

**Northern Ireland Authority
for Utility Regulation**

Resource Accounts

**Accounts for the year ended
31 March 2014**

NORTHERN IRELAND AUTHORITY FOR UTILITY REGULATION

RESOURCE ACCOUNTS

For the year ended 31 March 2014

*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*

4 July 2014



© Crown Copyright 2014

You may re-use this information (excluding logos) free of charge in any format or medium, under the terms of the Open Government Licence v.2. To view this licence, visit www.nationalarchives.gov.uk/doc/open-government-licence/version/2/ or email: psi@nationalarchives.gsi.gov.uk

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

This publication is also available at www.uregni.gov.uk

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

Northern Ireland Authority for Utility Regulation

Resource Accounts for the year ended 31 March 2014

Contents

Annual Report

Directors' Report	2
Sustainability Report	10
Management Commentary	12
Remuneration Report	18
Statement of Accounting Officer's Responsibilities	27
Governance Statement	28
Certificate and Report of the Comptroller and Auditor General	35
Statement of Assembly Supply	37
Statement of Comprehensive Net Expenditure	42
Statement of Financial Position	43
Statement of Cash Flows	44
Statement of Changes in Taxpayers' Equity	45
Notes to the Accounts	46

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 (FRM)* issued by the DFP in 2013-14. 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 2013 - 14, which is published separately and is 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

In respect of electricity, the principal objective of the Utility Regulator is to protect the interests of consumers of electricity supplied by authorised suppliers, wherever appropriate by promoting effective competition between persons engaged in, or in commercial activities connected with, the generation, transmission or supply of electricity. The interests of consumers protected by the Utility Regulator includes their interest in the Utility Regulator, as a designated regulatory authority, fulfilling the objectives set out in Directive 2009/72/EC concerning common rules for the internal market in electricity. In performing its duties the Utility Regulator must have regard to (amongst other things) the interests of:

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

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

Gas

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

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

Subject to 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. Board members are Ministerial appointments through the DFP.

At the end of 2013-14, the board comprised one Executive member (the Chief Executive, Jenny Pyper, who replaced Shane Lynch as Chief Executive from 1 November 2013) and six non-executive members, including the Chairman, Dr William Emery, who was appointed for a five year term on 1 July 2012. The term of appointment for Alan Rainey ended on 31 August 2013. At 31 March 2014, the serving non-executive members of the board are as follows:

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

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

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

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

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

Harold McCracken – appointed to the board on 1 September 2013 for a period of 5 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 was Chair of the Committee during his term as a board member. Richard Rodgers also served as a member of the Audit and Risk Committee during 2013-14, along with David Strahan who became a member of the Audit and Risk Committee following his appointment to the board. 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 2013-14 comprised William Cargo (Chairman), Alan Rainey (until his retirement from the board on 31 August 2013) and following her appointment to the board on 1 September 2013, Teresa Perchard. 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
William Emery	9/9	1/4	1/2
Jim Oatridge	-	4/4	-
Alan Rainey*	3/3	-	1/1
Richard Rodgers	9/9	4/4	-
William Cargo	9/9	-	2/2
Teresa Perchard**	6/6	-	1/1
David Strahan**	5/6	2/2	-
Harold McCracken**	5/6	-	-

* Board member term ended on 31 August 2013. Prior to this date there were three board meetings and one Remuneration Committee meeting.

** Board member appointed 1 September 2013. Following this date there were six board meetings, two Audit and Risk Committee meetings and one Remuneration Committee meeting.

Other Committees

Board Advisory Groups

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

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

Board Advisory Group

William Emery	4/5
Alan Rainey**	2/2
William Cargo	5/5
Richard Rodgers	5/5
Teresa Perchard*	2/2
David Strahan*	2/2
Harold McCracken*	2/2

* Appointed to board 1 September 2013 following which there were two Board Advisory Group meetings.

** Board term ended 31 August 2013. Prior to this date there were two Board Advisory Group meetings.

Statutory Committees

Single Electricity Market (SEM) Committee

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

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. Alan Rainey's second term as a board member ended on 31 August 2013 from which point he also ceased to be a member of the SEM Committee. Shane Lynch served on the SEM Committee until his resignation as Utility Regulator Chief Executive. He was replaced on the SEM Committee by Jenny Pyper, following her appointment as Chief Executive on 1 November 2013. Dr William Emery was appointed to the SEM Committee for a five year term from 1 March 2013.

During 2013-14, the SEM Committee met 12 times.

Details of the remuneration of Utility Regulator board members are provided on pages 19 to 20.

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 of the office, 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 requires 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 2013-14 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 2013. 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 2013-14, 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 2013-14 was £6.614 million.

Pension Liabilities

In the year under review a small proportion of Utility Regulator staff were seconded from DETI or DFP. These staff represent about 10% of the overall staff complement at 31 March 2014.

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

Details of pension scheme liabilities can be found in the accounting policies, note 1.14, the Remuneration Report for senior managers and the board and in note 3 to the financial statements.

Equal Opportunities

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

Disabled Persons

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

Employee Involvement

The Utility Regulator recognises the benefit of keeping all its employees regularly informed about progress towards achieving its aims and objectives. Consultation with staff on matters related to terms and conditions is through trade union and non-trade union staff representatives. Discussions were continued regarding the establishment of new union recognition arrangements.

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

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. No health and safety incidents were reported to the Health and Safety Committee during 2013-14.

Payment to Suppliers

The Utility Regulator is committed to the prompt payment of bills for goods and services received in accordance with the Late Payment of Commercial Debts Regulations 2013 and British Standard BS 7890 – Achieving Good Payment Performance in Commercial Transactions. Unless otherwise stated in the contract, payment is due within 30 days of the receipt of the goods or services, or on presentation of a valid or undisputed invoice or similar demand, whichever is later. During the year, 99.9% (2012-13 99.8%) of undisputed invoices were paid within this standard. In line with other NI departments and following Dear Accounting Officer (DAO) 12/08 guidance, the Utility Regulator has aimed to promptly pay invoices within a 10 day target. In the past year 98.7% (2012-13 99.1%) of invoices have been paid within 10 days of approval.

Equality Scheme

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

The Audit and Risk Committee received a paper on equality compliance at its September 2013 meeting. A key aspect of this paper was the Annual Progress Report (in relation to Section 75 obligations), which was approved by the Audit and Risk Committee and board for submission to the Equality Commission.

External Auditor

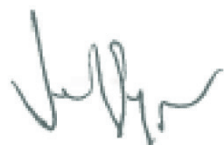
Under section 10 of the Government Resources and Accounts Act (Northern Ireland) 2001, the Comptroller and Auditor General for Northern Ireland is the statutory auditor for the Utility Regulator. The notional charge for this audit service as disclosed in these accounts, is £23k (£23k in 2012-13). There 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 Public Sector Internal Audit Standards), 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.



Jenny Pyper
Accounting Officer
20 June 2014

Sustainability Report

Taking account of sustainability in the Utility Regulator's work

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

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

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

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

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

Key developments relating to sustainability

The Utility Regulator's NISEP Programme targets 80% of its funding towards schemes for customers at risk of fuel poverty. During 2013-14, a total of £9 million was made available to support schemes.

The Utility Regulator has responsibility for administering the Northern Ireland Renewable Obligation (NIRO). The NIRO is a statutory requirement on electricity suppliers to source an increasing amount of their electricity from renewable sources. Suppliers can meet their obligation by either presenting Renewable Obligation Certificates (ROCs) or paying into a buyout fund. ROCs are issued directly to renewable generators. Within the year 2012-13, 762 additional generating stations in Northern Ireland received ROC accreditation (over 90% of which are micro generators). This is a record number of accreditations for generating stations and brought the total accredited generating stations at 31 March 2013 to 3,369. More than 90% of ROCs issued in Northern Ireland went to onshore wind generating stations. For the first time, renewable generation under the Renewables Obligation Scheme exceeded 10% of all UK supplies of electricity.

