

**Northern Ireland Authority
for Utility Regulation
(The Utility Regulator)**

Resource Accounts

**Accounts for the year ended
31 March 2010**

NORTHERN IRELAND AUTHORITY FOR UTILITY REGULATION

RESOURCE ACCOUNTS

For the year ended 31 March 2010

*The Accounting Officer authorised these financial statements for issue on
the 23rd June 2010*

*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*

2nd July 2010

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Northern Ireland Authority for Utility Regulation

Resource Accounts for the year ended 31 March 2010

Contents

Annual accounts

Annual Report

Directors Report	2
Management Commentary	12
Remuneration Report	19
Statement of Accounting Officer's Responsibilities	24
Statement on Internal Control	25
Certificate and report of the Comptroller and Auditor General	29
Statement of Parliamentary Supply	31
Operating Cost Statement	32
Statement of Financial Position	33
Statement of Cash Flows	34
Statement of Changes in Taxpayers Equity	35
Statement of Operating Costs by Departmental Strategic Objectives	36
Notes to the Accounts	37

ANNUAL REPORT

DIRECTOR'S REPORT

These Resource Accounts have been prepared and published by the Northern Ireland Authority for Utility Regulation (the Utility Regulator). The Accounts have been prepared under a direction issued by the Department of Finance and Personnel and in accordance with the guidance set out in the *Government Financial Reporting Manual (FReM)* issued by the Department of Finance and Personnel in 2009-10. The accounts demonstrate the resources that have been used to deliver the Utility Regulator's objectives.

This document should be read in conjunction with the Utility Regulator Annual Report for 2009 – 10, which is published separately and will be available from the Utility Regulator's website (www.uregni.gov.uk).

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

Background to the Utility Regulator

This is the third set of Resource Accounts prepared under the auspices of the Utility Regulator.

The offices of the Director General of Electricity Supply for Northern Ireland and the Director General of Gas for Northern Ireland were abolished on 31 March 2003 and replaced by the Northern Ireland Authority for Energy Regulation, a body corporate empowered under the Energy (Northern Ireland) Order 2003 (the Energy Order) to independently regulate both the electricity and gas industries on behalf of the Crown. The Energy Order also transferred responsibility for electricity complaints and consumer representation to the General Consumer Council for Northern Ireland (the Consumer Council). 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). In relation to water they are set out in the Water and Sewerage Services (Northern Ireland) Order 2006 (the Water and Sewerage Order).

Electricity

The principal objective of the Utility Regulator, in respect of electricity, is to protect the interests of consumers of electricity, wherever appropriate by promoting effective competition. In performing its duties the Utility Regulator must have regard to (among other things) the interests of:

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

Subject to the above, the Utility Regulator shall promote the efficient use of electricity, promote efficiency and economy on the part of licence holders, secure a diverse and viable long-term energy supply and shall have regard to the effect on the environment.

Gas

The principle objective of the Utility Regulator in respect of gas is to promote the development and maintenance of an efficient, economic and co-ordinated gas industry in Northern Ireland. The Utility Regulator must also have regard to (among other things) the interests of consumers of gas and the need to ensure that gas licence holders can properly finance their activities and the interests of:

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

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

Water

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

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

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

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

Management Report

The Board of the Utility Regulator

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

During 2009-10 the Board of the Utility Regulator comprised one executive member (the Chief Executive) and seven non-executive members. The Board is the body that sets the overall strategic direction of the organisation and decides on major policy matters.

Peter Matthews, Chairman of the Board, was originally appointed by the Department of Enterprise, Trade and Investment (DETI) from 1 April 2006 for a term of four years following open competition. His re-appointment by the Department of Finance and Personnel (DFP), for a further term of two years, was announced on 24 February 2010, effective from 1 April 2010. Five other non-executive members, Etain Doyle, Clive Elphick, Christopher Le Fevre, Philip Johnson and James Oatridge were originally appointed by DETI for a period of 3 years, effective from 1 October 2006. The re-appointment of Clive Elphick, James Oatridge and Philip Johnson by DFP, for a further term of three years, was announced on 10 November 2009, effective from 1 October 2009. The re-appointment of Etain Doyle and Christopher Le Fevre by DFP, for a further term of two years, was also announced on 10 November 2009, effective from 1 October 2009. Alan Rainey was also appointed by DETI for a period of 3 years, effective from 1 October 2007.

The Chief Executive, Iain Osborne, was appointed on 15 June 2006, and is the Utility Regulator's Accounting Officer.

From 1 April 2007 onwards, new appointments to the Utility Regulator board are carried out by the DFP in accordance with Article 3 of the Water and Sewerage Services (Northern Ireland) Order 2006.

Board Sub Committees

The Audit Committee

The Audit Committee provides the Chief Executive, as Accounting Officer, and the Board with impartial advice on the effectiveness of the Utility Regulator's governance, risk and control arrangements. In fulfilling this role, the Audit Committee reviews significant issues identified by Internal Audit (IA) and the Northern Ireland Audit Office (NIAO), and invites executive managers to attend and provide an account of action being taken to address these issues.

Membership of the Audit Committee is drawn exclusively from non-executive board members. During 2009-10, the Audit Committee comprised James Oatridge (Chairman), Clive Elphick, Etain Doyle and Christopher Le Fevre. A number of standing invitees also attend Audit Committee meetings. These include the Chief Executive, the Director of Corporate Affairs, the Head of Internal Audit and representatives from the NIAO.

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

The Audit Committee met four times during 2009-10.

The Remuneration Committee

The Remuneration Committee considers and approves recommendations regarding the remuneration of the Chief Executive and senior staff. It also has responsibility for contributing to wider pay policy issues affecting all staff.

