

**Northern Ireland Authority
for Utility Regulation**

Resource Accounts

**Accounts for the year ended
31 March 2012**

NORTHERN IRELAND AUTHORITY FOR UTILITY REGULATION

RESOURCE ACCOUNTS

For the year ended 31 March 2012

*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*

6 July 2012

© Crown Copyright 2012

You may re-use this information (excluding logos) free of charge in any format or medium, under the terms of the Open Government Licence. To view this licence, visit <http://www.nationalarchives.gov.uk/doc/open-government-licence> or email: psi@nationalarchives.gsi.gov.uk.

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

Any enquiries regarding this document should be sent to us at
The Utility Regulator, Queen's House, 14 Queen Street, Belfast BT1 6ED.

This publication is also available to download from our website at <http://www.uregni.gov.uk>.

Northern Ireland Authority for Utility Regulation

Resource Accounts for the year ended 31 March 2012

Contents

Annual Report

Directors' Report	2
Sustainability Report	10
Management Commentary	12
Remuneration Report	20
Statement of Accounting Officer's Responsibilities	28
Statement on Internal Control	29
Audit Certificate	33
Statement of Assembly Supply	35
Statement of Comprehensive Net Expenditure	36
Statement of Financial Position	37
Statement of Cash Flows	38
Statement of Changes in Taxpayers' Equity	39
Notes to the Accounts	40

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 (DFP) and in accordance with the guidance set out in the *Government Financial Reporting Manual (FReM)* issued by the DFP in 2011-12. 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 2011 - 12, which is published separately and will be available from the Utility Regulator's website (www.uregni.gov.uk).

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

Background to the Utility Regulator

The Energy (Northern Ireland) Order 2003 (the Energy Order) established the Northern Ireland Authority for Energy Regulation to independently regulate both the electricity and gas industries. 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) (as amended). 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 supplied by authorised suppliers, wherever appropriate by promoting effective competition between persons engaged in, or in commercial activities connected with, the generation, transmission or supply of electricity. The interests of consumers include their interests in the fulfilment of the Authority when carrying out its functions as a designated regulatory authority for Northern Ireland and of the objectives as set out in Directive 2009/72/EC. 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; and
- individuals residing in rural areas.

Subject to the above, the Utility Regulator shall among other things 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 principle 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 and to do so in a way that is consistent with the fulfilment by the Authority of its obligations as a designated national regulatory authority for Northern Ireland and pursuant to the objectives as set out in Directive 2009/73/EC. 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 are able to finance their activities which are the subject of obligations imposed on them under the legislation, and the interests of:

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

Management Report

The Board of the Utility Regulator

As per the 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 four members including the Chairman to enable it to discharge its duties.

During the last six months of 2011-12, the Board of the Utility Regulator comprised one executive member (the Chief Executive) and seven non-executive members. In addition, Etain Doyle and Chris LeFevre were in post up to the 30 September 2011 at which point their second term of appointment ended.

The board is the body that sets the overall strategic direction of the organisation and decides on major policy matters.

The Chief Executive, Shane Lynch, is the Utility Regulator's Accounting Officer.

From 1 April 2007 onwards, new appointments to the Utility Regulator board are carried out by the DFP.

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 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. The membership of the Audit Committee comprised the following during 2011-12: James Oatridge (Chairman), Clive Elphick, Etain Doyle (until the term of appointment as a Board member ended on the 30 September 2011) and Richard Rodgers.

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 NIAO.

The Audit Committee Chairman evaluates the performance of the Committee in conjunction with members and reports on Audit Committee business to the Board.

The Audit Committee met four times during 2011-12.

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 membership of the Remuneration Committee during 2011-12 comprised: Chris Le Fevre (Chairman – until the term of appointment as a board member ended on 30 September 2011), Philip Johnson, Alan Rainey and Bill Cargo (Chairman of the Remuneration Committee from 1 October 2011). Peter Matthews may also attend Remuneration Committee meetings.

Attendance at Board and Other Committees

Attendance during the year at the Board and Board Sub Committees by the Chairman and the Non-Executives was as follows:

	The Board	Audit Committee	Remuneration Committee
Peter Matthews	8/8	-	-
Etain Doyle*	3/8	1/4	-
Clive Elphick	5/8	2/4	-
Jim Oatridge	5/8	4/4	-
Alan Rainey	8/8	-	5/5
Chris Le Fevre*	2/8	-	3/5
Philip Johnson	8/8	-	5/5
William Cargo	6/8	-	5/5
Richard Rodgers	5/8	2/4	-

* Board appointment ended 30 September 2011. Prior to this date there were three Board meetings, one Audit Committee meeting and three Remuneration Committee meetings.

Other Committees

Board Advisory Groups

Board Advisory Groups (BAGs) operate for Water and Energy. The membership of these BAGs is made up of non-executive directors, with relevant sectoral experience. 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 2011-12: Clive Elphick (Chairman), Peter Matthews and James Oatridge.

The Energy BAG comprised the following non-executive directors during 2011-12: Chris Le Fevre (Chairman – until 30 September 2011), Philip Johnson (Chairman from 1 October 2011), Alan Rainey and Bill Cargo. It was agreed that a Cross Utility BAG be established, for an initial period to 30 September 2011, to discuss issues that affect all three utility areas and provide advice to the board and executive. The Cross Utility BAG comprised the following members during 2011-12: Etain Doyle (Chairperson), Clive Elphick, Chris Le Fevre, Jim Oatridge and Richard Rodgers.

Attendance during the year at the other Committees by the Chairman and the Non-Executives was as follows:

	Energy BAG	Water BAG	Cross Utility**
Peter Matthews	-	5/6	-
Clive Elphick	-	6/6	2/2
Jim Oatridge	-	5/6	2/2
Alan Rainey	11/11	-	-
Chris Le Fevre*	2/11	-	1/2
Philip Johnson	11/11	-	-
Etain Doyle*	-	-	2/2
William Cargo	9/11	-	-
Richard Rodgers	-	-	2/2

* Term of appointment as a board member ended on 30 September 2011.

** The Cross Utility BAG was discontinued on 30 September 2011.

Statutory Committees

Single Electricity Market (SEM) Committee

The SEM Committee, which is a statutory committee of the Authority, comprises an independent member and a deputy independent member and up to three persons (who must either be a member of the Utility Regulator board or Staff) appointed by the Department of Enterprise, Trade and Industry (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 up to three persons (who must be members of the Commission for Energy Regulation) appointed by the Irish Minister with the approval of DETI.

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’.

Alan Rainey serves on the SEM Committee. Shane Lynch became a member of the SEM Committee from October 2010.

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

During 2011-12, the SEM Committee met 7 times.

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 pages 20 to 24.

The Senior Management Team

The Senior Management Team comprises the Chief Executive, the Directors of Electricity, Gas, Water, Corporate Affairs and the Acting Director of Retail and Social. 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 policy and operational issues.

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 2011-12 was consulted on and published (and can be accessed from the Utility Regulator's website, (www.uregni.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 2011. 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 2011-12, 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 NI Assembly and accounted for on an annual basis in the Resource Accounts.

Receipts from electricity and gas licensees 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 to Northern Ireland Water 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 2011-12 was £6.093 million (this figure represents the net amount after deducting fees already overpaid by licensees in respect of 2010-11).

Pension Liabilities

In the year under review a small proportion of Utility Regulator staff were on loan from DETI or DFP. These staff represent about 10% of the overall staff complement at the 31 March 2012.

