

**Northern Ireland Authority
for Utility Regulation**

Resource Accounts

**Accounts for the year ended
31 March 2013**

**NORTHERN IRELAND AUTHORITY
FOR UTILITY REGULATION**

RESOURCE ACCOUNTS

For the year ended 31 March 2013

*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*

5 July 2013

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Northern Ireland Authority for Utility Regulation

Resource Accounts for the year ended 31 March 2013

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ANNUAL REPORT

DIRECTORS' REPORT

These Resource Accounts have been prepared and published by the Northern Ireland Authority for Utility Regulation (the Utility Regulator). The Accounts have been prepared under a direction issued by the Department of Finance and Personnel (DFP) and in accordance with the guidance set out in the *Government Financial Reporting Manual (FReM)* issued by the DFP in 2012-13. The accounts detail the resources that have been used to deliver the Utility Regulator's objectives.

This document should be read in conjunction with the Utility Regulator Annual Report for 2012 - 13, which is published separately and will be available from the Utility Regulator's website (www.uregni.gov.uk).

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

Background to the Utility Regulator

The Energy (Northern Ireland) Order 2003 (the Energy Order) established the Northern Ireland Authority for Energy Regulation to independently regulate both the electricity and gas industries. The Water and Sewerage Services (Northern Ireland) Order 2006 changed the name of the Northern Ireland Authority for Energy Regulation to the Northern Ireland Authority for Utility Regulation (the Utility Regulator) and imposed on it additional duties and functions associated with the regulation of the supply of water by water undertakers and the provision of sewerage services by sewerage undertakers.

Objectives and duties

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

Electricity

The principal objective of the Utility Regulator, in respect of electricity, is to protect the interests of consumers of electricity supplied by authorised suppliers, wherever appropriate by promoting effective competition between persons engaged in, or in commercial activities connected with, the generation, transmission or supply of electricity. The interests of consumers include their interests in the fulfilment of the Authority when carrying out its functions as a designated regulatory authority for Northern Ireland and of the objectives as set out in Directive 2009/72/EC. In performing its duties the Utility Regulator must have regard to (among other things) the interests of:

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

Subject to the above, the Utility Regulator shall among other things promote the efficient use of electricity, promote efficiency and economy on the part of licence holders, secure a diverse and viable long-term energy supply and shall have regard to the effect on the environment and the need to ensure electricity licence holders are able to finance their activities.

Gas

The principle objective of the Utility Regulator in respect of gas is to promote the development and maintenance of an efficient, economic and co-ordinated gas industry in Northern Ireland and to do so in a way that is consistent with the fulfilment by the Authority of its obligations as a designated national regulatory authority for Northern Ireland and pursuant to the objectives as set out in Directive 2009/73/EC. The Utility Regulator must also have regard to (among other things) the interests of consumers of gas and the need to ensure that gas licence holders are able to finance their activities which are the subject of obligations imposed on them under the legislation, and the interests of:

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

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

Water

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

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

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

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

Management Report

The Board of the Utility Regulator

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

The second term of the previous Chairman, Peter Matthew's, ended on the 30 June 2012 and he was replaced by Dr William Emery, who has been appointed for a five year term from 1 July 2012. The term of office of three other Board members, Clive Elphick, Philip Johnson and Jim Oatridge, also expired on 30 September 2012. At the end of 2012-13, the Board comprised one Executive member (the Chief Executive, Shane Lynch) and four non-executive members, including the Chairman. The other serving non-executive members of the Board are as follows:

Alan Rainey – re-appointed to the Board 1 September 2010 for a period of 3 years.

Bill Cargo – appointed to the Board on 1 January 2011 for a period of 3 years.

Richard Rodgers – appointed to the Board on 1 January 2011 for a period of 3 years.

Board Committees

The Audit and Risk Committee

Until 30 September 2012 membership of the Audit and Risk Committee was drawn exclusively from non-executive board members. On 1 November 2012 Jim Oatridge was appointed as independent Chair of the Audit and Risk Committee. Prior to that he served on the Committee during his term as a board member. Richard Rodgers also served as a member of the Audit and Risk Committee during 2012-13. The Chief Executive attends Audit and Risk Committee meetings and the Chairman of the Board may also attend the meetings.

The Remuneration Committee

The membership of the Remuneration Committee during 2012-13 comprised Bill Cargo (Chairman), Alan Rainey and Philip Johnson (until the term of appointment as a Board member ended on 30 September 2012). The Chief Executive also attends Remuneration Committee meetings and the Chairman 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:

	The Board	Audit Committee	Remuneration Committee
Peter Matthews*	3/3	-	-
William Emery**	8/8	1/2	-
Clive Elphick***	6/6	1/2	-
Jim Oatridge***	5/6	4/4****	-
Alan Rainey	9/11	-	2/2
Philip Johnson***	6/6	-	1/1
William Cargo	11/11	-	2/2
Richard Rodgers	10/11	4/4	-

* Board member term ended on 30 June 2012. Prior to this date there were three Board meetings, one Audit Committee meeting and one Remuneration Committee meeting.

** Appointed as Chairman from 1 July 2012 after which there were eight Board meetings, three Audit Committee meetings and one Remuneration Committee meeting.

*** Board member term ended 30 September 2012. Prior to this date there were six Board meetings, two Audit Committee meetings and one Remuneration Committee meeting.

**** Includes two meetings attended as Board member and two meetings attended as Independent Audit and Risk Committee Chair.

Other Committees

Board Advisory Groups

Board Advisory Groups (BAGs) operated for Water and Energy until 30 September 2012, at which point a single BAG was established to cover both energy and water related issues. The membership of the Energy and Water BAGs consisted of non-executive directors, with relevant sectoral experience. The combined BAG also includes all the non-executive directors and is chaired by the Chief Executive.

The Water BAG comprised the following non-executive directors to 30 September 2012: Clive Elphick (Chairman), Peter Matthews and James Oatridge.

The Energy BAG comprised the following non-executive directors to 30 September 2012: Philip Johnson (Chairman), Alan Rainey and Bill Cargo.

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

	Energy BAG*	Water BAG*	BAG
Peter Matthews	-	5/6	-
Clive Elphick	-	6/6	-
Jim Oatridge	-	5/6	-
Alan Rainey	3/3	-	2/2
Philip Johnson	3/3	-	-
William Cargo	2/3	-	2/2
Richard Rodgers	-	-	1/2
William Emery	1/3	-	2/2

* Dissolved at 30 September 2012 at which point a separate BAG was formed.

Statutory Committees

Single Electricity Market (SEM) Committee

Until the 30 October 2012, Professor Perez Arriaga and Mr Jose Sierra held the positions of independent member and deputy independent member respectively. From the 1 November 2012 Mr Odd Hakon Hoelsaeter was appointed as the independent member of the SEM Committee and Professor David Newbery was appointed deputy independent member. 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.

Alan Rainey (non executive member of the Board) was re-appointed to the SEM Committee from the 1 November 2012 for a term of five years, subject to his continuation as a Utility Regulator Board member. Shane Lynch also serves on the SEM Committee and was re-appointed also from 1 November 2012 for a period of five years, subject to remaining an employee of the Utility Regulator. Dr William Emery was also appointed to the SEM Committee for a five year term from 1 March 2013.

During 2011-12, the SEM Committee met 15 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 Electricity, Gas, Water, Corporate Affairs and Retail and Social. 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, facilitates information sharing, co-ordination on policy issues and the development of good practice.

Departmental Accounting Boundary

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

The Utility Regulator Reporting System

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

A FWP for 2012-13 was consulted on and published (can be accessed from the Utility Regulator's website, (www.uregni.gov.uk)). It described the Utility Regulator's objectives, identified the main priorities for meeting those objectives and outlined the specific projects and tasks which the organisation planned to undertake in the year commencing 1 April 2012. It also included an estimate of the overall expenditure which the Utility Regulator expected to incur during the year.

The Utility Regulator's Annual Report 2012-13, in addition to outlining the organisation's activities and providing a general survey of developments, reports on the progress of the projects as described in the FWP. Article 5 of the Water and Sewerage Order enables the Utility Regulator to produce an annual report that is combined with the annual report of the organisation prepared under Article 6 of the Energy Order.