The Remuneration Committee comprised the following non-executive directors during 2009-10: Etain Doyle (Chairman) and Philip Johnson. Alan Rainey and Christopher Le Fevre also joined the Remuneration Committee on 1st March 2010. Peter Matthews also normally attends Remuneration Committee meetings.

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

	The Board	Audit Committee	Remuneration Committee
Peter Matthews	9/9	–	–
Etain Doyle	7/9	4/4	6/6
Clive Elphick	7/9	2/4	–
Jim Oatridge	7/9	4/4	–
Alan Rainey	9/9	–	–
Chris LeFevre	7/9	4/4	–
Philip Johnson	9/9	–	6/6

Other Committees

Board Advisory Groups

Board Advisory Groups (BAGs) were established for Water and Energy. The membership of these BAGs is made up of non-executive directors, with relevant sectoral experience. The BAGs are designed to provide detailed scrutiny of key policy issues in support of the decision making processes at board level.

The Water BAG comprised the following non-executive directors during 2009-10: Clive Elphick (Chairman), Peter Matthews and James Oatridge.

The Energy BAG comprised the following non-executive directors during 2009-10: Christopher Le Fevre (Chairman), Etain Doyle, Philip Johnson and Alan Rainey.

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

	Energy BAG	Water BAG
Peter Matthews	-	6/6
Clive Elphick	-	6/6
Jim Oatridge	-	2/6
Alan Rainey	5/5	-
Chris Le Fevre	5/5	-
Philip Johnson	5/5	-
Etain Doyle	5/5	-

Statutory Committees

Single Electricity Market (SEM) Committee

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

The primary function of the SEM Committee is ‘the taking of any decision as to the exercise of a relevant function of the Commission for Energy Regulation (CER) or the Northern Ireland Authority for Utility Regulation (the Utility Regulator) in relation to a SEM matter on behalf of CER and the Utility Regulator by the SEM Committee as the case may be’.

Iain Osborne, Dermot Mac Cann (the Director of Electricity) and Alan Rainey were appointed to serve as the Utility Regulator members on the SEM Committee. Members are appointed for a term not exceeding 5 years.

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

During 2009-10, the SEM Committee met 11 times.

As well as their involvement through board and board Sub-Committee meetings during the year, the Chairman and Non Executive board members contributed extensively to the Utility Regulator’s business. This included attendance at Utility Regulator seminars and briefings, meetings with external stakeholders, attendance at conferences and seminars.

Details of the remuneration of Utility Regulator board members are provided on page 19.

The Senior Management Team

The Senior Management Team comprises the Chief Executive, the Directors of Electricity, Gas, Water and Corporate Affairs and the Head of Legal Services. The Board Secretary acts as a secretariat to the Senior Management Team, which meets weekly and decides - subject to the direction provided by the Board - on all policy and operational issues.

Departmental Accounting Boundary

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

The Utility Regulator Reporting System

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

A FWP for 2009-10 was consulted on and published (and can be accessed from the Utility Regulator's website, www.uregni.gov.uk). It described the Utility Regulator's objectives, identified the main priorities for meeting those objectives and outlined the specific projects and tasks which the organisation planned to undertake in the year commencing 1 April 2009. 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 2009-10, 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 Parliament 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 (DRD) to Northern Ireland Water (NIW) 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 2009-10 was £6.342 million (this figure represents the net amount after deducting fees already overpaid by licensees in respect of 2008-09).

Pension Liabilities

In the year under review a small proportion of Utility Regulator staff were on loan from DETI, the DFP or DRD. These staff represent about 11% of the overall staff complement at the 31st March 2010.

Those staff on-loan from their parent departments and those directly recruited have access to the Northern Ireland Principal Civil Service Pension Scheme (PCSPS (NI)) and the Utility Regulator bears the cost of pension provision for those staff choosing to access this scheme by payment of an Accruing Superannuation Liability Charge (ASLC). The directly recruited staff of the Utility Regulator who have elected not to join PCSPS (NI) are employed on a permanent, non-pensionable basis.

Details of pension liabilities can be found in the accounting policy, note 1.13, the Remuneration Report for senior managers and the Board and in note 10 to the financial statements.

Equal Opportunities

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

Disabled Persons

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

Employee Involvement

The Utility Regulator recognises the benefit of keeping all its employees regularly informed about progress towards achieving its aims and objectives. A Staff Representative Committee (established in September 2009) provides an opportunity for the Utility Regulator staff to have a say and be involved in organisational development, and it met 4 times during 2009/10. The Staff Committee that previously carried out these functions has continued to meet to deal with matters not related to terms and conditions of employment, and it met 6 times.

Moreover, a staff survey was conducted in March 2010. The survey collected views on the various aspects of working at the Utility Regulator, and will be used to inform organisational development initiatives.

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. Circulating a Health and Safety Policy Statement and associated organisational and other arrangements to staff, to ensure safe and healthy working conditions, is a key aspect of the Utility Regulator's health and safety commitments.

Payment to Suppliers

The Utility Regulator is committed to the prompt payment of bills for goods and services received in accordance with the Late Payment of Commercial Debts (Interest) Act 1998 and British Standard BS 7890 – Achieving Good Payment Performance in Commercial Transactions. Unless otherwise stated in the contract, payment is due within 30 days of the receipt of the goods or services, or on presentation of a valid or undisputed invoice or similar demand, whichever is later. During the year, 98% of undisputed invoices were paid within this standard. In line with other NI departments and following Dear Accounting Officer (DAO) 12/08 guidance, the Utility Regulator has aimed to promptly pay invoices within a 10 day target. In the past year 98% of invoices have been paid within 10 days of approval.