Those staff on-loan 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. The directly recruited staff of the Utility Regulator who have elected not to join PCSPS (NI) are employed on a permanent, non-pensionable basis.

Details of pension liabilities can be found in the accounting policy, note 1.13, the Remuneration Report for senior managers and the Board and in note 9 to the financial statements.

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. A Staff Representative Committee provides an opportunity for the Utility Regulator staff to have a say and be involved in organisational development, and it met 3 times during 2011-12. The Staff Committee that previously carried out these functions has continued to meet to deal with matters not related to terms and conditions of employment, and it met 4 times during 2011-12.

The Chief Executive also holds bi-monthly all-staff meetings to keep staff informed of key developments and provides a forum for staff to raise issues.

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. The Utility Regulator's Health and Safety Committee is responsible for overseeing the safe and healthy working environment. A full review of the Utility Regulator's Health and Safety Policy Statement was completed in May 2011 and, along with associated organisational arrangements, is made available to all staff through the intranet site.

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, 99% (2010-11 98%) of undisputed invoices were paid within this standard. In line with other NI departments and following Dear Accounting Officer (DAO) 12/08 guidance, the Utility Regulator has aimed to promptly pay invoices within a 10 day target. In the past year 98% (2010-11 99%) of invoices have been paid within 10 days of approval.

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 submitted to the Equality Commission and once approved will be available in either paper or electronic format. It will also be available on request in a variety of alternative formats.

The Audit Committee received a paper on equality compliance at its October 2011 meeting. A key aspect of this paper was the Annual Progress Report (in relation to Section 75 obligations), which was approved by the Audit Committee for submission to the Equality Commission.

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 £20k (£18k in 2010-11).

So far as I am aware, there is no relevant audit information of which the auditors are unaware. I have taken all the steps I ought to have taken to make myself aware of any relevant audit information and to establish that the auditors are aware of that information. For this purpose, 'relevant audit information' is taken to mean information needed by the external auditors in connection with preparing the audit report.

Internal Audit

The Internal Audit of the Utility Regulator is carried out on a contract basis. A company of professional accountants and auditors, Capita (an organisation which operates to standards defined in the Government Internal Audit Manual), 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 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 Northern Ireland Sustainable Energy Programme (NISEP) and price controls.

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

Key developments relating to sustainability

The Utility Regulator's NISEP Programme which focuses on providing funding towards schemes for customers at risk of fuel poverty, supported 19 schemes during 2011-12. The schemes will deliver energy efficiency savings amounting to 608 Giga Watt hours and provide over £56 million of consumer benefit savings.

DETI stated in its Strategic Energy Framework that it would examine the potential for an energy efficiency supplier obligation in Northern Ireland. In addition the new EU Energy Efficiency Directive, currently published in draft form, seeks to promote increased levels of energy efficiency in Member States. As well as being involved in a cross-departmental steering group, the Utility Regulator has assisted DETI with an initial scoping exercise on energy efficiency provision.

Electricity suppliers are now required to specify in or with bills and in promotional materials made available to final customers the contribution of each energy source to the overall fuel mix of the supplier over the previous year. In addition, suppliers are required to provide information on the environmental impact of their electricity.

Additionally, work was also advanced during the past year, in respect of the IME3 Directive, to introduce a series of customer protection measures (e.g. relating to the ability to switch energy supplier). Licence modifications to reflect these measures were published early in the 2012-13 financial year.

On 18 November 2011 the SEM Committee published its decision paper on the methodology for calculating fuel mix disclosure. In addition, the Utility Regulator published its IME3 decision paper and proposed licence modifications in relation to fuel mix disclosure. On 15 July 2011 fuel mix calculations for the year 2010, for all suppliers on the island of Ireland, were published in an easily comparable format.

The Utility Regulator worked with DETI to provide evidence to the Department of Energy and Climate Change on the impact that proposals in Great Britain would have in Northern Ireland. The Utility Regulator would also provide input into how the Northern Ireland Renewables Obligation (NIRO) would be affected. The NIRO has now been extended to 2037, meaning it will close to new entrants in 2017. The Utility Regulator continues to work with DETI in relation to post 2017 arrangements.

Updated guidelines for generators wishing to participate in the Climate Change Levy Scheme which the Utility Regulator administers, were also published.

MANAGEMENT COMMENTARY

Operating Review

The Annual Report (produced separately) provides a comprehensive account of the performance of the Utility Regulator during 2011-12, including a detailed commentary on the organisation's achievement against its Forward Work Programme for 2011-12. 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 6ED. Alternatively it can be downloaded free from the Utility Regulator's website www.uregni.gov.uk.

A summary of organisational performance during 2011-12 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.

- A review of the Power NI (formerly NIE Energy) electricity tariffs led to an 18.6% increase in tariff for domestic customers as a consequence of movements in international fuel prices.
- The Utility Regulator facilitated the entry of new supplier to the Northern Ireland domestic electricity market during the 2011-12 year.
- The SEM continues to deliver outcomes broadly in line with a competitive environment.
- A price control relating to Power NI was completed and led to significant savings for consumers.
- The development of the draft price controls for the monopoly electricity network provider, NIE Transmission and Distribution, and Power NI's Power Procurement Business were advanced during the past year.
- An increase in the electricity customer switching capacity was announced in December, and work was advancing to introduce an unlimited switching solution during 2012-13.

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.

- Two reviews of the Phoenix Supply Ltd gas tariffs led to a 39.1% increase in tariffs for domestic customers in the Greater Belfast area, announced in April 2011, followed by a decrease of 8.5%, announced in February 2012.
- An industry update by the Utility Regulator and the Commission for Energy Regulation on the Common Arrangements for Gas project was issued in February 2012.

- Consultations were initiated on Guaranteed Standards for gas (in July 2011) and gas storage (in December 2011).
- The Phoenix Supply Ltd price control was published in November 2011, and included significant savings for consumers.
- The Phoenix Natural Gas Ltd price control was published in January 2012, and identified £74 million of adjustments to the company's regulatory asset base. Following a rejection of the price control decision, the Utility Regulator referred the price control to the Competition Commission on 28 March 2012.

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

- The Utility Regulator published a Cost and Performance report which assessed NI Water's performance against efficiency and consumer targets for the period 2010-11 and this identified further improvements in the company's performance.
- Following scrutiny of NI Water's delivery of the Utility Regulator's freeze/thaw action plan, NI Water – in July 2011 - publicly made a formal commitment to complete the delivery of the actions. Following continued quarterly monitoring, the submission of 2010-11 Annual Information Return and additional evidence the Utility Regulator formally released NI Water from undertakings, in relation to data quality, in March 2012.

Effective and Efficient Regulator

- The Utility Regulator carried out a mid-term review of its strategic plan during 2011-12. Responses received from stakeholders during the review made no major suggestions for changing the existing strategic plan. Several comments did however inform the development of the Forward Work Plan 2012-13.
- A stakeholder engagement programme was the basis for further efforts to reach out to stakeholders – including a pilot initiative, in conjunction with several utility companies, to promote energy efficiency and water conservation with the Scout Association.
- The Utility Regulator published its response to a consultation on Financing Networks. A consultation on Network price controls was also launched in September 2011.
- The Utility Regulator consulted on the implementation of consumer protection measures relating to the two EU Directives and three Regulations commonly known as the 'Third Package' or 'IME3'.

