

**Northern Ireland Authority  
for Utility Regulation**

**Resource Accounts**

**Accounts for the year ended  
31 March 2015**



# **NORTHERN IRELAND AUTHORITY FOR UTILITY REGULATION**

## **RESOURCE ACCOUNTS**

**For the year ended 31 March 2015**

*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*

*30 June 2015*

---



© Crown Copyright 2015

You may re-use this information (excluding logos) free of charge in any format or medium, under the terms of the Open Government Licence v.3. To view this licence visit

**[www.nationalarchives.gov.uk/doc/open-government-licence/version/3/](http://www.nationalarchives.gov.uk/doc/open-government-licence/version/3/)**

or email **[psi@nationalarchives.gsi.gov.uk](mailto: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

This publication is also available at **[www.uregni.gov.uk](http://www.uregni.gov.uk)**

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

# Northern Ireland Authority for Utility Regulation

## Resource Accounts for the year ended 31 March 2015

### Contents

#### Annual Report

|                                                               |       |
|---------------------------------------------------------------|-------|
| Strategic Report                                              | 2     |
| Directors' Report                                             | 15    |
| Remuneration Report                                           | 19    |
| Statement of Accounting Officer's Responsibilities            | 28    |
| Governance Statement                                          | 29    |
| Certificate and Report of the Comptroller and Auditor General | 37-38 |
| Statement of Assembly Supply                                  | 39    |
| Statement of Comprehensive Net Expenditure                    | 45    |
| Statement of Financial Position                               | 46    |
| Statement of Cash Flows                                       | 47    |
| Statement of Changes in Taxpayers' Equity                     | 48    |
| Notes to the Accounts                                         | 49    |

# **ANNUAL REPORT**

## **STRATEGIC REPORT**

This Strategic Report, as required under the 2014-15 Government Financial Reporting Manual issued by the Department of Finance and Personnel, sets out the role, strategic aims and principal activities of the Northern Ireland Authority for Utility Regulation.

### **Description of the Utility Regulator's role, objectives, duties and activities**

#### **Role of the Utility Regulator**

The Utility Regulator is a non-ministerial government department responsible for regulating Northern Ireland's electricity, gas, water and sewerage industries. The work of the Utility Regulator is based on duties set out in various legislation including the Energy (Northern Ireland) Order 2003 and the Water and Sewerage Services Order 2003. The Utility Regulator has a wide range of responsibilities in law, covering regulatory functions and competition powers, the latter of which are held jointly with the Competition and Markets Authority. The Utility Regulator SEM Committee is also responsible for the regulation of the Single Electricity Market (SEM) and does so in conjunction with the regulator in the Republic of Ireland, the Commission for Energy Regulation (CER). The work of the Utility Regulator covers areas including the following:

- Issuing licences that allow gas, electricity and water companies to operate in Northern Ireland.
- Making sure licensed companies meet relevant legislation and licence obligations.
- Setting the minimum standards of service which regulated companies must provide to consumers in Northern Ireland.
- Making sure that consumers only pay what is necessary for the services they receive now and in the future.
- Challenging companies to make sure they operate more efficiently and deliver good value for consumers as well as shareholders.
- Working to provide greater choice and encourage competition in the gas and electricity markets.
- Making sure that regulated companies can finance their activities and innovate effectively.
- Acting as an adjudicator on individual complaints, disputes and appeals.
- Regulation of the SEM.

#### **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 then subsequently 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**

In respect of electricity, the principal objective of the Utility Regulator is to protect the interests of consumers of electricity supplied by authorised suppliers, wherever appropriate, by promoting effective competition between persons engaged in, or commercial activities connected with, the generation, transmission or supply of electricity. The Utility Regulator, as a designated regulatory authority, fulfills the objectives set out in Directive 2009/72/EC concerning common rules for the internal market in electricity. In performing its duties the Utility Regulator must have regard to (amongst 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 and the need to ensure electricity licence holders are able to finance their activities.

## **Gas**

The principal objective of the Utility Regulator in respect of gas is to promote the development and maintenance of an efficient, economic and co-ordinated gas industry in Northern Ireland and to do so in a way that is consistent with the fulfilment by the Utility Regulator 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 (amongst other things) the interests of consumers of gas and the need to ensure that gas licence holders are able to finance their activities. The Utility Regulator must have regard to (amongst other things) the interests of:

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

Subject to the above, 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.

### **Strategic Direction**

During 2014-15, the Utility Regulator's work was guided by the principles outlined in its 5-year Corporate Strategy, which was published in May 2014 and is available on the Utility Regulator's website [http://www.uregni.gov.uk/publications/corporate\\_strategy\\_2014-2019](http://www.uregni.gov.uk/publications/corporate_strategy_2014-2019)

The Corporate Strategy recognises the key regulatory trends and issues affecting our work in the period to 2019 and sets the longer term work plan to meet the following challenges:

- Playing a role in reducing the effect of higher energy prices for business and domestic customers.
- Making sure there is efficient investment in a modern and high-performing utility infrastructure which can be maintained over the long term.
- Supporting utility companies by providing incentives to innovate and promote best practice.
- Supporting the long-term development of our regulated industries and specifically contributing to the achievement of the NI Executive's renewable-energy targets.
- Reviewing the effectiveness of competition in the energy retail markets.
- Promoting effective competition in the SEM and delivering a regional European electricity market by 2016.



- Dealing with concerns about the security of supply in Northern Ireland and, in particular, the critical need to build a second north-south electricity interconnector.
- Improving the way we monitor the outcomes of the retail energy markets for consumers and making sure consumers are properly protected.
- Working to effectively put in place new competition arrangements.
- Working with DETI to put in place the Energy Bill and Energy Efficiency directive.
- Supporting a joint approach in water, working with the Department for Regional Development.
- Improving outcomes for providing water and sewerage services.

### **Forward Work Programme**

In each year covered by the Corporate Strategy, the Utility Regulator publishes a Forward Work Programme (FWP) detailing projects, other than those comprising routine activities in the exercise of its functions, which it plans to undertake during the year. The requirement to publish the FWP, before the 1 April in each year, is set out in Article 6 of the Energy Order and Article 4 of the Water and Sewerage Order. However before doing so it must consult on a draft of the FWP in time to allow it to consider any representations 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 2014-15 was consulted on and published (and can be accessed from the Utility Regulator's website, [http://www.uregni.gov.uk/uploads/publications/FWP\\_201415\\_final.pdf](http://www.uregni.gov.uk/uploads/publications/FWP_201415_final.pdf)). 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 2014. It also included an estimate of the overall expenditure which the Utility Regulator expected to incur during the year.

### **Reporting against performance**

Under the Energy Order the Utility Regulator is required to produce a separate Annual Report and this report should therefore be read in conjunction with the Utility Regulator Annual Report for 2014-15. Article 5 of the Water and Sewerage Order enables the Utility Regulator to produce a combined annual report.

The Annual Report provides a comprehensive account of the performance of the Utility Regulator during 2014-15 including a detailed commentary on the organisation's achievement against its FWP for 2014-15. 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 Corporate Services Branch, the Utility Regulator, Queens House, 14 Queen Street, Belfast, BT1 6ED. Alternatively it can be downloaded free from the Utility Regulator's website [www.uregni.gov.uk](http://www.uregni.gov.uk)

A summary of organisational performance during 2014-15 is outlined below, including performance against FWP targets.

**Achievement against key duties and objectives**

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

- Two formal reviews of the Power NI's regulated electricity tariffs were completed during 2014-15. The first review, in August, led to no change. Following a second review, a 9.2% reduction was announced by the Utility Regulator in February 2015.
- Following the Competition Commission's determination on the NIE RP5 price control steps were taken to reflect this through licence modifications. The process of developing new cost and performance guidance for NIE, called Regulatory Information and Guidance (RIGs), has commenced.
- Along with the Department of Enterprise, Trade and Investment, the Utility Regulator published an information paper on electricity security of supply in Northern Ireland. Work on two key security of supply issues was advanced during the year. Firstly, the System Operator of Northern Ireland (SONI) proceeded with a competition to secure additional generation capacity and awarded the contract to AES Kilroot. Secondly, Mutual Energy also confirmed that it signed a contract with suppliers to install low voltage cables to restore the Moyle Interconnector to full capacity.
- The Single Electricity Market continues to deliver outcomes broadly in line with a competitive environment. During the past year the focus has been on taking steps to enhance the effective operation and competitiveness of the SEM.
- More broadly, the SEM Committee has also overseen the achievement of significant milestones on the way to delivering the new wholesale electricity market, the I-SEM. In September 2014, the SEM Committee approved the high level design for the I-SEM. The I-SEM high level design project plan was also published in October 2014.
- A draft price control determination for SONI was developed during 2014-15, which proposes £7m of capital investment while also proposing an overall cost reduction of £33m, over five years, from SONI's submission.
- Work to address problems over electricity grid connections was undertaken during the year. This included working with NIE to bring clarity and improve communications with developers and micro generators. A workstream to enable competition for providing electricity grid connections was advanced and a working group was established to support this work.
- A consultation on the possible cancellation of generating unit agreements also took place and, given the ongoing benefits to consumers, it was decided to retain these contracts for the time being.

*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.*

- Following a regulated tariff review Airtricity Gas Supply announced an average decrease of 7.8% in February 2015 for its customers in the Greater Belfast area. In the Ten Towns area, Firmus Energy announced, in March 2015, that it would leave tariffs unchanged.
- The Utility Regulator awarded conveyance licenses to SGN and Mutual Energy in February 2015 to enable the development of natural gas to the west of Northern Ireland.
- The price control determination for Firmus Energy (Supply) was published in December 2015. An approach document for the gas distribution price control (GD17) was also published in the same month.
- Arrangements for the full market opening of the Ten Towns gas licence area was advanced to enable this to take place by 1 April 2015.

Three key retail and consumer protection workstreams were advanced during 2015-16. The first phase of a review of the energy retail market provided independent evidence to inform further considerations being taken forward during 2015. A consultation on a retail market monitoring framework was also launched in January 2015. Finally, a draft consumer protection strategy was published in April 2015.

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

- The NI Water price control determination, PC15, was published in December 2015. The price control provides for lower bills for most business consumers, improved efficiency, continued significant investment and improvement in service levels.
- The Utility Regulator published a Cost and Performance report in October 2014 which assessed NI Water's performance against efficiency and consumer targets. This report showed that NI Water reduced prices while improving services and improved levels of performance overall.
- Following water supply disruption during the period December 2014-January 2015 the Utility Regulator was asked by the Minister for Regional Development to undertake a review of the incident. It is intended that we will send the review report to the Regional Development Minister around the end of April 2015.
- The Utility Regulator approved NI Water's Scheme of Charges in March 2015. As a consequence, water and sewerage charges for businesses will be increased by an average of 2.4%.

*Effective and Efficient Regulator*

- The Utility Regulator published its Corporate Strategy 2015-2019 in June 2014.
- Significant steps were taken during the year to engage with a wide range of stakeholders. This included establishing a new group for engaging with consumer

representative organisations on an ongoing basis, an increased level of presentations to external organisations and a greater degree of engagement as part of ongoing regulatory processes, particularly price controls.

- The Utility Regulator continued to advance its engagement with other regulators facilitating information sharing and consistency of approach where appropriate. This included ongoing involvement with the UK Regulators Network and the UK Competition Network. Separately, the Utility Regulator agreed a memorandum of understanding with the Commission for Energy Regulation.
- A memorandum of understanding was also agreed with the Consumer Council for Northern Ireland.
- A review of how the Utility Regulator is organised was completed during the year. The new structure is aimed at helping the organisation to deliver its new corporate strategy, work better with its stakeholders and provide opportunities for its staff.
- During 2014-15, the Utility Regulator has been developing a Human Resource Strategy which sets out our approach to the development of skills, performance management, transfer of knowledge and succession planning. This will be rolled out during 2015-16.
- The Utility Regulator has been exploring opportunities to engage with Business in the Community in order to develop staff skills and community engagement.
- The Utility Regulator Board also undertook an assessment of its effectiveness during the year and key actions were delivered by September 2014. One key action was a greater degree of engagement by the Board with external stakeholders and this led to visits to the North West and Enniskillen to visit utility assets and meet with local business and consumer interests.
- Finally the Utility Regulator senior management team endorsed a plan to improve internal communications.

### **Forward Work Programme Performance**

Of the time limited tasks identified in the FWP, overall we achieved or partially achieved 87% of the time limited tasks listed to be completed within the 2014-15 year. Of the 38 tasks identified, the progress report at 31 March 2015 is as follows:

|                          |    |         |
|--------------------------|----|---------|
| Achieved tasks           | 27 | (71.0%) |
| Partially achieved tasks | 6  | (15.8%) |
| Revised                  | 5  | (13.2%) |
| Ongoing                  | 0  | (0%)    |
| Not achieved             | 0  | (0%)    |

## **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 targets 80% of its funding towards schemes for customers at risk of fuel poverty. During 2014-15, a total of £8 million was made available to support schemes.

The Utility Regulator has responsibility for administering the Northern Ireland Renewable Obligation (NIRO). The NIRO is a statutory requirement on electricity suppliers to source an increasing amount of their electricity from renewable sources. Suppliers can meet their obligation by either presenting Renewable Obligation Certificates (ROCs) or paying into a buyout fund. ROCs are issued directly to renewable generators. Within the year 2013-14, 3,883 additional generating stations in Northern Ireland received ROC accreditation (over 90% of which are micro generators). This is a record number of accreditations for generating stations and brought the total accredited generating stations at 31 March 2014 to 5,613. 85% of ROCs issued in Northern Ireland went to onshore wind generating stations. In 2014-15, renewable generation under the Renewables Obligation Scheme exceeded 10% of all UK supplies of electricity. For the first time also, more ROCs were issued than the level of the obligation.