Utility Regulator Reporting Cycle

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

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

The Utility Regulator's expenditure is therefore primarily offset by annual licence fees paid by the electricity and gas licensees and water and sewerage undertakers, which are ultimately recovered from customers. Licence fees are set annually by a determination made by the Utility Regulator – the income from electricity, gas and water and sewerage licence fees in 2012-13 was £7.826 million (this figure represents the net amount after deducting fees already overpaid by licensees in respect of 2011-12).

Pension Liabilities

In the year under review a small proportion of Utility Regulator staff were on loan from DETI or DFP. These staff represent about 10% of the overall staff complement at 31 March 2013.

Those staff on-loan from their parent departments and those directly recruited have access to the Northern Ireland Principal Civil Service Pension Scheme (PCSPS (NI)) and the Utility Regulator bears the cost of pension provision for those staff choosing to access this scheme 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 9 to the financial statements.

Equal Opportunities

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

Disabled Persons

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

Employee Involvement

The Utility Regulator recognises the benefit of keeping all its employees regularly informed about progress towards achieving its aims and objectives. A Staff Representative Committee provided an opportunity for the Utility Regulator staff to have a say and be involved in organisational development. Matters not related to terms and conditions of employment may be considered by a separate Staff Committee as required.

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.

A monthly staff newsletter, called 'UR Bulletin', also provides an overview of current organisational information and developments.

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. One health and safety incident was reported to the Health and Safety Executive during 2012-13 but no action was required.

Payment to Suppliers

The Utility Regulator is committed to the prompt payment of bills for goods and services received in accordance with the Late Payment of Commercial Debts (Interest) Act 1998 and British Standard BS 7890 – Achieving Good Payment Performance in Commercial Transactions. Unless otherwise stated in the contract, payment is due within 30 days of the receipt of the goods or services, or on presentation of a valid or undisputed invoice or similar demand, whichever is later. During the year, 99% (2011-12 99%) 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% (2011-12 98%) of invoices have been paid within 10 days of approval.

Equality Scheme

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

The Audit and Risk Committee received a paper on equality compliance at its September 2012 meeting. A key aspect of this paper was the Annual Progress Report (in relation to Section 75 obligations), which was approved by the Audit Committee for submission to the Equality Commission.

External Auditor

Under section 10 of the Government Resource and Accounts Act (Northern Ireland) 2001, the Comptroller and Auditor General for Northern Ireland is the statutory auditor for the Utility Regulator. The notional charge for this audit service as disclosed in these accounts, is £23k (£20k in 2011-12). There was no auditor remuneration, actual or notional, for non-audit work.

Internal Audit

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

Register of Interests

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

Sustainability Report

Taking account of sustainability in the Utility Regulator's work

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

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

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

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

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

Key developments relating to sustainability

The Utility Regulator's NISEP Programme for which 80% of funding focuses on providing funding towards schemes for customers at risk of fuel poverty, supported 30 energy efficiency schemes during 2012-13. The schemes will deliver energy efficiency savings amounting to approximately 707.4 Giga Watt hours and provide over £72.4 million of consumer benefit savings.

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 2011-12, 210 additional generating stations in Northern Ireland received ROC accreditation (over 90% of which were micro generators). More than 90% of ROCs issued in Northern Ireland went to on-shore wind generating stations. For the first time, renewable generation under the Renewables Obligation Scheme exceeded 10% of all UK supplies of electricity.

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. Electricity produced from designated renewable and good quality combined heat and power (CHP) sources are exempt from the CCL. The Government announced its intention to withdraw the CCL exemption for electricity produced in a CHP station that is supplied by an electricity utility to an energy consumer. The removal of the exemption will take effect from 1 April 2013. This change does not affect the levy status of CHP electricity that is supplied directly from the station to the final consumer, including self-supplies. Nor does this change affect renewable electricity that is produced in a CHP. Levy Exemption Certificates (LECs) will not be issued for electricity generated in CHP stations after 31 March 2013. Electricity utilities will be able to allocate CHP LECs that they had acquired relating to CHP generation made before 1 April 2013, until 31 March 2018.

Electricity suppliers are now required to specify in or with bills and in promotional materials made available to final customers the contribution of each energy source to the overall fuel mix of the supplier over the previous year. In November 2012 the Utility Regulator provided suppliers with fuel mix calculations for the year 2011, in an easily comparable format.

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

There were several developments towards the end of the year which promoted sustainable development. Firstly, the Utility Regulator announced its approval for over £30 million of investment to facilitate renewable generation. The approval followed a public consultation on the original investment proposal. The investment, which is part of NIE's Medium Term Plan, will increase the amount of renewable generation in the north and west of Northern Ireland that can access NIE's transmission network. In March the Utility Regulator published a consultation document on the methodology to be used to connect offshore generators that have been granted development rights by the Crown Estate.

MANAGEMENT COMMENTARY

Operating Review

The Annual Report (produced separately) provides a comprehensive account of the performance of the Utility Regulator during 2012-13, including a detailed commentary on the organisation's achievement against its Forward Work Programme for 2012-13. A printed copy of the Annual Report can be obtained by contacting the Utility Regulator by phone on 028 90311575 or by writing to the Finance and Administration Branch, the Utility Regulator, Queens House, 14 Queen Street, BELFAST, BT1 6ED. Alternatively it can be downloaded free from the Utility Regulator's website www.uregni.gov.uk.

A summary of organisational performance during 2012-13 is outlined below.

Achievement against key duties and objectives

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

- A review of the Power NI electricity tariffs led to a 14.1% decrease in tariffs for domestic customers.
- The NIE Transmission and Distribution price control review was completed and the determination was published in October 2012. Key aspects of the determination included: a capital expenditure allowance of £396 million (five years equivalent) and special arrangements in place for approving additional capital expenditure to accommodate the integration of renewable generation and further interconnection, an operating expenditure allowance of £271 million, a pension cost allowance of £58 million over the price control period, an allowed weighted average cost of capital (WACC) of 4.55% (vanilla real WACC) and an adjustment to NIE's regulatory asset base of £32 million to reflect a previous categorisation of capital expenditure as operational expenditure. The Utility Regulator's determination would have led to lower tariffs for consumers relative to NIE T&D's proposals. NIE T&D rejected the Utility Regulator's determination in November 2012 and preparations were then advanced to refer the matter to the Competition Commission.
- Preparations for the Power NI price control have been advanced. In November 2012 an information paper, setting out a timetable for the process of reaching a determination and discussing the areas that will be covered within the price control process, was published. A further paper providing an update on the approach to the price control was published in March 2013.
- The SEM continues to deliver outcomes broadly in line with a competitive environment. Under the EU's IME3 directives, transmission system operators are required to be compliant with the full ownership unbundling requirements or one of the alternative unbundling models. The SEM Committee has issued its preliminary decision to the European Commission (EC), in respect of certifying the compliance of NIE and ESB (on behalf of EirGrid) with IME3 unbundling requirements. The SEM Committee has also agreed next steps towards meeting the EU target model for EU energy market integration.

- The Utility Regulator published a decision paper announcing the cancellation of Generating Unit Agreements (GUAs) in Northern Ireland. GUAs are the contracts between Power NI Energy Limited (effectively its Power Procurement Business (PPB)) and electricity generators in Northern Ireland. PPB manages the GUAs on behalf of consumers and the net benefit or loss made by PPB is passed to consumers as an element of the Public Service Obligation (PSO) levy. This decision is expected to save around £4 million a year, which will be reflected in lower bills for electricity consumers.
- The Enduring Solution system will deliver unlimited capacity for switching by domestic consumers between electricity suppliers. The system went live in May 2012, as planned.
- A comparison of electricity prices in Northern Ireland with the rest of Europe was published for the first time in March 2013. The key findings of the report showed that prices for domestic consumers were around the EU average, while for the remaining 30% of Industrial and Commercial consumers' electricity prices were among the highest in Europe.
- The Utility Regulator issued its final decision paper on the 'regulatory approach to energy supply competition in Northern Ireland in May 2012'. The paper provided the high level policy position in relation to the regulation of energy supply markets over the next two-three years.
- In March 2012 the Utility Regulator consulted on further modifications necessary to implement the requirements of the Electricity Directive.