Forward Work Programme Performance

The Forward Work Programme 2011-12 outlines a list of time limited tasks. Overall we achieved or partially achieved 92% of the time limited tasks listed to be completed within the 2011-12 year. Of the 83 tasks identified, the progress report at 31 March 2012 is as follows:

Achieved tasks -	49 (59.1%)
Partially achieved tasks -	26 (31.3%)
Revised -	6 (7.2%)
Ongoing	2 (2.4%)
Not achieved	0 (0%)

Trends and Strategic Direction

The Utility Regulator's work continues to be guided by the principles outlined in its 5-year Corporate Strategy, which was published on 31 March 2009.

The Corporate Strategy recognises the key regulatory trends and issues affecting our work in the period to 2014 and sets out our longer-term workplan to meet these challenges.

- 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 aim 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 relatively new, both to NI Water, 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.

The Utility Regulator completed a mid-term review of its Corporate Strategy in September 2011.

Risk Management

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 department managed by the Departmental Board.
- Directorate level – key risks identified and managed by Directors and their management teams.

The risk management cycle is both a ‘top-down’ and ‘bottom-up’ exercise that allows risks to be identified and managed at all the levels outlined above and to be escalated as appropriate.

The corporate risk register is agreed by the Audit Committee and reviewed by the Board and is subject to a formal mid-year review.

The Statement on Internal Control provides a summary of the risk management process. There were no significant internal control problems in 2011-12 and Internal Audit provided satisfactory assurance, in overall terms, regarding the adequacy and effectiveness of risk management, control and governance processes.

Financial Review

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

- Segment 1 (Electricity) - £3,385,000 (£3,720,000 in 2010-11)
- Segment 2 (Gas) - £2,267,000 (£1,746,000 in 2010-11)
- Segment 3 (Water) - £1,262,000 (£1,618,000 in 2010-11)

The *Statement of Comprehensive Net Expenditure* shows that salary costs fell slightly from the previous year (£4,252,000 for 2011-12 against £4,351,000 for 2010-11).

The Utility Regulator’s net resource outturn was £384k against an estimate of £742k resulting in a saving against estimate of £358k. Budget cover was taken for a provision which was lower than expected. Notional and impairment costs were also slightly lower than predicted.

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.

Reconciliation of Resource Expenditure between Estimates, Accounts and Budgets

	2011-12	2010-11
	£000	£000
Net Resource Outturn (Estimates)	384	126
Net Operating Cost (Accounts)	384	126
<i>Adjustments to remove:</i>		
Notional Charges	28	28
Resource Outturn (Budget)	356	98
Of which		
Departmental Expenditure Limits (DEL)	98	98
Annually Managed Expenditure (AME)	258	-

Other current expenditure has decreased from £2,733k in 2010-11 to £2,662k in 2011-12. This reflects a reduction in consultancy costs, contracted services and communications costs offset by an increase in the cost of administering the Renewables Obligation scheme in Northern Ireland and a provision for costs associated with resolving disputes.

The percentage of staff costs to total costs in 2011-12 of 61% is similar to that in 2010-11, 61%.

The Utility Regulator will incur costs in the context of resolving regulatory related disputes. However, other than these costs which are known at this stage it is not possible to estimate the amount or portion of these costs with any certainty.

Non Current Assets

Details of the movement of non-current assets are set out in Notes 12 & 13 to the Accounts. There were no additions to property, plant and equipment during the financial year.

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 directly 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 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 directors 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:

- Regulatory decisions in respect of reserved matters;
- 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; and
- overseeing the Utility Regulator's governance arrangements.

The Board met eight times during 2011-12 and its minutes are published on the Utility Regulator's website (www.uregni.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 six work areas: Electricity, Gas, Retail, Water, Chief Executive's Office and Corporate Affairs.

Relationships with Arms Length Bodies

The Utility Regulator has no arms length bodies.

Sickness absence data

The overall absence rate (the number of days of absence as a percentage of the total available workings days) was 4.02% (2010-11: 2.91%) for the year ended 31 March 2012. The average number of working days lost in 2011-12 per person was 9 (2010-11: 7) and was significantly impacted by a very small number of longer term sickness absence. Excluding long term absence the absence rate was 2.34%.

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 for the year to the 31 March 2012.

A handwritten signature in black ink that reads "Shane Lynch". The signature is written in a cursive style with a large 'S' and 'L'.

Shane Lynch
Accounting Officer
22 June 2012

REMUNERATION REPORT

Remuneration Policy

The Non Executive Chairman and Non Executive Directors of the Utility Regulator are appointed by DFP (Schedule 1 paragraph 1(1) of the Energy Order) and the Utility Regulator appoints its own Chief Executive. The salary level and terms for the Non Executive posts are set by DFP. The remuneration for the Chief Executive post and that payable to Directors is approved by the Utility Regulator's Remuneration Committee. Further information on the Remuneration Committee can be found in the Annual Report, page 3. 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 Utility Regulator also operates within the context of the public sector pay remit determined by the NI Executive. The pay award for the senior management team is normally comprised of two elements, a base pay uplift and a non-consolidated award, the latter of which is based on performance. The senior managers did not receive any base pay uplift in the 2011/12 year and there were no non-consolidated awards payable to any senior managers in respect of the 2011/12 year.

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. 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 and associated guidance. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Non Executive Directors hold fixed term contracts as detailed in the Annual Report, page 3.

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 one such appointment was made.

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

Salary and pension entitlements (audited)

The remuneration of the senior officials of the Utility Regulator were as follows:

Remuneration	2011-12				2010-11		
	Salary	Non Consolidated Performance Awards	Benefits in kind	Salary	Non Consolidated Performance Awards	Benefits in kind	
	£000	£000	£	£000	£000	£	
Mr Peter Matthews (Non Executive Chairman)	30-35	-	11,295	30-35	-	10,749	
Ms Etain Doyle (Non Executive Director) (Until 30 September 2011)	5-10* (full year equivalent 5-10)	-	892	5-10	-	1,892	
Mr Clive Elphick (Non Executive Director)	5-10	-	6,182	10-15*	-	8,748	
Mr Philip Johnson (Non Executive Director)	10-15*	-	19,297	5-10	-	11,068	
Mr Christopher LeFevre (Non Executive Director) (Until 30 September 2011)	0-5** (full year equivalent 5-10)	-	2,741	5-10	-	10,727	
Mr Jim Oatridge (Non Executive Director)	5-10	-	7,374	15-20*	-	11,583	
Mr Alan Rainey (Non Executive Director)	20-25*	-	-	15-20*	-	-	
Mr Richard Rodgers (Non Executive Director) (Appointed 1st January 2011)	5-10	-	-	0-5 (full year equivalent 5-10)	-	-	

Remuneration	2011-12				2010-11			
	Salary	Non Consolidated Performance Awards	Benefits in kind	Salary	Non Consolidated Performance Awards	Benefits in kind	Salary	Non Consolidated Performance Awards
	£000	£000	£	£000	£000	£	£000	£
Mr William Cargo (Non Executive Director) (Appointed 1 January 2011)	5-10	-	904	0-5 (full year equivalent 5-10)	-	22	0-5 (full year equivalent 5-10)	-
Senior Executives								
Mr Iain Osborne Chief Executive (Resigned 31 December 2010)	-	-	-	105-110 (full year equivalent 140-145)	-	-	105-110 (full year equivalent 140-145)	-
Mr Shane Lynch Chief Executive (Promoted from Director of Electricity Regulation 4 January 2011)	125-130	-	-	30-35 (full year equivalent 125-130)	-	-	30-35 (full year equivalent 125-130)	-
Mrs Jo Aston Director of Water Regulation	90-95	-	-	90-95	-	-	90-95	-
Mr Donald Henry Director of Corporate Affairs	90-95	-	-	90-95	-	-	90-95	-
Mr Brian McHugh Director of Gas Regulation	70-75	-	-	70-75	-	-	70-75	-
Mr J P Irvine Head of Legal Services (Resigned 20 July 2010)	-	-	-	20-25 (full year equivalent 55-60)	-	-	20-25 (full year equivalent 55-60)	-