The Utility Regulator administers the Climate Change Levy (CCL) Exemption scheme, issuing Levy Exemption Certificates (LECs) to accredited generators in Northern Ireland and the Republic of Ireland. The CCL is a tax on energy used by businesses. In relation to electricity the tax required suppliers to charge commercial customers an extra £5.41 per MWh in 2014-15. Electricity produced from designated renewable sources is exempt from the CCL.

We accredited a further 68 generators for the CCL Exemption scheme in 2014-15, making a total of 288 accredited generators at 31 March 2015, and audited twelve generators during the year, 6 from each jurisdiction.

Electricity suppliers are required to specify in billing information and promotional materials the contribution of each energy source to the overall fuel mix of the supplier over the previous year.

In order to address the impacts that increasingly high levels of wind place on the electricity system, the Utility Regulator has been progressing the DS3 programme with CER. The objective of DS3 is to facilitate increased levels of renewables and effectively decrease the levels of curtailment. In December 2014 the SEM Committee approved a High Level Design for the procurement of system services. This will facilitate the operation of increased levels of non-synchronous generation on the network.

The Renewables Grid Liaison Group (RGLG), a group of stakeholders which the Utility Regulator facilitates, continues to provide a forum for addressing issues associated with renewables. During the past year the group reviewed its terms of reference with a view to widening its engagement to include the energy storage industry. The RGLG is currently looking at the impact of Electricity Market Reform on the renewables industry in Northern Ireland.

## **Resource Accounts**

The Utility Regulator is required to prepare and publish annual resource accounts, incorporating this annual report section. The Accounts are 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 2014-15.

## **Utility Regulator Financial Review**

As a non-ministerial government department, the Utility Regulator is required to prepare a Supply Estimate each financial year. This is the means by which authority is sought from the Assembly for spending each year. Funds voted by the NI Assembly are 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 General of Gas (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 2014-15 was £6.759 million.

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) - £4,188,000 (£4,130,000 in 2013-14)
- Segment 2 (Gas) - £2,292,000 (£2,080,000 in 2013-14)
- Segment 3 (Water) - £1,139,000 (£1,204,000 in 2013-14)

The *Statement of Comprehensive Net Expenditure* shows that salary costs increased from the previous year (£4,363,000 for 2013-14 against £4,698,000 for 2014-15). This reflected the fact that the office was operating close to full complement during 2014-15 with additional fixed term staff recruited to resource the I-SEM project, an increased movement in the annual leave accrual and annual pay increments.

The Utility Regulator's net resource outturn was £260k against an estimate of £260k. Overall against estimate, consultancy and administrative costs were lower than originally expected and income was lower as a consequence. Phase 3 of the I-SEM project was expected to have progressed in 2014-15 however procurement related delays meant spend on this was not as originally envisaged. Some other projects did not require the level of budget initially expected and some potential liabilities did not emerge. In addition, budget cover was taken for a provision which was not required.

The net resource outturn reflects the cost borne by Central Government in respect of work undertaken by the Utility Regulator which was not recoverable from a licensee or group of licensees.

### Reconciliation of Resource Expenditure between Estimates, Accounts and Budgets

|                                                                                           | 2014-15    | 2013-14    |
|-------------------------------------------------------------------------------------------|------------|------------|
|                                                                                           | £000       | £000       |
| <b>Net Resource Outturn (Estimates)</b>                                                   | <b>260</b> | <b>239</b> |
|                                                                                           |            |            |
| <b>Net Operating Cost (Accounts)</b>                                                      | <b>260</b> | <b>239</b> |
|                                                                                           |            |            |
| <i>Adjustments to remove:</i>                                                             |            |            |
| Notional Charges                                                                          | 134        | 131        |
| <b>Consolidated Fund Extra Receipts in the Statement of Comprehensive Net Expenditure</b> | <b>–</b>   | <b>–</b>   |
|                                                                                           |            |            |
| <b>Resource Outturn (Budget)</b>                                                          | <b>126</b> | <b>108</b> |
| Of which                                                                                  |            |            |
| Departmental Expenditure Limits (DEL)                                                     | 126        | 108        |
| Annually Managed Expenditure (AME)                                                        | –          | 1          |

Other current expenditure has decreased from £3,051k in 2013-14 to £2,921k in 2014-15. This is largely as a result of a reduction in the cost of professional and managed services in 2014-15 combined with 2013-14 costs being lower due to a credit arising from an unused element of a 2012-13 provision.

The percentage of staff costs to total costs in 2014-15 of 62% represents a slight increase from that in 2013-14 of 59%. This reflects the higher staff costs coupled with a decrease in the other current expenditure.

### **Responding to the 2015-16 budget**

At this stage, there is some uncertainty as to what the implications would be for the Utility Regulator if the Assembly has not agreed a budget for 2015-16. However, as the vast majority of expenditure is covered by receipts from licence fees the Utility Regulator considers any such uncertainties would be manageable. The Utility Regulator would also assess the implications of any future reductions in its net Public Expenditure budget.

## **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. A risk management strategy defines the approach to risk that the Utility Regulator has adopted.

The corporate risk register is agreed by the Audit and Risk Committee and is a standing item on the agendas of both the Audit and Risk Committee and the Board. The risk register is also subject to a formal mid-year review.

The Governance Statement provides a summary of the risk management process. There were no significant internal control problems in 2014-15 and Internal Audit provided satisfactory assurance, in overall terms, regarding the adequacy and effectiveness of risk management, control and governance processes.

## **Other Key Matters to report**

### **Departmental Accounting Boundary**

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

### **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. Consultation with staff on matters related to terms and conditions is through trade union and non-trade union staff representatives. Discussions were continued regarding the establishment of new union recognition arrangements.

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. No health and safety incidents were reported to the Health and Safety Committee during 2014-15.

### **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 Regulations 2013 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, 100% (2013-14 99.9%) 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 99.3% (2013-14 98.7%) 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 was approved by the Equality Commission and is available in either paper or electronic format. It will also be available on request in a variety of alternative formats.

The Audit and Risk Committee received a paper on equality compliance at its September 2014 meeting. A key aspect of this paper was the Annual Progress Report (in relation to Section 75 obligations), which was approved by the Audit and Risk Committee and Board for submission to the Equality Commission.

### Composition of Utility Regulator staff

Details of the Utility Regulator Board and Senior Management Team are included in the Directors' report. However, within the context of the Strategic Report, the Utility Regulator is required to disclose the gender of the Board and Senior Management Team. At the 31 March 2015, the split was as follows:

|                             | Male | Female | Total |
|-----------------------------|------|--------|-------|
| Non executive board members | 4    | 1      | 5     |
| Senior Management Team      | 3    | 3      | 6     |

### Non Current Assets

Details of the movement of non-current assets are set out in Notes 6 and 7 to the Accounts. There were additions of £9k to non-current assets during the financial year.

### Relationships with Arms Length Bodies

The Utility Regulator has no arms length bodies.

### Off Payroll Arrangements

The Utility Regulator is required to disclose details of any off-payroll arrangements at a cost of over £58,200 per annum that were in place during 2014-15. The Utility Regulator had no such arrangements in place during 2014-15.

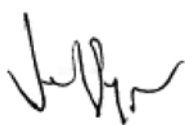
All procurement exercises commencing after 1 October 2014 are required to contain a clause giving the department the right to request assurance in relation to income tax and National Insurance obligations. The Utility Regulator is required to disclose, in relation to new off payroll arrangements, information on the inclusion of this clause. As above, there were no new arrangements in place.

### Complaints Handling

Where someone is dissatisfied with the Utility Regulator's procedures or the way in which we have operated them, a complaints procedure is in place. The complaints procedure is published on our website, [www.uregni.gov.uk/customerinformation/complaints](http://www.uregni.gov.uk/customerinformation/complaints). The procedure provides for both formal and informal approaches and includes information about our process for dealing with complaints. During 2014-15 we received no complaints.

### Contingent Liabilities requiring disclosure under Assembly reporting requirements and not under IAS 37

There were no contingent liabilities requiring disclosure under Assembly reporting requirements.



**Jenny Pyper**  
**Accounting Officer**  
**22 June 2015**

## DIRECTORS' 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 Chair. Board members are Ministerial appointments through the DFP. Details of the Board membership are provided below. Information on the work of the Board and board committees during the year is included in the Governance Statement.

At the end of 2014-15, the Board comprised one executive member (the Chief Executive, Jenny Pyper) and four non-executive members, including the Chair, Dr William Emery, who was appointed for a five year term on 1 July 2012. Harry McCracken resigned from his board position with effect from 31 August 2014, however was retained as an employee of the Utility Regulator to complete key pieces of work commenced as a board member. Harry McCracken had originally been appointed to the Board on the 1 September 2013 for a period of 5 years. David Strahan has indicated his intention to resign from the Board with effect from 30 September 2015. At 31 March 2015, the serving non-executive members of the Board are as follows:

Dr William Emery (Chair) – appointed to the Board 1 July 2012 for a period of 5 years.

William Cargo – appointed to the Board on 1 January 2011 for a period of 3 years.  
Re-appointed 1 January 2014 for a term of 5 years.

Richard Rodgers – appointed to the Board on 1 January 2011 for a period of 3 years.  
Re-appointed 1 January 2014 for a term of 5 years.

Teresa Perchard – appointed to the Board on 1 September 2013 for a period of 5 years.

David Strahan – appointed to the Board on 1 September 2013 for a period of 5 years.

### Board Committees

#### The Audit and Risk Committee (ARC)

Until 30 September 2012 membership of the ARC was drawn exclusively from non-executive board members. On 1 November 2012 Jim Oatridge was appointed as independent Chair of the ARC. Prior to that, he was Chair of the ARC during his term as a board member. Richard Rodgers and David Strahan also served as members of the ARC during 2014-15. David Strahan will cease to be a member of the ARC when he resigns from his board position. The Chief Executive attends ARC meetings and the Chair of the Board may also attend the meetings.

#### The Remuneration Committee

The membership of the Remuneration Committee during 2014-15 comprised William Cargo (Chair) and Teresa Perchard. The Chief Executive also attends Remuneration Committee meetings and the Chair of the Board may also attend Remuneration Committee meetings.

## Attendance at Board and Other Committees

Attendance at the Board and board committees was as follows:

|                   | <b>Board</b> | <b>Audit and Risk<br/>Committee</b> | <b>Remuneration<br/>Committee</b> |
|-------------------|--------------|-------------------------------------|-----------------------------------|
| William Emery     | 9/9          | –                                   | –                                 |
| Jim Oatridge      | –            | 4/4                                 | –                                 |
| Richard Rodgers   | 9/9          | 3/4                                 | –                                 |
| William Cargo     | 9/9          | –                                   | 2/2                               |
| Teresa Perchard   | 9/9          | –                                   | 2/2                               |
| David Strahan     | 9/9          | 2/4                                 | –                                 |
| Harold McCracken* | 2/4          | –                                   | –                                 |

\* Board member resigned on 31 August 2014. Prior to this date there were four board meetings.

## Other Committees

### Board Advisory Forum

A Board Advisory Forum was established on 30 September 2012 to cover energy and water related issues. Prior to this separate Board Advisory Groups operated including energy and water. The Board Advisory Forum is attended by all non-executive board members and is chaired by the Chief Executive.

Attendance during the year at the other Board Advisory Group by the Chair and the Non-Executives was as follows:

|                   | <b>Board Advisory<br/>Group</b> |
|-------------------|---------------------------------|
| William Emery     | 5/5                             |
| William Cargo     | 5/5                             |
| Richard Rodgers   | 4/5                             |
| Teresa Perchard   | 4/5                             |
| David Strahan     | 5/5                             |
| Harold McCracken* | 2/3                             |

\* Board Term resigned 31 August 2014. Prior to this date there were three Board Advisory Group meetings.

## **Statutory Committees**

### **Single Electricity Market (SEM) Committee**

Mr Odd Hakon Hoelsaeter was appointed as the independent member of the SEM Committee and Professor David Newbery was appointed deputy independent member from 1 November 2012. These appointments were made for a term of five years. The Utility Regulator and the Commission for Energy Regulation (CER) each pay 50% of the costs of the independent members and other costs incurred by the SEM Committee.

Jenny Pyper also serves on the SEM Committee, following her appointment as Chief Executive on 1 November 2013 and was appointed Chair of the Committee from November 2014 for a period of one year. Dr William Emery was appointed to the SEM Committee for a five year term from 1 March 2013.

During 2014-15, the SEM Committee met 12 times.

Details of the remuneration of Utility Regulator board members are provided on pages 20 to 21.

## **The Senior Management Team**

The Senior Management Team comprises the Chief Executive, the Directors of Corporate Affairs, Compliance and Network Operations, Finance and Network Assets, Wholesale Markets and Retail Markets. The Board Secretary acts as a secretariat to the Senior Management Team which meets weekly and considers matters relevant to the day-to-day running of the office, facilitates information sharing, co-ordination on policy issues and the development of good practice.

## **Pension Liabilities**

In the year under review a small proportion of Utility Regulator staff were seconded from DETI or DFP. These staff represent about 10% of the overall staff complement at 31 March 2015.

Those staff seconded from their parent departments and those directly recruited have access to the Northern Ireland Principal Civil Service Pension Scheme (PCSPS (NI)) and the Utility Regulator bears the cost of pension provision for those staff choosing to access this scheme and payments made in lieu of pension for other directly recruited staff. 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 scheme liabilities can be found in the accounting policies, note 1.14, the Remuneration Report for senior managers and the Board and in note 3 to the financial statements.

