayments and accrued income	20	24
VAT debtor	23	106
	192	**296**

14. Cash at Bank and in Hand

	2002-03 £000	2001-02 £000
Balance at 1 April 2002	141	307
Net Cash (Inflow)/Outflow:	87	(166)
Balance at 31 March 2003	**228**	**141**
All cash is held in commercial banks or as cash in hand CFERs	9	8
Surplus issues	219	133
	228	**141**

15. Creditors: amounts falling due within one year

	2002-03 £000	2001-02 £000
Trade creditors	45	43
Accruals and deferred income	569	819
Cash balance payable to Consolidated Fund		
CFERs payable	9	8
Surplus Issues	219	133
	842	**1,003**

16. Revaluation Reserve

	2002 -03	2001 - 02
	£000	**£000**
Balance at 1 April 2002	**9**	10
Arising on revaluation during the year (net)	2	2
Transferred to General Fund in respect of realised element of Revaluation Reserve – all excess depreciation.	(2)	(3)
Balance at 31 March 2003	**9**	9

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments.

17. Capital Commitments

There were no contracted capital commitments at 31 March 2003. (Nil, at 31 March 2002).

18. Commitments under Operating Leases

At 31 March 2003 the Department was committed to making the following payments in respect of operating leases expiring:

	£000 Buildings	£000 Other	2002-03 £000 TOTAL	2001-02 £000 TOTAL
Within one year	88	7	95	95
Between two to five years	250	28	278	344
After five years	-	-	-	-
	338	**35**	**373**	**439**

The above amounts reflect the total amounts due over the life of the operating leases.

19. Other Commitments

The Department has not entered into any non-cancellable contracts (which are not operating leases) as at 31 March 2003. (Nil, at 31 March 2002).

20. Contingent Liabilities

A decision published by the Northern Ireland Authority for Energy Regulation is currently the subject of a judicial review. Whilst the Authority's legal advisers are confident that the decision can be successfully defended, there is nevertheless a possibility of future costs being incurred in that respect. There were no contingent liabilities existing as at 31 March 2002.

21. Reconciliation of net operating cost to changes in General Fund

	2002-03 £000	2002-03 £000	2001-02 £000	2001-02 £000
Net Operating (Cost)/Surplus for the year (Schedule 2)	(331)		(223)	
Net parliamentary funding	652		391	
Income payable to Consolidated Fund -	(1)		(8)	
Transitional adjustment	-		(211)	
Consolidated Fund: Creditor for cash unspent	(219)		(133)	
		101		(184)
Non-cash charges:				
Cost of capital	(15)		(9)	
Notional Costs	49		39	
Transfer from Revaluation Reserve	2		3	
Net Increase in General Fund		**137**		**(151)**
General Fund at 1 April 2002		**(505)**		**(354)**
General Fund at 31 March 2003 (Schedule 3)		**(368)**		**(505)**

The negative value of total net assets arises because the funds owed to Electricity and Gas licensees are correctly shown as a liability. However under Government Accounting rules Ofreg is required to surrender surpluses to the Consolidated Fund, these are the subject of an in-year bid in the following financial year. This is required because the respective Electricity and Gas licences make provision for a reduction in the licence fee collected to reflect any underspend in the previous year.

22. Related Party Transactions

Ofreg has had a number of transactions with other Government departments and Central Government bodies. These include DETI and DFP.

None of the Board members, key managerial staff or other related parties has undertaken any material transactions with the Department during the year.

23. Financial Instruments

FRS 13, *Derivatives and Other Financial Instruments*, requires disclosure of the role financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of the Department's activities and the way Government departments are financed, it is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The Department has very limited powers to borrow or invest surplus funds and except for relatively insignificant forward purchases of foreign currency, financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Department in undertaking its activities.

As allowed by FRS 13, the Department has elected to exclude from disclosure all debtors and creditors which mature or become payable within 12 months from the balance sheet date.

Liquidity Risk

The Department's net revenue resource requirements are financed by resources voted annually by Parliament, as is its capital expenditure. It is not, therefore, exposed to significant liquidity risks.

Foreign Currency Risk

The Department's exposure to foreign currency risk is not significant. Foreign currency income is negligible and foreign currency expenditure is not significant.

Fair Values

The Department had no financial assets nor liabilities at 31 March 2003. (Nil, at 31 March 2002).