Equality Scheme

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

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

External Auditor

Under section 10 of the Government Resource and Accounts Act (Northern Ireland) 2001, the Comptroller and Auditor General for Northern Ireland is the statutory auditor for the Utility Regulator. The notional charge for this audit service as disclosed in these accounts is £15k (£15k in 2008-09). During 2009/10, the IFRS shadow accounts were produced and audited and the notional charge for this service disclosed in these accounts is £2.5k.

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

Internal Audit

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

Register of Interests

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

SUSTAINABILITY REPORT

Taking account of sustainability in the Utility Regulator's work

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

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

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

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

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

Key developments relating to sustainability

A major review of the Energy Efficiency Levy programme was undertaken. Following a public consultation, it was agreed that: the programme should be re-launched as the NISEP, the number of organisations permitted to participate should be expanded, programme funding would also be made available for renewable energy measures (alongside energy efficiency measures), there would be greater transparency for customers who benefits from the programme – in terms of the source of funding, and, the scheme will be reviewed again in three years.

The Utility Regulator's Social Action Plan was published in November 2009. Implementation of the Plan has focused on removing barriers to services for vulnerable customers and financial vulnerability (e.g. regulating utility suppliers to ensure only efficient costs are passed through to customers).

A major project was commenced to help customers avoid/ manage debt. A workshop involving a range of stakeholders took place to gather views on addressing the issue. Additionally, research was conducted to assess best practice approaches to addressing debt elsewhere, and collate the experiences of Northern Ireland customers.

Acting in conjunction with the CER, the energy regulator in the Republic of Ireland, the Utility Regulator has developed a methodology to enable electricity suppliers to publish their fuel mix on their customer bills. This helps customers to assess the relative environmental impact of the electricity they purchase.

MANAGEMENT COMMENTARY

Operating Review

The Annual Report (produced separately) provides a comprehensive account of the performance of the Utility Regulator during 2009-10, including a detailed commentary on the organisation's achievement against its Forward Work Programme for 2009-10. 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](http://www.uregni.gov.uk) .

A summary of organisational performance during 2009-10 is outlined below.

Achievement against key duties and objectives

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

- A review of the NIE Energy electricity tariffs led to a further 5% decrease for domestic customers.
- The SEM continues to deliver outcomes broadly in line with a competitive environment, as very lower prices and a reduction in electricity demand have mapped directly through to the wholesale System Marginal Price which reached records lows in 2009.
- A NIE Energy price control for 2010-11 was completed and generated further savings for customers.
- Consultation took place on the potential cancellation of Generating Unit Agreements between NIE Power Procurement Business and power generators in Northern Ireland.
- An inquiry into business electricity tariffs was announced in November 2009 and concluded in March. The inquiry report made recommendations to: improve customer understanding of bills, enhance customer communications generally and promote more effective wholesale risk management.
- As a means of promoting transparency on retail competition a stakeholder group, the Market Opening Senior Stakeholder Group, was established and the Utility Regulator also published its first Annual Energy Retail report.

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.

- An updated Cost Benefit Analysis for the Common Arrangements for Gas programme was published in April 2009, which confirmed the strategic benefits for advancing the programme.

- In conjunction with the Northern Ireland gas distribution companies, Phoenix Natural Gas Ltd and Firmus Energy, the Utility Regulator instigated a Cost Reporting project. It is anticipated that the project will create a consistent template for the distribution companies to report against on an annual basis.
- Price controls relating to Firmus Energy distribution and Phoenix Supply Ltd were undertaken during the year.
- A review of Phoenix Supply Ltd tariffs in September 2009 led to a 19% reduction for domestic customers.

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

- Following a draft determination and a public consultation, a final determination setting out price caps and allowed revenues for Northern Ireland Water was published in February 2010.
- Action by NI Water in addressing significant weaknesses in planning and governance procedures continued to be monitored, and the water company provided quarterly reports outlining progress made
- The first Scheme of Charges based on the price determination for NI Water was approved in March 2010.

Effective and Efficient Regulator

- A review of board effectiveness was instigated during 2009.
- A set of accounts prepared to International Financial Reporting Standards in shadow form were audited by the Northern Ireland Audit Office.
- A stakeholder engagement programme involving activities with a wide range of organisations using various formats was delivered.
- An initiative to improve information governance arrangements within the Utility Regulator was advanced during the past year and led to the formation of a cross-directorate committee.

Forward Work Programme Performance

The Forward Work Programme 2009-10 outlines a list of time limited tasks. Overall we achieved or partially achieved 86% of the time limited tasks listed to be completed within the 2009-10 year. Of the 96 tasks identified, the progress report at 31 March 2010 is as follows:

Achieved tasks -	61 (64%)
Partially achieved tasks -	22 (23%)
Revised -	11 (11%)
Ongoing -	2 (2%)
Not achieved	0 (0%)

Trends and Strategic Direction

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

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

- Wholesale costs of energy – these have been high and volatile and contribute to significant price rises to end users and to wider social problems such as fuel poverty. We need to develop strategic responses to alleviating these where possible.
- Delivering effective competition – we will be seeking to further develop competition, particularly in relation to gas and electricity retail markets, to contribute to cost reduction, innovation and incentivising regulated companies to be more efficient.
- Assimilating the regulation of water and sewerage into our organisation – the formal economic and consumer regulatory framework for these services is relatively new, both to NI Water, and also to the Utility Regulator. We will be working to deliver effective regulation in this area.
- Sustainability challenges – these are covered above and will be a key area for resource and priority action.
- The trend towards “internationalisation” – developments in cross-border and inter-state regulation will continue to affect the work of the Utility Regulator. Much of this is driven by EU legislation and policy (e.g. EU renewable generation targets) and will need to be factored into our plans and priorities.
- Technological and information advances will continue to impact on our work within the regulated industries and companies. Issues such as the roll out of “SMART” metering can have potentially large impacts on regulatory policy and actions.