## **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.

## **External Auditor**

Under section 10 of the Government Resources 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 £23k (£23k in 2013-14). During the financial year the Utility Regulator paid £1k (2013-14, nil) to the NIAO for work associated with the National Fraud Initiative (NFI) 2014-15 exercise.

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

## **Internal Audit**

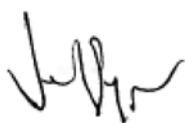
The Internal Audit of the Utility Regulator is carried out on a contract basis. A company of professional accountants and auditors, Capita (an organisation which operates to standards defined in the Public Sector Internal Audit Standards) carried out the internal audit function for the year under review.

## **Sickness absence data**

The overall absence rate (the number of days of absence as a percentage of the total available workings days) was 1.44% (2013-14: 2.70%) for the year ended 31 March 2015. The average number of working days lost in 2014-15 per person was 3.48 (2013-14: 6.8) and was significantly impacted by a very small number of longer term sickness absences. Excluding long term absence the absence rate was 1.05% (2013-14: 1%).

## **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 2015 and up to the date of the signing of the accounts.



**Jenny Pyper**  
**Accounting Officer**  
**22 June 2015**

# REMUNERATION REPORT

## Remuneration Policy

The Non-Executive Chair and Non-Executive board members 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 15. The non executive members of UR are appointed to the SEM Committee by DETI and the salary level and terms for this post are 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 pay award in 2014-15 comprised a base pay uplift only. There were no non-consolidated bonuses payable to any senior managers in respect of the 2014-15 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 board members hold fixed term appointments as detailed in the Annual Report, page 15.

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 four such appointments were made.

Further information about the work of the Civil Service Commissioners can be found at [www.nicscommissioners.org](http://www.nicscommissioners.org)

## Salary and pension entitlements (audited)

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

| Remuneration                                                                    | 2014-15 |                                    |                                                   |       | 2013-14 |                                    |                                                   |       |
|---------------------------------------------------------------------------------|---------|------------------------------------|---------------------------------------------------|-------|---------|------------------------------------|---------------------------------------------------|-------|
|                                                                                 | Salary  | Benefits in kind (to nearest £100) | Pension <sup>1</sup> benefits (to nearest £1,000) | Total | Salary  | Benefits in kind (to nearest £100) | Pension <sup>1</sup> benefits (to nearest £1,000) | Total |
| <b>Non Executive board members</b>                                              | £000    | £                                  | £                                                 | £000  | £000    | £                                  | £                                                 | £000  |
| Dr William Emery<br>(Non Executive Chair)<br>(Appointed 1 July 2012)            | 40-45*  | 12,200                             | –                                                 | 55-60 | 40-45*  | 12,700                             | –                                                 | 55-60 |
| Mr Alan Rainey<br>(Non Executive Director)<br>(Until 31 August 2013)            | –       | –                                  | –                                                 | –     | 5-10*   | –                                  | –                                                 | 5-10  |
| Mr Richard Rodgers<br>(Non Executive Director)                                  | 5-10    | 100                                | –                                                 | 5-10  | 5-10    | –                                  | –                                                 | 5-10  |
| Mr William Cargo<br>(Non Executive Director)                                    | 5-10    | 600                                | –                                                 | 10-15 | 5-10    | 500                                | –                                                 | 10-15 |
| Mrs Teresa Perchard<br>(Non Executive Director)<br>(Appointed 1 September 2013) | 5-10    | 3,200                              | –                                                 | 10-15 | 5-10    | 1,700                              | –                                                 | 5-10  |
| Mr David Strahan<br>(Non Executive Director)<br>(Appointed 1 September 2013)    | 5-10    | 2,200                              | –                                                 | 10-15 | 5-10    | 2,800                              | –                                                 | 5-10  |

<sup>1</sup> The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increases or decreases due to a transfer of pension rights.



| Remuneration                                                                                         | 2014-15 |                                    |                                          |         | 2013-14                                       |                                    |                                          |         |
|------------------------------------------------------------------------------------------------------|---------|------------------------------------|------------------------------------------|---------|-----------------------------------------------|------------------------------------|------------------------------------------|---------|
|                                                                                                      | Salary  | Benefits in kind (to nearest £100) | Pension <sup>1</sup> (to nearest £1,000) | Total   | Salary                                        | Benefits in kind (to nearest £100) | Pension <sup>1</sup> (to nearest £1,000) | Total   |
| <b>Non Executive board members</b>                                                                   |         |                                    |                                          |         |                                               |                                    |                                          |         |
| Mr Harold McCracken<br>(Non Executive Director)<br>(Until 31 August 2014)                            | £000    | £                                  | £                                        | £000    | £000                                          | £                                  | £                                        | £000    |
|                                                                                                      | 0-5     | 700                                | –                                        | 0-5     | 5-10                                          | 1,200                              | –                                        | 5-10    |
| <b>Other</b>                                                                                         |         |                                    |                                          |         |                                               |                                    |                                          |         |
| Mr Jim Oatridge<br>(Independent Chair of Audit<br>and Risk Committee)<br>(Appointed 1 November 2012) | 5-10    | 2,900                              | –                                        | 5-10    | 5-10                                          | 2,300                              | –                                        | 5-10    |
| <b>Senior Executives</b>                                                                             |         |                                    |                                          |         |                                               |                                    |                                          |         |
| Mrs Jenny Pyper<br>Chief Executive<br>(Appointed 1 November 2013)                                    | 130-135 | –                                  | 250,000                                  | 380-385 | 50-55<br>(full year<br>equivalent<br>130-135) | –                                  | 153,000                                  | 205-210 |

| Remuneration                                                     | 2014-15 |                                    |                                                   |           | 2013-14                                 |                                    |                                                   |         |
|------------------------------------------------------------------|---------|------------------------------------|---------------------------------------------------|-----------|-----------------------------------------|------------------------------------|---------------------------------------------------|---------|
|                                                                  | Salary  | Benefits in kind (to nearest £100) | Pension <sup>1</sup> benefits (to nearest £1,000) | Total     | Salary                                  | Benefits in kind (to nearest £100) | Pension <sup>1</sup> benefits (to nearest £1,000) | Total   |
|                                                                  | £000    | £                                  | £                                                 | £000      | £000                                    | £                                  | £                                                 | £000    |
| Mr Shane Lynch<br>Chief Executive<br>(Resigned 31 October 2013)  | –       | –                                  | –                                                 | –         | 75-80<br>(full year equivalent 130-135) | –                                  | 31,000                                            | 105-110 |
| Mrs Jo Aston<br>Director of Wholesale                            | 90-95   | –                                  | (519,000)                                         | (425-430) | 90-95                                   | –                                  | 3,000                                             | 95-100  |
| Mr Donald Henry<br>Director of Corporate Affairs                 | 95-100  | –                                  | 20,000                                            | 115-120   | 95-100                                  | –                                  | 16,000                                            | 110-115 |
| Mr Brian McHugh<br>Director of Finance and Network Assets        | 75-80   | –                                  | 24,000                                            | 100-105   | 75-80                                   | –                                  | 13,000                                            | 85-90   |
| Mr Kevin Shiels<br>Director of Retail                            | 80-85   | –                                  | 43,000                                            | 120-125   | 70-75                                   | –                                  | 8,000                                             | 80-85   |
| Ms Tanya Hedley<br>Director of Compliance and Network Operations | 80-85   | –                                  | 33,000                                            | 110-115   | 80-85                                   | –                                  | 30,000                                            | 105-110 |

| Remuneration                                              | 2014-15        |                                    |                                                   |       | 2013-14        |                                    |                                                   |       |
|-----------------------------------------------------------|----------------|------------------------------------|---------------------------------------------------|-------|----------------|------------------------------------|---------------------------------------------------|-------|
|                                                           | Salary         | Benefits in kind (to nearest £100) | Pension <sup>1</sup> benefits (to nearest £1,000) | Total | Salary         | Benefits in kind (to nearest £100) | Pension <sup>1</sup> benefits (to nearest £1,000) | Total |
|                                                           | £000           | £                                  | £                                                 | £000  | £000           | £                                  | £                                                 | £000  |
| <b>Band of Highest Paid Director's Total Remuneration</b> | <b>130-135</b> | –                                  | –                                                 | –     | <b>130-135</b> | –                                  | –                                                 | –     |
| <b>Median Total Remuneration</b>                          | <b>42,050</b>  | –                                  | –                                                 |       | <b>44,108</b>  | –                                  | –                                                 |       |
| <b>Ratio</b>                                              | <b>3.15</b>    | –                                  | –                                                 |       | <b>3.00</b>    | –                                  | –                                                 |       |

During 2014-15 and 2013-14 basic remuneration for the Chair was £30k-£35k and for the non-executive board members was £5k-£10k.

\*Includes remuneration for SEM Committee membership £5-10k.

FReM requires the department to disclose in the remuneration report details of the median remuneration of the Utility Regulator staff and the ratio between this and the mid-point of the banded remuneration of the highest paid Director. The median remuneration is the total remuneration of the staff member lying in the middle of the linear distribution of total staff, excluding the highest paid Director. This is based on annualised full-time equivalent remuneration as at the reporting period date.

## Salary and pension entitlements (audited)

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

|                                                                       | Accrued pension<br>at pension age as<br>at 31/03/15 and<br>related lump sum | Real increase<br>in pension and<br>related lump sum at<br>pension age | CETV at 31/03/15 | CETV at 31/03/14 | Real increase in<br>CETV |
|-----------------------------------------------------------------------|-----------------------------------------------------------------------------|-----------------------------------------------------------------------|------------------|------------------|--------------------------|
|                                                                       | £000                                                                        | £000                                                                  | £000             | £000             | £000                     |
| Mrs Jenny Pyper<br>Chief Executive                                    | 45-50<br>145-150                                                            | 10-12.5<br>32.5-35                                                    | 886              | 650              | 200                      |
| Mrs Jo Aston<br>(Director of Wholesale)                               | 10-15<br>–                                                                  | (25-27.5)<br>–                                                        | 207              | 598              | (424)                    |
| Mr Donald Henry<br>(Director of Corporate Affairs)                    | 15-20<br>50-55                                                              | 0-2.5<br>2.5-5                                                        | 250              | 224              | 10                       |
| Mr Brian McHugh<br>(Director of Finance and<br>Network Assets)        | 10-15<br>35-40                                                              | 0-2.5<br>2.5-5                                                        | 154              | 133              | 10                       |
| Mr Kevin Shiels<br>(Director of Retail)                               | 20-25<br>70-75                                                              | 0-2.5<br>5-7.5                                                        | 392              | 345              | 28                       |
| Ms Tanya Hedley<br>(Director of Compliance and<br>Network Operations) | 10-15<br>–                                                                  | 0-2.5<br>–                                                            | 119              | 94               | 12                       |

## **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 board members 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 Board 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 2014-15 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), for employees who have joined the scheme. Although no directors have elected to do so, UR employees may opt out of the pension arrangements and receive an uplift in lieu of employer pension contributions of 18.5% of base salary. Following auto-enrolment, any new employees will be automatically enrolled in PCSPS (NI) however if those employees opt out of the pension scheme they will not receive an uplift in lieu of pension. 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 the Assembly 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. Nuvo 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.

A new pension scheme, alpha, will be introduced for new entrants from 1 April 2015. The majority of the existing members of the NICS pension arrangements will move to alpha from that date. Members who on 1 April 2012 were within 10 years of their normal pension age will not move to alpha and those who were within 13.5 years and 10 years of their normal pension

age were given a choice between moving to alpha on 1 April 2015 or at a later date determined by their age. Alpha is also 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 rate will be 2.32%. CARE pension benefits are increased annually in line with increases in the CPI.

For 2015, public service pensions will be increased by 1.2% for pensions which began before 6 April 2014. Pensions which began after 6 April 2014 will be increased proportionately.

Employee contributions rates for all members for the period covering 1st April 2015 – 31st March 2016 are as follows:

### **Scheme Year 1<sup>st</sup> April 2015 to 31<sup>st</sup> March 2016**

| <b>Pay band –<br/>assessed each pay period</b> |             | <b>Contribution rates –<br/>Classic members</b> | <b>Contribution rates –<br/>classic plus, premium,<br/>nuvos and alpha</b> |
|------------------------------------------------|-------------|-------------------------------------------------|----------------------------------------------------------------------------|
| From                                           | To          | From 01 April 2015 to 31<br>March 2016          | From 01 April 2015 to 31<br>March 2016                                     |
| £0                                             | £15,000.99  | 3%                                              | 4.6%                                                                       |
| £15,001.00                                     | £21,000.99  | 4.6%                                            | 4.6%                                                                       |
| £21,001.00                                     | £47,000.99  | 5.45%                                           | 5.45%                                                                      |
| £47,001.00                                     | £150,000.99 | 7.35%                                           | 7.35%                                                                      |
| £150,001.00 and above                          |             | 8.05%                                           | 8.05%                                                                      |

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 as per 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).

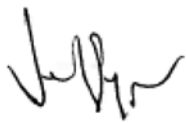
The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos. The normal pension age in alpha will be linked to the member's State Pension Age but cannot be before age 65. Further details about the Civil Service pension arrangements can be found at the website [www.dfpni.gov.uk/civilservicepensions-ni](http://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 NICS pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.



**Jenny Pyper**  
**Accounting Officer**  
**22 June 2015**

## **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, application of resources, 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'.