Remuneration	2011-12				2010-11			
	Salary	Non Consolidated Performance Awards	Benefits in kind	Salary	Non Consolidated Performance Awards	Benefits in kind	Salary	Non Consolidated Performance Awards
	£000	£000		£000	£000		£000	
Mr Kevin Shiels Acting Director of Retail	70-75	-	-	70-75	-	-	70-75	-
Mr Shane Lynch Director of Electricity Regulation (Appointed 14th September 2009, appointed to CEO 4 January 2011)	-	-	-	65-70 (full year equivalent 85-90)	-	-	65-70 (full year equivalent 85-90)	-
Ms Tanya Hedley Director of Electricity Regulation (Temporarily promoted 4 January 2011 and permanently appointed 14 September 2011)	75-80	-	-	15-20 (full year equivalent 70-75)	-	-	15-20 (full year equivalent 70-75)	-
Band of Highest Paid Director's Total Remuneration	125-130	-	-	125-130	-	-	125-130	-
Median Total Remuneration	41,673	-	-	42,313	-	-	42,313	-
Ratio	3.07	-	-	3.02	-	-	3.02	-

During 2011-12 and 2010-11 basic remuneration for the Chairman was £30k-£35k and for the non-executive directors was £5k-£10k.

* Includes payment for additional duties undertaken

** £3,363.20 (net) was also payable to LeFevre Consulting for additional advisory work undertaken

Salary and pension entitlements (audited)

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

	Real increase in pension and related lump sum at age 60 (65 for Nuvos)	Accrued pension at age 60 (65 for Nuvos) as at 31/03/12 and related lump sum	CETV at 31/03/12	CETV at 31/03/11 *	Real increase in CETV
	£000	£000	£000	£000	Nearest £000
Mr Shane Lynch Chief Executive	2.5-5 -	5-10 -	54	27	20
Mrs Jo Aston (Director of Water Regulation)	(0-2.5) -	30-35 -	522	485	(6)
Mr Donald Henry (Director of Corporate Affairs)	0-2.5 0-2.5	10-15 40-45	177	157	5
Mr Brian McHugh (Director of Gas Regulation)	0-2.5 0-2.5	5-10 25-30	102	89	5
Mr Kevin Shiels (Acting Director of Retail)	(0-2.5) (0-2.5)	20-25 60-65	295	274	(3)
Ms Tanya Hedley Director of Electricity Regulation	0-2.5 -	5-10 -	33	20	9

* The actuarial factors used to calculate CETVs were changed in 2011/12. The CETVs at 31/03/11 and 31/03/12 have both been calculated using the new factors, for consistency. The CETV at 31/03/11 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

Salary

“Salary” includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation and any gratia payments. Non Executive Directors are part time non-pensionable appointments.

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. Benefits in kind include the taxable value of home to office costs, overnight accommodation and expenses incurred by members of the Authority including those in respect of any additional duties undertaken in the year. Benefits in kind are disclosed gross of any tax payable.

Performance Awards

Performance awards are based on performance levels attained and are made as part of the appraisal process. Performance awards relate to the performance in the year in which they become payable to the individual. No performance awards were payable to any of the senior management team in respect of the 2011-12 financial year.

Northern Ireland Civil Service (NICS) Pension arrangements

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. From April 2011 pensions payable under classic, premium and classic plus are increased annually in line with changes in the Consumer Prices Index (CPI). Prior to 2011, pensions were increased in line with changes in the Retail Prices Index (RPI). New entrants joining on or after 1 October 2002 and before 30 July 2007 could 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 a ‘Career Average Revalued Earnings’ (CARE) 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%. CARE pension benefits are increased annually in line with increases in the CPI. For 2012, public service pensions will be increased by 5.2% with effect from 9 April.

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. 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).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos. Further details about the Civil Service pension arrangements can be found at the website www.dfpni.gov.uk/civilservicepensions-ni.

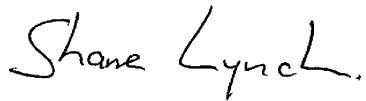
Cash Equivalent Transfer Values

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.

The actuarial factors used in the CETV calculation were changed during 2011, due to changes in demographic assumptions. This means that the CETV in this year's report for 31/03/11 will not be the same as the corresponding figure shown in last year's report.

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.

A handwritten signature in black ink that reads "Shane Lynch". The signature is written in a cursive style with a large 'S' and 'L'.

Shane Lynch
Accounting Officer
22 June 2012

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Government Resources and Accounts Act (NI) 2001, DFP has directed the Utility Regulator to prepare for each financial year, resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the department during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of the affairs of the Utility Regulator and of its net resource outturn, statement of changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by DFP including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

DFP has appointed the Chief Executive as Accounting Officer of the Utility Regulator. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the 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 2012 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 8 times in 2011/12 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 4 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 and there is access to a panel of legal firms for specialist advice;
- 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 successfully migrated its IT function to IT Assist in March 2012.

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 continues to develop its information management and governance agenda. Our business only requires us to hold limited personal data. We maintain a register of information assets across the organisation and provide guidance notes for asset owners in understanding how to classify them. Information awareness sessions are periodically held and staff induction includes an information management briefing. The Information Management Committee oversees related governance issues, keeps policies under review and considers actions arising should a breach of one of the policies occur. Our IT strategy has provided the basis for progressing IT related workstreams and, specifically, for preparing for migration of our IT systems to the Northern Ireland Civil Service managed service provider, IT Assist.

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 internal auditors, the work of the Audit Committee and the executive managers within the department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their

reports. Directors also provide me with Assurance Statements commenting on the adequacy and effectiveness of the control environment. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the board and the Audit Committee plans to address weaknesses and ensure continuous improvement of the system are in place.

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.

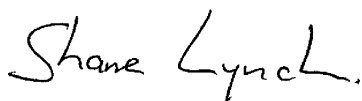
The Utility Regulator's contracted-out Internal Audit service operates to Government Internal Audit Standards. The work of the Internal Audit is informed by an analysis of the risks to which the organisation is exposed, and annual internal audit plans take account of this analysis.

The analysis of risk and the internal audit plans are endorsed at the Authority's Audit Committee meeting. The Head of Internal Audit 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 Issues

For 2011-12, 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 have been 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.



Shane Lynch
Accounting Officer
22 June 2012

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 the Northern Ireland Authority for Utility Regulation for the year ended 31 March 2012 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. I have also audited the Statement of Assembly Supply 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

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to examine, certify and report on the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Northern Ireland Authority for Utility Regulation's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Northern Ireland Authority for Utility Regulation; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Assembly Supply properly presents the outturn against Assembly control totals and that those totals have not been exceeded.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them.

Opinion on Regularity

In my opinion, in all material respects:

- the Statement of Assembly Supply properly presents the outturn against voted Assembly control totals for the year ended 31 March 2012 and shows that those totals have not been exceeded; and
- 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.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Northern Ireland Authority for Utility Regulation's affairs as at 31 March 2012 and of its net operating cost, cash flows and changes in taxpayers' equity for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance and Personnel directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Department of Finance and Personnel directions made under the Government Resources and Accounts Act (Northern Ireland) 2001; and
- the information given in the Directors' Report, the Sustainability Report and the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with Department of Finance and Personnel's guidance.