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

- A review of the Airtricity Gas Supply Ltd (formerly Phoenix Supply Ltd) tariffs in February 2013 led to an 8.7% increase in tariffs for domestic customers in the Greater Belfast area.
- The Competition Commission (CC) published its determination on the Phoenix Natural Gas Ltd (PNGL) price control in December 2012. The determination decided to retain PNGL's historic outperformance in the company's Total Regulatory Value (TRV). However, the CC also decided to remove an element of deferred capex from the TRV which will benefit consumers by £19 million relative to PNGL's proposals.
- Price controls for Northern Ireland's gas distribution network operators – PNGL and Firmus Energy (Distribution) Ltd – were advanced. An update on the price control process setting out the Utility Regulator's approach was published in March 2013.
- A price control determination for BGE (NI), covering the period 1 October 2012 to 30 September 2017, was also published in October 2012. This determination will result in reduced costs for Northern Ireland consumers, estimated at £0.5 million per annum, mainly due to a reduction in the rate of return BGE (NI) is allowed to earn on its investment.
- The Utility Regulator has advanced the regulatory arrangements relating to the extension of the natural gas network to the west of Northern Ireland. A stakeholder workshop took

place in June 2012 and a consultation paper regarding the competitive process to award the necessary gas conveyance licence(s) was published in April 2013.

- The Utility Regulator published proposals for guaranteed standards of service and overall standards of performance, for the Northern Ireland gas industry, in May 2012.
- Islandmagee Gas Storage Ltd was awarded Northern Ireland's first Gas storage licence in October 2012.
- Work to ensure compliance with the IME3 certification requirements, in respect of Northern Ireland's gas transmission system operators, was also advanced.
- The Ten Towns gas market was opened to competition, for those gas companies supplying large industrial and commercial users, in October 2012.
- In March 2012 the Utility Regulator consulted on further modifications necessary to implement the requirements of the Electricity Directive.

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

- NI Water accepted the Utility Regulator's PC13 price control determination in February 2013. This determination allows for an investment of £324 million in water and wastewater assets. NI Water is required to reduce its average prices by up to 12% by the end of the two-year period, and at the same time, improve services.
- The Utility Regulator published a Cost and Performance report in December 2012 which assessed NI Water's performance against efficiency and consumer targets for the period 2010-11 and this identified further improvements in the company's performance.
- The Utility Regulator approved NI Water's Scheme of charges in March 2013. As a consequence, water and sewerage charges for businesses will be reduced by an average of 2.7%.

Effective and Efficient Regulator

- The Utility Regulator advanced plans for a review of its corporate strategy, and plans to engage with stakeholders during the early part of 2013-14.
- A stakeholder engagement programme was the basis for further efforts to reach out to stakeholders. In particular, the Utility Regulator carried out a range of meetings and workshops with stakeholders in respect of electricity and network price control reviews.
- In order to further enhance communication with stakeholders, the Utility Regulator introduced energy regulatory letters in June 2012. Regulatory letters are a common tool used by regulators to communicate important matters such as regulatory policy positions, or to provide clarification of obligations for licensees - for example, how a particular licence condition should be interpreted. They can also serve as a reminder to the industry of its obligations or the Utility Regulator's existing policy, as necessary.

- In order to improve practice, the Utility Regulator consulted on a review of how it conducts consultation. A discussion paper was issued in December 2012.
- The Utility Regulator implemented a range of consumer protection measures relating to the EU's IME3 directives.

Forward Work Programme Performance

The Forward Work Programme 2012-13 outlines a list of time limited tasks. Overall we achieved or partially achieved 87% of the time limited tasks listed to be completed within the 2012-13 year. Of the 72 tasks identified, the progress report at 31 March 2013 is as follows:

Achieved tasks	45	(62.5%)
Partially achieved tasks	16	(22.2%)
Revised	9	(12.5%)
Ongoing	2	(2.8%)
Not achieved	0	(0%)

Trends and Strategic Direction

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

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

- Wholesale costs of energy – these continue to be volatile and make a very significant contribution to price changes to end users and to wider social problems such as fuel poverty. We aim to develop strategic responses to alleviating these where possible.
- Delivering effective competition – we have taken steps to remove barriers to competition and are placing an increasing focus on the effective operation of retail markets and to protecting consumers.
- Assimilating the regulation of water and sewerage into our organisation – the formal economic and consumer regulatory framework for these services is relatively new, both to NI Water and to the Utility Regulator. We will be working to deliver effective regulation in this area.
- Sustainability challenges – these are covered above and will be a key area for resource and priority action.
- The trend towards “internationalisation” – developments in cross-border and inter-state regulation (particularly recently in respect of the regional integration of the energy market) will continue to affect the work of the Utility Regulator. Much of this is driven by EU legislation and policy (e.g. EU renewable generation targets) and will need to be factored into our plans and priorities.
- Technological and information advances will continue to impact on our work within the regulated industries and companies. Issues such as the roll out of “SMART” metering can have potentially large impacts on regulatory policy and actions.

Risk Management

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

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

The risk management cycle is both a ‘top-down’ and ‘bottom-up’ exercise that allows risks to be identified and managed at all the levels outlined above and to be escalated as appropriate. The corporate risk register is agreed by the Audit and Risk Committee and is a standing item on the agenda’s 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 2012-13 and Internal Audit provided satisfactory assurance, in overall terms, regarding the adequacy and effectiveness of risk management, control and governance processes.

Financial Review

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

- Segment 1 (Electricity) - £5,046,000 (£3,385,000 in 2011-12)
- Segment 2 (Gas) - £1,948,000 (£2,267,000 in 2011-12)
- Segment 3 (Water) - £1,296,000 (£1,262,000 in 2011-12)

The *Statement of Comprehensive Net Expenditure* shows that salary costs increased from the previous year (£4,619,000 for 2012-13 against £4,252,000 for 2011-12). This reflected the fact that the office was close to complement for the most of the 2012-13 year and paid an additional PAYE liability of £128k in year.

The Utility Regulator’s net resource outturn was (£17k) against an estimate of (£11k) resulting in a saving against estimate of £6k. Consultancy and administrative costs were lower than originally expected resulting in a lower level of income. In addition, budget cover was taken for a provision which is lower than expected and notional costs were slightly below the original estimate.

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

Reconciliation of Resource Expenditure between Estimates, Accounts and Budgets

	2012-13	2011-12
	£000	£000
Net Resource Outturn (Estimates)	(17)	384
Net Operating Cost (Accounts)	(18)	384
<i>Adjustments to remove:</i>		
Notional Charges	126	28
Consolidated Fund Extra Receipts in the Statement of Comprehensive Net Expenditure	(1)	-
Resource Outturn (Budget)	(143)	356
Of which		
Departmental Expenditure Limits (DEL)	(144)	98
Annually Managed Expenditure (AME)	1	258

Other current expenditure has increased from £2,662k in 2011-12 to £3,671k in 2012-13. This reflects a reduction in consultancy costs and communications costs offset by an increase in the cost of managed services, costs of administering the Renewables Obligation scheme in Northern Ireland and an increase in provision for costs associated with resolving disputes.

The percentage of staff costs to total costs in 2012-13 of 56% represents a decrease from that in 2011-12, 61%.

Non Current Assets

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

Relationships with Arms Length Bodies

The Utility Regulator has no arms length bodies.

Sickness absence data

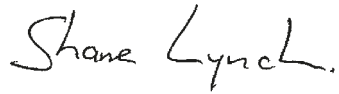
The overall absence rate (the number of days of absence as a percentage of the total available workings days) was 2.77% (2011-12: 4.02%) for the year ended 31 March 2013. The average number of working days lost in 2012-13 per person was 6.9 (2011-12: 9) and was significantly impacted by a very small number of longer term sickness absences. Excluding long term absence the absence rate was 0.91%.

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 2013 and up to the date of the signing of the accounts.

Off Payroll Arrangements

The Utility Regulator is required to disclose details of any off-payroll arrangements that existed at 31 January 2012 at a cost of over £58,200 per annum. The Utility Regulator had one such arrangement in place and which ceased at 31 December 2012.

A handwritten signature in black ink that reads "Shane Lynch". The signature is written in a cursive style with a period at the end.