# GOVERNANCE STATEMENT

## Governance Framework

As a Non Ministerial Government Department, the Northern Ireland Authority for Utility Regulation (otherwise known as the Utility Regulator) operates independently in the discharge of its statutory duties as set out in the Energy (Northern Ireland) Order 2003 and the Water and Sewerage Services (Northern Ireland) Order 2006 and other relevant legislation. The Chief Executive is responsible and accountable to the Board for the discharge of Utility Regulator policies, programmes and actions. The Chief Executive is, however, also designated as Accounting Officer and, in respect of those responsibilities, is accountable to the Department of Finance and Personnel (DFP) and the Northern Ireland Assembly. The Accounting Officer has responsibility for maintaining a framework of corporate governance that supports the policies, aims and objectives of the Utility Regulator whilst safeguarding the public funds and Utility Regulator assets. This is in accordance with the responsibilities set out in Managing Public Money Northern Ireland.

## The Board

Under 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 (the Board) is required to have a minimum of four members. The board members are appointed by the DFP Minister. The Board operates in accordance with its Rules of Procedure. The Board provides corporate leadership and directs the Utility Regulator's strategic planning. It assists the Chief Executive in meeting her corporate governance responsibilities as Accounting Officer. A governance manual has been developed which sets out relevant guidelines for board members. This manual covers such areas as Board and Board Committee Terms of Reference, Board Schedule of Business, Scheme of Delegation, Whistle-blowing Guide, Bribery Act, confidentiality, the Seven Principles of Public Life, fraud, gifts and hospitality, information governance, risk management strategy and members' interest statement.

## Compliance with the Corporate Governance in Central Government Departments: Code of Good Practice NI (The Code)

The Utility Regulator is required to comply with The Code and in particular its focus on the role of the Board. Subject to the comments which follow, the Utility Regulator considers that it is compliant with the requirements of The Code. The Code references the accountability of the Minister in charge of the department however the Utility Regulator is an independent non-Ministerial department. Questions from Assembly Ministers are addressed to and answered directly by the Utility Regulator. As a non-Ministerial department the Utility Regulator does not receive any Ministerial directions. The Audit and Risk Committee (ARC) is chaired by an independent member who has finance and accounting skills but is not currently a board member. However the ARC Chair has served two terms on the Board and may attend board meetings to brief the Board on the work of the Committee. DFP is aware of this arrangement and we will keep it under review in light of the evolving balance of board skills. We recognise also that a professionally qualified finance director of the Utility Regulator is not a member of the Board. However the Utility Regulator Director of Corporate Affairs is a professionally qualified accountant who attends each board meeting and his duties include fulfilling the finance director role.

## Board Members Interests

In respect of the Board interests, board members complete registers of interest on appointment and annually thereafter. In addition any updates required during the year will be registered as they arise and members report any specific matters, relevant to the board agenda, at each meeting. Details of the board members' interests are contained in the notes to the accounts. Where board members have registered or declared a conflict those are managed by the board member absenting themselves from the meeting when the item in question comes up for discussion and/or decision. In addition, where a board member has registered a conflict of interest he/she would not receive any discussion or decision papers relevant to that interest.

Minutes of the Board's meetings are published on the Utility Regulator website.

## Matters considered by the Board during the period

Following extensive engagement with stakeholders by the Board a Corporate Strategy 2014-19 was published in May 2014. The publication was awarded a crystal mark accreditation in recognition of the accessibility of the formatting and content of the document.

The Board also considered several regulatory price control reviews. This included consideration of papers and presentations and involved meetings with the Boards of regulated companies. The Board approved the draft and final determinations for the NI Water price control (PC15). The Board also approved both the initial proposals and the subsequent price control determinations for Firmus Supply. Draft determinations for Power NI, PPB and the System Operator of Northern Ireland (SONI) were also approved for publication.

The Board also considered papers on the cancellation of Generating Unit Agreements. A wider strategic discussion on energy security of supply was also undertaken and it discussed learning derived from recent price control referrals to the Competition and Markets Authority and a related discussion about the general approach to price controls.

Following water supply disruption during January 2015, the Board endorsed a proposed approach to a review of NI Water's handling of the incident. This included nomination of one of its members, and three executive officials, to participate in an oversight committee leading the review.

The Board established an Enforcement Committee to deal with a number of enforcement related matters. A paper on enforcement action procedure and financial penalties policy was approved for consultation at its March 2015 meeting.

The Board also approved a Memorandum of Understanding with the Consumer Council for NI at its October 2014 meeting.

The Board also considered work streams associated with the implementation of EU Directives.

An update on actions emerging from the Board's review of its own effectiveness was discussed at its September meeting and progress against these was noted.

## Board Committees

### Standing Committees

#### Audit and Risk Committee (ARC)

The Board and the Accounting Officer are supported by the ARC which is a formal committee of the UR. The ARC reports to the Board and its Chair has the right of direct access to the Chair of the Board. The role of the ARC is to advise the Board and Accounting Officer on anything that affects the financial health, probity or external reputation of the organisation. It provides independent and objective opinion on issues of risk, control and governance and associated assurance. The ARC supports the Accounting Officer in monitoring the corporate governance and control systems, including financial reporting. In fulfilling this role, the ARC reviews significant issues identified by internal audit and the Northern Ireland Audit Office (NIAO) and action being taken to address these issues.

The ARC met four times during 2014-15. As part of its programme of work, the ARC scrutinises the draft budget and corporate risk register before approval is sought for each from the Board. It reviews the draft annual accounts and receives in year finance and performance reports. It oversees the work of internal audit and receives all reports in draft form for review of recommendations and management responses. It also monitors the implementation of audit recommendations. In addition, the ARC reviews governance related policies in accordance with a timetable of business. In support of this role, the ARC Chair presented a report to the Board in June 2014 on conclusions drawn from its work programme in 2013-14. Matters to be referenced in its report to the Board in respect of 2014-15 include the outcome of internal audit reports from the 2014-15 plan, a review of the management of risk including an updated risk strategy which was undertaken with reference to the NIAO Good Practice Guide in Risk Management and an internal audit strategic plan which includes operational and corporate business areas. Other relevant matters have included a revised governance manual, the Annual Progress Report on Equality for the Equality Commission for Northern Ireland, draft finance and performance reports and risk registers, a draft budget for 2015-16 and a number of updates to procurement procedures, terms of reference and other governance related policies.

The ARC membership comprises Jim Oatridge (independent Chair), Richard Rodgers and David Strahan (non executive board members). David Strahan has indicated his intention to resign from the Board with effect from 30 September 2015 and he will be replaced on the ARC. A number of standing invitees also attend ARC meetings. These include the Chief Executive, the Director of Corporate Affairs, the Head of Internal Audit and representatives from the NIAO.

#### Remuneration Committee

The Board is further supported by the Remuneration Committee. The Remuneration Committee considers and approves any recommendations regarding senior remuneration and also has responsibility for contributing to wider pay and reward policy issues affecting all staff in light of the annual pay remit guidance issued by DFP. It also reviews the profile of performance management markings. The Remuneration Committee met four times during 2014-15 and its membership comprised William Cargo (Chair) and Teresa Perchard (non executive board members). The Chief Executive and Director of Corporate Affairs are among those invited to attend as appropriate.

## **Statutory Committees**

### **Single Electricity Market (SEM) Committee**

The SEM Committee, which is a statutory committee of the Utility Regulator, was established on the 1 November 2007 jointly between the Commission for Energy Regulation (CER) and the Utility Regulator. The Committee was established following amendments made to the Electricity Regulation Act 1991 and the Electricity Single Wholesale Market (Northern Ireland) Order 2007 in respect of the functions, powers and duties in relation to the regulation of the SEM. The principal objective of the SEM Committee is to protect the interests of electricity consumers by promoting, when appropriate, effective competition in relation to the sale and purchase of electricity within the SEM.

The membership of the SEM Committee 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.

During 2014-15, the SEM Committee met 12 times and there have been no extraordinary meetings.

## **Other Committees**

### **Board Advisory Forum**

A Board Advisory Forum (BAF) provides a forum for discussion on energy and water related matters and for considering significant policy and strategy issues. This is attended by all members of the Board and members of the executive team.

Details of attendance at board and board committees by the relevant members are provided in the Directors’ Report section of the Annual Report.

## **Enforcement Committee**

The Board established an Enforcement Committee to deal with specific enforcement matters. The Committee first met in May 2014 and membership comprised Bill Emery, (Chair), Harry McCracken, (board Member) and Jenny Pyper (CEO). Harry McCracken commenced his role on this committee as a board member but was retained, after his board resignation on the 31 August 2014, as an employee to complete work started by this committee. This was concluded by 31 March 2015, at which time Harry McCracken ceased to be an employee of the UR. The Committee met 4 times to the 31 March 2015.

## **Gas to the West Committee**

By decision of the Board, a Gas to the West Committee was established for the specific purpose of awarding the Gas to the West licences. Terms of reference for the Committee were set by the Board and membership comprised Harry McCracken, (board member), Jenny Pyper, (CEO) and

Brian McHugh, (Director, Finance and Network Assets). The first meeting was held on the 1 April 2014 and 17 meetings were held between this and the date of the last meeting, 6 February 2015. The Committee stood down following the award of the Gas to the West licence on 11 February 2015.

## **Board Effectiveness**

The Board undertook a review of its effectiveness during 2013-14 which included a report on findings being presented to the March 2014 board meeting. This report included a number of actions to further enhance the Board's effectiveness, covering areas such as the focus and presentation of board papers, allocation of time to discuss strategic issues, risk management process, board recruitment and board engagement plan. The Board reviewed a report on progress, in respect of this review, at its September 2014 meeting and noted the progress against the actions. This included the commitment to keep the information presented to the Board in board papers and the associated guidance under review.

In two areas in particular there was evidence of significant progress. In respect of risk management both the SMT and the Board participated in workshops to review the risk management process. Further detail is provided in the risk management section of this report.

In respect of board engagement there was significant evidence of increased external visibility. This included the holding of board meetings in Derry/Londonderry in June and Enniskillen in October. Both visits included visits to utility assets and meetings with local stakeholders. There was also enhanced engagement with other stakeholders and, in particular, meetings with regulated utility Boards. During 2014-15 the Board met with the Boards of NI Water, SONI, Firmus Energy and Phoenix Natural Gas.

The informal approach to assessing the effectiveness of board meetings was also continued. To facilitate this, the Chair invited board members to comment on the conduct of board meetings generally, the agendas and quality of the information and data received. In this respect, there has been no evidence from this informal feedback to indicate any significant issues. The format of board papers was subject to the substantial review in 2013-14. The Board continues to review the format of board papers and data provided to ensure a greater focus on strategic outcomes.

## **Executive Team and Audit Arrangements**

### **The Senior Management Team**

During 2013-14 a review of the organisational structure was initiated by the Chief Executive in order to ensure better alignment of resources with strategic priorities. This review was completed in 2014-15 and the organisation is now organised into 3 groups;- Networks, (comprising Compliance and Network Operations (C&NO) and Finance and Network Assets (F&NA)), Markets, (split into Wholesale and Retail), and Corporate Affairs. This is an evolution from the previous structure of Electricity, Gas, Water, Retail and Corporate Affairs.

The Senior Management Team comprises the Chief Executive (as Chair) and the Directors of Corporate Affairs, C&NO, F&NA, Wholesale and Retail. It meets weekly to discuss a variety of management matters and receives papers for review and decision. It also reviews papers, in draft form, to be presented to the Board. The Board Secretary acts as a secretariat for the Senior Management Team. The Senior Management Team also attends board and BAF meetings.



## Audit Arrangements

Under section 10 of the Government Resources and Accounts Act (NI) 2001, the Comptroller and Auditor General for Northern Ireland is the statutory auditor for the Utility Regulator.

The Accounting Officer has taken all the steps that she ought to have taken to make herself aware of any relevant audit information and to establish that our 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. So far as she is aware, there is no relevant audit information of which our auditors are unaware.

The Accounting Officer and ARC are independently advised by an internal audit service provider, Capita, an organisation which operates in accordance with Public Sector Internal Audit Standards. This role is contracted out in light of the relatively small size of the Utility Regulator. This contract expired on the 31 March 2014 and was tendered in 2013-14 with Capita being re-appointed for an initial term of 3 years. The primary objective of internal audit is to provide the Accounting Officer and the Utility Regulator with an independent and objective opinion on risk management, control and governance by measuring and evaluating their effectiveness in achieving the organisation's objectives.

The work of the internal audit is informed by an analysis of the risks to which the organisation is exposed. The Head of Internal Audit has a standing invitation to attend the ARC and presents a rolling three year audit plan, revised annually, for its approval. This takes account of the analysis of risks faced by the organisation and under the current contract arrangement focuses on the operational aspects of the organisation. It makes recommendations and provides an overall assurance report each year. Areas covered in 2014-15 included procurement, budgetary control, bank and cash, tax compliance, IT and business continuity planning, Gas to the West, supplier entry, security of supply and dispute resolution.

The Chair of the ARC meets senior representatives from internal audit and Northern Ireland Audit Office twice annually without members of the executive team present.

In 2014-15, the overall internal audit assurance for UR was satisfactory assurance. Public Sector Internal Audit Standards (PSIAS) require an external assessment of internal audit to be carried out every five years and this assessment was carried out during 2012-13, with the report being received in 2013-14, by the Department of Finance and Personnel. The report concluded that overall there was a satisfactory internal audit service being provided which generally conformed with the requirements of the PSIAS, however a number of actions were proposed. These related to areas such as development of an internal audit charter, consideration of Key Performance Indicators and compliance with PSIAS. The Head of Internal Audit is currently reviewing Capita's internal quality mechanisms to ensure compliance with the standards within the company and will provide an update to the ARC at its May 2015 meeting.