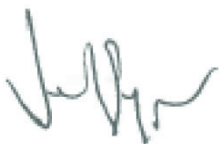
The Utility Regulator administers the Climate Change Levy (CCL) Exemption scheme, issuing Levy Exemption Certificates (LECs) to accredited generators in Northern Ireland and the Republic of Ireland. The CCL is a tax on energy used by businesses. In relation to electricity the tax required suppliers to charge commercial customers an extra £5.24 per MWh in 2013-14. Electricity produced from designated renewable sources is exempt from the CCL.

We accredited a further 62 generators for the CCL Exemption scheme in 2013-14, making a total of 220 accredited generators at 31 March 2014, and audited twelve generators during the year, 6 from each jurisdiction.

Electricity suppliers are required to specify in billing information and promotional materials the contribution of each energy source to the overall fuel mix of the supplier over the previous year. This requirement derives from the EU's IME3 Directive. In addition, suppliers are required to provide information on the environmental impact of their electricity. In July 2013 the Utility Regulator provided suppliers with fuel mix calculations for the year 2012, in an easily comparable format.

The EU's IME3 directives also imposed a number of additional requirements on Member States to ensure consumers are adequately protected in the energy markets. In this regard the Utility Regulator has implemented some of the requirements to protect consumers in energy markets through supply licence modifications. The Utility Regulator has also mandated that all suppliers must comply with a supplier marketing code of practice which has enforceable rules for protecting consumers. This code of practice was developed through a process of extensive stakeholder engagement and consultation. The decision paper was published in March 2014, with the Code coming into effect in June 2014. Additionally, the Utility has also approved interim codes of practice for a range of issues (e.g. payment of bills).

There were several other developments during the year which promoted sustainable development. Firstly, the Competition Commission published its provisional determination on the NIE Transmission and Distribution price control. This determination supported a mechanism that enabled the Utility Regulator to support renewables funding requests. Secondly the Utility Regulator announced £2.3 million of investment to facilitate connections by small-scale renewable generators. Finally, the Utility Regulator published a next steps paper in relation to connection arrangements for offshore generation in Northern Ireland. The paper set out the legal framework and the geographic area that are covered under current licences. The current framework for connection applications and connection charging was also described. The work that needs to be undertaken to ensure that all sources of generation are able to compete on an equal basis in the wholesale market was also identified.



Jenny Pyper
Accounting Officer
20 June 2014

MANAGEMENT COMMENTARY

Operating Review

The Annual Report (produced separately) provides a comprehensive account of the performance of the Utility Regulator during 2013-14, including a detailed commentary on the organisation's achievement against its Forward Work Programme for 2013-14. A printed copy of the Annual Report can be obtained by contacting the Utility Regulator by phone on 028 90311575 or by writing to the Finance and Administration Branch, the Utility Regulator, Queens House, 14 Queens Street, BELFAST, BT1 6ED. Alternatively it can be downloaded free from the Utility Regulator's website www.uregni.gov.uk.

A summary of organisational performance during 2013-14 is outlined below.

Achievement against key duties and objectives

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

- A formal review of the Power NI electricity tariffs was completed on time, and although a rise was inevitable due to wholesale cost pressures, the Utility Regulator worked to ensure it was the least possible given the circumstances.
- Following the rejection of the Utility Regulator's price control determination by NIE Transmission and Distribution the matter was referred to the Competition Commission in April 2013. The Competition Commission published its provisional determination on the NIE Transmission and Distribution price control in November 2013. The Competition Commission published its final determination in April 2014.
- Power NI accepted the Utility Regulator's price control determination which identified around £10.8 million of savings, compared to the company's bid, over the three year price control period. This equates to an annual saving of £6 per year per customer.
- Along with the Department of Enterprise, Trade and Investment, the Utility Regulator published two separate information papers on electricity security of supply in Northern Ireland. These papers set out the factors contributing to the security of supply risk and identified options for addressing the risk.
- The Utility Regulator also published a joint decision, along with the Commission for Energy Regulation, on the Single Electricity Market Operator (SEMO) price control.
- The Utility Regulator consulted on licence modifications to further implement the EU's Third Energy Package of directives (IME3) including, in particular, modifications required in relation to the certification of electricity transmission system operators.
- 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 published its preliminary decision regarding the applications for Transmission System Operator (TSO) certification of Northern Ireland Electricity Limited and Moyle Interconnector Limited.
- More broadly, the SEM Committee has also agreed next steps towards meeting the EU target model for EU energy market integration. In February 2014, the options for the high-level design of the new wholesale electricity market, to be called the I-SEM, were published by the SEM Committee for consultation.

- The Utility Regulator published a further paper on comparative electricity prices, which discussed the main issues arising from our March 2013 paper and commented on the way forward.
- Changes to NIE's statement of charges for connection to the Northern Ireland electricity distribution system were also approved by the Utility Regulator. This included arrangements for generators connecting to the network as part of a group or "cluster" so that they will share network infrastructure.
- An update on arrangements for offshore generation was published by the Utility Regulator in December 2013.
- A consultation on the possible cancellation of generating unit agreements was launched by the Utility Regulator in March 2014.

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.

- SSE Airtricity announced it was leaving its regulated tariffs for Greater Belfast gas consumers unchanged.
- The Utility Regulator initiated a consultation on the conduct of the competitive process to bring gas to the west of Northern Ireland in April 2013. Later, in February 2014, the Utility Regulator launched a competitive licence application process to extend the gas network to the west of Northern Ireland.
- The decision by the Utility Regulator to certify Premier Transmission Ltd (PTL) and Belfast Gas Transmission Ltd (BGTL) as fully ownership unbundled entities was announced in July 2013.
- The major gas distribution network price control operators (PNGL and Firmus Energy (Distribution) Ltd) concluded during 2013-14. The key outcome of the price control was a reduction in charges and the provision of incentive arrangements for new customer connections.
- An update on arrangements for gas transmission tariffs for storage was also published by the Utility Regulator in January 2014.

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

- Arrangements for a six-year price control for NI Water to take effect on 1 January 2015 (called PC15) were significantly advanced.
- The Utility Regulator published a Cost and Performance report in December 2013 which assessed NI Water's performance against efficiency and consumer targets during the price control period 2010-13. This report showed that NI Water reduced prices while improving services.
- The Utility Regulator approved NI Water's Scheme of charges in March 2014. As a consequence, water and sewerage charges for businesses will be reduced by an average of 4%.

Effective and Efficient Regulator

- The Utility Regulator undertook significant work during 2013-14 to develop a new corporate strategy for the period 2014-19. This included a series of workshops and briefings with internal and external stakeholders. A draft corporate strategy was published for consultation in December 2013, along with the draft Forward Work Programme for 2014-15. This was published in finalised form in June 2014.
- The Utility Regulator significantly advanced its engagement with other regulators facilitating information sharing and consistency of approach where appropriate. This included ongoing involvement with the UK Regulators Network and the UK Competition Network. Separately, the Utility Regulator agreed a memorandum of understanding with the Commission for Energy Regulation.
- A review of how the Utility Regulator is organised was initiated during the year. The review is aimed at helping the organisation to deliver its new corporate strategy, work better with its stakeholders and provide opportunities for its staff.
- The Utility Regulator board also undertook an assessment of its effectiveness during the year. The outcome was considered by the board and actions were identified for enhancing the board's effectiveness. Further details on board effectiveness can be found on page 31 of the Governance Statement.