Shane Lynch
Accounting Officer
21 June 2013

REMUNERATION REPORT

Remuneration Policy

The Non Executive Chairman and Non Executive Directors of the Utility Regulator are appointed by DFP (Schedule 1 paragraph 1(1) of the Energy Order) and the Utility Regulator appoints its own Chief Executive. The salary level and terms for the Non Executive posts are set by DFP. The remuneration for the Chief Executive post and that payable to Directors is approved by the Utility Regulator's Remuneration Committee. Further information on the Remuneration Committee can be found in the Annual Report, page 4. The non executive members of the SEM Committee are appointed 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 2012-13 comprised a base pay uplift only. There were no non-consolidated bonuses payable to any senior managers in respect of the 2012-13 year.

Service Contracts

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

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Policy relating to notice periods is reflected in contracts of employment and policy relating to termination payments is contained in the Northern Ireland Civil Service (NICS) Staff Handbook and associated guidance. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Non Executive Directors hold fixed term contracts as detailed in the Annual Report, page 4.

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

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

Salary and pension entitlements (audited)

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

Remuneration	2012-13				2011-12				
	Salary	Non Consolidated Performance Awards	Benefits in kind	Salary	Non Consolidated Performance Awards	Benefits in kind	Salary	Non Consolidated Performance Awards	Benefits in kind
Non Executive Directors	£000	£000	£	£000	£000	£	£000	£000	£
Dr William Emery (Non Executive Chairman) (Appointed 1 July 2012)	25-30	-	6,061	-	-	-	-	-	-
Mr Peter Matthews (Non Executive Chairman) (Until 30 June 2012)	5-10	-	6,848	30-35	-	11,295	-	-	11,295
Mr Clive Elphick (Non Executive Director) (Until 30 September 2012)	5-10	-	6,913	5-10	-	6,182	-	-	6,182
Mr Philip Johnson (Non Executive Director) (Until 30 September 2012)	5-10*	-	14,934	10-15*	-	19,297	-	-	19,297
Mr Jim Oatridge (Non Executive Director) (Until 30 September 2012)	5-10*	-	4,815	5-10	-	7,374	-	-	7,374
Mr Alan Rainey (Non Executive Director)	30-35*	-	-	20-25*	-	-	-	-	-
Mr Richard Rodgers (Non Executive Director)	5-10	-	-	5-10	-	-	-	-	-

Remuneration	2012-13			2011-12		
	Salary £000	Non Consolidated Performance Awards £000	Benefits in kind £	Salary £000	Non Consolidated Performance Awards £000	Benefits in kind £
Non Executive Directors						
Mr William Cargo (Non Executive Director)	5-10	-	747	5-10	-	904
Ms Etain Doyle (Non Executive Director) (Until 30 September 2011)	-	-	-	5-10*	-	892
Mr Christopher LeFevre (Non Executive Director) (Until 30 September 2011)	-	-	-	0-5**	-	2,741
Other						
Mr Jim Oatridge (Independent Chair of Audit and Risk Committee) (Appointed 1 November 2012)	0-5	-	1,968	-	-	-
Senior Executives						
Mr Shane Lynch*** Chief Executive	125-130	-	-	125-130	-	-
Mrs Jo Aston Director of Water Regulation	90-95	-	-	90-95	-	-
Mr Donald Henry Director of Corporate Affairs	90-95	-	-	90-95	-	-
Mr Brian McHugh Director of Gas Regulation	75-80	-	-	70-75	-	-

Remuneration	2012-13			2011-12		
	Salary	Non Consolidated Performance Awards	Benefits in kind	Salary	Non Consolidated Performance Awards	Benefits in kind
	£000	£000		£000	£000	
Mr Kevin Shields Director of Retail (Permanently appointed from Acting Director of Retail at 20 February 2013)	70-75	-	-	70-75	-	-
Ms Tanya Hedley Director of Electricity Regulation (Temporarily promoted 4 January 2011 and permanently appointed 14 September 2011)	75-80	-	-	75-80	-	-
Band of Highest Paid Director's Total Remuneration	125-130	-	-	125-130	-	-
Median Total Remuneration	43,878	-	-	41,673	-	-
Ratio	2.91	-	-	3.07	-	-

During 2012-13 and 2011-12 basic remuneration for the Chairman was £30k-£35k and for the non-executive directors was £5k-£10k.

* Includes payment for additional duties undertaken at the request of the Utility Regulator.

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

*** Shane Lynch has tendered his resignation and will cease to hold the position of Chief Executive after 31 October 2013.

FRm 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 at age 60 (65 for Nuvos) as at 31/03/13 and related lump sum	Real increase in pension and related lump sum at age 60 (65 for Nuvos)	CETV at 31/03/13	CETV at 31/03/12*	Real increase in CETV
	£000	£000	£000	£000	Nearest £000
Mr Shane Lynch Chief Executive	5 – 10 -	2.5 – 5 -	116	75	28
Mrs Jo Aston (Director of Water Regulation)	35 – 40 -	0 – 2.5 -	558	520	6
Mr Donald Henry (Director of Corporate Affairs)	10 – 15 40 – 45	0 – 2.5 2.5 – 5	200	177	10
Mr Brian McHugh (Director of Gas Regulation)	5 – 10 25 - 30	0 – 2.5 0 – 2.5	117	102	7
Mr Kevin Shiels (Director of Retail)	20 – 25 60 – 65	0 – 2.5 0 – 2.5	319	295	7
Ms Tanya Hedley Director of Electricity Regulation	5 – 10 -	0 – 2.5 -	71	49	14

* The actuarial factors used to calculate CETVs were changed in 2012-13. The CETVs at 31/03/12 and 31/03/13 had both been calculated using the new factors, for consistency. The CETV at 31/03/12 therefore differs from the corresponding figure in last years report which was calculated using the previous factors.

Salary

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

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. Benefits in kind include the taxable value of home to office costs, overnight accommodation and expenses incurred by members of the Authority including those in respect of any additional duties undertaken in the year. Benefits in kind are disclosed gross of any tax payable.

Performance Awards

Performance awards are based on performance levels attained and are made as part of the appraisal process. Performance awards relate to the performance in the year in which they become payable to the individual. No performance awards were payable to any of the senior management team in respect of the 2012-13 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. Staff in post prior to 30 July 2007 may be in one of three statutory based ‘final salary’ defined benefit schemes (classic, premium, and classic plus). These arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. From April 2011 pensions payable under classic, premium and classic plus are increased annually in line with changes in the Consumer Prices Index (CPI). Prior to 2011, pensions were increased in line with changes in the Retail Prices Index (RPI). New entrants joining on or after 1 October 2002 and before 30 July 2007 could choose between membership of premium or joining a good quality ‘money purchase’ stakeholder arrangement with a significant employer contribution (partnership pension account). New entrants joining on or after 30 July 2007 are eligible for membership of the nuvos arrangement or they can opt for a partnership pension account. Nuvos is a ‘Career Average Revalued Earnings’ (CARE) arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The current rate is 2.3%. CARE pension benefits are increased annually in line with increases in the CPI. For 2013, public service pensions will be increased by 2.2% with effect from 8 April 2013.

Employee contributions are determined by the level of pensionable earnings. The current rates are as follows:

Members of classic:

Annual pensionable earnings (full-time equivalent basis)	New 2013 contribution rate before tax relief
Up to £15,000	1.50%
£15,001 - £21,000	2.70%
£21,001 - £30,000	3.88%
£30,001 - £50,000	4.67%
£50,001 - £60,000	5.46%
Over £60,000	6.25%

Members of premium, nuvos and classic plus:

Annual pensionable earnings (full-time equivalent basis)	New 2013 contribution rate before tax relief
Up to £15,000	3.50%
£15,001 - £21,000	4.70%
£21,001 - £30,000	5.88%
£30,001 - £50,000	6.67%
£50,001 - £60,000	7.46%
Over £60,000	8.25%

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).

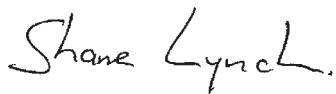
The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos. Further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

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP 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.



Shane Lynch
Accounting Officer
21 June 2013

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

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

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

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

DFP has appointed the Chief Executive as Accounting Officer of the Utility Regulator. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Utility Regulator's assets, are set out in the Accounting Officers' Memorandum issued by DFP and published in 'Managing Public Money Northern Ireland'.