## Risk Management

The Risk Management Strategy (the Strategy) sets out the Utility Regulator's approach to the management of risk. The strategy draws on the NIAO report on Good Practice in Risk Management (June 2011), HM Treasury Guide on Good Practice in Central Government Departments and the Audit Committee Handbook. The Strategy was reviewed during 2014-15 and expanded on the Utility Regulator's approach to risk appetite. This was approved by the ARC and will be implemented for the 2015-16 risk management process. The strategy continues

to provide 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 which allows risks to be identified, managed and escalated as appropriate.

The strategy sets out the roles and responsibilities in respect of risk management. The Board is responsible for establishing and overseeing risk management procedures within the organisation. The Board ensures that significant risks are being managed by the Senior Management Team and challenges the risk management process to ensure that all key risks have been identified. The ARC supports the Board and Chief Executive by reviewing the risk control processes and periodically reviews risk registers, providing a challenge and advisory role as necessary. The ARC receives assurances from the Head of Internal Audit on the effectiveness of risk management.

A review of the processes for identifying, reporting and managing risks commenced late in 2013-14 with a SMT workshop on risk management facilitated by the ARC Chair. This was followed by a board risk session in 2014-15, chaired by Jim Oatridge (ARC Chair). This session considered the UR approach to risk management in light of best practice and illustrated the risk process using key Utility Regulator risks as examples. This highlighted the need to articulate risk appetite and that was incorporated within the risk strategy review.

## **Risk Environment**

The Utility Regulator is still operating at a time of change at both European Union and national level. The UR continues to participate in ACER to co-ordinate energy policy at a pan-European level. At a national level, the UR is now a member of the UK Regulatory Networks and the UK Competition Networks, formed to develop common understanding of best practice and provide a platform for skills and knowledge transfer. The Utility Regulator is jointly tasked, with CER, with implementing an integrated single electricity market (I-SEM) to be compliant with the European Target Model by 2017. This requires development and implementation of a new wholesale electricity market on the island. At NI level, energy policy falls within the remit of the Department of Enterprise, Trade and Investment.

UR risks are driven from work streams arising out of the environment, as described above, in which it operates.

Our aim is to reflect good practice in the risk management procedures in place in all areas of the Utility Regulator's work. Risk management is an integral part of the work carried out and the Senior Management Team, ARC and Board keep the top risks under review.

The key risks faced by the Utility Regulator during the year include those arising from the following:

- Failure to deliver an effective I-SEM market.
- The potential for disputes or challenges arising from regulatory decisions.
- Failure to adequately protect consumers through price controls and market regulation.
- Implications resulting from security of supply related issues.

The UR continued to manage risks in the 2014-15 year in relation to the Gas to the West process and the design and implementation of the I-SEM. These were managed by the relevant directorates and reviewed at board level. No additional risks were identified not related to those referred to above.

### Information Security

The Utility Regulator continues to develop its information management and governance agenda. Our business only requires us to hold a limited amount of personal data. A register of information assets across the organisation is maintained and guidance notes for asset owners in understanding how to classify them are provided. 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. Significant IT related work streams are progressed in conjunction with the Northern Ireland Civil Service managed service provider, IT Assist. There have been no significant breaches of information security in year.

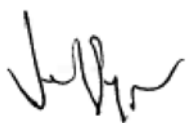
### Fraud

Fraud is a standing item on the ARC agenda. A specific fraud risk is identified and managed at directorate level. The Utility Regulator participated in the government wide National Fraud Initiative exercise in 2014-15 and this did not identify any instances of fraud within the organisation. There were no reported cases of fraud in 2014-15. The ARC considered the annual fraud report issued by DFP and a briefing from the Audit Committee Institute on ethics and integrity in business, was also circulated to members of the SMT.

### **The Accounting Officer's Review of Effectiveness**

As the 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 ARC, the independent Chair of the ARC and the executive managers within the UR who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their reports. Directors have provided me with bi-annual Assurance Statements commenting on the adequacy and effectiveness of the control environment. I have been advised on the adequacy of the system of internal control by the ARC, and plans to address weaknesses and ensure continuous improvement of the system, are in place.

The governance system described in this statement has been in place for the whole of the year ended 31 March 2015 and up to the date of approval of the Annual Report and Accounts and accords with DFP guidance. No significant problems with the governance system arose during the period covered by this statement.



**Jenny Pyper**  
**Accounting Officer**  
**22 June 2015**



## **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 2015 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, 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 audit, 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 Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Directors' Report, the Sustainability Report, the Management Commentary, the Statement of Accounting Officer's Responsibilities and the Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. 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 voted Assembly control totals and that those totals have not been exceeded. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements 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 2015 and shows that those totals have not been exceeded; and

- the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements 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 2015 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 Strategic Report and the Directors' Report 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 Governance Statement does not reflect compliance with Department of Finance and Personnel's guidance.

## **Report**

I have no observations to make on these financial statements.



**KJ Donnelly**  
**Comptroller and Auditor General**  
**Northern Ireland Audit Office**  
**106 University Street, Belfast**  
**BT7 1EU**  
25 June 2015

## Statement of Assembly Supply

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FReM) requires NIAUR to prepare a Statement of Assembly Supply (SOAS) and supporting notes to show resource outturn against the Supply Estimate presented to the Assembly, in respect of each request for resources.

### Summary of Resource Outturn 2014-15

|                         |       | 2014-15<br>£000   |                    |           |                   |                    |           | 2013-14<br>£000                                           |         |
|-------------------------|-------|-------------------|--------------------|-----------|-------------------|--------------------|-----------|-----------------------------------------------------------|---------|
| Request for Resources   | Note  | Estimate          |                    |           | Outturn           |                    |           | Net total outturn compared with Estimate saving/ (excess) | Outturn |
|                         |       | Gross Expenditure | Accruing Resources | Net Total | Gross Expenditure | Accruing Resources | Net Total |                                                           |         |
|                         |       | £000              | £000               | £000      | £000              | £000               | £000      |                                                           | £000    |
| Request for resources A | SOAS2 | 8,505             | (8,245)            | 260       | 7,619             | (7,359)            | 260       | –                                                         | 239     |
| Total resources         |       | 8,505             | (8,245)            | 260       | 7,619             | (7,359)            | 260       | –                                                         | 239     |
| Non-operating cost      |       | –                 | –                  | –         | –                 | –                  | –         | –                                                         | –       |
| Accruing resources      |       |                   |                    |           |                   |                    |           |                                                           |         |

### Net Cash Requirement 2014-15

| 2014-15              |        |                  |                 |                                                                                     | 2013-14         |
|----------------------|--------|------------------|-----------------|-------------------------------------------------------------------------------------|-----------------|
|                      | Note   | Estimate<br>£000 | Outturn<br>£000 | Net total<br>outturn<br>compared<br>with<br>Estimate<br>saving/<br>(excess)<br>£000 | Outturn<br>£000 |
| Net cash requirement | SOAS 4 | 1,593            | –               | 1,593                                                                               | –               |

### Summary of income payable to the Consolidated Fund

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

|       | Note     | Forecast 2014-15<br>£'000 |          | Outturn 2014-15<br>£'000 |          |
|-------|----------|---------------------------|----------|--------------------------|----------|
|       |          | Income                    | Receipts | Income                   | Receipts |
|       |          |                           |          |                          |          |
| Total | SOAS 5.1 | –                         | –        | 165                      | 165      |

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

The notes on pages 49 to 66 form part of these accounts.

## **Notes to the Departmental Resource Accounts (Statement of Assembly Supply)**

### **SOAS 1. Statement of accounting policies**

The Statement of Assembly Supply and supporting notes have been prepared in accordance with the 2014-15 Government Financial Reporting Manual (FReM) issued by the Department of Finance and Personnel. The Statement of Assembly Supply accounting policies contained in the FReM are consistent with those set out in the 2014-15 Consolidated Budgeting Guidance and Supply Estimates in Northern Ireland Guidance Manual.

#### ***SOAS1.1 Accounting Convention***

The Statement of Assembly Supply and related notes are presented consistently with Treasury budget control and Supply Estimates in Northern Ireland. The aggregates across government are measured using National Accounts, prepared in accordance with the internationally agreed framework 'European System of Accounts' (ESA95). ESA95 is in turn consistent with the system of National Accounts (SNA93), which is prepared under the auspices of the United Nations.

The budgeting system and the consequential presentation of Supply Estimates and the Statement of Assembly Supply and related notes have different objectives to IFRS based accounts. The system supports the achievement of macro-economic stability by ensuring that public expenditure is controlled, with relevant Assembly authority, in support of the Government's fiscal framework. The system provides incentives to departments to manage spending well so as to provide high quality public services that offer value for money to the taxpayer.

The Government's objectives for fiscal policy are set out in the Charter for Budget responsibility. These are to:

- ensure sustainable public finances that support confidence in the economy, promote intergenerational fairness, and ensure the effectiveness of wider government policy: and
- support and improve the effectiveness of monetary policy in stabilising economic fluctuations.

The notes on pages 49 to 66 form part of these accounts.

**SOAS2 Analysis of net resource outturn by function**

| 2014-15                                |                  |        |                                  |                       |           |     |                                                                                       |          |   | 2013-14                  |
|----------------------------------------|------------------|--------|----------------------------------|-----------------------|-----------|-----|---------------------------------------------------------------------------------------|----------|---|--------------------------|
| £000                                   |                  |        |                                  |                       |           |     |                                                                                       |          |   | £000                     |
| Outturn                                |                  |        |                                  |                       |           |     | Estimate                                                                              |          |   | Prior<br>year<br>outturn |
|                                        |                  |        |                                  |                       |           |     | Net Total<br>outturn<br>compared<br>with<br>Estimate,<br>adjusted<br>for<br>virements |          |   |                          |
| Admin                                  | Other<br>Current | Grants | Gross<br>Resource<br>Expenditure | Accruing<br>Resources | Net total |     | Net<br>total                                                                          | Estimate |   |                          |
| Request for<br>Resources A:            |                  |        |                                  |                       |           |     |                                                                                       |          |   |                          |
| Departmental<br>Expenditure in<br>DEL: |                  |        |                                  |                       |           |     |                                                                                       |          |   |                          |
| 1. Administration                      | –                | 7,485  | –                                | 7,485                 | (7,359)   | 126 | 128                                                                                   | 2        | – | 108                      |
| AME:<br>Provisions                     | –                | –      | –                                | –                     | –         | –   | –                                                                                     | –        | – | –                        |
| Non Budget                             |                  |        |                                  |                       |           |     |                                                                                       |          |   |                          |
| 2. Notional Costs                      | –                | 134    | –                                | 134                   | –         | 134 | 132                                                                                   | (2)      | – | 131                      |
| Resource<br>Outturn                    | –                | 7,619  | –                                | 7,619                 | (7,359)   | 260 | 260                                                                                   | –        | – | 239                      |

**Analysis of outturn against estimate**

Consultancy and administrative costs were lower than originally expected. In addition, budget cover was taken for a provision which was not required.

**Key to Request for Resources and Functions**

Request for resources A - Protecting Electricity, Gas, Water and Sewerage consumers with regard to price and quality of service

The notes on pages 49 to 66 form part of these accounts.

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

### SOAS 3.1 Reconciliation of net resource outturn to net operating cost

| Request for Resources                                                                | Note   | 2014–15    |                 |                                | 2013–14    |
|--------------------------------------------------------------------------------------|--------|------------|-----------------|--------------------------------|------------|
|                                                                                      |        | Outturn    | Supply Estimate | Outturn compared with Estimate | Outturn    |
|                                                                                      |        | £000       | £000            | £000                           | £000       |
| Net Resource Outturn                                                                 | SOAS 2 | 260        | 260             | –                              | 239        |
| Non-supply income (CFERs)                                                            |        | –          | –               | –                              | –          |
| <b>Net Operating Cost in Consolidated Statement of Comprehensive Net Expenditure</b> |        | <b>260</b> | <b>260</b>      | <b>–</b>                       | <b>239</b> |

### SOAS 3.2 Outturn against final Administration Budget

|                                                    | 2014–15* |         | 2013–14 |
|----------------------------------------------------|----------|---------|---------|
|                                                    | Budget   | Outturn | Outturn |
|                                                    | £'000    | £'000   | £'000   |
| *See Note 1.8                                      |          |         |         |
| Gross Administration Budget                        | –        | –       | –       |
| Income allowable against the Administration Budget | –        | –       | –       |
| Net outturn against final Administration Budget    | –        | –       | –       |

The notes on pages 49 to 66 form part of these accounts.

**SOAS4 Reconciliation of net resources outturn to net cash requirement**

|                                                             |             | <b>2014–15</b>  |                |                                                                                         |
|-------------------------------------------------------------|-------------|-----------------|----------------|-----------------------------------------------------------------------------------------|
|                                                             | <b>Note</b> | <b>Estimate</b> | <b>Outturn</b> | <b>Net total<br/>outturn<br/>compared<br/>with<br/>Estimate:<br/>saving/<br/>excess</b> |
|                                                             |             | <b>£000</b>     | <b>£000</b>    | <b>£000</b>                                                                             |
| <b>Resource Outturn</b>                                     | SOAS 2      | 260             | 260            | –                                                                                       |
| <b>Capital :</b>                                            |             |                 |                |                                                                                         |
| Acquisition of non–current assets                           | 6 & 7       | 26              | 9              | 17                                                                                      |
| <b>Non–operating Accruing Resources:</b>                    |             |                 |                |                                                                                         |
| Proceeds of asset disposal                                  | 6 & 7       | –               | –              | –                                                                                       |
| <b>Accruals to cash adjustments:</b>                        |             |                 |                |                                                                                         |
| Non–cash items                                              | 4           | (343)           | (145)          | (198)                                                                                   |
| Changes in working capital other than cash                  | 11 & 12     | 1,500           | (371)          | 1,871                                                                                   |
| Use of provision                                            | 13          | 150             | 82             | 68                                                                                      |
| Excess cash receipts surrenderable to the Consolidated Fund |             | –               | 165            | (165)                                                                                   |
| <b>Net Cash Requirement</b>                                 |             | <b>1,593</b>    | <b>–</b>       | <b>1,593</b>                                                                            |

The notes on pages 49 to 66 form part of these accounts.