Report

I have no observations to make on these financial statements.



K. J. Donnelly

Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast, BT7 1EU
25 June 2012

Statement of Assembly Supply

Summary of Resource Outturn 2011-12

2011-12 £000								2010-11 £000
Estimate				Outturn			Net total outturn compared with Estimate saving/ (excess)	Outturn
Request for Resources	Note	Gross expenditure	Appropriations in Aid	Net Total	Gross expenditure	Appropriations in Aid	Net Total	Net Total
		£000	£000	£000	£000	£000	£000	£000
Request for resources A	2	8,137	(7,395)	742	6,914	(6,530)	384	126
Total resources		8,137	(7,395)	742	6,914	(6,530)	384	126
Non-operating cost Appropriations in Aid								

Net Cash Requirement 2011-12

2011-12					2010-11
Note	Estimate	Outturn	Net total outturn compared with Estimate saving/ (excess)	Outturn	
	£000	£000	£000	£000	
Net cash requirement	4	1,066	-	1,066	410

Summary of income payable to the Consolidated Fund

In addition to appropriations in aid, the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics).

Note	Forecast 2011-12 £'000		Outturn 2011-12 £'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.

Statement of Comprehensive Net Expenditure for the year ended 31 March 2012

	2011-12			2010-11
	Note	Staff Costs	Other Costs	Income
		£000	£000	£000
Programme Costs:				
Staff costs	9	4,252		4,351
Other non-staff costs	10		2,662	2,733
Operating income	11			(6,530)
				(6,958)
Totals		4,252	2,662	(6,530)
				126
Net Operating Cost for the year ended 31 March 2012	3			384
				126
Other Comprehensive Expenditure				
Net (gain)/loss on revaluation of Property, Plant and Equipment				-
				3
Net (gain)/loss on revaluation of Intangibles				-
				-
Total Comprehensive Expenditure for the year ended 31 March 2012				384
				129

All income and expenditure is derived from continuing operations.

The notes on pages 40 to 62 form part of these accounts.

Statement of Financial Position as at 31 March 2012

	Note	31 March 2012		31 March 2011	
		£000	£000	£000	£000
Non-current assets:					
Property, plant and equipment	12	36		69	
Intangible assets	13	-		5	
Receivables falling due after more than one year	16	-		-	
Total non-current assets			36		74
Current assets:					
Trade and other receivables	16	266		169	
Cash and cash equivalents	17	1,300		952	
Total current assets			1,566		1,121
Total assets			1,602		1,195
Current liabilities:					
Trade and other payables	19	(3,334)		(2,587)	
Provisions	20	(250)		-	
Total current liabilities			(3,584)		(2,587)
Non current assets plus net current liabilities			(1,982)		(1,392)
Non-current liabilities					
Provisions	20	-		-	
Total non-current liabilities			-		-
Assets less liabilities			(1,982)		(1,392)
Taxpayers' equity					
General fund			(1,982)		(1,393)
Revaluation reserve			-		1
Total taxpayers' equity			(1,982)		(1,392)



Shane Lynch
Accounting Officer
22 June 2012

The notes on pages 40 to 62 form part of these accounts.

Statement of Cash Flows for the year ended 31 March 2012

		2011-12	2010-11
	Note	£000	£000
Cashflows from operating activities			
Net operating cost	3	(384)	(126)
Adjustments for non cash transactions	10	316	68
(Increase)/Decrease in trade and other receivables	16	(97)	22
<i>less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>		-	-
Increase/(Decrease) in trade and other payables	19	747	132
<i>less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>			
- Supply amounts due to the Consolidated Fund	19	(114)	(484)
- Capital accruals		4	6
- CFER amounts due to the Consolidated Fund	19	(234)	-
Use of provisions	20	-	-
Net cash outflow from operating activities		<u>238</u>	<u>(382)</u>
Cashflows from investing activities			
Purchase of property, plant and equipment	12	(4)	(28)
Purchase of intangible assets		-	-
Net cash outflow from investing activities		<u>(4)</u>	<u>(28)</u>
Cash flows from financing activities			
From the Consolidated Fund (Supply) - current year		1,066	1,362
From the Consolidated Fund (Supply) - prior year		-	-
Advances from the Contingencies Fund		335	435
Repayments to the Contingencies Fund		(335)	(435)
Net financing		<u>1,066</u>	<u>1,362</u>
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		1,300	952
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		-	-
Payments of amounts due to the Consolidated Fund		(952)	(468)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		<u>348</u>	<u>484</u>
Cash and cash equivalents at the beginning of the period	17	952	468
Cash and cash equivalents at the end of the period	17	<u>1,300</u>	<u>952</u>

The notes on pages 40 to 62 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2012

	Note	General fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2010		(1,705)	4	(1,701)
Net Assembly Funding - drawn down		1,362	-	1,362
Net Assembly Funding - deemed		-	-	-
Supply (payable)/receivable adjustment		(952)	-	(952)
Comprehensive Net Expenditure for the Year	3	(126)	-	(126)
Non-cash adjustments				
Non-cash charges - auditor's remuneration	10	18	-	18
Non-cash charges - other	10	10	-	10
Movements in reserves				
Net gain/(loss) on revaluation of property, plant and equipment	12	-	(3)	(3)
Balance at 31 March 2011		(1,393)	1	(1,392)
Net Assembly Funding - drawn down		1,066	-	1,066
Net Assembly Funding - deemed		-	-	-
Supply (payable)/receivable adjustment		(1,066)	-	(1,066)
CFERs payable to the Consolidated Fund	4	(234)	-	(234)
Comprehensive Expenditure for the Year	3	(384)	-	(384)
Non-cash adjustments				
Non-cash charges - auditor's remuneration	10	20	-	20
Non-cash charges - other	10	8	-	8
Movements in reserves				
Transfer between reserves		1	(1)	-
Balance at 31 March 2012		(1,982)	-	(1,982)

The notes on pages 40 to 62 form part of these accounts.

Notes to the Departmental Resource Accounts

1 Statement Of Accounting Policies

These financial statements have been prepared in accordance with the 2011-12 Government Financial Reporting Manual (FReM) issued by the DFP. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Utility Regulator for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Utility Regulator are described below. These have been applied consistently in dealing with items that are considered material to the accounts.

In addition to the primary statements prepared under IFRS, the FReM also requires the Department to prepare one additional primary statement. The Statement of Assembly Supply and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement.

1.1 Accounting Convention

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment and intangible assets.

1.2 Property, plant and equipment

The minimal level for capitalisation of property, plant and equipment is £2,000 for all assets with the exception of computers where the threshold is £500. Where material assets may be pooled/ grouped so as to reflect more accurately asset holdings. The capitalisation threshold for grouped assets is £2,000.

The following asset categories existed at the start of the year, namely IT equipment, office equipment, furniture 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 Land and Property Services.

1.3 Intangible Assets

Intangible assets comprise computer software licences with a capitalisation threshold of £1,000 and £2,000 for grouped assets. Existing assets are revalued annually by reference to revaluation indices obtained from the Office for National Statistics.

1.4 Depreciation and Amortisation

Depreciation and amortisation is provided at the rates calculated to write off the valuation of property, plant and equipment and intangible assets by equal instalments over their estimated useful lives.