GOVERNANCE STATEMENT

Governance Framework

As a Non Ministerial Government Department, 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 corporate governance that supports the policies, aims and objectives of the Utility Regulator whilst safeguarding the public funds and the 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 is required to have a minimum of four members. The Non-executive members of the Board are appointed by DFP. The Utility Regulator 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 his corporate governance responsibilities as Accounting Officer. The Board operates within the context of the relevant guidelines set out in HM Treasury's 'Code of Good Practice on Corporate Governance in Central Government Departments'. During 2012-13 the Board Governance handbook, developed to set out relevant guidelines for Board members, was revised. This handbook covers such areas as Board and Board Sub-Committee terms of reference, Board schedule of business, Scheme of Delegation, whistle-blowing guide, conflicts of interest, Bribery Act, confidentiality seven principles of public life, fraud, gifts and hospitality, information governance summary and risk management strategy.

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

During the past year many of the board's key decisions were associated with regulatory price controls. The board approved price control determinations in respect of NIE T&D, NI Water and BGE. The board also considered one referral Authority's reference to the Competition Commission, in respect of the Phoenix Natural Gas price control. The Board also approved the referral of the NIE RP5 price control to the Competition Commission.

Other aspects of the Authority's regulatory remit were addressed by the board. This included licence modifications to achieve compliance with the EU's IME3 directives, the development of the energy retail market and the Authority's approach to consultation.

Key aspects of governance were also reviewed by the board during the year. Amendments to the Authority's rules of procedure and scheme of delegation were agreed. The board members' interests' statement was also amended and approved.

The board also approved the organisation's Forward Work Programme and discussed a paper outlining the approach to the review of the Authority's corporate strategy.

The board has also played an active role in stakeholder engagement. A structured programme of

engagement with key stakeholders by the Chairman has been developed. Board members have a range of opportunities to engage with stakeholders over the year: this included a reception with stakeholders to mark the publication of the Authority's annual reports and meetings with the voluntary sector organisations and regulated companies.

Board Committees

Audit and Risk Committee

The Board and the Accounting Officer are supported by the Audit and Risk Committee, a committee of the Board. The role of the Audit and Risk Committee 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 Audit and Risk Committee supports the Accounting Officer in monitoring the corporate governance and control systems, including financial reporting. In fulfilling this role, the Audit Committee reviews significant issues identified by Internal Audit and the Northern Ireland Audit Office (NIAO) and action being taken to address these issues.

The Committee met four times during 2012-13. In June 2012, the Committee presented its report to the Board on conclusions drawn from the Audit Committee work programme in 2011-12. It scrutinises the draft budget and corporate risk register before approval is sought for each from the Board, reviews the draft annual accounts and receives in year reports monitoring expenditure and performance. It oversees the work of internal audit and receives all reports in draft form for review of recommendations and management responses. In addition, the Committee reviews governance related policies in accordance with a timetable of business which, in 2012-13, included statements of conflicts of interest for board and staff, the Scheme of Delegation in 2012-13. It also completed the 'NIAO Audit Committee Risk Management Self Assessment Checklist' which provided assurance on the work of the Committee in relation to strategic processes for risk, control and governance. Until 30 September 2012 membership of the Audit Committee was drawn exclusively from non-executive board members. The term of appointment for Jim Oatridge (Chairman) ended on 30 September 2012. At 1 November 2012 Jim Oatridge was appointed as independent Chair of the Audit and Risk Committee. A number of standing invitees also attend Audit and Risk Committee 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 recommendations regarding the remuneration of senior staff 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 twice during 2012-13.

Other Committees

Board Advisory Groups

Separate Board Advisory Groups (BAGs) operated until 30 September 2012 for Water and Energy and were established by the Authority in accordance with Schedule 1, paragraph 6 of the Energy (Northern Ireland) Order 2003. The groups focused primarily on energy and water related matters and were designed to provide detailed scrutiny of key policy issues in support of the decision making processes at board level.

From 1 October 2012, a single BAG has been established to discuss energy and water related issues. This is attended by all members of the board.

Attendances of the Board and Board Sub-Committees by the members are detailed in the Directors Report section of the Annual Report.

Statutory Committees

Single Electricity Market (SEM) Committee

The SEM Committee, which is a statutory committee of the Authority, 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 2012-13, the SEM Committee met 12 times and also attended a SEM strategy day. In addition, 3 extraordinary meetings were held during the year.

Board Effectiveness

During 2012-13 there were several initiatives introduced to enhance the conduct of board business and the induction of new board members. New guidance was developed for executives presenting papers to the board to support effective decision-making. Changes were also made to board agendas to improve the focus on important business. A timing schedule for board agenda items was also introduced. In order to support the induction of new board members, an induction checklist was developed.

An informal approach to assessing the effectiveness of board meetings has also been introduced towards the end of this year. The Chairman has invited board members to comment on the quality of the information and data received at board meetings, the agenda for the meeting and the conduct of the board meetings generally. In this respect, there has been no evidence from this informal feedback to indicate any problems with the quality of the information provided to the board.

Board effectiveness will continue to be kept under consideration and will be supplemented by more comprehensive reviews as required.

Executive Team and audit arrangements

The Senior Management Team

The Senior Management Team comprises the Chief Executive (as Chair), the Directors of Corporate Affairs, Electricity, Gas, Water and Retail. It meets on a weekly basis to discuss ongoing operational issues and receives papers for review and decision. It also reviews papers being presented to the Board in draft form. The Board Secretary acts as a Secretary for the Senior Management Team. The Senior Management Team also attend Board meetings.

Audit Arrangements

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

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

The Accounting Officer and Audit Committee are independently advised by an internal audit service provider, Capita, an organisation which operates in accordance with Government Internal Audit Standards. This is contracted out in light of the relatively small size of the Utility Regulator. 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 organisations 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 routinely attends the Audit and Risk Committee 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. It makes recommendations and provides an overall assurance report each year.

During 2012-13, the internal audit plan covered:

- Business Continuity Planning
- Information Technology
- Procurement
- Budgetary Control
- Fixed Assets
- Licence monitoring for electricity and gas
- Landbank
- Risk Management
- Bank and Cash

Overall in 2012-13, Internal Audit has provided satisfactory assurance. Government Internal Audit Standards require an external assessment of internal audit to be carried out every five years. This assessment was carried out during 2012-13, the report on which is pending.

Risk Management

The Risk Management Strategy sets out the Utility Regulator's approach to the management of risk. The strategy draws heavily 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 provides a framework for the management of risk and promotes a consistent approach across the organisation. The risk management cycle in the Utility Regulator encompasses both a 'top-down' and 'bottom-up' approach which allows risks to be identified, managed and escalated as appropriate.

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 Audit and Risk Committee 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 Audit and Risk Committee receives assurances from the Head of Internal Audit on the effectiveness of risk management.

Risk Environment

The Utility Regulator is operating at a time of change at both European Union and national level. The EU's Third Energy Package came into effect in 2011, establishing an agency in Ljubljana, Slovenia, and creating more powers and independence for national regulators.

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

The key risks faced by the organisation include those arising from the following:

- Increased costs to consumers resulting from security of supply related issues;
- Failure to adequately protect consumers through price controls; and
- The potential for disputes arising from regulatory decisions.

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. During 2012-13 one Freedom of Information case was referred to the Information Commissioners Office however no further action was required.

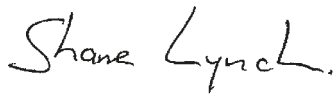
Fraud

Fraud is a standing item on the Audit and Risk Committee agenda. A specific fraud risk is identified and managed at directorate level. The Utility Regulator also participates in the Government wide National Fraud Initiative exercise. There were no cases of fraud identified in 2012-13.

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 Audit and Risk Committee, the Independent Chair and the executive managers within the department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their reports. Directors also provide me with 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 Board and the Audit and Risk Committee, and plans to address weaknesses and ensure continuous improvement of the system, are in place.

The governance system has been in place for the year ended 31 March 2013 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 financial year.