**SOAS5 Income payable to the Consolidated Fund****SOAS5.1 Analysis of income payable to the Consolidated Fund**

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

|                                                                          | Note   | <b>Forecast 2014-15</b> |                 | <b>Outturn 2014-15</b> |                 |
|--------------------------------------------------------------------------|--------|-------------------------|-----------------|------------------------|-----------------|
|                                                                          |        | Income                  | <i>Receipts</i> | Income                 | <i>Receipts</i> |
|                                                                          |        | £000                    | £000            | £000                   | £000            |
| Operating income and receipts - excess Accruing Resources                |        | –                       | –               | –                      | –               |
| Other operating income and receipts not classified as Accruing Resources |        | –                       | –               | –                      | –               |
| Non-operating income and receipts - excess Accruing Resources            | SOAS 7 | –                       | –               | –                      | –               |
| Amounts collected on behalf of the Consolidated Fund                     |        | –                       | –               | –                      | –               |
| Excess cash surrenderable to the Consolidated Fund                       | SOAS 4 | –                       | –               | 165                    | 165             |
| <b>Total income payable to the Consolidated Fund</b>                     |        | <b>–</b>                | <b>–</b>        | <b>165</b>             | <b>165</b>      |

**SOAS6 Reconciliation of income recorded within the Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund**

|                                                   | Note   | <b>2014-15</b> | 2013-14 |
|---------------------------------------------------|--------|----------------|---------|
|                                                   |        | £000           | £000    |
| Operating income                                  | 5      | <b>7,359</b>   | 7,175   |
| Income authorised to be Accruing Resources        |        | <b>(7,359)</b> | (7,175) |
| Operating income payable to the Consolidated Fund | SOAS 5 | –              | –       |

**SOAS7 Non-operating income - Excess Accruing Resources**

|                                                  | <b>2014-15</b> | 2013-14 |
|--------------------------------------------------|----------------|---------|
|                                                  | £000           | £000    |
| Non-operating income - excess Accruing Resources | –              | –       |
|                                                  | –              | –       |

The notes on pages 49 to 66 form part of these accounts.



## Statement of Comprehensive Net Expenditure for the year ended 31 March 2015

This account summarises the expenditure and income generated and consumed on an accruals basis. It also includes other comprehensive income and expenditure, which includes changes to the values of non-current assets and other financial instruments that cannot yet be recognised as income or expenditure.

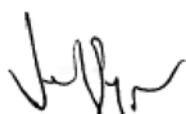
|                                                                            | 2014-15  |              |              | 2013-14        |
|----------------------------------------------------------------------------|----------|--------------|--------------|----------------|
|                                                                            | Note     | Staff Costs  | Other Costs  | Income         |
|                                                                            |          | £000         | £000         | £000           |
| <b>Programme Costs:</b>                                                    |          |              |              |                |
| Staff costs                                                                | 3        | 4,698        |              | 4,363          |
| Other non-staff costs                                                      | 4        |              | 2,921        | 3,051          |
| Operating income                                                           | 5        |              |              | (7,359)        |
|                                                                            |          |              |              | (7,175)        |
| <b>Totals</b>                                                              |          | <b>4,698</b> | <b>2,921</b> | <b>(7,359)</b> |
|                                                                            |          |              |              | 239            |
| <b>Net Operating Cost for the year ended 31 March 2015</b>                 | SOAS 3.1 |              | <b>260</b>   | 239            |
| <b>Other Comprehensive Expenditure</b>                                     |          |              |              |                |
| <b>Items that will not be reclassified to net operating costs:</b>         |          |              |              |                |
| Net (gain)/loss on revaluation of Property, Plant and Equipment            |          |              |              | –              |
| Net (gain)/loss on revaluation of Intangibles                              |          |              |              | –              |
| <b>Items that may subsequently be reclassified to net operating costs:</b> |          |              |              |                |
| Net gain/(loss) on revaluation of available for sale financial assets      |          |              |              | –              |
| <b>Total Comprehensive Expenditure for the year ended 31 March 2015</b>    |          |              | <b>260</b>   | 239            |

The notes on pages 49 to 66 form part of these accounts.

## Statement of Financial Position as at 31 March 2015

This statement presents the financial position of NIAUR. It comprises three main components: assets owned or controlled; liabilities owed to other bodies; and equity, the remaining value of the entity.

|                                                        |      | 31 March 2015 |         | 31 March 2014 |         |
|--------------------------------------------------------|------|---------------|---------|---------------|---------|
|                                                        | Note | £000          | £000    | £000          | £000    |
| <b>Non-current assets:</b>                             |      |               |         |               |         |
| Property, plant and equipment                          | 6    | 17            |         | 19            |         |
| Intangible assets                                      | 7    | –             |         | –             |         |
| Receivables falling due after more than one year       | 11   | –             |         | –             |         |
| <b>Total non-current assets</b>                        |      |               | 17      |               | 19      |
| <b>Current assets:</b>                                 |      |               |         |               |         |
| Trade and other receivables                            | 11   | 360           |         | 193           |         |
| Cash and cash equivalents                              | 10   | 1,665         |         | 1,441         |         |
| <b>Total current assets</b>                            |      |               | 2,025   |               | 1,634   |
| <b>Total assets</b>                                    |      |               | 2,042   |               | 1,653   |
| <b>Current liabilities:</b>                            |      |               |         |               |         |
| Trade and other payables                               | 12   | (3,627)       |         | (2,865)       |         |
| Provisions                                             | 13   | (68)          |         | (150)         |         |
| <b>Total current liabilities</b>                       |      |               | (3,695) |               | (3,015) |
| <b>Non current assets plus net current liabilities</b> |      |               | (1,653) |               | (1,362) |
| <b>Non-current liabilities</b>                         |      |               |         |               |         |
| Provisions                                             | 13   | –             |         | –             |         |
| <b>Total non-current liabilities</b>                   |      |               | –       |               | –       |
| <b>Total assets less liabilities</b>                   |      |               | (1,653) |               | (1,362) |
| <b>Taxpayers' equity and other resources</b>           |      |               |         |               |         |
| General fund                                           |      |               | (1,653) |               | (1,362) |
| Revaluation reserve                                    |      |               | –       |               | –       |
| <b>Total equity</b>                                    |      |               | (1,653) |               | (1,362) |



**Jenny Pyper**  
**Accounting Officer**  
**22 June 2015**

The notes on pages 49 to 66 form part of these accounts.

## Statement of Cash Flows for the year ended 31 March 2015

The Statement of Cash Flows shows the changes in cash and cash equivalents of the Department during the reporting period. The statement shows how the Department generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of service costs and the extent to which these operations are funded by way of income from the recipients of services provided by the Department. Investing activities represent the extent to which cash inflows and outflows have been made for resources which are intended to contribute to the Departments' future public service delivery. Cash flows arising from financing activities include Assembly Supply and other cash flows, including borrowing.

|                                                                                                                                                |          | <b>2014-15</b> | <b>2013-14</b> |
|------------------------------------------------------------------------------------------------------------------------------------------------|----------|----------------|----------------|
|                                                                                                                                                | Note     | <b>£000</b>    | <b>£000</b>    |
| <b>Cashflows from operating activities</b>                                                                                                     |          |                |                |
| Net operating cost                                                                                                                             | SOAS 3.1 | (260)          | (239)          |
| Adjustments for non cash transactions                                                                                                          | 4        | 145            | (11)           |
| (Increase)/Decrease in trade and other receivables                                                                                             | 11       | (167)          | 1,075          |
| <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                                                                                                | 12       | 762            | 1,193          |
| <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                                                                                                  | 12       | (304)          | (926)          |
| - Capital accruals                                                                                                                             |          | –              | –              |
| - CFER amounts due to the Consolidated Fund                                                                                                    | 12       | 80             | (244)          |
| Use of provisions                                                                                                                              | 13       | (82)           | (600)          |
| <b>Net cash outflow from operating activities</b>                                                                                              |          | <b>174</b>     | <b>248</b>     |
| <b>Cashflows from investing activities</b>                                                                                                     |          |                |                |
| Purchase of property, plant and equipment                                                                                                      | 6        | (9)            | (3)            |
| Purchase of intangible assets                                                                                                                  | 7        | –              | –              |
| <b>Net cash outflow from investing activities</b>                                                                                              |          | <b>(9)</b>     | <b>(3)</b>     |
| <b>Cash flows from financing activities</b>                                                                                                    |          |                |                |
| From the Consolidated Fund (Supply) - current year                                                                                             |          | 1,500          | 1,196          |
| From the Consolidated Fund (Supply) - prior year                                                                                               |          | –              | –              |
| Advances from the Contingencies Fund                                                                                                           |          | –              | 863            |
| Repayments to the Contingencies Fund                                                                                                           |          | –              | (863)          |
| <b>Net financing</b>                                                                                                                           |          | <b>1,500</b>   | <b>1,196</b>   |
| <b>Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b> |          | <b>1,665</b>   | <b>1,441</b>   |
| Receipts due to the Consolidated Fund which are outside the scope of the Department's activities                                               |          | –              | –              |
| Payments of amounts due to the Consolidated Fund                                                                                               |          | (1,441)        | (271)          |
| <b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>  |          | <b>224</b>     | <b>1,170</b>   |
| <b>Cash and cash equivalents at the beginning of the period</b>                                                                                | 10       | <b>1,441</b>   | <b>271</b>     |
| <b>Cash and cash equivalents at the end of the period</b>                                                                                      | 10       | <b>1,665</b>   | <b>1,441</b>   |

The notes on pages 49 to 66 form part of these accounts.

## Statement of Changes in Taxpayers' Equity for the year ended 31 March 2015

This statement shows the movement in the year on the different reserves held by NIAUR, analysed into 'general fund reserves' (i.e. those reserves that reflect a contribution from the Consolidated Fund). Financing and the balance from the provision of services are recorded here. The Revaluation Reserve reflects the change in asset values that have not been recognised as income or expenditure. Other earmarked reserves are shown separately where there are statutory restrictions of their use.

|                                            | Note     | General<br>fund<br>£000 | Revaluation<br>Reserve<br>£000 | Total<br>Reserves<br>£000 |
|--------------------------------------------|----------|-------------------------|--------------------------------|---------------------------|
| <b>Balance at 31 March 2013</b>            |          | (1,009)                 | –                              | (1,009)                   |
| Net Assembly Funding - drawn down          |          | 1,196                   | –                              | 1,196                     |
| Net Assembly Funding - deemed              |          | –                       | –                              | –                         |
| Supply (payable)/receivable adjustment     |          | (1,196)                 | –                              | (1,196)                   |
| CFERs payable to the Consolidated Fund     |          | (245)                   | –                              | (245)                     |
| Comprehensive Net Expenditure for the Year | SOAS 3.1 | (239)                   | –                              | (239)                     |
| <b>Non-cash adjustments</b>                |          |                         |                                |                           |
| Non-cash charges - auditor's remuneration  | 4        | 23                      | –                              | 23                        |
| Non-cash charges - other                   | 4        | 108                     | –                              | 108                       |
| <b>Movements in reserves</b>               |          |                         |                                |                           |
| Transfer between reserves                  |          | –                       | –                              | –                         |
| <b>Balance at 31 March 2014</b>            |          | <b>(1,362)</b>          | <b>–</b>                       | <b>(1,362)</b>            |
| Net Assembly Funding - drawn down          |          | 1,500                   | –                              | 1,500                     |
| Net Assembly Funding - deemed              |          | –                       | –                              | –                         |
| Supply (payable)/receivable adjustment     |          | (1,500)                 | –                              | (1,500)                   |
| CFERs payable to the Consolidated Fund     | SOAS 5.1 | (165)                   | –                              | (165)                     |
| Comprehensive Expenditure for the Year     | SOAS 3.1 | (260)                   | –                              | (260)                     |
| <b>Non-cash adjustments</b>                |          |                         |                                |                           |
| Non-cash charges - auditor's remuneration  | 4        | 23                      | –                              | 23                        |
| Non-cash charges - other                   | 4        | 111                     | –                              | 111                       |
| <b>Movements in reserves</b>               |          |                         |                                |                           |
| Transfer between reserves                  |          | –                       | –                              | –                         |
| <b>Balance at 31 March 2015</b>            |          | <b>(1,653)</b>          | <b>–</b>                       | <b>(1,653)</b>            |

The notes on pages 49 to 66 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 2014-15 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           | 5 years                       |
| Furniture and Fittings | 5 to 10 years                 |
| Office Equipment       | 5 years                       |
| Intangible assets      | 5 years                       |

The Utility Regulator is now fully migrated to IT Assist, who provide all IT equipment required in the organisation. The Utility Regulator has retained only a small number of laptops for shared use and which were previously depreciated in line with the IT equipment policy of three years. The useful life of these assets was due to expire on the 30 March 2014 however this has been reviewed and it is considered that these will be in use for a further two years and the depreciation policy for IT equipment has therefore been increased from three years to five years.