Risk Management

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

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

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

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

The Statement on Internal Control provides a summary of the risk management process. There were no significant internal control problems in 2009-10 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 Departmental Aim and Objectives* was as follows:

- Objective A (Electricity) - £3,089,000 (£2,765,000 in 2008-09)
- Objective B (Gas) - £1,551,000 (£1,538,000 in 2008-09)
- Objective C (Water) - £1,995,000 (£2,110,000 in 2008-09)

The *Operating Cost Statement* shows that salary costs rose in line with the increase in staff numbers and inflation from the previous year (£4,101,000 for 2009-10 against £3,545,000 for 2008-09).

The Utility Regulator's net resource outturn was £305k against an estimate of £343k resulting in a saving against estimate of £38k.

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

Reconciliation of Resource Expenditure between Estimates, Accounts and Budgets

	2009-10	2008-09
	£000	£000
Net Resource Outturn (Estimates)	305	288
<i>Adjustments to additionally include:</i>		
IFRS prior period adjustment	(12)	3
Consolidated Fund Extra Receipts in the OCS		
Net Operating Cost (Accounts)	293	291
<i>Adjustments to remove:</i>		
Notional Charges	28	56
<i>Adjustments to additionally include:</i>		
Other Consolidated Fund Extra Receipts		-
Resource Outturn (Budget)	265	235
Of which		
Departmental Expenditure Limits (DEL)	265	235
Annually Managed Expenditure (AME)		

Other current expenditure has reduced from £2,868k in 2008/09 to £2,534k in 2009/10. This reflects both a reduction in consultancy costs and a decrease in organisational running costs.

The percentage of staff costs to total costs has risen from 55% in 2008/09 to 62% in 2009/10. This reflects the increase in staff towards the approved complement.

There were no contingent liabilities in 2009/10.

Non Current Assets

Details of the movement of non-current assets are set out in Notes 13 & 14 to the Accounts. There were £41k of additions to property, plant and equipment during the financial year consisting of leasehold improvements and the purchase of computer equipment and furniture.

Governance

Code of Good Practice on Corporate Governance in Central Government Departments

The Utility Regulator operates within the context of the provisions of HM Treasury's Code of Good Practice on Corporate Governance in Central Government Departments.

Ministerial arrangements

The Utility Regulator, a body corporate, established by the Energy (Northern Ireland) Order 2003 as amended by the Water and Sewerage Services (Northern Ireland) Order 2006 is a non-ministerial government department. Its status as a non-ministerial government department ensures that the regulation of the electricity and gas industries and water and sewerage services is fair and impartial and conducted within parameters established by Ministers. The Utility Regulator is directly accountable to the Northern Ireland Assembly.

Article 5 of the Water and Sewerage Services (Northern Ireland) Order 2006 enables the Utility Regulator to produce an annual report to DRD that is combined with the annual report to DETI prepared under Article 6 of the Energy (Northern Ireland) Order 2003. This combined report will continue to be laid before the Assembly by DETI.

The Utility Regulator Board

The Utility Regulator Board consists of eight members (a non-executive chairman, six other non-executive members and an executive member – the Chief Executive).

Under the enabling legislation all non-executive directors including the chairman have equal authority.

The Chief Executive oversees the day to day running of the organisation and is the Utility Regulator's Accounting Officer.

The Board provides the strategic management of the Utility Regulator. Its responsibilities include:

- forming the Utility Regulator vision and setting high-level objectives;
- setting strategic direction and deciding priorities for the Utility Regulator;

- shaping the Utility Regulator's underpinning behaviours, policies, processes and structures;
- leading and promoting change to secure improved performance;
- reviewing overall business planning and performance;
- ownership and management of key strategic risks; and
- leading horizon scanning and scenario planning.

Its primary purpose is to discuss and review key operational and strategic matters including the development of the future strategy for the organisation.

Additional objectives of the Board include:

- contributing at an early stage to the development of strategic and operational proposals;
- providing advice on the achievement of performance objectives;
- assessing and advising on the management of risk, supported by the Audit Committee;
- encouraging enterprise and innovation; and
- overseeing the Utility Regulator's governance arrangements.

The Board met nine times during 2009-10 and its minutes are published on the Utility Regulator's website (www.uregni.gov.uk).

The Chairman leads an annual evaluation of the performance of the Board. Every two years, the Board considers its remit, constitution and operating procedures.

It is supported by:

- Board Advisory Groups encompassing energy and water

The Board currently has three committees that reports to it on a regular basis:

- Audit Committee
- Remuneration Committee
- SEM Committee

On appointment non-executive Board members undertake a structured induction process organised within the Utility Regulator.

Structure of the Utility Regulator

The organisational structure of the Utility Regulator is based on six work areas: Electricity, Gas, Retail, Water, Chief Executive's Office and Corporate Affairs.

Relationships with Arms Length Bodies

The Utility Regulator has no arms length bodies.

Declaration of Interests

The Utility Regulator also maintains a register of non-executive directors interests which is available for inspection on request.

Sickness absence data

The overall absence rate (the number of days of absence as a percentage of the total available workings days) was 1.9% for the year ended 31st March 2010.

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 31st March 2010.



Iain Osborne
Accounting Officer:
23rd June 2010

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 while the remuneration for the Chief Executive post was approved by the Utility Regulator's Remuneration Committee. The remuneration payable to Directors is also approved by the Remuneration Committee. Further information on the Remuneration Committee can be found in the Annual Report, page 4. The non executive member of the SEM Committee was appointed by DETI and the salary level and terms for this post were also set by DETI.

The Utility Regulator also operates within the context of the public sector pay remit determined by the NI Executive. The pay award for senior managers 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 2009/10 comprised a base pay uplift only. There were no non-consolidated bonuses payable to any senior managers in respect of the 2009/10 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 until they reach the normal retiring age of 60. 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.