Shane Lynch
Accounting Officer
21 June 2013

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 2013 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. I have also audited the Statement of Assembly Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

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

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income 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 2013 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 2013 and of its net operating cost, cash flows and changes in taxpayers' equity for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance and Personnel directions issued thereunder.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the 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 2013

Statement of Assembly Supply

Summary of Resource Outturn 2012-13

		2012-13 £000							2011-12 £000
		Estimate			Outturn			Net Total outturn compared with Estimate saving/ (excess)	Outturn
Request for Resources	Note	Gross Expenditure	Accruing Resources	Net Total	Gross Expenditure	Accruing Resources	Net Total		Net Total
		£000	£000	£000	£000	£000	£000	£000	
Request for resources A	2	9,157	(9,168)	(11)	8,290	(8,307)	(17)	6	384
Total resources		9,157	(9,168)	(11)	8,290	(8,307)	(17)	6	384
Non-operating cost Accruing Resources		-	-	-	-	-	-	-	-

Net Cash Requirement 2012-13

		2012-13			2011-12
		Estimate	Outturn	Net total outturn compared with Estimate saving/ (excess)	Outturn
		£000	£000	£000	£000
Net cash requirement	4	1,594	830	764	-

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 2012-13 £'000		Outturn 2012-13 £'000	
		Income	Receipts	Income	Receipts
Total	5	-	-	1	<i>1</i>

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

The notes on pages 41 to 62 form part of these accounts.

Statement of Comprehensive Net Expenditure for the year ended 31 March 2013

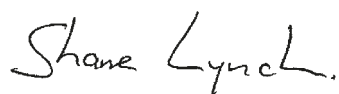
	2012-13			2011-12
	Note	Staff Costs	Other Costs	Income
		£000	£000	£000
Programme Costs:				
Staff costs	9	4,619		4,252
Other non-staff costs	10		3,671	2,662
Operating income	11			(8,308)
Totals		4,619	3,671	(8,308)
Net Operating Cost for the year ended 31 March 2013	3			(18)
Other Comprehensive Expenditure				
Net (gain)/loss on revaluation of Property, Plant and Equipment				-
Net (gain)/loss on revaluation of Intangibles				-
Total Comprehensive Expenditure for the year ended 31 March 2013				(18)

All income and expenditure is derived from continuing operations.

The notes on pages 41 to 62 form part of these accounts.

Statement of Financial Position as at 31 March 2013

	Note	31 March 2013		31 March 2012	
		£000	£000	£000	£000
Non-current assets:					
Property, plant and equipment	12	24		36	
Intangible assets	13	-		-	
Receivables falling due after more than one year	16	-		-	
Total non-current assets			24		36
Current assets:					
Trade and other receivables	16	1,268		266	
Cash and cash equivalents	17	271		1,300	
Total current assets			1,539		1,566
Total assets			<u>1,563</u>		<u>1,602</u>
Current liabilities					
Trade and other payables	19	(1,672)		(3,334)	
Provisions	20	(900)		(250)	
Total current liabilities			(2,572)		(3,584)
Non current assets plus net current liabilities			<u>(1,009)</u>		<u>(1,982)</u>
Non-current liabilities					
Provisions	20	-		-	
Total non-current liabilities			-		-
Total assets less liabilities			<u>(1,009)</u>		<u>(1,982)</u>
Taxpayers' equity and other reserves:					
General fund			(1,009)		(1,982)
Revaluation reserve			-		-
Total equity			<u>(1,009)</u>		<u>(1,982)</u>



Shane Lynch
Accounting Officer
21 June 2013

The notes on pages 41 to 62 form part of these accounts.

Statement of Cash Flows for the year ended 31 March 2013

		2012-13	2011-12
	Note	£000	£000
Cashflows from operating activities			
Net operating cost	3	18	(384)
Adjustments for non cash transactions	10	1,038	316
(Increase)/Decrease in trade and other receivables <i>less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>	16	(1,002)	(97)
Increase/(Decrease) in trade and other payables <i>less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>	19	(1,662)	747
- Supply amounts due to the Consolidated Fund	19	796	(114)
- Capital accruals			4
- CFER amounts due to the Consolidated Fund	19	233	(234)
Use of provisions	20	(250)	-
Net cash outflow from operating activities		<u>(829)</u>	<u>238</u>
Cashflows from investing activities			
Purchase of property, plant and equipment	12	-	(4)
Purchase of intangible assets	13	-	-
Net cash outflow from investing activities		<u>-</u>	<u>(4)</u>
Cash flows from financing activities			
From the Consolidated Fund (Supply) - current year		1,100	1,066
From the Consolidated Fund (Supply) - prior year		-	-
Advances from the Contingencies Fund		369	335
Repayments to the Contingencies Fund		(369)	(335)
Net financing		<u>1,100</u>	<u>1,066</u>
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund			
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		-	-
Payments of amounts due to the Consolidated Fund		(1,300)	(952)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		<u>(1,029)</u>	<u>348</u>
Cash and cash equivalents at the beginning of the period	17	1,300	952
Cash and cash equivalents at the end of the period	17	271	1,300

The notes on pages 41 to 62 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2013

	Note	General fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2011		(1,393)	1	(1,392)
Net Assembly Funding - drawn down		1,066	-	1,066
Net Assembly Funding - deemed		-	-	-
Supply (payable)/receivable adjustment		(1,066)	-	(1,066)
CFERs payable to the Consolidated Fund		(234)	-	(234)
Comprehensive Net Expenditure for the Year	3	(384)	-	(384)
Non-cash adjustments				
Non-cash charges - auditor's remuneration	10	20	-	20
Non-cash charges - other	10	8	-	8
Movements in reserves				
Transfer between reserves	12	1	(1)	-
Balance at 31 March 2012		(1,982)	-	(1,982)
Net Assembly Funding - drawn down		1,100	-	1,100
Net Assembly Funding - deemed		-	-	-
Supply (payable)/receivable adjustment		(270)	-	(270)
CFERs payable to the Consolidated Fund	5	(1)	-	(1)
Comprehensive Expenditure for the Year	3	18	-	18
Non-cash adjustments				
Non-cash charges - auditor's remuneration	10	23	-	23
Non-cash charges - other	10	103	-	103
Movements in reserves				
Transfer between reserves		-	-	-
Balance at 31 March 2013		(1,009)	-	(1,009)

The notes on pages 41 to 62 form part of these accounts.

Notes to the Departmental Resource Accounts

1 Statement Of Accounting Policies

These financial statements have been prepared in accordance with the 2012-13 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 2012-13 were apportioned on the basis of each divisions 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 electricity, gas and water and sewerage licences as defined under statute. Electricity licence fees are calculated on the basis of a determination made in 2011 by the Utility Regulator. It was decided that one third of the cost of electricity regulation should be charged to the holders of generation licences, one third to the holders of transmission licences and one third to the holders of public electricity supply licences. All licence holders pay a minimum of £1,500. Licence fees are ultimately recovered from electricity customers through an operating cost allowance in the Price Controls of Northern Ireland Electricity's regulated businesses.

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

Gas licence fees are calculated on the basis of a determination made by the Utility Regulator. Following a consultation process on how gas licence fees should be apportioned it was decided

that as from the 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 Control of Phoenix Natural Gas's conveyance business.

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

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

In addition, the cost of the Consumer Council in dealing with electricity consumer issues was recovered from 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 2012-13 the Utility Regulator collected and passed on to the Consumer Council an amount of £840,253 of which £211,214 was in respect of its electricity functions, £158,409 in respect of its gas functions and £470,630 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.

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 Analysis of net resource outturn by function

2012-13							2011-12			
						Outturn	Estimate			Prior year outturn £000
						Net total £000	Net total outturn compared with Estimate, adjusted for virements £000	Net total outturn compared with Estimate, adjusted for virements £000	£000	
Admin £000	Other Current £000	Grants £000	Gross Resource Expenditure £000	Accruing Resources £000	Net total £000					
Request for Resources A:										
Departmental Expenditure in DEL:										
1. Administration	-	8,163	-	8,163	(8,307)	(144)	(141)	3	3	98
AME:										
Provisions	-	1	-	1	-	1	-	(1)	(1)	258
Non Budget										
2. Notional Costs	-	126	-	126	-	126	130	4	4	28
Resource Outturn	-	8,290	-	8,290	(8,307)	(17)	(11)	6	6	384

Analysis of outturn against estimate

Resource outturn was £6k lower than estimate. Consultancy and administrative costs were lower than originally expected resulting in a lower level of income. In addition, budget cover was taken for a provision which is lower than expected.