Lives are in the following ranges:

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

1.5 Cost Apportionment

Utility Regulator total costs in 2011-12 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.

1.6 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 in 2011 by the Utility Regulator. It was decided 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. All licence holders pay a minimum of £1,500. Licence fees are ultimately recovered from electricity customers through an operating cost allowance in the Price Controls of Northern Ireland Electricity'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 Payables and any under-recovery as Accrued Income within Receivables.

Under the terms of Northern Ireland Water Ltd's instrument of appointment water and sewerage fees are payable on the 1 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 the cost of gas consumer issues being recovered from (apportioned equally) the holders of gas conveyance licencees who engage in distribution activities and water and sewerage consumers from the water and sewerage licence holder. For 2011-12 the Utility Regulator collected and passed on to the Consumer Council an amount of £900,084 of which £199,251 was in respect of its electricity functions, £149,438 in respect of its gas functions and £551,395 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 Net 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 Managing Public Money Northern Ireland 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 Value Added Tax

VAT is accounted for in accordance with IAS 12.

The amount due from HM Revenue and Customs in respect of VAT is included within Receivables in the Statement of Financial Position.

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 Statement of Comprehensive Net Expenditure therefore includes certain notional items of expenditure.

1.12 Operating Leases

Rentals due under operating leases are charged to the Statement of Comprehensive Net Expenditure 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 and Employee Benefits

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.

Under the requirements of IAS 19 Employee Benefits, staff costs must be recorded as an expense as soon as the organisation is obligated to pay them. This includes the cost of any annual leave entitlements that have been earned at the year end but not yet taken.

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 IAS 37, the Utility Regulator discloses for Assembly 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 Managing Public Money Northern Ireland.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 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 IAS 37 are stated at the amounts reported to the Assembly.

1.16 Financial Instruments

The Utility Regulator has financial instruments in the form of trade receivables, cash and cash equivalents and trade payables. These are classified as 'loans and receivables' and 'financial liabilities at fair value through profit and loss on initial recognition' in accordance with IFRS 7.

1.17 Impending application of newly issued accounting standards not yet effective

Management has reviewed new accounting standards that have been issued but are not yet effective, nor adopted early for these accounts. Management consider that these are unlikely to have a significant impact on the accounts in the period.

2 Analysis of Net Resource Outturn by section

2011-12							2010-11		
						Outturn	Estimate		Prior Year Outturn
	Admin	Other Current	Grants	Gross Resource Expenditure	Appropriations in Aid	Net total	Net total	Net total compared with Estimate	
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Request for Resources A:									
Departmental Expenditure in DEL:									
1. Administration	-	6,628	-	6,628	(6,530)	98	98	-	98
AME:									
Provisions	-	258	-	258	-	258	614	356	-
Non Budget									
2. Notional Costs	-	28	-	28	-	28	30	2	28
Resource Outturn	-	6,914	-	6,914	(6,530)	384	742	358	126

Analysis of outturn against estimate

Resource outturn was £358k lower than estimate. Salary and consultancy costs were lower than originally expected resulting in a lower level of income. In addition, budget cover was taken for a provision which is lower than expected.

Key to Request for Resources

Request for resources A - Protecting Electricity, Gas, 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		2011-12		2010-11
			Outturn	Supply Estimate	Outturn compared with Estimate
	Note		£000	£000	£000
		Net Resource Outturn	2	384	742
		Net Operating Cost		384	742
				358	126
				358	126

3b Outturn against final Administration Budget

*See Note 1.7

	2011-12*		2010-11
	Budget	Outturn	Outturn
	£'000	£'000	£'000
Gross Administration Budget	-	-	-
Income allowable against the Administration Budget	-	-	-
Net outturn against final Administration Budget	-	-	-

4 Reconciliation of net resources outturn to net cash requirement

2011-12				
		Estimate	Outturn	Net Total Outturn compared with Estimate savings/ (excess)
	Note	£000	£000	£000
Resource Outturn	2	742	384	358
Capital :				
Acquisition of property, plant and equipment	12	-	-	-
Non-operating Appropriations in Aid Proceeds of asset disposal	12 & 13	-	-	-
Accruals adjustments :				
Non-cash items	10	(676)	(316)	(360)
Changes in working capital other than cash	16 & 19	1,000	(302)	1,302
Use of provision	20	-	-	-
Excess cash receipts surrenderable to the Consolidated Fund	19	-	234	(234)
Net Cash Requirement		1,066	-	1,066

5 Analysis of income payable to the Consolidated Fund

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

	Note	Forecast 2011-12		Outturn 2011-12	
		Income	<i>Receipts</i>	Income	<i>Receipts</i>
		£000	£000	£000	£000
Operating income and receipts - excess Appropriations in Aid		-	-	-	-
Other operating income and receipts not classified as Appropriations in Aid		-	-	-	-
Non-operating income and receipts excess Appropriations in Aid	7	-	-	-	-
Other non-operating income and receipts not classified as Appropriations in Aid		-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund		-	-	-	-
Excess cash surrenderable to the Consolidated Fund	4	-	-	234	234
Total income payable to the Consolidated Fund		-	-	234	234

6 Reconciliation of income recorded within the Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund

		2011-12	2010-11
	Note	£'000	£'000
Operating income	11	6,530	6,958
Income authorised to be Appropriations in Aid		(6,530)	(6,958)
Operating income payable to the Consolidated Fund	5	-	-

7 Non-operating income - Excess Appropriations in Aid

	2011-12	2010-11
	£'000	£'000
Non-operating income - excess Appropriations in Aid	-	-

8 Statement of Operating Costs by Operating Segment

The reportable segments are the principal activities of the organisation, with overhead costs split on the basis of agreed methodology. This split is in line with previous reporting under the Statement of Operating Costs by Departmental Strategic Objectives.

	2011-12				2010-11			
	Reportable Segment 1	Reportable Segment 2	Reportable Segment 3	Total	Reportable Segment 1	Reportable Segment 2	Reportable Segment 3	Total
Gross Expenditure	3,385	2,267	1,262	6,914	3,720	1,746	1,618	7,084
Income	3,331	1,971	1,228	6,530	3,671	1,705	1,582	6,958
Net Expenditure	54	296	34	384	49	41	36	126

Description of Segments

Segment 1 - To protect the interests of consumers of electricity supplied by authorised suppliers, wherever appropriate by promoting effective competition between persons engaged in, or in commercial activities connected with, the generation, transmission or supply of electricity.

Segment 2 - To promote the development and maintenance of an efficient, economic and co-ordinated gas industry in Northern Ireland.

Segment 3 - To protect the interests of consumers of water and sewerage services, where appropriate by the promotion of effective competition.