Forward Work Programme Performance

The Forward Work Programme 2013-14 outlines a list of time limited tasks. Overall we achieved or partially achieved 88% of the time limited tasks listed to be completed within the 2013-14 year. Of the 33 tasks identified, the progress report at 31 March 2014 is as follows:

Achieved tasks	20	(60.6%)
Partially achieved tasks	9	(27.3%)
Revised	4	(12.1%)
Ongoing	0	(0%)
Not achieved	0	(0%)

Trends and Strategic Direction

During 2013-14, the Utility Regulator's work was guided by the principles outlined in its 5-year Corporate Strategy, which was published on 31 March 2009. A new Corporate Strategy was developed and consulted on and was in place from 1 April 2014.

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

- The 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. development of a new energy market) and will need to be factored into our plans and priorities.
- Technological and information advances will continue to impact on our work within the regulated industries and companies. Issues such as the roll out of “SMART” metering can have potentially large impacts on regulatory policy and actions.
- The draft corporate strategy for the period 2014-19 was published in December 2013. This focused on addressing three key objectives: encouraging efficient and effective monopolies, promoting efficient and competitive markets and protecting the long-term interests of business and domestic consumers.

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 2013-14 and Internal Audit provided substantial 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) - £4,130,000 (£5,046,000 in 2012-13)
- Segment 2 (Gas) - £2,080,000 (£1,948,000 in 2012-13)
- Segment 3 (Water) - £1,204,000 (£1,296,000 in 2012-13)

The *Statement of Comprehensive Net Expenditure* shows that salary costs decreased from the previous year (£4,619,000 for 2012-13 against £4,363,000 for 2013-14). This reflected the fact

that there was an additional PAYE liability of £128k in 2012-13 coupled with a decrease in staff substitute costs of £166k in 2013-14

The Utility Regulator's net resource outturn was £239k against an estimate of £241k resulting in a saving against estimate of £2k. Overall against estimate, consultancy and administrative costs were lower than originally expected and income was lower as a consequence. A credit arose against a prior year provision, some projects did not require the level of budget initially expected and some unexpected vacancies arose throughout the year. In addition, budget cover was taken for a provision which was not required.

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

Reconciliation of Resource Expenditure between Estimates, Accounts and Budgets

	2013-14	2012-13
	£000	£000
Net Resource Outturn (Estimates)	239	(17)
Net Operating Cost (Accounts)	239	(18)
<i>Adjustments to remove:</i>		
Notional Charges	131	126
Consolidated Fund Extra Receipts in the Statement of Comprehensive Net Expenditure	-	(1)
Resource Outturn (Budget)	108	(143)
Of which		
Departmental Expenditure Limits (DEL)	108	(144)
Annually Managed Expenditure (AME)	-	1

Other current expenditure has decreased from £3,671k in 2012-13 to £3,051k in 2013-14. This is largely as a result of the provision of £900k taken in 2012-13, of which £150k was not required in 2013-14 and written back, with no corresponding provision in 2013-14. This was offset by an increase of £107k in the cost of managing renewable outputs certificate scheme and managed services.

The percentage of staff costs to total costs in 2013-14 of 59% represents an increase from that in 2012-13 of 56%.

Non Current Assets

Details of the movement of non-current assets are set out in Notes 6 and 7 to the Accounts. There were additions of £3k 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 2.70% (2012-13: 2.77%) for the year ended 31 March 2014. The average number of working days lost in 2013-14 per person was 6.8 (2012-13: 6.9) and was significantly impacted by a very small number of longer term sickness absences. Excluding long term absence the absence rate was 1% (2012-13: 0.91%).

Personal Data

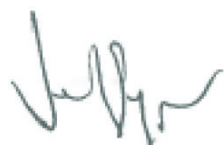
The nature of the Utility Regulator's business only requires it to hold a limited amount of personal data. There have been no incidents relating to this personal data for the year to the 31 March 2014 and up to the date of the signing of the accounts.

Off Payroll Arrangements

The Utility Regulator is required to disclose details of any off-payroll arrangements at a cost of over £58,200 per annum that were in place during 2013-14. The Utility Regulator had no such arrangements in place during 2013-14.

Complaints Handling

Where someone is dissatisfied with the Utility Regulator's procedures or the way in which we have operated them, a complaints procedure is in place. The complaints procedure is published on our website, www.uregni.gov.uk/customerinformation/complaints. The procedure provides for both formal and informal approaches and includes information about our process for dealing with complaints. During 2013-14 we received no complaints.



Jenny Pyper
Accounting Officer
20 June 2014

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 2013-14 comprised a base pay uplift only. There were no non-consolidated bonuses payable to any senior managers in respect of the 2013-14 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 two such appointments were made.

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

Salary and pension entitlements (audited)

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

Remuneration	2013-14				2012-13			
	Salary	Benefits in kind (to nearest £100)	Pension ¹ benefits	Total	Salary	Benefits in kind (to nearest £100)	Pension ¹ benefits	Total
Non Executive Directors	£000	£	£	£000	£000	£	£	£000
Dr William Emery (Non Executive Chairman) (Appointed 1 July 2012)	40-45*	12,700	-	55-60	25-30	6,100	-	30-35
Mr Peter Matthews (Non Executive Chairman) (Until 30 June 2012)	-	-	-	-	5-10	6,900	-	15-20
Mr Alan Rainey (Non Executive Director) (Until 31 August 2013)	5-10*	-	-	5-10	30-35*	-	-	30-35
Mr Richard Rodgers (Non Executive Director)	5-10	-	-	5-10	5-10	-	-	5-10
Mr William Cargo (Non Executive Director)	5-10	500	-	10-15	5-10	700	-	10-15
Mrs Teresa Perchard (Non Executive Director) (Appointed 1 September 2013)	5-10	1,700	-	5-10	-	-	-	-
Mr David Strahan (Non Executive Director) (Appointed 1 September 2013)	5-10	2,800	-	5-10	-	-	-	-

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

Remuneration	2013-14				2012-13			
	Salary	Benefits in kind (to nearest £100)	Pension ¹ benefits	Total	Salary	Benefits in kind (to nearest £100)	Pension ¹ benefits	Total
Non Executive Directors	£000	£	£	£000	£000	£	£	£000
Mr Harold McCracken (Non Executive Director) (Appointed 1 September 2013)	5-10	1,200	-	5-10	-	-	-	-
Mr Clive Elphick (Non Executive Director) (Until 30 September 2012)	-	-	-	-	5-10	6,900	-	10-15
Mr Philip Johnson (Non Executive Director) (Until 30 September 2012)	-	-	-	-	5-10*	14,900	-	20-25
Mr Jim Oatridge (Non Executive Director) (Until 30 September 2012)	-	-	-	-	5-10*	4,800	-	10-15
Other								
Mr Jim Oatridge (Independent Chair of Audit and Risk Committee) (Appointed 1 November 2012)	5-10	2,300	-	5-10	0-5	2,000	-	5-10
Senior Executives								
Mrs Jenny Pyper Chief Executive (Appointed 1 November 2013)	50-55 (full year equivalent 130-135)	-	153,000	205-210	-	-	-	-

Remuneration	2013-14					2012-13				
	Salary	Benefits in kind (to nearest £100)	Pension ¹ benefits	Total	Salary	Benefits in kind (to nearest £100)	Pension ¹ benefits	Total		
	£000	£	£	£000	£000	£	£	£000		
Mr Shane Lynch Chief Executive (Resigned 31 October 2013)	75-80 (full year equivalent 130-135)	-	31,000	105-110	125-130	-	52,000	180-185		
Mrs Jo Aston Director of Water Regulation	90-95	-	3,000	95-100	90-95	-	9,000	100-105		
Mr Donald Henry Director of Corporate Affairs	95-100	-	16,000	110-115	90-95	-	20,000	110-115		
Mr Brian McHugh Director of Gas Regulation	75-80	-	13,000	85-90	75-80	-	16,000	90-95		
Mr Kevin Shiels Director of Retail	70-75	-	8,000	80-85	70-75	-	12,000	80-85		
Ms Tanya Hedley Director of Electricity Regulation	80-85	-	30,000	105-110	75-80	-	32,000	110-115		

Remuneration	2013-14				2012-13			
	Salary	Benefits in kind (to nearest £100)	Pension ¹ benefits	Total	Salary	Benefits in kind (to nearest £100)	Pension ¹ benefits	Total
	£000	£	£	£000	£000	£	£	£000
Band of Highest Paid Director's Total Remuneration	130-135	-	-	-	125-130	-	-	-
Median Total Remuneration	44,108	-	-		43,878	-	-	
Ratio	3.00	-	-		2.91	-	-	

During 2013-14 and 2012-13 basic remuneration for the Chairman was £30k-£35k and for the non-executive directors was £5k-£10k.