The Utility Regulator, a body corporate as described in the Energy Order. 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 13 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 salary and benefits in kind of the senior officials of the Utility Regulator were as follows:

	2009-10		2008-09 (Restated)	
	Salary (excluding benefits in kind) £000	Benefits in kind	Salary (excluding benefits in kind) £000	Benefits in kind
Authority members and senior management team				
Mr Peter Matthews** (Non Executive Chairman)	35-40	6,455*	30-35	7,947*
Ms Etain Doyle** (Non Executive Director)	10-15	2,529*	5-10	2,795*
Mr Clive Elphick** (Non Executive Director)	10-15*****	4,062*****	5-10	7,852*
Mr Philip Johnson** (Non Executive Director)	10-15	5,212*	5-10	9,928*
Mr Christopher Le Fevre** (Non Executive Director)	15-20***	5,071*	10-15	5,703*
Mr Jim Oatridge** (Non Executive Director)	10-15	3,191*	5-10	7,121*
Mr Alan Rainey** (Non Executive Director)	20-25***	116*	20-25***	28*
Mr Iain Osborne Chief Executive	135-140	-	140-145#	-
Mr Dermot MacCann Director of Electricity Regulation Senior Price Control Adviser (Partially retired 15th March 2010)	80-85	-	80-85#	-
Mr Shane Lynch Director of Electricity Regulation (Appointed 14th September 2009)	50-55 (85-90 full year equivalent)	-	-	-
Mrs Jo Aston Director of Water Regulation	85-90	-	90-95#	-
Mr Donald Henry Director Corporate Affairs	85-90	-	90-95#	-
Mr Brian Mc Hugh Director of Gas Regulation	70-75	-	70-75#	-
Mr J P Irvine Head of Legal Services	55-60	-	55-60#	-
Mr Kevin Shiels Acting Director of Retail	65-70	-	-	-

* Taxable value of home to office costs + overnight accommodation and expenses incurred by members of the Authority.

** Part time non-pensionable appointments

*** Includes payment for additional duties undertaken

**** Includes £2,174 of accrued expenses which will be taxed in 10/11 financial year

Includes performance pay in respect of 08/09 financial year

***** £10,141.97 (net) was also payable to Elphick Consulting for additional advisory work undertaken

Salary and pension entitlements (audited)

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

Pension Benefits 2009-2010

	Real increase in Pension and related lump sum at age 60 (65 for Nuvos) £000	Accrued pension at age 60 (65 for Nuvos) as at 31/03/10 and related lump sum plus pension and lump sum taken on partial retirement £000	CETV** At 31/3/10 £000	CETV At 31/3/09 £000	Real increase in CETV (nearest £000)
Ministers					
<i>None</i>					
Officials					
Mr Peter Matthews (Non Executive Chairman)	Non-pensionable	N/A	N/A	N/A	N/A
Ms Etain Doyle (Non Executive Director)	Non-pensionable	N/A	N/A	N/A	N/A
Mr Clive Elphick (Non Executive Director)	Non-pensionable	N/A	N/A	N/A	N/A
Mr Philip Johnson (Non Executive Director)	Non-pensionable	N/A	N/A	N/A	N/A
Mr Christopher Le Fevre (Non Executive Director)	Non-pensionable	N/A	N/A	N/A	N/A
Mr Jim Oatridge (Non Executive Director)	Non-pensionable	N/A	N/A	N/A	N/A
Mr Alan Rainey (Non Executive Director)	Non-pensionable	N/A	N/A	N/A	N/A
Mr Iain Osborne Chief Executive	12.5-15 42.5-45	15-20 55-60	268	53	40
Mr Dermot MacCann* Director of Electricity Regulation	(30-32.5) (95-97.5)	30-35 Lump sum already taken	67	738	(695)
Mr Shane Lynch Director of Electricity Regulation	0-2.5 -	0-5 -	13	-	11
Mrs Jo Aston Director of Water Regulation	(15-17.5) (62.5-65)	0-5 -	67	338	(321)
Mr Donald Henry (Director Corporate Affairs)	0-2.5 5-7.5	10-15 30-35	148	104	29
Mr Brian Mc Hugh (Director of Gas Regulation)	0-2.5 2.5-5	5-10 20-25	76	53	15
Mr J P Irvine Head of Legal Services	0-2.5 -	0-5 -	15	6	7
Mr Kevin Shiels Acting Director of Retail	5-7.5 20-22.5	15-20 55-60	275	151	104

* Includes pension in payment of £30k - £35k

** The figures may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with the Occupational Health Pension Schemes (Transfer Values) (Amendment) Regulations 2009
CETV figures used in these accounts are exclusive of any GMP adjustments.

Salary

“Salary” includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance (including benefits in kind) to the extent that it is subject to UK taxation and any gratia payments.

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.

Northern Ireland Civil Service (NICS) Pension arrangements

Pension benefits are provided through the Northern Ireland Civil Service pension arrangements which are administered by Civil Service Pensions (CSP). Staff in post prior to 30 July 2007 may be in one of three statutory based ‘final salary’ defined benefit schemes (classic, premium, and classic plus). These arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index (RPI). New entrants joining on or after 1 October 2002 and before 30 July 2007 may 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 an ‘earned pension’ 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%. Earned pension benefits are increased annually in line with increases in the RPI and attract annual pension increase. However in line with RPI for September 2009 being in the negative, there will be no other increase for any public sector pensions in 2010.

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years’ pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly in the same way as in classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer’s basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

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.

Partial Retirement

Dermot MacCann took partial retirement on the 15th March 2010 and is no longer a member of the Senior Management Team.