8.1 Reconciliation between Operating Segments and SoCNE/SoFP

	2011-12				2010-11			
	Reportable Segment 1	Reportable Segment 2	Reportable Segment 3	Total	Reportable Segment 1	Reportable Segment 2	Reportable Segment 3	Total
Total net expenditure per statement of Comprehensive Net Expenditure by operating segment	54	296	34	384	49	41	36	126
Reconciling items:								
Income	-	-	-	-	-	-	-	-
Expenditure	-	-	-	-	-	-	-	-
Total net expenditure per Statement of Comprehensive Net Expenditure	54	296	34	384	49	41	36	126

8.2 Reconciliation between Operating Segments and Note 2

	2011-12				2010-11			
	Reportable Segment 1	Reportable Segment 2	Reportable Segment 3	Total	Reportable Segment 1	Reportable Segment 2	Reportable Segment 3	Total
Total net expenditure per Statement of Comprehensive Net Expenditure by operating segment	54	296	34	384	49	41	36	126
Reconciling items:								
Income	-	-	-	-	-	-	-	-
Expenditure	-	-	-	-	-	-	-	-
Net outturn per Statement of Assembly Supply	54	296	34	384	49	41	36	126

9 Staff numbers and related costs

9a Staff costs comprise:

	2011-12					2010-11
	Total	Permanently employed staff	Other	Ministers	£'000 Special Advisers	£'000 Total
Wages and Salaries	3,436	2,953	483	-	-	3,545
Social Security Costs	304	289	15	-	-	307
Other Pension Costs	512	472	40	-	-	499
Sub Total	4,252	3,714	538	-	-	4,351
Less recoveries in respect of outward secondments	-	-	-	-	-	-
Total Net Costs*	4,252	3,714	538	-	-	4,351

*Of which £nil has been charged to capital

The Principal Civil Service Pension Scheme in NI (PCSPS (NI)), of which most of the Utility Regulator's staff are members, is an unfunded multi-employer defined benefit scheme, but the Utility Regulator is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007. In accordance with FReM, full actuarial valuations should be carried out every four years. However, formal actuarial valuations for unfunded public service pension schemes have been suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions and while future scheme terms are developed as part of the reforms to public service pension provision. The primary purpose of the formal actuarial valuations is to set employer and employee contribution rates, and these are currently being determined under the new scheme design. Details can be found in the PCSPS (NI) resource accounts.

For 2011-12, employers' contributions of £512,238.42 were payable to the PCSPS (NI) (2010-11 - £498,562.43) at one of four rates in the range 18 to 25 per cent of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2012-13, the rates will remain in the range 18% to 25%. The contribution rates are set to meet the cost of the benefits accruing during 2011-12 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Nil employers' contributions (2010-11 £nil) were paid to a stakeholder pension provider. Employer contributions are age-related and range from 3 to 12.5 percent (2010-11 : 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 (2010-11 £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 statement of financial position date were £nil (2010-11 £nil). Contributions prepaid at that date were £nil (2010-11 £nil).

No persons (2010-11:0 persons) retired early on ill health grounds; the total additional accrued pension liabilities in the year amounted to £nil (2010-11:£nil).

At the Statement of Financial Position date there were no contributions due to any partnership pension provider. There were no early retirements on ill-health grounds.

9b Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows.

	2011-12					2010-11
	Total	Permanent staff	Other	Ministers	£'000 Special Advisers	£'000 Total
Segment 1						
To protect the interests of consumers of electricity supplied by authorised suppliers, wherever appropriate by promoting effective competition between persons engaged in, or in commercial activities connected with, the generation, transmission or supply of electricity	31.2	27.2	4.0	-	-	28.5
Segment 2:						
To promote the development and maintenance of an efficient, economic and co-ordinated gas industry in Northern Ireland	19.3	18.5	0.8	-	-	18.9
Segment 3						
To protect the interests of consumers of water and sewerage services, where appropriate by the promotion of effective competition	16.9	14.9	2.0	-	-	19.3
Total	67.4	60.6	6.8	-	-	66.7

9c Reporting of Civil Service and other compensation schemes - exit packages

There were no exit packages awarded in the 2011-12 financial year.

10 Other non-staff costs

	2011-12		2010-11	
	£'000	£'000	£'000	£'000
Rentals under operating leases:				
Property rentals	204		210	
Hire of office equipment	12		13	
		216		223
Non-cash items:				
Depreciation on property, plant and equipment	27		37	
Amortisation on intangible assets	3		3	
Impairment of non-current assets	8		-	
Auditors' remuneration and expenses	20		18	
Provision provided in year	250		-	
Other notional costs	8		10	
Total non-cash items		316		68
Other Expenditure				
Consultancy	811		1,247	
Management of Renewable Outputs Certificate Scheme	442		310	
Research	-		4	
Property service charges	74		61	
Contracted Services	321		341	
Communications and Advertising	58		82	
Hospitality	2		5	
Travel and Subsistence	70		74	
Rates	77		75	
Training	47		60	
Utilities	50		34	
IT Costs	43		44	
Exchange Losses	1		-	
Miscellaneous expenditure	134		105	
		2,130		2,442
Total		2,662		2,733

During the year, the Utility Regulator did not purchase any non-audit services from the Northern Ireland Audit Office.

11 Income

	2011-12	2010-11
	£000	£000
Electricity Licence Fees	2,894	3,358
Gas Licence Fees	1,971	1,705
Water Licence Fees	1,228	1,582
Miscellaneous Income	437	313
Total	6,530	6,958

12 Property, plant and equipment

12a

	Leasehold improvements	Information Technology Equipment	Office Equipment	Furniture & Fittings	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2011	53	82	36	63	234
Additions	-	-	-	-	-
Disposals	-	(32)	(6)	-	(38)
Impairments	-	(40)	-	-	(40)
Revaluations	2	-	-	-	2
At 31 March 2012	55	10	30	63	158
Depreciation					
At 1 April 2011	20	58	35	52	165
Charged in year	7	13	1	6	27
Disposals	-	(32)	(6)	-	(38)
Impairments	-	(34)	-	-	(34)
Revaluations	2	-	-	-	2
At 31 March 2012	29	5	30	58	122
Carrying amount at 31 March 2012	26	5	-	5	36
Carrying amount at 31 March 2011	33	24	1	11	69
Asset financing:					
Owned	26	5	-	5	36
Carrying amount at 31 March 2012	26	5	-	5	36

12b

	Leasehold improvements	Information Technology Equipment	Office Equipment	Furniture & Fittings	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2010	52	97	34	64	247
Additions	-	22	-	-	22
Disposals	-	(34)	-	-	(34)
Revaluations	1	(3)	2	(1)	(1)
At 31 March 2011	53	82	36	63	234
Depreciation					
At 1 April 2010	11	75	31	43	160
Charged in year	8	17	2	10	37
Disposals	-	(34)	-	-	(34)
Revaluations	1	-	2	(1)	2
At 31 March 2011	20	58	35	52	165
Carrying amount at 31 March 2011	33	24	1	11	69
Carrying amount at 31 March 2010	41	22	3	21	87
Asset financing:					
Owned	33	24	1	11	69
Carrying amount at 31 March 2011	33	24	1	11	69

13 Intangible assets

Intangible assets comprise software licences

13a

	Software Licences
	£'000
Cost or valuation	
At 1 April 2011	30
Additions	-
Disposals	-
Impairments	(14)
Revaluation	-
At 31 March 2012	16
Amortisation	
At 1 April 2011	25
Charged in year	3
Disposals	-
Impairment	(12)
Revaluation	-
At 31 March 2012	16
Carrying amount at 31 March 2012	-
Carrying amount at 31 March 2011	5
Asset Financing:	
Owned	-
Carrying amount at 31 March 2012	-

13b

	Software Licences
	£'000
Cost or valuation	
At 1 April 2010	30
Additions	-
Disposals	-
Revaluation	-
At 31 March 2011	30
Amortisation	
At 1 April 2010	22
Charged in year	3
Disposals	-
Revaluation	-
At 31 March 2011	25
Carrying amount at 31 March 2011	5
Carrying amount at 31 March 2010	8
Asset Financing	
Owned	5
Carrying amount at 31 March 2011	5

14 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 for 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.

15 Impairments

An impairment of £8k has been charged directly to the Statement of Comprehensive Net Expenditure as a consequence of full migration to IT Assist.