## **1.5 Revaluation of non-current assets**

Increases in value are credited to the Revaluation Reserve unless it reverses a revaluation decrease of the same asset which was previously taken directly to the Statement of Comprehensive Net Expenditure. In these cases the increase is recognised in the Statement of Comprehensive Net Expenditure. Decreases in value are taken to the Revaluation Reserve to the extent that there is a sufficient balance in the reserve to offset the decrease.

Any excess devaluation is charged to the Statement of Comprehensive Net Expenditure. Each year, the realised element of the revaluation reserve (i.e. an amount equal to the excess of the actual depreciation over depreciation based on historical cost) is transferred from the reserve to the General Fund.

## **1.6 Cost Apportionment**

Utility Regulator total costs in 2014-15 were apportioned on the basis of each directorates directly identifiable costs plus a percentage allocation of common costs based on either the relationship of divisional staff numbers to total Utility Regulator staff numbers or the estimated allocation of staff time to a particular division.

## **1.7 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 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 2012-13 financial year, all supply licence holders will pay a fixed fee of £1,500, increased annually based on the Retail Price Index (RPI). The remaining gas regulatory costs, net of the fixed supply licence charges, are apportioned between the conveyance licence holders who participate in transmission activities, on the basis of their share of the total forecast volumes transmitted in that year. This reflects a change from the previous methodology for gas licence fees where 80% of the costs of gas regulation were borne by the holders of gas conveyance licences and 20% by the holders of gas supply licences. The holders of conveyance licences who engage in distribution activities previously paid a £50,000 basic fee plus a further amount based on volumes conveyed. Gas licence fees are recovered from gas customers through an operating cost allowance in the price controls of regulated businesses.

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 electricity supply licence holders, on the basis of volumes supplied. The cost of gas consumer issues was recovered from conveyance licence holders who participate in distribution activities, on the basis of their share of the total forecast gas volumes to be distributed in the year. The water and sewerage consumer cost was recovered from the water and sewerage licence holder. For 2014-15 the Utility Regulator collected and passed on to the Consumer Council an amount of £795,773 of which £221,508 was in respect of its electricity functions, £166,130 in respect of its gas functions and £408,135 in respect of its water functions. These licence fees are accounted for in the accounts of the Consumer Council.

## **1.8 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.

## **1.9 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.

## **1.10 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.

## **1.11 Foreign Exchange**

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

## **1.12 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.

## **1.13 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.

## **1.14 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.

Employees may opt out of the PCSPS (NI) and receive an uplift in lieu of employer contributions of 18.5% of base salary. No employer pension contributions are payable by the Utility Regulator in respect of those employees that opt out of the pension scheme. Following auto-enrolment, any new employees will be automatically enrolled in PCSPS (NI) however if those employees opt out of the pensions scheme they will not receive an uplift in lieu of pension.

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.

### **1.15 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.

### **1.16 Contingent Liabilities**

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.

### **1.17 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.

### **1.18 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 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 an agreed methodology. This split is in line with previous reporting under the Statement of Operating Costs by Departmental Strategic Objectives.

|                   | 2014-15                 |                         |                         |       | 2013-14                 |                         |                         |       |
|-------------------|-------------------------|-------------------------|-------------------------|-------|-------------------------|-------------------------|-------------------------|-------|
|                   | Reportable<br>Segment 1 | Reportable<br>Segment 2 | Reportable<br>Segment 3 | Total | Reportable<br>Segment 1 | Reportable<br>Segment 2 | Reportable<br>Segment 3 | Total |
|                   | £000                    | £000                    | £000                    | £000  | £000                    | £000                    | £000                    | £000  |
| Gross Expenditure | 4,188                   | 2,292                   | 1,139                   | 7,619 | 4,130                   | 2,080                   | 1,204                   | 7,414 |
| Income            | 4,050                   | 2,211                   | 1,098                   | 7,359 | 4,034                   | 1,999                   | 1,142                   | 7,175 |
| Net Expenditure   | 138                     | 81                      | 41                      | 260   | 96                      | 81                      | 62                      | 239   |

### 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.

### 2.1 Reconciliation between Operating Segments and SoCNE

|                                                                      | 2014-15 | 2013-14 |
|----------------------------------------------------------------------|---------|---------|
|                                                                      | £000    | £000    |
| Total net expenditure reported for operating segments                | 260     | 239     |
| Reconciling items:                                                   |         |         |
| Income                                                               | —       | —       |
| Expenditure                                                          | —       | —       |
| Total net expenditure per Statement of Comprehensive Net Expenditure | 260     | 239     |

### 3 Staff numbers and related costs

Staff costs comprise:

|                                                      | 2014-15      |                                  |            |           |                             | 2013-14       |
|------------------------------------------------------|--------------|----------------------------------|------------|-----------|-----------------------------|---------------|
|                                                      | Total        | Permanently<br>employed<br>staff | Other      | Ministers | £000<br>Special<br>Advisers | £000<br>Total |
| Wages and Salaries                                   | 3,725        | 3,439                            | 286        | —         | —                           | 3,510         |
| Social Security Costs                                | 352          | 333                              | 19         | —         | —                           | 342           |
| Other Pension Costs                                  | 621          | 572                              | 49         | —         | —                           | 511           |
| <b>Sub Total</b>                                     | <b>4,698</b> | <b>4,344</b>                     | <b>354</b> | <b>—</b>  | <b>—</b>                    | <b>4,363</b>  |
| Less recoveries in respect of<br>outward secondments | —            | —                                | —          | —         | —                           | —             |
| <b>Total net costs*</b>                              | <b>4,698</b> | <b>4,344</b>                     | <b>354</b> | <b>—</b>  | <b>—</b>                    | <b>4,363</b>  |

Of which:

|            | Charged to Administration | Charged to Programme | Total        |
|------------|---------------------------|----------------------|--------------|
| Department | –                         | 4,698                | 4,698        |
|            | –                         | <b>4,698</b>         | <b>4,698</b> |

\*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. The most up to date actuarial valuation was carried out as at 31 March 2012. This valuation is then reviewed by the Scheme Actuary and updated to reflect current conditions and rolled forward to the reporting date of the DFP Superannuation and Other Allowances Resource Accounts as at 31 March 2015.

For 2014-15, employers' contributions of £620,668.28 were payable to the PCSPS (NI) (2013-14 - £511,404.06) at one of four rates in the range 18% to 25% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. A new scheme funding valuation based on data as at 31 March 2012 was completed by the Actuary during 2014-15. This valuation was used to determine employer contribution rates for the introduction of a new career average earning scheme from April 2015. From 2015-16, the new rates will range from 20.8% to 26.3%. The contribution rates are set to meet the cost of the benefits accruing during 2014-15 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 (2013-14 £nil) were paid to a stakeholder pension provider however one new member of staff has elected to open a partnership pension and employers costs of £1,558 are accrued from his start date to the 31 March 2015. Employer contributions are age-related and range from 3 to 12.5 percent (2013-14 : 3 to 12.5 percent) 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 (2013-14 £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 £1,558 (2013-14 £nil). Contributions prepaid at that date were £nil (2013-14 £nil).

Employees may opt out of the pension arrangements and receive an uplift in lieu of employer pension contributions of 18.5% of base salary. In 2014-15 an average of 12 (2013-14: average of 19) staff opted out of the pension arrangements. No employer pension costs are paid for those staff but the uplift in lieu of employer pension amounted to £96,242 (2013-14; £140,162.50). These costs are included in wages and salaries above. Following auto-enrolment, any new employees will be automatically enrolled in PCSPS (NI) however if those employees opt out of the pension scheme they will not receive an uplift in lieu of pension.

### 3 Staff numbers and related costs (continued)

No persons (2013-14:1 person) retired early on ill health grounds; the total additional accrued pension liabilities in the year amounted to £nil (2013-14:£3,749).

#### Average number of persons employed

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

|                                                                                                                                                                                                                                                                              | 2014-15 |                 |        |           |                  | 2013-14 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|-----------------|--------|-----------|------------------|---------|
|                                                                                                                                                                                                                                                                              | Total   | Permanent staff | Others | Ministers | Special Advisers | Total   |
| <b>Segment 1</b>                                                                                                                                                                                                                                                             |         |                 |        |           |                  |         |
| 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 | 39.0    | 35.5            | 3.5    | –         | –                | 38.0    |
| <b>Segment 2</b>                                                                                                                                                                                                                                                             |         |                 |        |           |                  |         |
| To promote the development and maintenance of an efficient, economic and co-ordinated gas industry in Northern Ireland                                                                                                                                                       | 22.5    | 20.5            | 2.0    | –         | –                | 20.2    |
| <b>Segment 3</b>                                                                                                                                                                                                                                                             |         |                 |        |           |                  |         |
| To protect the interests of consumers of water and sewerage services, where appropriate by the promotion of effective competition                                                                                                                                            | 12.5    | 10.8            | 1.7    | –         | –                | 15.6    |
| <b>Total</b>                                                                                                                                                                                                                                                                 | 74.0    | 66.8            | 7.2    | –         | –                | 73.8    |

### 3.1 Reporting of Civil Service and other compensation schemes – exit packages

There were no exit packages awarded in the 2014-15 financial year.

## 4 Other non-staff costs

|                                                    | <b>2014-15</b> |                     | 2013-14    |                     |
|----------------------------------------------------|----------------|---------------------|------------|---------------------|
|                                                    | £'000          | £'000               | £'000      | £'000               |
| <b>Rentals under operating leases:</b>             |                |                     |            |                     |
| Property rentals                                   | 206            |                     | 207        |                     |
| Hire of office equipment                           | <u>10</u>      |                     | <u>13</u>  |                     |
|                                                    |                | 216                 |            | 220                 |
| <b>Non-cash items:</b>                             |                |                     |            |                     |
| Depreciation on property, plant and equipment      | 11             |                     | 9          |                     |
| Amortisation on intangible assets                  | –              |                     | –          |                     |
| Impairment of non current assets                   | –              |                     | –          |                     |
| Reversal of prior year revaluation                 | –              |                     | (1)        |                     |
| Auditors' remuneration and expenses                | 23             |                     | 23         |                     |
| Provision provided in year                         | –              |                     | –          |                     |
| Provisions not required written back               | –              |                     | (150)      |                     |
| Other notional costs                               | <u>111</u>     |                     | <u>108</u> |                     |
| <b>Total non-cash items</b>                        |                | 145                 |            | (11)                |
| <b>Other Expenditure:</b>                          |                |                     |            |                     |
| Consultancy                                        | 744            |                     | 854        |                     |
| Management of Renewable Outputs Certificate Scheme | 599            |                     | 590        |                     |
| Property service charges                           | 77             |                     | 98         |                     |
| Managed services                                   | 662            |                     | 853        |                     |
| Communications and Advertising                     | 32             |                     | 51         |                     |
| Hospitality                                        | 5              |                     | 4          |                     |
| Travel and Subsistence                             | 47             |                     | 48         |                     |
| Rates                                              | 81             |                     | 80         |                     |
| Training                                           | 34             |                     | 43         |                     |
| Utilities                                          | 46             |                     | 28         |                     |
| IT Costs                                           | 31             |                     | 43         |                     |
| Exchange Losses                                    | –              |                     | 3          |                     |
| Procurement charges                                | 22             |                     | 20         |                     |
| Regulatory Costs                                   | 29             |                     | –          |                     |
| Miscellaneous expenditure                          | 151            |                     | 127        |                     |
|                                                    |                | <u>2,560</u>        |            | <u>2,842</u>        |
| <b>Total</b>                                       |                | <b><u>2,921</u></b> |            | <b><u>3,051</u></b> |

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

## 5 Income

|                          | 2014-15      | 2013-14      |
|--------------------------|--------------|--------------|
|                          | £000         | £000         |
| Electricity Licence Fees | 3,450        | 3,473        |
| Gas Licence Fees         | 2,211        | 1,999        |
| Water Licence Fees       | 1,098        | 1,142        |
| Miscellaneous Income     | 600          | 561          |
| <b>Total</b>             | <b>7,359</b> | <b>7,175</b> |

## 6 Property, plant and equipment

| 2014-15                                 | Leasehold improvements | Information Technology Equipment | Office Equipment | Furniture & Fittings | Total      |
|-----------------------------------------|------------------------|----------------------------------|------------------|----------------------|------------|
|                                         | £'000                  | £'000                            | £'000            | £'000                | £'000      |
| <b>Cost or valuation</b>                |                        |                                  |                  |                      |            |
| At 1 April 2014                         | 58                     | 5                                | 30               | 66                   | 159        |
| Additions                               | –                      | –                                | 9                | –                    | 9          |
| Disposals                               | –                      | –                                | –                | –                    | –          |
| Impairments                             | –                      | –                                | –                | –                    | –          |
| Revaluations                            | 4                      | –                                | –                | –                    | 4          |
| <b>At 31 March 2015</b>                 | <b>62</b>              | <b>5</b>                         | <b>39</b>        | <b>66</b>            | <b>172</b> |
| <b>Depreciation</b>                     |                        |                                  |                  |                      |            |
| At 1 April 2014                         | 47                     | 3                                | 30               | 60                   | 140        |
| Charged in year                         | 8                      | 1                                | 1                | 1                    | 11         |
| Disposals                               | –                      | –                                | –                | –                    | –          |
| Impairments                             | –                      | –                                | –                | –                    | –          |
| Revaluations                            | 4                      | –                                | –                | –                    | 4          |
| <b>At 31 March 2015</b>                 | <b>59</b>              | <b>4</b>                         | <b>31</b>        | <b>61</b>            | <b>155</b> |
| <b>Carrying amount at 31 March 2015</b> | <b>3</b>               | <b>1</b>                         | <b>8</b>         | <b>5</b>             | <b>17</b>  |
| Carrying amount at 31 March 2014        | 11                     | 2                                | –                | 6                    | 19         |
| <b>Asset financing:</b>                 |                        |                                  |                  |                      |            |
| Owned                                   | 3                      | 1                                | 8                | 5                    | 17         |
| <b>Carrying amount at 31 March 2015</b> | <b>3</b>               | <b>1</b>                         | <b>8</b>         | <b>5</b>             | <b>17</b>  |