Iain Osborne
Accounting Officer
23rd June 2010

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, resources applied to objectives, statement of changes in taxpayers equity and cash flows for the financial year.

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

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

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

STATEMENT ON INTERNAL CONTROL

1. Scope of responsibility

As Accounting Officer I have responsibility for maintaining a sound system of internal control that supports the achievement of the Utility Regulator's policies, aims and objectives, whilst safeguarding the public funds and Utility Regulator assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money Northern Ireland.

The Utility Regulator Board approves the Utility Regulator's financial and operational Budget and Forward Work Programme and is kept informed of performance against relevant targets during the course of the year.

Further checks and balances are provided by Internal and External Audit and by the Utility Regulator Audit Committee and appropriate records of meetings are maintained.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Utility Regulator's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Utility Regulator for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with Department of Finance and Personnel guidance.

3. Capacity to handle risk

The risk management strategy provides detail on risk management activity across the Utility Regulator. It provides a framework for the management of risk and promotes a consistent approach across the organisation. The risk management cycle in the Utility Regulator encompasses both a "top-down" and "bottom-up" approach. This approach allows risks to be identified and managed and escalated as appropriate.

The Utility Regulator has established the following processes to ensure that leadership is given to the risk management process and that risk is managed in an appropriate manner: -

- Members of the Utility Regulator's board met 9 times in 2009/10 to consider its plans and overall strategic direction. Board Advisory groups meet separately to consider sector specific issues;
- The Utility Regulator has both a Chief Executive and Accounting Officer and a Non Executive Chairman;
- The Utility Regulator's senior staff meet weekly to review key issues and risks as they arise;

- The board's Audit Committee meets at least 4 times each year and risk is a standing agenda item;
- The Annual Report reports on performance against targets set out in the Forward Work Programme;
- In-house Legal Counsel are employed;
- Procurement and tendering processes are based on Central Procurement Directorate (DFP) guidance;
- The Corporate Affairs Directorate is led by a fully qualified accountant;
- The Utility Regulator has an integrated accounting system with reporting modules in order to improve the provision of management information; and
- The Utility Regulator has outsourced aspects of its IT function to DETI ISU/IT Assist to improve levels of service and to facilitate compliance with NICS IT procedures and regulations.

4. The Risk and Control Framework

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

- Corporate – High level risks for the Utility Regulator managed by the senior management team and considered by the Audit Committee; and
- Directorate Level – key risks identified and managed by Directors and their management teams.

The Utility Regulator manages risk by:

- the consistent identification, assessment and prioritisation of risk, with clear assignment of accountability for management;
- the structured selection and implementation of measures to treat the risk, involving all relevant parties as appropriate;
- the appropriate escalation, monitoring and reporting to ensure information on risks, controls, and progress of planned actions is made available on a timely basis; and
- managers providing appropriate assurance that risk management responsibilities and processes have been discharged and that risks are being managed as intended.

The Corporate Risk Register evaluates the likelihood and impact of occurrence and also assesses the controls in place to manage those risks. Further actions to improve controls are agreed where appropriate. The ownership of each risk has been allocated to appropriate staff.

The Utility Regulator identifies, evaluates and controls risks through a number of mechanisms including:

- a detailed annual budget with key outputs identified in the Forward Work Programme. The Utility Regulator management, the Audit Committee and the Board monitor in-year performance;
- a formal risk management strategy that identifies key risks and their consequences. These are recorded in a risk register and current risk status is reviewed regularly by the senior management team and the Audit Committee which reviews the Corporate Risk register and reports to the Authority's Board accordingly;
- a properly constituted Audit Committee which reports directly to the Board;
- independent Internal Audit which reports to the Audit Committee to standards defined in the Government Internal Audit Manual and agrees a rolling programme of audits for each year with the Audit Committee;
- the Audit Committee conducts a yearly review of the audit programme, including an assessment of general risk, and an opinion on the adequacy and effectiveness of the system of internal control together with recommendations for improvement;
- the Utility Regulator consults fully with its stakeholders before finalising its decisions on key issues; and
- periodic review of risk management within the Utility Regulator by Internal Audit.

The Utility Regulator has further progressed its information management and governance agenda. The nature of the Utility Regulator's business only requires it to hold a limited amount of personal data. We have identified the owners of information assets across the organisation, issued guidance notes for information owners to assist them in understanding how to classify their information assets and held workshops to assist information owners with the classification and risk assessment of their information assets. A draft information asset register has been produced and actions to progress the implementation of further information management policies and controls are being identified. Work to develop an overall IT strategy for the Utility Regulator is also ongoing and that will provide a vehicle for identifying and progressing further IT related workstreams.

5. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. Directors also provide me with Assurance Statements commenting on the adequacy and effectiveness of the control environment at year-end. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the board, the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The main duties of the Audit Committee include the following:

- to examine the manner in which management ensures and monitors the adequacy of the nature, extent and effectiveness of accounting and internal control systems;
- to monitor relationships with NIAO auditors, particularly, to ensure that there are no restrictions on the scope of the statutory audit and to review the activities, findings conclusions and recommendations of the NIAO auditors;
- to review management response and compliance with the results of external and internal audit activity;
- to review arrangements established by management for compliance with regulatory and financial reporting requirements; and
- to review the scope and nature of the work of the Internal Audit service which shall be in accordance with predetermined standards of internal audit.

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

The analysis of risk and the internal audit plans are endorsed at the Authority's Audit Committee meeting. The Head of Internal Audit (HIA) provides the Audit Committee with reports on internal audit activity within the Authority. The Annual Assurance Reports for the Utility Regulator includes the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the risk management, control and governance processes.

6. Significant Internal Control Issues

For 2009-10, Internal Audit has provided me with substantial assurance, in overall terms, regarding the adequacy and effectiveness of the risk management, control and governance processes for the Utility Regulator. Action plans are put in place to address audit recommendations.