16 Trade receivables and other current assets

a) Analysis by type	2011-12	2010-11
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	10	1
VAT receivable	52	87
Prepayments and Accrued Income	204	80
Payroll receivable	-	1
	266	169
Amounts falling due after more than one year:		
Trade receivables	-	-
	266	169
b) Intra-government balances	Amounts falling due within one year	Amounts falling due within one year
	2011-12	2010-11
	£'000	£'000
Balances with other central government bodies	60	88
Balances with local authorities	-	-
Balances with NHS Trusts	-	-
Balances with public corporations and trading funds	-	-
Subtotal: Intra-government balances	60	88
Balances with other bodies external to government	206	81
Total Receivables at 31 March	266	169

17 Cash and cash equivalents

	2011-12	2010-11
	£'000	£'000
Balance at 1 April	952	468
Net change in cash and cash equivalent balances	348	484
Balance at 31 March	1,300	952

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.

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

	2011-12	2010-11
	£'000	£'000
Net cash requirement	-	(410)
From the Consolidated Fund (Supply) - current year	1,066	1,362
From the Consolidated Fund (Supply) - prior year	-	-
Amounts due to the Consolidated Fund received and not paid over	234	-
Amounts due to the Consolidated Fund - received in a prior year and paid over	(952)	(468)
Increase/(decrease) in cash	348	484

19 Trade payables and other current liabilities

a) Amounts falling due within one year

	2011-12	2010-11
	£'000s	£'000s
Trade payables	108	65
Other taxation and social security	122	-
Accruals and deferred income	1,804	1,565
Other payables	-	5
Amounts issued from the Consolidated Fund for supply but not spent at year end	1,066	952
Consolidated Fund extra receipts due to be paid to the Consolidated Fund	234	-
	3,334	2,587

There are no liabilities falling due after more than one year.

b) Intra-government balances

	2011-12	2010-11
	£'000s	£'000s
Balances with other central government bodies	1,865	1,213
Balances with local authorities	-	-
Balances with NHS Trusts	-	-
Balances with public corporations and trading funds	-	-
Subtotal: Intra-government balances	1,865	1,213
Balances with other bodies external to government	1,469	1,374
Total Payables at 31 March	3,334	2,587

20 Provisions for liabilities and charges

	2011-12	2010-11
	£'000s	£'000s
Balance at 1 April 2011	-	-
Provided in the year	250	-
Utilised during the year	-	-
Provisions not required written back	-	-
Balance at 31 March 2012	250	-

The provision is in respect of legal and other costs for which a reasonable estimate can be made at year end.

21 Capital Commitments

a) Capital Commitments

There were no contracted capital commitments at 31 March 2012 (£Nil, at 31 March 2011).

b) Commitments under leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

	2011-12	2010-11
	£'000s	£'000s
Obligations under operating leases comprise		
Land and Buildings		
Not later than one year	192	244
Later than one year and not later than five years	480	840
Later than five years	-	-
	672	1,084
Other		
Not later than one year	11	11
Later than one year and not later than five years	9	11
Later than five years	-	-
	20	22

c) Other financial commitments

The Utility Regulator has not entered into any non-cancellable contracts (which are not operating leases) as at 31 March 2012 (£Nil, at 31 March 2011)

22 Financial Guarantees, Indemnities and Letter of Comfort

The Utility Regulator has not entered into any guarantees, indemnities or provided letters of comfort.

23 Losses and Special Payments

There were no losses and special payments requiring disclosure in the 2011/12 financial year.

24 Contingent Liabilities

The Utility Regulator will incur costs in the context of resolving regulatory related disputes. However, other than these costs which are known at this stage, it is not possible to estimate the amount or portion of these costs with any certainty.

25 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.

Clive Elphick is a member of the Utility Regulator's Board and is also a senior advisor to CEPA, and has declared his CEPA role to the Utility Regulator. CEPA periodically tenders for contracts advertised directly by the Utility Regulator or in joint association with other regulatory bodies. Clive Elphick is not involved in the submission or evaluation of any such tenders and does not participate in Board decisions on any work carried out by CEPA for the Utility Regulator in respect of direct or joint regulatory projects. During 2011/12 the Utility Regulator made payments of £565k to CEPA. Clive Elphick is also a member of the Competition Appeal Tribunal (CAT). Both the Utility Regulator and CAT are aware of the other role. There have been no appeals to the CAT on Utility Regulator decisions during the last year and were there to be an appeal on a Utility Regulator decision in the future Clive Elphick would not be appointed to hear such an appeal.

Christopher LeFevre was a member of the Utility Regulator's Board and also carries out occasional consultancy assignments on behalf of POYRY, and has declared his POYRY role to the Utility Regulator. POYRY periodically tenders for contracts advertised directly by the Utility Regulator or in joint association with other regulatory bodies. Christopher LeFevre was not involved in the submission or evaluation of any such tenders and did not participate in Board decisions on any work carried out by POYRY for the Utility Regulator in respect of direct or joint regulatory projects. During 2011-12 the Utility Regulator made payments of £9k to POYRY.

Richard Rodgers is a member of the Utility Regulator's Board and is also Commercial Business Development Director for Carillion Energy. Carillion in Northern Ireland is under contract with Power NI to deliver part of the Northern Ireland Sustainable Energy Programme. Carillion have made an application to become a primary bidder in its own right in NISEP from 2012-13. Richard Rodgers has declared his Carillion role to the Utility Regulator and is not involved in the assessment of NISEP bids and does absent himself from any NISEP related Board discussions.

William Cargo, a member of the Utility Regulator's Board, resigned from his position as Non Executive Director with Island Magee Storage Limited (IMSL) on the 18 January 2012 and subsequently disposed of his shares in ISML on the 26 March 2012. ISML is developing proposals for a gas storage solution in Northern Ireland which may lead to the application for a gas storage licence from the Utility Regulator in due course. William Cargo has declared his interest in ISML to the Utility Regulator and was not involved in any gas storage related discussions.

Alan Rainey is a member of the Utility Regulator's Board and undertook a consultancy contract with Moyle Interconnector, a licenced transmission company, to review the terms of its contracts in respect of the undersea connections. Alan Rainey has disclosed his Moyle Interconnector role to the Utility Regulator.

Philip Johnson is a member of the Utility Regulator's Board and is also a partner in Delta Carbon Capital Partners LLP a fund management business providing advice and investment for the low carbon economy. The Utility Regulator and Delta Carbon Capital Partners LLP have no involvement with each other and Philip Johnson has declared his role in Delta Carbon Capital Partners LLP to the Utility Regulator.

Both Alan Rainey, Utility Regulator Board, and Tanya Hedley, Director of Electricity hold pensions with NIE Pensions Scheme which was under review as part of the NIE Transmission and Distribution Price Control. Alan Rainey has declared his NIE pension to the Utility Regulator and is not involved in any NIE pensions related discussions. Tanya Hedley has also disclosed her NIE pension to the Utility Regulator and has not participated in the preparation or clearance of advice, proposals or papers and has absented herself from any pensions related discussions.

26 Events after the reporting period

There were no material events post the Statement of Financial Position date for the year ended 31 March 2012.

The Accounting Officer authorised these financial statements for issue on 25 June 2012.



Published by Corporate Document Services and available from:

CDS Belfast
4c Heron Wharf
Sydenham Business Park
Belfast
BT3 9LE

Telephone: 028 9045 7772
Email: cds-ni@cds.co.uk

CDS 80472

ISBN 978-1-908523-70-9



9 781908 523709