¹Includes remuneration for SEM Committee membership – Alan Rainey £0-5k and William Emery £5-10k.

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

Salary and pension entitlements (audited)

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

	Accrued pension at pension age as at 31/03/14 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/14	CETV at 31/03/13	Real increase in CETV
	£000	£000	£000	£000	£000
Mrs Jenny Pyper Chief Executive	35-40 110-115	5-7.5 20-22.5	650	508	117
Mr Shane Lynch Chief Executive	10-15 -	0-2.5 -	142	116	20
Mrs Jo Aston (Director of Water Regulation)	35-40 -	0-2.5 -	598	558	1
Mr Donald Henry (Director of Corporate Affairs)	15-20 45-50	0-2.5 2.5-5	224	200	7
Mr Brian McHugh (Director of Gas Regulation)	10-15 30-35	0-2.5 0-2.5	133	117	5
Mr Kevin Shiels (Director of Retail)	20-25 65-70	0-2.5 0-2.5	345	319	4
Ms Tanya Hedley (Director of Electricity Regulation)	5-10 -	0-2.5 -	94	71	12

Salary

“Salary” includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation and any gratia payments. Non Executive 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 2013-14 financial year.

Northern Ireland Civil Service (NICS) Pension arrangements

Pension benefits are provided through the Northern Ireland Civil Service pension arrangements which are administered by Civil Service Pensions (CSP), for employees who have joined the scheme. Although no directors have elected to do so, UR employees may opt out of the pension arrangements and receive an uplift in lieu of employer pension contributions of 18.5% of base salary. Following auto-enrolment, any new employees will be automatically enrolled in PCSPS (NI) however if those employees opt out of the pension scheme they will not receive an uplift in lieu of pension. Staff in post prior to 30 July 2007 may be in one of three statutory based ‘final salary’ defined benefit schemes (classic, premium, and classic plus). These arrangements are unfunded with the cost of benefits met by monies voted by the Assembly each year. From April 2011 pensions payable under classic, premium and classic plus are increased annually in line with changes in the Consumer Prices Index (CPI). Prior to 2011, pensions were increased in line with changes in the Retail Prices Index (RPI). New entrants joining on or after 1 October 2002 and before 30 July 2007 could choose between membership of premium or joining a good quality ‘money purchase’ stakeholder arrangement with a significant employer contribution (partnership pension account). New entrants joining on or after 30 July 2007 are eligible for membership of the nuvos arrangement or they can opt for a partnership pension account. 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 2014, public service pensions will be increased by 2.7% for pensions which began before 8 April 2013. Pensions which began after 8 April 2013 will be increased proportionately.

Employee contributions are determined by the level of pensionable earnings. The employee contribution rates for the 2014-15 year are as follows:

Members of classic:

Annual pensionable earnings (full-time equivalent basis)	2014 contribution rate before tax relief
Up to £15,000	1.50%
£15,001 - £21,000	3.00%
£21,001 - £30,000	4.48%
£30,001 - £50,000	5.27%
£50,001 - £60,000	6.06%
Over £60,000	6.85%

Members of premium, nuvos and classic plus:

Annual pensionable earnings (full-time equivalent basis)	2014 contribution rate before tax relief
Up to £15,000	3.50%
£15,001 - £21,000	5.00%
£21,001 - £30,000	6.48%
£30,001 - £50,000	7.27%
£50,001 - £60,000	8.06%
Over £60,000	8.85%

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).

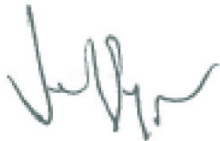
The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos. Further 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.



Jenny Pyper
Accounting Officer
20 June 2014

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 a framework of corporate governance that supports the policies, aims and objectives of the Utility Regulator whilst safeguarding the public funds and Utility Regulator assets. This is in accordance with the responsibilities set out in Managing Public Money Northern Ireland.

The Board

Under Schedule 1 of the Energy (Northern Ireland) Order 2003 (as amended by the Water and Sewerage Services (Northern Ireland) Order 2006), the Utility Regulator board (the board) is required to have a minimum of four members. The board members are appointed by DFP. The board operates in accordance with its Rules of Procedure. The board provides corporate leadership and directs the Utility Regulator's strategic planning. It assists the Chief Executive in meeting her corporate governance responsibilities as Accounting Officer. A governance handbook has been developed which sets out relevant guidelines for board members. This handbook covers such areas as board and board committee terms of reference, board schedule of business, Scheme of Delegation, whistle-blowing guide, Bribery Act, confidentiality, the seven principles of public life, fraud, gifts and hospitality, information governance, risk management strategy and members' interest statement.

Compliance with the Corporate governance in central government departments: Code of good practice NI (The Code)

The Utility Regulator is required to comply with the requirements of The Code and in particular the focus on the role of the board in The Code. Subject to the comments which follow, the Utility Regulator considers that it is broadly compliant with the requirements of The Code. The Audit and Risk Committee (ARC) is chaired by an independent member who has finance and accounting skills but is not currently a board member. However the ARC Chair has served two terms on the board and may attend board meetings to brief the board on the work of the Committee. DFP is aware of this arrangement and we will keep it under review in light of the evolving balance of board skills. We recognise also that a professionally qualified finance director of the Utility Regulator is not a member of the board. However the Utility Regulator Director of Corporate Affairs is a professionally qualified accountant who attends each board meeting and his duties include fulfilling the finance director role.

Board Members Interests

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

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

Matters considered by the board during the period

During this year a key priority for the board has been the development of the Authority's Corporate Strategy 2014-19. This included engagement with external stakeholders through a series of workshops during May and June 2013. A draft strategy for public consultation was issued towards the end of 2013 along with a draft Forward Work Plan (FWP). During the formal consultation on the draft strategy and FWP a stakeholder briefing took place. Following the close of the consultation, the board approved both the strategy and the FWP at its March 2014 meeting.

The board also considered several regulatory price control reviews. Several papers, in respect of the price control for NI Water, were discussed by the board. The board approved both the initial proposals and the subsequent price control determinations for Power NI and gas distribution companies. Other aspects of the Utility Regulator's remit were considered by the board. A range of initiatives related to the implementation of European Directives were considered by the board, including the approval of proposals for licence modifications and certification. The progress of a project to extend the natural gas network to the west of Northern Ireland was also considered by the board. This related to arrangements for the competition to award a licence and the establishment of an evaluation committee to assess proposals. An electricity pricing comparison paper was discussed.

The board also reviewed and discussed the Authority's approach to stakeholder engagement and subsequently endorsed a communications strategy. The board also assessed its effectiveness and agreed a number of actions for further enhancing effectiveness.

Board Committees

Audit and Risk Committee

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

The Committee met four times during 2013-14. As part of its programme of work, the Committee 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 finance and performance reports. It oversees the work of internal audit and receives all reports in draft form for review of recommendations and management responses. It also monitors the implementation of audit recommendations. In addition, the Committee reviews governance related policies in accordance with a timetable of business. In support of this role, the ARC's Chair presented a report to the board in June 2013 on conclusions drawn from its work programme in 2012-13. Matters to be referenced in its report to the board in respect of 2013-14 include the outcome of internal audit reports from the 2013-14 plan, an external equality assessment of internal audit (reporting, overall, a satisfactory service) and arrangements for tendering for a internal audit new provider. Other relevant matters have included a review of the Annual Progress Report on equality for the Equality Commission for Northern Ireland, draft finance and performance reports and risk registers, a self assessment in respect of bribery risk, draft budget for 2014-15, cyber security assessment and a number of updates to governance related policies.