Key to Request for Resources

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

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

3a Reconciliation of net resource outturn to net operating cost

		2012-13		2011-12	
		Outturn	Supply Estimate	Outturn compared with Estimate	Outturn
Note	Outturn £000	£000	£000	£000	£000
	Net Resource Outturn	2 (17)	(11)	6	384
	Non-supply income (CFERs)	(1)	-	1	-
	Net Operating Cost	(18)	(11)	7	384

3b Outturn against final Administration Budget

		2012-13*		2011-12	
		Budget £'000	Outturn £'000	Outturn £'000	
*See Note 1.8		-	-	-	
Gross Administration Budget		-	-	-	
Income allowable against the Administration Budget		-	-	-	
Net outturn against final Administration Budget		-	-	-	

4 Reconciliation of net resources outturn to net cash requirement

		2012-13		
		Estimate	Outturn	Net total outturn compared with Estimate savings/(excess)
	Note	<u>£000</u>	<u>£000</u>	<u>£000</u>
Resource Outturn	2	(11)	(17)	6
Capital :				
Acquisition of non-current assets	12 & 13	-	-	-
Non-operating Accruing Resources:				
Proceeds of asset disposal	12 & 13	-	-	-
Accruals adjustments:				
Non-cash items	10	(1,145)	(1,038)	(107)
Changes in working capital other than cash	16 & 19	2,500	1,635	865
Use of provision	20	250	250	-
Excess cash receipts surrenderable to the Consolidated Fund		-	-	-
Net Cash Requirement		1,594	830	764

5 Analysis of income payable to the Consolidated Fund

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

	Note	Forecast 2012-13		Outturn 2012-13	
		Income	Receipts	Income	Receipts
		£000	£000	£000	£000
Operating income and receipts - excess Accruing Resources		-	-	-	-
Other operating income and receipts not classified as Accruing Resources		-	-	1	1
		-	-	1	1
Non-operating income and receipts excess Accruing Resources	7	-	-	-	-
Other non-operating income and receipts not classified as Accruing Resources		-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund		-	-	-	-
Excess cash surrenderable to the Consolidated Fund	4	-	-	-	-
Total income payable to the Consolidated Fund		-	-	1	1

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

	Note	2012-13	2011-12
		£'000	£'000
Operating income	11	8,308	6,530
Income authorised to be Accruing Resources		(8,307)	(6,530)
Operating income payable to the Consolidated Fund	5	1	-

7 Non-operating income - Excess Accruing Resources

	2012-13	2011-12
	£'000	£'000
Non-operating income - excess Accruing Resources	-	-
	-	-

8 Statement of Operating Costs by Operating Segment

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

	2012-13				2011-12			
	Reportable Segment 1	Reportable Segment 2	Reportable Segment 3	Total	Reportable Segment 1	Reportable Segment 2	Reportable Segment 3	Total
Gross Expenditure	5,046	1,948	1,296	8,290	3,385	2,267	1,262	6,914
Income	4,953	2,122	1,233	8,308	3,331	1,971	1,228	6,530
Net Expenditure	93	(174)	63	(18)	54	296	34	384

Description of Segments

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

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

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

8.1 Reconciliation between Operating Segments and SoCNE/SoFP

	2012-13				2011-12			
	Reportable Segment 1	Reportable Segment 2	Reportable Segment 3	Total	Reportable Segment 1	Reportable Segment 2	Reportable Segment 3	Total
Total net expenditure per Statement of Comprehensive Net Expenditure by operating segment	93	(174)	63	(18)	54	296	34	384
Reconciling items:								
Income	-	-	-	-	-	-	-	-
Expenditure	-	-	-	-	-	-	-	-
Total net expenditure per Statement of Comprehensive Net Expenditure	93	(174)	63	(18)	54	296	34	384

9 Staff numbers and related costs

9a Staff costs comprise:

	2012-13					2011-12
	Total	Permanently employed staff	Other	Ministers	Special Advisers	Total
	£'000					£'000
Wages and Salaries	3,797	3,347	450	-	-	3,436
Social Security Costs	323	307	16	-	-	304
Other Pension Costs	499	456	43	-	-	512
Sub Total	4,619	4,110	509	-	-	4,252
Less recoveries in respect of outward secondments	-	-	-	-	-	-
Total net costs*	4,619	4,110	509	-	-	4,252
Of which:	Charged to Administration	Charged to Programme	Total			
Department	-	4,619	4,619			
	-	4,619	4,619			

*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 and details of this valuation are available in the PCSPS (NI) resource accounts.

For 2012-13, employers' contributions of £499,209.09 were payable to the PCSPS (NI) (2011-12 - £512,238.42) 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. However HM Treasury has instructed the scheme to cease further work on the March 2010 valuation. A new valuation scheme based on data as at 31 March 2012 is currently being undertaken by the Actuary to review employer contribution rates for the introduction of a new career average earning scheme from April 2015. From 2013-14, the rates will remain in the range 18% to 25%. The contribution rates are set to meet the cost of the benefits accruing during 2012-13 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 (2011-12 £nil) were paid to a stakeholder pension provider. Employer contributions are age-related and range from 3 to 12.5 percent (2011-12 : 3 to 12.5 per cent) of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £nil, 0.8 per cent (2011-12 £nil, 0.8 per cent) of pensionable pay, were payable to the PCSPS (NI) to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the statement of financial position date were £nil (2011-12 £nil). Contributions prepaid at that date were £nil (2011-12 £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 2012-13 an average of 19 (2011-12: average of 16) staff opted out of the pension arrangements at a cost of £134,483.08 (2011-12; £104,012.58). These costs are included in wages and salaries above and are subject to employers NI contributions. No employers pension contributions are payable for staff that opt out of the pension scheme.

No persons (2011-12:0 persons) retired early on ill health grounds; the total additional accrued pension liabilities in the year amounted to £nil (2011-12:£nil).

9b Average number of persons employed

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

					2012-13	2011-12
	Total	Permanent staff	Others	Ministers	Special Advisers	Total
Segment 1						
To protect the interests of consumers of electricity supplied by authorised suppliers, wherever appropriate by promoting effective competition between persons engaged in, or in commercial activities connected with, the generation, transmission or supply of electricity	35.8	31.8	4.0	-	-	31.2
Segment 2						
To promote the development and maintenance of an efficient, economic and co-ordinated gas industry in Northern Ireland	20.0	19.3	0.7	-	-	19.3
Segment 3						
To protect the interests of consumers of water and sewerage services, where appropriate by the promotion of effective competition	16.5	14.6	1.9	-	-	16.9
Total	72.3	65.7	6.6	-	-	67.4

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

There were no exit packages awarded in the 2012-13 financial year.

10 Other non-staff costs

	2012-13		2011-12	
	£'000	£'000	£'000	£'000
Rentals under operating leases:				
Property rentals	210		204	
Hire of office equipment	12		12	
		222		216
Non-cash items:				
Depreciation on property, plant and equipment	11		27	
Amortisation on intangible assets	-		3	
Impairment of non current assets	1		8	
Auditors' remuneration and expenses	23		20	
Provision provided in year	900		250	
Other notional costs	103		8	
Total non-cash items		1,038		316
Other Expenditure:				
Consultancy	813		1,026	
Management of Renewable Outputs Certificate Scheme	483		442	
Property service charges	76		74	
Managed services	507		106	
Communications and Advertising	34		58	
Hospitality	2		2	
Travel and Subsistence	75		70	
Rates	79		77	
Training	27		47	
Utilities	24		50	
IT Costs	40		43	
Exchange Losses	3		1	
Miscellaneous expenditure	248		134	
		2,411		2,130
Total		3,671		2,662

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

11 Income

	2012-13	2011-12
	£000	£000
Electricity Licence Fees	4,471	2,894
Gas Licence Fees	2,122	1,971
Water Licence Fees	1,233	1,228
Miscellaneous Income	482	437
Total	8,308	6,530