The Audit Committee ensures that appropriate action is taken to address internal and external findings raised throughout the year.



Accounting Officer:
Iain Osborne
23rd June 2010

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 2010 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement, the Statement of Financial Position, the Statement of Cash flows, the Statement of Changes in Taxpayers' Equity, the Statement of Operating Costs by Departmental Strategic Objectives 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 the financial statements in accordance with applicable law and 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 Department's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Department; and the overall presentation of the financial statements.

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

Opinion on Regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them.

Opinion on Financial Statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2010 and of its net cash requirement, net resource outturn, net operating cost, cash flows, changes in taxpayers' equity and net operating costs applied to departmental strategic objectives 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 and the Management Commentary included within the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.



KJ Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU

24th June 2010

Statement of Parliamentary Supply

Summary of Resource Outturn 2009-10

		2009-10 £000							2008-09 £000
		Estimate			Outturn			Net total outturn compared with Estimate saving/ (excess)	Outturn
Request for Resources	Note	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	3	7,374	(7,031)	343	6,647	(6,342)	305	38	288
Total resources		7,374	(7,031)	343	6,647	(6,342)	305	38	288
Non-operating cost Accruing Resources									

Net Cash Requirement 2009-10

		2009-10			2008-09
	Note	Estimate £000	Outturn £000	Net total outturn compared with Estimate saving/ (excess) £000	Outturn £000
Net cash requirement	5	1,816	1,265	551	227

Summary of income payable to the Consolidated Fund

	Note	Forecast 2009-10 £'000		Outturn 2009-10 £'000	
		Income	Receipts	Income	Receipts
Total	6	-	-	-	-

Explanations of any significant variances between Estimate and outturn are given in Note 3 and in the Management Commentary.

The notes on pages 37 to 56 form part of these accounts.

Operating Cost Statement for the year ended 31 March 2010

	2009-10			2008-09
	Note	Staff Costs £000	Other Costs £000	Income £000
Programme Costs:				
Staff costs	10	4,101		3,545
Other non-staff costs	11		2,534	2,868
Operating income	12			(6,122)
Totals		4,101	2,534	(6,342)
Net Operating Cost	4			293

All income and expenditure is derived from continuing operations

Figures for 2008/09 have been restated in line with IFRS

The notes on pages 37 to 56 form part of these accounts.

Statement of Financial Position as at 31 March 2010

	Note	31 March 2010		31 March 2009		01 April 2008	
		£000	£000	£000	£000	£000	£000
Non-current assets:							
Property, plant and equipment	13	87		86		107	
Intangible assets	14	8		10		14	
Receivables falling due after more than one year	17	-		-		5	
Total non-current assets			95		96		126
Current assets:							
Trade and other receivables	17	191		228		262	
Cash and cash equivalents	18	468		773		1,378	
Total current assets			659		1,001		1,640
Total assets			754		1,097		1,766
Current liabilities:							
Trade and other payables	19	(2,455)		(3,726)		(4,163)	
Total current liabilities			(2,455)		(3,726)		(4,163)
Non current assets plus net current liabilities			(1,701)		(2,629)		(2,397)
Non-current liabilities							
Provisions	20	-		-		(135)	
Total non-current liabilities			-		-		(135)
Assets less liabilities			(1,701)		(2,629)		(2,532)
Taxpayers' equity							
General fund			(1,705)		(2,630)		(2,534)
Revaluation reserve			4		1		2
Total taxpayers' equity			(1,701)		(2,629)		(2,532)

Figures for 2007/08 and 2008/09 have been restated in line with IFRS



Iain Osborne
Accounting Officer
23rd June 2010

The notes on pages 37 to 56 form part of these accounts.

Statement of Cash Flows for the year ended 31 March 2010

		2009-10	2008-09
	Note	£000	£000
Cashflows from operating activities			
Net operating cost	4	(293)	(291)
Adjustments for non cash transactions	11	(2)	14
Decrease in trade and other receivables	17	37	39
<i>less movements in receivables relating to items not passing through the OCS</i>		-	-
Decrease in trade payables	19	(1,271)	(437)
<i>less movements in payables relating to items not passing through the OCS</i>			
- Supply amounts due to the Consolidated Fund	19	305	605
- Capital accruals		(10)	-
Use of provisions	20	-	(135)
Net cash outflow from operating activities		(1,234)	(205)
Cashflows from investing activities			
Purchase of property, plant and equipment	13	(31)	(22)
Purchase of intangible assets		-	-
Net cash outflow from investing activities		(31)	(22)
Cash flows from financing activities			
From the Consolidated Fund (Supply) - current year		1,733	1,000
From the Consolidated Fund (Supply) - prior year		-	-
Advances from the Contingencies Fund		600	-
Repayments to the Contingencies Fund		(600)	-
Net financing		1,733	1,000
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund			
		468	773
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		-	-
Payments of amounts due to the Consolidated Fund		(773)	(1,378)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		(305)	(605)
Cash and cash equivalents at the beginning of the period	18	773	1,378
Cash and cash equivalents at the end of the period	18	468	773