The ARC's membership comprises Jim Oatridge (independent Chair) and Richard Rodgers (non executive board member). Following his appointment to the board on 1 September 2013, David Strahan became a member of the ARC and attended from the November meeting. A number of standing invitees also attend ARC meetings. These include the Chief Executive, the Director of Corporate Affairs, the Head of Internal Audit and representatives from the NIAO.

Remuneration Committee

The board is further supported by the Remuneration Committee. The Remuneration Committee considers and approves any recommendations regarding senior remuneration and also has responsibility for contributing to wider pay and reward policy issues affecting all staff in light of the annual pay remit guidance issued by DFP. It also reviews the profile of performance management markings. The Remuneration Committee met twice during 2013-14 and its membership comprised William Cargo (Chair) and Alan Rainey (until his retirement from the board on 31 August 2013) and, following her appointment to the board on 1 September 2013, Teresa Perchard. The Chief Executive and Director of Corporate Affairs are among those invited to attend as appropriate.

Other Committees

Board Advisory Forum

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

Attendances of the board and board 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 Utility Regulator, was established on the 1 November 2007 jointly between the Commission for Energy Regulation (CER) and the Utility Regulator. The Committee was established following amendments made to the Electricity Regulation Act 1991 and the Electricity Single Wholesale Market (Northern Ireland) Order 2007 in respect of the functions, powers and duties in relation to the regulation of the SEM. The principal objective

of the SEM Committee is to protect the interests of electricity consumers by promoting, when appropriate, effective competition in relation to the sale and purchase of electricity within the SEM.

The membership of the SEM Committee comprises an independent member and a deputy independent member and up to three persons (who must either be a member of the Utility Regulator board or staff) appointed by the Department of Enterprise, Trade and Industry (DETI) after consultation with the Utility Regulator and with the approval of the Minister of Communications, Energy and Natural Resources (being a Minister of the Government of Ireland) ‘the Irish Minister’ and up to three persons (who must be members of the Commission for Energy Regulation) appointed by the Irish Minister with the approval of DETI.

During 2013-14, the SEM Committee met 12 times and there have been no extraordinary meetings.

Board Effectiveness

The board undertook an assessment of its effectiveness during the year. This focused on the completion of a self-assessment questionnaire by board members and the Utility Regulator’s senior management team. The questionnaire asked a series of questions relating to the board’s role and objectives, governance and risk, board composition and operation, board performance and decision-making and review and development. A report on questionnaire findings was presented at the March 2014 meeting of the board and a number of actions, covering areas such as the focus and presentation of board papers, allocation of time to discuss strategic issues, risk management process, board recruitment and board engagement plan, were identified for further enhancing the board’s effectiveness. It was agreed that a report on progress against these actions would be reported on after 3 months.

An informal approach to assessing the effectiveness of board meetings was also introduced towards the end of 2012-13. In this, the Chairman invited board members to comment on the conduct of the board meeting generally, the agenda for the meeting and the quality of the information and data received at board meetings. In this respect, there has been no evidence from this informal feedback to indicate any significant issues.

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, Retail and Water. It meets on a weekly basis to discuss ongoing operational issues and receives papers for review and decision. It also reviews papers, in draft form, to be presented to the board. The board Secretary acts as a secretariat for the Senior Management Team. The Senior Management Team also attends board and BAF meetings.

During the year, a review of the organisational structure was initiated and some initial changes have been made to the scope of director responsibilities in order to ensure better alignment of resources with strategic priorities.

Audit Arrangements

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

The Accounting Officer has taken all the steps that she ought to have taken to make herself aware

of any relevant audit information and to establish that our auditors are aware of that information. For this purpose, 'relevant audit information' is taken to mean information needed by the external auditors in connection with preparing the audit report. So far as she is aware, there is no relevant audit information of which our auditors are unaware.

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

The work of the internal audit is informed by an analysis of the risks to which the organisation is exposed. The Head of Internal Audit has a standing invitation to attend the ARC and presents a rolling three year audit plan, revised annually, for its approval. This takes account of the analysis of risks faced by the organisation. It makes recommendations and provides an overall assurance report each year. Areas covered in 2013-14 included Accounts Payable, Communications, Corporate Governance, Human Resources, Payroll, Price Controls, Project Management and Travel and Subsistence,

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

Overall in 2013-14, internal audit has provided substantial assurance. Public Sector 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 by the Department of Finance and Personnel although the outcome was not known at the time of finalising the 2012-13 accounts. This report has now been received and concluded that overall there was a satisfactory internal audit service being provided which generally conformed with the requirements of the Public Sector Internal Audit Standards. The report proposed a number of actions which the Utility Regulator is in the process of implementing and related to areas such as development of an internal audit charter, consideration of Key Performance Indicators and compliance with Public Sector Internal Audit Standards.

Risk Management

The Risk Management Strategy sets out the Utility Regulator's approach to the management of risk. The strategy draws on the NIAO report on Good Practice in Risk Management (June 2011), HM Treasury Guide on Good Practice in Central Government Departments and the Audit Committee Handbook. The strategy 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 ARC supports the board and Chief Executive by reviewing the risk control processes and periodically reviews risk registers, providing a challenge and advisory role as necessary. The ARC

receives assurances from the Head of Internal Audit on the effectiveness of risk management. A review of the processes for identifying, reporting and managing risks commenced before the year end with a SMT workshop on risk management facilitated by the ARC Chair. Any consequential amendments will be considered by the ARC and board during the early part of 2014-15.

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. The Utility Regulator is jointly tasked with implementing an integrated single electricity market (I-SEM) to be compliant with the European Target Model by 2016. This requires re-design of the current Single Electricity Market and places significant risks on the Utility Regulator in terms of failure to design and implement effectively within the required timescale.

Our aim is to reflect good practice in the 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, ARC and board keep the top risks under review.

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

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

The organisation identified additional key risks in the 2013-14 year in relation to the Gas to the West process and the design and implementation of the I-SEM. These are managed by the relevant directorate and reviewed at board level.

Information Security

The Utility Regulator continues to develop its information management and governance agenda. Our business only requires us to hold a limited amount of personal data. A register of information assets across the organisation is maintained and guidance notes for asset owners in understanding how to classify them are provided. Information awareness sessions are periodically held and staff induction includes an information management briefing. The Information Management Committee oversees related governance issues, keeps policies under review and considers actions arising should a breach of one of the policies occur. Significant IT related work streams are progressed in conjunction with the Northern Ireland Civil Service managed service provider, IT Assist. There have been no significant breaches of information security in year.

Fraud

Fraud is a standing item on the ARC agenda. A specific fraud risk is identified and managed at directorate level. The Utility Regulator also participates in the government wide National Fraud Initiative exercise. There were no cases of fraud identified in 2013-14.

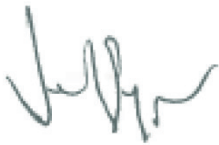
The Accounting Officer's Review of Effectiveness

As the Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, the work of the ARC, the Independent Chair of the ARC and

Northern Ireland Authority for Utility Regulation

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

Although I have been in post for less than six months of the year, the governance system described in this statement has been in place for the whole of the year ended 31 March 2014 and accords with DFP guidance. No significant problems with the governance system arose during the period covered by this statement.