12 Property, plant and equipment

12a

	Leasehold Improvements	Information Technology Equipment	Office Equipment	Furniture & Fittings	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 April 2012	55	10	30	63	158
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Impairments	-	(5)	-	-	(5)
Revaluations	(2)	-	-	-	(2)
At 31 March 2013	53	5	30	63	151
Depreciation					
At 1 April 2012	29	5	30	58	122
Charged in year	8	2	-	1	11
Disposals	-	-	-	-	-
Impairments	-	(4)	-	-	(4)
Revaluations	(2)	-	-	-	(2)
At 31 March 2013	35	3	30	59	127
Carrying amount at 31 March 2013	18	2	-	4	24
Carrying amount at 31 March 2012	26	5	-	5	36
Asset financing:					
Owned	18	2	-	4	24
Carrying amount at 31 March 2013	18	2	-	4	24

12b

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

13 Intangible assets

Intangible assets comprise software licences

13a

	<u>Software Licences</u>
	<u>£'000</u>
Cost or valuation	
At 1 April 2012	16
Additions	-
Disposals	-
Impairments	-
Revaluation	-
At 31 March 2013	<u>16</u>
Amortisation	
At 1 April 2012	16
Charged in year	-
Disposals	-
Impairment	-
Revaluation	-
At 31 March 2013	<u>16</u>
Carrying amount at 31 March 2013	<u>-</u>
Carrying amount at 31 March 2012	<u>-</u>
Asset Financing:	
Owned	-
Carrying amount at 31 March 2013	-

13b

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

14 Financial Instruments

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

15 Impairments

An impairment of £1k has been charged directly to the Statement of Comprehensive Net Expenditure. This relates to an IT server which was expected to be in use until August 2013 but which was de-commissioned at 31 March 2013 as a consequence of the Utility Regulator migration to IT Assist.

16 Trade receivables and other current assets

a) Analysis by type

	2012-13	2011-12
	<u>£'000</u>	<u>£'000</u>
Amounts falling due within one year:		
Trade receivables	14	10
VAT receivable	52	52
Prepayments and Accrued Income	<u>1,202</u>	<u>204</u>
	1,268	266
Amounts falling due after more than one year:		
Trade receivables	-	-
	<u>1,268</u>	<u>266</u>

b) Intra-government balances

	Amounts falling due within one year	Amounts falling due within one year
	2012-13	2011-12
	<u>£'000</u>	<u>£'000</u>
Balances with other central government bodies	62	60
Balances with local authorities	-	-
Balances with NHS Trusts	-	-
Balances with public corporations and trading funds	-	-
Subtotal: Intra-government balances	<u>62</u>	<u>60</u>
Balances with other bodies external to government	1,206	206
Total Receivables at 31 March	<u><u>1,268</u></u>	<u><u>266</u></u>

17 Cash and cash equivalents

	2012-13	2011-12
	<u>£'000</u>	<u>£'000</u>
Balance at 1 April	1,300	952
Net change in cash and cash equivalent balances	(1,029)	348
Balance at 31 March	<u>271</u>	<u>1,300</u>

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

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

	2012-13	2011-12
	<u>£'000</u>	<u>£'000</u>
Net cash requirement	(830)	-
From the Consolidated Fund (Supply) - current year	1,100	1,066
From the Consolidated Fund (Supply) - prior year	-	-
Amounts due to the Consolidated Fund - received and not paid over	1	234
Amounts due to the Consolidated Fund - received in a prior year and paid over	(1,300)	(952)
Increase/(decrease) in cash	<u>(1,029)</u>	<u>348</u>

19 Trade payables and other current liabilities

a) Amounts falling due within one year	2012-13	2011-12
	<u>£'000s</u>	<u>£'000s</u>
Trade payables	6	108
Other taxation and social security	104	122
Accruals and deferred income	1,291	1,804
Amounts issued from the Consolidated Fund for supply but not spent at year end	270	1,066
Consolidated Fund extra receipts due to be paid to the Consolidated Fund - received	1	234
receivable	-	-
	<u>1,672</u>	<u>3,334</u>

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

b) Intra-government balances	2012-13	2011-12
	<u>£'000s</u>	<u>£'000s</u>
Balances with other central government bodies	618	1,865
Balances with local authorities	-	-
Balances with NHS Trusts	-	-
Balances with public corporations and trading funds	-	-
Subtotal: Intra-government balances	<u>618</u>	<u>1,865</u>
Balances with other bodies external to government	1,054	1,469
Total Payables at 31 March	<u>1,672</u>	<u>3,334</u>

20 Provisions for liabilities and charges

	2012-13	2011-12
	<u>£'000s</u>	<u>£'000s</u>
Balance at 1 April 2012	250	-
Provided in the year	900	250
Utilised during the year	(250)	-
Provisions not required written back	-	-
Balance at 31 March 2013	<u>900</u>	<u>250</u>

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

20 Analysis of expected timing of discounted cashflows

	<u>2012-13</u> £'000s	<u>2011-12</u> £'000s
Not later than one year	900	250
Later than one year and not later than five years	-	-
Later than five years	-	-
Balance at 31 March 2013	<u>900</u>	<u>250</u>

21 Capital and other commitments

a) Capital Commitments

There were no contracted capital commitments at 31 March 2013 (£Nil, at 31 March 2012).

b) Commitments under leases

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

	<u>2012-13</u> £'000s	<u>2011-12</u> £'000s
Obligations under operating leases comprise		
Land and Buildings		
Not later than one year	192	192
Later than one year and not later than five years	288	480
Later than five years	-	-
	<u>480</u>	<u>672</u>
Other		
Not later than one year	7	11
Later than one year and not later than five years	2	9
Later than five years	-	-
	<u>9</u>	<u>20</u>

c) Other financial commitments

The Utility Regulator has not entered into any non-cancellable contracts (which are not operating leases) as at 31 March 2013 (£Nil, at 31 March 2012).

22 Financial Guarantees, Indemnities and Letter of Comfort

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

23 Losses and Special Payments

There were no losses and special payments requiring disclosure in the 2012/13 financial year.

24 Contingent Liabilities

There was no contingent liabilities existing as at 31 March 2013.

25 Related-Party Transactions

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

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

Until 30 September 2012 Clive Elphick was a member of the Utility Regulator's Board and also a senior advisor to CEPA, and had declared his CEPA role to the Utility Regulator. CEPA periodically tenders for contracts advertised directly by the Utility Regulator or in joint association with other regulatory bodies. Clive Elphick was not involved in the submission or evaluation of any such tenders and did not participate in Board decisions on any work carried out by CEPA for the Utility Regulator in respect of direct or joint regulatory projects. During 2012/13 the Utility Regulator made payments of £355k to CEPA.

Clive Elphick is also a member of the Competition Appeal Tribunal (CAT). Both the Utility Regulator and CAT were aware of the other role. There have been no appeals to the CAT on Utility Regulator decisions during the last year.

Richard Rodgers is a member of the Utility Regulator's Board and is also Commercial Business Development Director for Carillion Energy. Carillion in Northern Ireland is under contract with Power NI to deliver part of the Northern Ireland Sustainable Energy Programme. Carillion have made an application to become a primary bidder in its own right in NISEP from 2012-13. Richard Rodgers has declared his Carillion role to the Utility Regulator and is not involved in the assessment of NISEP bids and does absent himself from any NISEP related Board discussions. From 1 March 2013, Richard Rodgers was appointed as Director of the Novenso Group, and has declared this role to the Utility Regulator. Novenso is involved in retail energy brokering in Northern Ireland and on this basis Richard Rodgers did not partake in any energy retail related discussions or decision-making. Richard Rodgers resigned as Director at Novenso Group on 31 May 2013.

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

Alan Rainey is a member of the Utility Regulator's Board and undertook a consultancy contract

with Moyle Interconnector, a licenced transmission company, to review the terms of its contracts in respect of the undersea connections. Alan Rainey has disclosed his Moyle Interconnector role to the Utility Regulator.

Until 30 September 2012 Philip Johnson was a member of the Utility Regulator's Board and also a partner in Delta Carbon Capital Partners LLP, a fund management business providing advice and investment for the low carbon economy. The Utility Regulator and Delta Carbon Capital Partners LLP have no involvement with each other and Philip Johnson has declared his role in Delta Carbon Capital Partners LLP to the Utility Regulator.

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

William Emery is Chairman 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 Chairman 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.

26 Events after the reporting period

There were no material events post the Statement of Financial Position date for the year ended 31 March 2013.

Date of authorisation for issue

The Accounting Officer authorised these financial statements for issue on 25 June 2013.

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