## 6 Property, plant and equipment (continued)

| 2013-14                                 | Leasehold<br>improvements | Information<br>Technology<br>Equipment | Office<br>Equipment | Furniture &<br>Fittings | Total      |
|-----------------------------------------|---------------------------|----------------------------------------|---------------------|-------------------------|------------|
|                                         | £'000                     | £'000                                  | £'000               | £'000                   | £'000      |
| <b>Cost or valuation</b>                |                           |                                        |                     |                         |            |
| At 1 April 2013                         | 53                        | 5                                      | 30                  | 63                      | 151        |
| Additions                               | —                         | —                                      | —                   | 3                       | 3          |
| Disposals                               | —                         | —                                      | —                   | —                       | —          |
| Impairments                             | —                         | —                                      | —                   | —                       | —          |
| Revaluations                            | 5                         | —                                      | —                   | —                       | 5          |
| <b>At 31 March 2014</b>                 | <b>58</b>                 | <b>5</b>                               | <b>30</b>           | <b>66</b>               | <b>159</b> |
| <b>Depreciation</b>                     |                           |                                        |                     |                         |            |
| At 1 April 2013                         | 35                        | 3                                      | 30                  | 59                      | 127        |
| Charged in year                         | 8                         | —                                      | —                   | 1                       | 9          |
| Disposals                               | —                         | —                                      | —                   | —                       | —          |
| Impairments                             | —                         | —                                      | —                   | —                       | —          |
| Revaluations                            | 4                         | —                                      | —                   | —                       | 4          |
| <b>At 31 March 2014</b>                 | <b>47</b>                 | <b>3</b>                               | <b>30</b>           | <b>60</b>               | <b>140</b> |
| <b>Carrying amount at 31 March 2014</b> | <b>11</b>                 | <b>2</b>                               | <b>—</b>            | <b>6</b>                | <b>19</b>  |
| Carrying amount at 31 March 2013        | 18                        | 2                                      | —                   | 4                       | 24         |
| <b>Asset financing:</b>                 |                           |                                        |                     |                         |            |
| Owned                                   | 11                        | 2                                      | —                   | 6                       | 19         |
| <b>Carrying amount at 31 March 2014</b> | <b>11</b>                 | <b>2</b>                               | <b>—</b>            | <b>6</b>                | <b>19</b>  |

## 7 Intangible assets

Intangible assets comprise software licences

| 2014-15                                 | Software Licences |
|-----------------------------------------|-------------------|
|                                         | £'000             |
| <b>Cost or valuation</b>                |                   |
| At 1 April 2014                         | 16                |
| Additions                               | –                 |
| Disposals                               | –                 |
| Impairments                             | –                 |
| Revaluation                             | –                 |
| <b>At 31 March 2015</b>                 | <b>16</b>         |
| <b>Amortisation</b>                     |                   |
| At 1 April 2014                         | 16                |
| Charged in year                         | –                 |
| Disposals                               | –                 |
| Impairment                              | –                 |
| Revaluation                             | –                 |
| <b>At 31 March 2015</b>                 | <b>16</b>         |
| <b>Carrying amount at 31 March 2015</b> | –                 |
| Carrying amount at 31 March 2014        | –                 |
| <b>Asset Financing:</b>                 |                   |
| Owned                                   | –                 |
| <b>Carrying amount at 31 March 2015</b> | –                 |



## 7 Intangible assets (continued)

| 2013-14                                 | <div>Software Licences</div> <div>£'000</div> |
|-----------------------------------------|-----------------------------------------------|
| <b>Cost or valuation</b>                |                                               |
| At 1 April 2013                         | 16                                            |
| Additions                               | –                                             |
| Disposals                               | –                                             |
| Impairments                             | –                                             |
| Revaluation                             | –                                             |
| <b>At 31 March 2014</b>                 | <b>16</b>                                     |
| <b>Amortisation</b>                     |                                               |
| At 1 April 2013                         | 16                                            |
| Charged in year                         | –                                             |
| Disposals                               | –                                             |
| Impairments                             | –                                             |
| Revaluation                             | –                                             |
| <b>At 31 March 2014</b>                 | <b>16</b>                                     |
| <b>Carrying amount at 31 March 2014</b> | –                                             |
| Carrying amount at 31 March 2013        | –                                             |
| <b>Asset Financing</b>                  |                                               |
| Owned                                   | –                                             |
| <b>Carrying amount at 31 March 2014</b> | –                                             |

## 8 Capital and other commitments

### 8.1 Capital Commitments

There were no contracted capital commitments at 31 March 2015 (£Nil, at 31 March 2014).

### 8.2 Commitments under leases

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

|                                                    | <b>2014-15</b> | <b>2013-14</b> |
|----------------------------------------------------|----------------|----------------|
|                                                    | <u>£'000s</u>  | <u>£'000s</u>  |
| <b>Obligations under operating leases comprise</b> |                |                |
| Land and Buildings                                 |                |                |
| Not later than one year                            | 96             | 192            |
| Later than one year and not later than five years  | –              | 96             |
| Later than five years                              | –              | –              |
|                                                    | <u>96</u>      | <u>288</u>     |
| <br><b>Other</b>                                   |                |                |
| Not later than one year                            | –              | 2              |
| Later than one year and not later than five years  | –              | –              |
| Later than five years                              | –              | –              |
|                                                    | <u>–</u>       | <u>2</u>       |

### 8.3 Other financial commitments

The Utility Regulator has not entered into any non-cancellable contracts (which are not operating leases) as at 31 March 2015 (£Nil, at 31 March 2014).

## 9 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.

## 10 Cash and cash equivalents

|                                                  | <b>2014-15</b> | <b>2013-14</b> |
|--------------------------------------------------|----------------|----------------|
|                                                  | <b>£'000</b>   | <b>£'000</b>   |
| Balance at 1 April                               | 1,441          | 271            |
| Net change in cash and cash equivalent balances  | 224            | 1,170          |
| <b>Balance at 31 March</b>                       | <b>1,665</b>   | <b>1,441</b>   |
| The following balances at 31 March were held at: |                |                |
| Government Banking Service                       | 1,665          | 1,441          |
| Commercial banks and cash in hand                | –              | –              |
| Short term investments                           | –              | –              |
| <b>Balance at 31 March</b>                       | <b>1,665</b>   | <b>1,441</b>   |

## 11 Trade receivables and other current assets

|                                                      | <b>2014-15</b> | <b>2013-14</b> |
|------------------------------------------------------|----------------|----------------|
|                                                      | <b>£'000</b>   | <b>£'000</b>   |
| <b>Amounts falling due within one year:</b>          |                |                |
| Trade receivables                                    | 3              | –              |
| VAT receivable                                       | 44             | 126            |
| Prepayments and Accrued Income                       | 313            | 67             |
|                                                      | <b>360</b>     | <b>193</b>     |
| <b>Amounts falling due after more than one year:</b> |                |                |
| Trade receivables                                    | –              | –              |
|                                                      | <b>360</b>     | <b>193</b>     |

### 11.1 Intra-government balances

|                                                     | Amounts<br>falling<br>due<br>within<br>one year | Amounts<br>falling<br>due<br>within<br>one year |
|-----------------------------------------------------|-------------------------------------------------|-------------------------------------------------|
|                                                     | <b>2014-15</b>                                  | <b>2013-14</b>                                  |
|                                                     | <b>£'000</b>                                    | <b>£'000</b>                                    |
| Balances with other central government bodies       | 47                                              | 128                                             |
| Balances with local authorities                     | –                                               | –                                               |
| Balances with NHS Trusts                            | –                                               | –                                               |
| Balances with public corporations and trading funds | –                                               | –                                               |
| Subtotal: Intra-government balances                 | 47                                              | 128                                             |
| Balances with other bodies external to government   | 313                                             | 65                                              |
| <b>Total Receivables at 31 March</b>                | <b>360</b>                                      | <b>193</b>                                      |

## 12 Trade payables and other current liabilities

| Amounts falling due within one year                                                   | 2014-15<br>£'000s | 2013-14<br>£'000s |
|---------------------------------------------------------------------------------------|-------------------|-------------------|
| Trade payables                                                                        | 16                | 6                 |
| Other taxation and social security                                                    | 166               | 102               |
| Accruals and deferred income                                                          | 1,780             | 1,316             |
| Amounts issued from the Consolidated Fund for supply but not spent at year end        | 1,500             | 1,196             |
| Consolidated Fund extra receipts due to be paid to the Consolidated Fund - received   | 165               | 245               |
| Consolidated Fund extra receipts due to be paid to the Consolidated Fund - receivable | –                 | –                 |
|                                                                                       | <b>3,627</b>      | <b>2,865</b>      |

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

### 12.1 Intra-government balances

|                                                     | 2014-15<br>£'000s | 2013-14<br>£'000s |
|-----------------------------------------------------|-------------------|-------------------|
| Balances with other central government bodies       | 2,137             | 1,882             |
| Balances with local authorities                     | –                 | –                 |
| Balances with NHS Trusts                            | –                 | –                 |
| Balances with public corporations and trading funds | –                 | –                 |
| Subtotal: Intra-government balances                 | 2,137             | 1,882             |
| Balances with other bodies external to government   | 1,490             | 983               |
| <b>Total Payables at 31 March</b>                   | <b>3,627</b>      | <b>2,865</b>      |

## 13 Provisions for liabilities and charges

|                                      | 2014-15<br>£'000s | 2013-14<br>£'000s |
|--------------------------------------|-------------------|-------------------|
| Balance at 1 April 2014              | 150               | 900               |
| Provided in the year                 | –                 | –                 |
| Utilised during the year             | (82)              | (600)             |
| Provisions not required written back | –                 | (150)             |
| <b>Balance at 31 March 2015</b>      | <b>68</b>         | <b>150</b>        |

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

## 14 Analysis of expected timing of discounted cashflows

|                                                   | 2014-15<br>£'000s | 2013-14<br>£'000s |
|---------------------------------------------------|-------------------|-------------------|
| Not later than one year                           | 68                | 150               |
| Later than one year and not later than five years | –                 | –                 |
| Later than five years                             | –                 | –                 |
| <b>Balance at 31 March 2015</b>                   | <b>68</b>         | <b>150</b>        |

## 15 Contingent liabilities

There was no contingent liabilities existing as at 31 March 2015.

## 16 Losses and Special Payments

There were no losses and special payments requiring disclosure in the 2014/15 financial year.

## 17 Financial Guarantees, Indemnities and Letter of Comfort

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

## 18 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 the Utility Regulator during the year.

Richard Rodgers, is a member of the Utility Regulator board and currently holds the position of Project Director (HEaT) at Strategic Investment Board and is responsible for developing a domestic household energy initiative. Richard Rodgers has declared this role to the Utility Regulator and will consider with the Chair any possible conflicts as they arise. Richard Rodgers is also currently Business Development Director at GF Sustainable Limited, an Ireland and UK Energy Services Business in the industrial and commercial sector. Richard Rodgers has declared this role to the Utility Regulator.

Harold McCracken, who was a member of the Utility Regulator Board until 31 August 2014 and Tanya Hedley, Director of Compliance and Network Operations, hold pensions with NIE Pensions Scheme. Both Harold McCracken and Tanya Hedley disclosed their NIE pension to the Utility Regulator. Tanya Hedley has not participated in the preparation or clearance of advice, proposals or papers and has absented herself from any pensions related discussions. Harold McCracken also did not participate in any pensions related discussions.

William Emery is Chair of the Utility Regulator Board and is also an Associate of Indepen, and has declared his role in Indepen to the Utility Regulator. Indepen is a strategy and economics consultancy business assisting organisations in regulation, deregulation, competition and restructuring. Indepen is a participant in an OFGEM framework agreement to which the Utility Regulator has access. The Utility Regulator has not drawn down any services from Indepen and were it to do so, William Emery would not have any involvement in the selection process or any subsequent work commissioned.

William Emery is also Chair of the Centre on Regulation in Europe (CERRE), to which the Utility Regulator is a member organisation. The CERRE brings together academics, regulators and companies across the range of utilities for the purpose of promoting robust and consistent regulation in Europe's network industries.

Teresa Perchard is a member of the Utility Regulator Board and is also a Director of Smart Meter Central Delivery Body. Teresa Perchard has declared her role to the Utility Regulator and will consider with the Chair any possible conflicts as they arise.

From January to December 2014, Teresa Perchard was also Chair of the Scotia Gas Networks Stakeholder Engagement Advisory Panel and has declared this role to the Utility Regulator. Teresa Perchard did not participate in discussions associated with the award of the Gas to the West licence.

Harold McCracken, who was a member of the Utility Regulator Board until 31 August 2014, is Chair and shareholder of Simple Power, an NI renewable energy company. Harold McCracken is also Chair and shareholder of Winder Power, a Leeds based transformer manufacturer and supplier to UK electricity and water utilities including NIE. Harold McCracken has declared these roles to the Utility Regulator and did not participate in any related discussions.

## **19 Events after the reporting period**

There were no material events post the Statement of Financial Position date for the year ended 31 March 2015.

### **Date of authorisation for issue**

The Accounting Officer authorised these financial statements for issue on 25 June 2015.