Jenny Pyper
Accounting Officer
20 June 2014

Northern Ireland Authority for Utility Regulation

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 2014 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes. I have also audited the Statement of Assembly Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Northern Ireland Authority for Utility Regulation's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Director's Report, the Sustainability Report, the Management Commentary, the Statement of Accounting Officer's Responsibilities and the Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially consistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Assembly Supply properly presents the outturn against voted Assembly control totals and that those totals have not been exceeded. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on Regularity

In my opinion, in all material respects:

- the Statement of Assembly Supply properly presents the outturn against voted Assembly control totals for the year ended 31 March 2014 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 2014 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, the Management Commentary and the Governance Statement 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
24 June 2014

Statement of Assembly Supply

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

Summary of Resource Outturn 2013-14

Request for Resources	Note	2013-14 £000						Net total outturn compared with Estimate saving/ (excess) £000	2012-13 £000
		Estimate			Outturn				Outturn
		Gross Expenditure £000	Accruing Resources £000	Net Total £000	Gross Expenditure £000	Accruing Resources £000	Net Total £000		Net Total £000
Request for resources A	SOAS 2	8,483	(8,242)	241	7,414	(7,175)	239	2	(17)
Total resources		8,483	(8,242)	241	7,414	(7,175)	239	2	(17)
Non-operating cost Accruing Resources		-	-	-	-	-	-	-	-

Net Cash Requirement 2013-14

	Note	2013-14			Net total outturn compared with Estimate saving/ (excess) £000	2012-13
		Estimate £000	Outturn £000	Outturn £000		Outturn £000
Net cash requirement	SOAS 4	2,303	-	2,303	830	

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).

Total	Note	Forecast 2013-14 £'000		Outturn 2013-14 £'000	
		Income	Receipts	Income	Receipts
	SOAS 5	-	-	245	245

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

The notes on pages 46 to 62 form part of these accounts.

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

SOAS 1. Statement of accounting policies

The Statement of Assembly Supply and supporting notes have been prepared in accordance with the 2013-14 Government Financial Reporting Manual (FReM) issued by the Department of Finance and Personnel. The Statement of Assembly Supply accounting policies contained in the FReM are consistent with those set out in the 2013-14 Consolidated Budgeting Guidance and Supply Estimates in Northern Ireland Guidance Manual.

SOAS1.1 Accounting Convention

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

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

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

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

SOAS3.2 Outturn against final Administration Budget

*See Note 1.8

Gross Administration Budget
Income allowable against the Administration Budget
Net outturn against final Administration Budget

2013-14*		2012-13
Budget	Outturn	Outturn
£'000	£'000	£'000
-	-	-
-	-	-
-	-	-

SOAS4 Reconciliation of net resources outturn to net cash requirement

		2013-14		
		Net total outturn compared with Estimate:		
		Estimate	Outturn	saving/excess
		£000	£000	£000
	Note			
Resource Outturn	SOAS 2	241	239	2
Capital :				
Acquisition of non-current assets	6 & 7	3	3	-
Non-operating Accruing Resources:				
Proceeds of asset disposal	6 & 7	-	-	-
Accruals to cash adjustments:				
Non-cash items	4	(341)	11	(352)
Changes in working capital other than cash	11 & 12	1,500	(1,098)	2,598
Use of provision	13	900	600	300
Excess cash receipts surrenderable to the Consolidated Fund		-	245	(245)
Net Cash Requirement		2,303	-	2,303

The notes on pages 46 to 62 form part of these accounts.

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

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

	Note	Forecast 2013-14		Outturn 2013-14	
		Income	<i>Receipts</i>	Income	<i>Receipts</i>
		£000	£000	£000	£000
Operating income and receipts - excess Accruing Resources		-	-	-	-
Other operating income and receipts not classified as Accruing Resources		-	-	-	-
		-	-	-	-
Non-operating income and receipts - excess Accruing Resources	SOAS 7	-	-	-	-
Amounts collected on behalf of the Consolidated Fund		-	-	-	-
Excess cash surrenderable to the Consolidated Fund	SOAS 4	-	-	245	245
Total income payable to the Consolidated Fund		-	-	245	245

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

		2013-14	2012-13
	Note	£'000	£'000
Operating income	5	7,175	8,308
Income authorised to be Accruing Resources		(7,175)	(8,307)
Operating income payable to the Consolidated Fund	SOAS 5.1	-	1

SOAS7 Non-operating income - Excess Accruing Resources

	2013-14	2012-13
	£'000	£'000
Non-operating income - excess Accruing Resources	-	-
	-	-

The notes on pages 46 to 62 form part of these accounts.

Statement of Comprehensive Net Expenditure for the year ended 31 March 2014

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

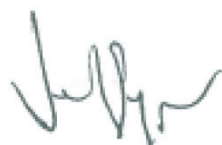
	2013-14	2012-13
	Note	
	Staff Costs	Other Costs
	£000	£000
		Income
		£000
		£000
Programme Costs:		
Staff costs	3	4,363
Other non-staff costs	4	3,051
Operating income	5	(7,175)
Totals		(18)
Net Operating Cost for the year ended 31 March 2014	SOAS 3.1	(18)
Other Comprehensive Net Expenditure		
Items that will not be reclassified to net operating costs:		
Net (gain)/loss on revaluation of Property, Plant and Equipment		-
Net (gain)/loss on revaluation of Intangibles		-
Items that may subsequently be reclassified to net operating costs:		
Net gain/(loss) on revaluation of available for sale financial assets		-
Total Comprehensive Expenditure for the year ended 31 March 2014		(18)

The notes on pages 46 to 62 form part of these accounts.

Statement of Financial Position as at 31 March 2014

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

	Note	31 March 2014		31 March 2013	
		£000	£000	£000	£000
Non-current assets:					
Property, plant and equipment	6	19		24	
Intangible assets	7	-		-	
Receivables falling due after more than one year	11	-		-	
Total non-current assets			19		24
Current assets:					
Trade and other receivables	11	193		1,268	
Cash and cash equivalents	10	1,441		271	
Total current assets			1,634		1,539
Total assets			1,653		1,563
Current liabilities					
Trade and other payables	12	(2,865)		(1,672)	
Provisions	13	(150)		(900)	
Total current liabilities			(3,015)		(2,572)
Non current assets less net current liabilities			(1,362)		(1,009)
Non-current liabilities					
Provisions	13	-		-	
Total non-current liabilities			-		-
Total assets less liabilities			(1,362)		(1,009)
Taxpayers' equity and other reserves:					
General fund			(1,362)		(1,009)
Revaluation reserve			-		-
Total equity			(1,362)		(1,009)



Jenny Pyper
Accounting Officer
20 June 2014

The notes on pages 46 to 62 form part of these accounts.

Statement of Cash Flows for the year ended 31 March 2014

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

		2013-14	2012-13
	Note	£000	£000
Cashflows from operating activities			
Net operating cost	SOAS 3.1	(239)	18
Adjustments for non cash transactions	4	(11)	1,038
(Increase)/Decrease in trade and other receivables	11	1,075	(1,002)
<i>less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>		-	-
Increase/(Decrease) in trade and other payables	12	1,193	(1,662)
<i>less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>			
- Supply amounts due to the Consolidated Fund	12	(926)	796
- Capital accruals		-	-
- CFER amounts due to the Consolidated Fund	12	(244)	233
Use of provisions	13	(600)	(250)
Net Cash outflow from operating activities		<u>248</u>	<u>(829)</u>
Cashflows from investing activities			
Purchase of property, plant and equipment	6	(3)	-
Purchase of intangible assets	7	-	-
Net cash outflow from investing activities		<u>(3)</u>	<u>-</u>
Cash flows from financing activities			
From the Consolidated Fund (Supply) - current year		1,196	1,100
From the Consolidated Fund (Supply) - prior year		-	-
Advances from the Contingencies Fund		863	369
Repayments to the Contingencies Fund		(863)	(369)
Net financing		<u>1,196</u>	<u>1,100</u>
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund			
		1,441	271
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		-	-
Payments of amounts due to the Consolidated Fund		(271)	(1,300)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		<u>1,170</u>	<u>(1,029)</u>
Cash and cash equivalents at the beginning of the period	10	271	1,300
Cash and cash equivalents at the end of the period	10	1,441	271

The notes on pages 46 to 62 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2014

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

	Note	General fund £000	Revaluation Reserve £000	Total Reserves £000
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		(1)	-	(1)
Comprehensive Net Expenditure for the Year	SOAS 3.1	18	-	18
Non-cash adjustments				
Non-cash charges - auditor's remuneration	4	23	-	23
Non-cash charges - other	4	103	-	103
Movements in reserves				
Transfer between reserves		-	-	-
Balance at 31 March 2013		(1,009)	-	(1,009)
Net Assembly Funding - drawn down		1,196	-	1,196
Net Assembly Funding - deemed		-	-	-
Supply (payable)/receivable adjustment		(1,196)	-	(1,196)
CFERs payable to the Consolidated Fund	SOAS 5.1	(245)	-	(245)
Comprehensive Expenditure for the Year	SOAS 3.1	(239)	-	(239)
Non-cash adjustments				
Non-cash charges - auditor's remuneration	4	23	-	23
Non-cash charges - other	4	108	-	108
Movements in reserves				
Transfer between reserves		-	-	-
Balance at 31 March 2014		(1,362)	-	(1,362)

The notes on pages 46 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 2013-14 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 2013-14 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 of electricity, gas and water and sewerage licences as defined under statute. Electricity licence fees are calculated on the basis of a determination made in 2011 by the Utility Regulator. It was decided that one third of the cost of electricity regulation should be charged to the holders of generation licences, one third to the holders of transmission licences and one third to the holders of public electricity supply licences. All licence holders pay a minimum of £1,500. Licence fees are ultimately recovered from electricity customers through an operating cost allowance in the price controls of regulated businesses.

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

Gas licence fees are calculated on the basis of a determination made by the Utility Regulator. Following a consultation process on how gas licence fees should be apportioned it was decided that as from the 2012-13 financial year, all supply licence holders will pay a fixed fee of £1,500, increased annually based on the Retail Price Index (RPI). The remaining gas regulatory costs, net of the fixed supply licence charges, are apportioned between the conveyance licence holders who participate in transmission activities, on the basis of their share of the total forecast volumes transmitted in that year. This reflects a change from the previous methodology for gas licence fees where 80% of the costs of gas regulation were borne by the holders of gas conveyance licences and 20% by the holders of gas supply licences. The holders of conveyance licences who engage in distribution activities previously paid a £50,000 basic fee plus a further amount based on volumes

conveyed. Gas licence fees are recovered from gas customers through an operating cost allowance in the price controls of regulated businesses.

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

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

In addition, the cost of the Consumer Council in dealing with electricity consumer issues was recovered from electricity supply licence holders, on the basis of volumes supplied. The cost of gas consumer issues was recovered from conveyance licence holders who participate in distribution activities, on the basis of their share of the total forecast gas volumes to be distributed in the year. The water and sewerage consumer cost was recovered from the water and sewerage licence holder. For 2013-14 the Utility Regulator collected and passed on to the Consumer Council an amount of £832,156 of which £230,637 was in respect of its electricity functions, £172,978 in respect of its gas functions and £428,541 in respect of its water functions. These licence fees are accounted for in the accounts of the Consumer Council.

1.8 Administration and Programme Expenditure

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

1.9 Net Liabilities

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

1.10 Value Added Tax

VAT is accounted for in accordance with IAS 12. The amount due from HM Revenue and Customs in respect of VAT is included within Receivables in the Statement of Financial Position.

1.11 Foreign Exchange

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

1.12 Notional Costs

Since Resource Accounts are required to show the full cost of delivery of public services, the Statement of Comprehensive Net Expenditure therefore includes certain notional items of expenditure.

1.13 Operating Leases

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

1.14 Pensions and Employee Benefits

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

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

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

1.15 Early Departure Costs

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

1.16 Contingent Liabilities

The Utility Regulator discloses for Assembly reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to the Assembly in accordance with the requirements of Managing Public Money Northern Ireland.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to the NI Assembly separately noted, where relevant. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to the Assembly.

1.17 Financial Instruments

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

1.18 Impending application of newly issued accounting standards not yet effective

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

2 Statement of Operating Costs by Operating Segment

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

	2013-14				2012-13			
	Reportable Segment 1 £000	Reportable Segment 2 £000	Reportable Segment 3 £000	Total £000	Reportable Segment 1 £000	Reportable Segment 2 £000	Reportable Segment 3 £000	Total £000
Gross Expenditure	4,130	2,080	1,204	7,414	5,046	1,948	1,296	8,290
Income	4,034	1,999	1,142	7,175	4,953	2,122	1,233	8,308
Net Expenditure	96	81	62	239	93	(174)	63	(18)

Description of Segments

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

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

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

2.1 Reconciliation between Operating Segments and SoCNE

	2013-14 £000	2012-13 £000
Total net expenditure reported for operating segments	239	(18)
Reconciling items:		
Income	-	-
Expenditure	-	-
Total net expenditure per Statement of Comprehensive Net Expenditure	239	(18)

3 Staff numbers and related costs

Staff costs comprise:

					2013-14	2012-13
					£'000	£'000
	Total	Permanently employed staff	Other	Ministers	Special Advisers	Total
Wages and Salaries	3,510	3,221	289	-	-	3,797
Social Security Costs	342	325	17	-	-	323
Other Pension Costs	511	467	44	-	-	499
Sub Total	4,363	4,013	350	-	-	4,619
Less recoveries in respect of outward secondments	-	-	-	-	-	-
Total net costs*	4,363	4,013	350	-	-	4,619

Of which:

	Charged to Administration	Charged to Programme	Total
Department	-	4,363	4,363
	-	4,363	4,363

*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 2010. The pension scheme liability reported in the DFP Superannuation and Other Allowance Resource Accounts last year was at 31 March 2010, however, work is ongoing to provide a report on an updated valuation as at 31 March 2012 for the basis of the actuarial valuation rolled forward to the reporting date of the DFP Superannuation and Other Resource Accounts for 31 March 2014.

For 2013-14, employers' contributions of £511,404.06 were payable to the PCSPS (NI) (2012-13 - £499,209.09) at one of four rates in the range 18% to 25% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. A new 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 2014-15, the rates will remain in the range 18% to 25%. The contribution rates are set to meet the cost of the benefits accruing during 2013-14 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 (2012-13 £nil) were paid to a stakeholder pension provider. Employer contributions are age-related and range from 3 to 12.5 percent (2012-13 : 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 (2012-13 £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 (2012-

13 £nil). Contributions prepaid at that date were £nil (2012-13 £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 2013-14 an average of 19 (2012-13: average of 19) staff opted out of the pension arrangements at a cost of £140,162.50 (2012-13; £134,483.08). 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. Following auto-enrolment, any new employees will be automatically enrolled in PCSPS (NI) however if those employees opt out of the pension scheme they will not receive an uplift in lieu of pension.

One person (2012-13:0 persons) retired early on ill health grounds; the total additional accrued pension liabilities in the year amounted to £3,749 (2012-13:£nil).

Average number of persons employed

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

	2013-14					2012-13
	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	38.0	34.0	4.0	-	-	35.8
Segment 2						
To promote the development and maintenance of an efficient, economic and co-ordinated gas industry in Northern Ireland	20.2	19.4	0.8	-	-	20.0
Segment 3						
To protect the interests of consumers of water and sewerage services, where appropriate by the promotion of effective competition	15.6	13.6	2.0	-	-	16.5
Total	73.8	67.0	6.8	-	-	72.3

3.1 Reporting of Civil Service and other compensation schemes - exit packages

There were no exit packages awarded in the 2013-14 financial year.

4 Other non-staff costs

	2013-14		2012-13	
	£'000	£'000	£'000	£'000
Rentals under operating leases:				
Property rentals	207		210	
Hire of office equipment	13		12	
		220		222
Non-cash items:				
Depreciation on property, plant and equipment	9		11	
Amortisation on intangible assets	-		-	
Impairment of non current assets	-		1	
Reversal of prior year revaluation	(1)		-	
Auditors' remuneration and expenses	23		23	
Provisions provided in year	-		900	
Provisions not required written back	(150)		-	
Other notional costs	108		103	
Total non-cash items		(11)		1,038
Other Expenditure:				
Consultancy	854		813	
Management of Renewable Outputs Certificate Scheme	590		483	
Property service charges	98		76	
Managed services	853		507	
Communications and Advertising	51		34	
Hospitality	4		2	
Travel and Subsistence	48		75	
Rates	80		79	
Training	43		27	
Utilities	28		24	
IT Costs	43		40	
Exchange Losses	3		3	
Procurement charges	20		-	
Miscellaneous expenditure	127		248	
		2,842		2,411
Total		3,051		3,671

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

5 Income

	2013-14	2012-13
	£000	£000
Electricity Licence Fees	3,473	4,471
Gas Licence Fees	1,999	2,122
Water Licence Fees	1,142	1,233
Miscellaneous Income	561	482
Total	7,175	8,308

6 Property, plant and equipment

2013-14

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

Northern Ireland Authority for Utility Regulation

2012-13

	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

7 Intangible assets

Intangible assets comprise software licences

2013-14	Software Licences
	£'000
Cost or valuation	
At 1 April 2013	16
Additions	-
Disposals	-
Impairments	-
Revaluation	-
At 31 March 2014	16
Amortisation	
At 1 April 2013	16
Charged in year	-
Disposals	-
Impairment	-
Revaluation	-
At 31 March 2014	16
Carrying amount at 31 March 2014	-
Carrying amount at 31 March 2013	-
Asset Financing:	
Owned	-
Carrying amount at 31 March 2014	-
2012-13	Software Licences
	£'000
Cost or valuation	
At 1 April 2012	16
Additions	-
Disposals	-
Impairments	-
Revaluation	-
At 31 March 2013	16
Amortisation	
At 1 April 2012	16
Charged in year	-
Disposals	-
Impairments	-
Revaluation	-
At 31 March 2013	16
Carrying amount at 31 March 2013	-
Carrying amount at 31 March 2012	-
Asset Financing	
Owned	-
Carrying amount at 31 March 2013	-

8 Capital and other commitments

8.1 Capital Commitments

There were no contracted capital commitments at 31 March 2014 (£Nil, at 31 March 2013).

8.2 Commitments under leases

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

	<u>2013-14</u>	<u>2012-13</u>
	£'000s	£'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	96	288
Later than five years	-	-
	<u>288</u>	<u>480</u>
Other		
Not later than one year	2	7
Later than one year and not later than five years	-	2
Later than five years	-	-
	<u>2</u>	<u>9</u>

8.3 Other financial commitments

The Utility Regulator has not entered into any non-cancellable contracts (which are not operating leases) as at 31 March 2014 (£Nil, at 31 March 2013).

9 Financial Instruments

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

10 Cash and cash equivalents

	<u>2013-14</u>	<u>2012-13</u>
	£'000	£'000
Balance at 1 April	271	1,300
Net change in cash and cash equivalent balances	1,170	(1,029)
Balance at 31 March	<u>1,441</u>	<u>271</u>
The following balances at 31 March were held at:		
Government Banking Service	1,441	271
Commercial banks and cash in hand	-	-
Short term investments	-	-
Balance at 31 March	<u>1,441</u>	<u>271</u>

11 Trade receivables and other current assets

Analysis by type	2013-14	2012-13
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	-	14
VAT receivable	126	52
Prepayments and Accrued Income	67	1,202
	193	1,268
Amounts falling due after more than one year:		
Trade receivables	-	-
	193	1,268

11.1 Intra-government balances

	Amounts falling due within one year 2013-14	Amounts falling due within one year 2012-13
	£'000	£'000
Balances with other central government bodies	128	62
Balances with local authorities	-	-
Balances with NHS Trusts	-	-
Balances with public corporations and trading funds	-	-
Subtotal: Intra-government balances	128	62
Balances with other bodies external to government	65	1,206
Total Receivables at 31 March	193	1,268

12 Trade payables and other current liabilities

Amounts falling due within one year	2013-14	2012-13
	£'000s	£'000s
Trade payables	6	6
Other taxation and social security	102	104
Accruals and deferred income	1,316	1,291
Amounts issued from the Consolidated Fund for supply but not spent at year end	1,196	270
Consolidated Fund extra receipts due to be paid to the Consolidated Fund - received	245	1
Consolidated Fund extra receipts due to be paid to the Consolidated Fund - receivable	-	-
	2,865	1,672

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

12.1 Intra-government balances

	<u>2013-14</u>	<u>2012-13</u>
	£'000s	£'000s
Balances with other central government bodies	1,882	618
Balances with local authorities	-	-
Balances with NHS Trusts	-	-
Balances with public corporations and trading funds	-	-
Subtotal: Intra-government balances	<u>1,882</u>	<u>618</u>
Balances with other bodies external to government	983	1,054
Total Payables at 31 March	<u><u>2,865</u></u>	<u><u>1,672</u></u>

13 Provisions for liabilities and charges

	<u>2013-14</u>	<u>2012-13</u>
	£'000s	£'000s
Balance at 1 April 2013	900	250
Provided in the year	-	900
Utilised during the year	(600)	(250)
Provisions not required written back	(150)	-
Balance at 31 March 2014	<u><u>150</u></u>	<u><u>900</u></u>

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

14 Analysis of expected timing of discounted cashflows

	<u>2013-14</u>	<u>2012-13</u>
	£'000s	£'000s
Not later than one year	150	900
Later than one year and not later than five years	-	-
Later than five years	-	-
Balance at 31 March 2014	<u><u>150</u></u>	<u><u>900</u></u>

15 Contingent liabilities

There was no contingent liabilities existing as at 31 March 2014.

16 Losses and Special Payments

There were no losses and special payments requiring disclosure in the 2013-14 financial year.

17 Financial Guarantees, Indemnities and Letter of Comfort

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

18 Related-Party Transactions

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

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

Richard Rodgers is a member of the Utility Regulator's Board and until 31 August 2013 was also Commercial 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 made a successful application to become a primary bidder in its own right in NISEP from 2012-13. Richard Rodgers declared his Carillion role to the Utility Regulator and was not involved in the assessment of NISEP bids and absented himself from any NISEP related Board discussions.

Until 31 May 2013 Richard Rodgers was Director of the Novenso Group, and 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 currently holds the position of Project Director (HEaT) at Strategic Investment Board and is responsible for developing a domestic household energy initiative. Richard Rodgers has declared this role to the Utility Regulator and will consider with the Chairman any possible conflicts as they arise.

Richard Rodgers is also currently Business Development Director at GF Sustainable Limited, an Ireland and UK Energy Services Business in the industrial and commercial sector. Richard Rodgers has declared this role to the Utility Regulator.

Alan Rainey, Utility Regulator Board until 31 August 2013, Harold McCracken, 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 declared his NIE pension to the Utility Regulator and was 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. Harold McCracken has also declared his NIE pension to the Utility Regulator and did not participate in 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.

Northern Ireland Authority for Utility Regulation

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.

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

Teresa Perchard is also Chair of the Scotia Gas Networks Stakeholder Engagement Advisory Panel and has declared this role to the Utility Regulator. Teresa Perchard has not participated in discussions associated with the award of the Gas to the West licence.

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

19 Events after the reporting period

There were no material events post the Statement of Financial Position date for the year ended 31 March 2014.

Date of authorisation for issue

The Accounting Officer authorised these financial statements for issue on 24 June 2014.

ISBN 978-0-9926152-3-9



9 780992 615239 >