Figures for 2008/09 have been restated in line with IFRS

The notes on pages 37 to 56 form part of these accounts

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2010

	Note	General fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2008		(2,525)	2	(2,523)
Changes in accounting policy - IAS 19 Employee Benefits		(9)	-	(9)
Restated balance at 1 April 2008		(2,534)	2	(2,532)
Changes in taxpayers' equity for 2008-09				
Net gain on revaluation of property, plant and equipment		-	1	1
Release of reserves to the operating cost statement		-	(2)	(2)
Non cash charges - cost of capital	11	(88)	-	(88)
Non cash charges - auditors remuneration and other notional charges	11	56	-	56
Consolidated Fund standing services		-	-	-
Transfers between reserves		-	-	-
Net operating cost for the year	4	(291)	-	(291)
Total recognised income and expense for 2008-09		(323)	(1)	(324)
Net Parliamentary Funding - draw down		1,000	-	1,000
Net Parliamentary Funding - deemed		1,378	-	1,378
Repaid to the Consolidated Fund		(1,378)	-	(1,378)
Supply payable/(receivable) adjustment		(773)	-	(773)
		227	-	227
Balance at 31 March 2009		(2,630)	1	(2,629)
Changes in taxpayers' equity for 2009-10				
Net gain on revaluation of property, plant and equipment		-	2	2
Net gain on revaluation of intangible assets		-	1	1
Non cash charges - cost of capital	11	(75)	-	(75)
Non cash charges - auditors remuneration and other notional charges	11	28	-	28
Consolidated Fund standing services		-	-	-
Transfers between reserves		-	-	-
Net operating cost for the year	4	(293)	-	(293)
Total recognised income and expense for 2009-10		(340)	3	(337)
Net Parliamentary Funding - draw down		1,733	-	1,733
Net Parliamentary Funding - deemed		773	-	773
Repaid to the Consolidated Fund		(773)	-	(773)
Supply payable/(receivable) adjustment		(468)	-	(468)
		1,265	-	1,265
Balance at 31 March 2010		(1,705)	4	(1,701)

The notes on pages 37 to 56 form part of these accounts.

Statement Of Operating Costs by Departmental Strategic Objectives for the year ended 31 March 2010

	2009-10			2008-09		
	Gross	Income	Net	Gross	Income	Net
	£000	£000	£000	£000	£000	£000
Aim:						
Protecting Electricity, Gas and Water and Sewerage consumers with regard to price and quality of service.						
Objective A:						
To promote competition in the generation and supply of Electricity and to protect the interest of electricity consumers with regard to price and quality of service	3,089	(2,973)	116	2,765	(2,641)	124
Objective B:						
To promote the development and maintenance of an efficient, economic and co-ordinated gas industry and to protect the interests of gas consumers with regard to price and quality of service	1,551	(1,469)	82	1,538	(1,454)	84
Objective C:						
To protect the interests of consumers of water and sewerage services, where appropriate by the promotion of effective competition	1,995	(1,900)	95	2,110	(2,027)	83
Net operating costs	6,635	(6,342)	293	6,413	(6,122)	291

Figures for 2008/09 have been restated in line with IFRS

The notes on pages 37 to 56 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 2009-10 Government Financial Reporting Manual (FReM) issued by the Department of Finance and Personnel. 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. They 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 two additional primary statements. The Statement of Parliamentary Supply and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement. The Statement of Operating Cost by Departmental Strategic Objectives and supporting notes analyse the Department's income and expenditure by the objectives agreed with Ministers.

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 of initial application.

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, fixtures and fittings and leasehold improvements. Asset additions have been valued at purchase price. Existing assets are revalued annually by reference to revaluation indices obtained from the Office for National Statistics and the Land and Property Services.

1.3 Intangible Assets

Intangible fixed assets comprise computer software licences with a capitalisation threshold of £1,000 and £2,000 for grouped assets. They are revalued annually by reference to the Retail Price Index (RPI).

1.4 Depreciation and Amortisation

Depreciation 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 normally in the following ranges:

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

1.5 Cost Apportionment

Utility Regulator total costs in 2009-10 were apportioned on the basis of each divisions directly identifiable costs plus a percentage allocation of common costs based on the relationship of divisional staff numbers to total Utility Regulator staff numbers.

1.6 Revenue Recognition

The costs of the Utility Regulator are offset primarily by annual licence fees paid on the issue of of electricity, gas and water and sewerage licences as defined under statute. Electricity licence fees are calculated on the basis of a determination made by the Utility Regulator. It was decided in 1992 that one third of the cost of electricity regulation should be charged to the holders of generation licences, one third to the holders of transmission licences and one third to the holders of public electricity supply licences; second tier licence holders pay a minimum fee of £250 plus an additional amount based on Mws supplied in the previous year which reduces the fee payable by the public electricity supply licence holder. Licence fees are ultimately recovered from electricity customers through an operating cost allowance in the Price Controls of Northern Ireland Electricity's regulated businesses.

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

Gas licence fees are calculated on the basis of a determination made by the Utility Regulator Following a consultation process on how gas licence fees should be apportioned it was decided that as from the 2002-03 financial year 80% (formerly 95%) of the cost of gas regulation should be borne by the holders of gas conveyance licences and 20% (formerly 5%) by the holders of gas supply licences. The holders of conveyance licences who engage in distribution activities will pay a £50,000 basic fee plus a further amount based on volumes conveyed in the previous year. Gas licence fees are recovered from gas customers through an operating cost allowance in the Price Control of Phoenix Natural Gas's conveyance business.

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

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

In addition, the cost of the Consumer Council in dealing with electricity consumer issues was recovered from the public electricity supply licence holder, with the cost of gas consumer issues being recovered from (apportioned equally) the holders of gas conveyance licences who engage in distribution activities and water and sewerage consumers from the water and sewerage licence holder. For 2009-10 the Utility Regulator collected and passed on to the Consumer Council an amount of £941,461.01 of which £194,082.01 was in respect of its electricity functions, £145,562 in respect of its gas functions and £601,817 in respect of its Water functions. These licence fees are accounted for in the accounts of the Consumer Council.

1.7 Administration and Programme Expenditure

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

1.8 Capital Charge

A capital charge, reflecting the cost of capital utilised by NIAUR, is included in operating costs. The charge is calculated at the real rate set by HM Treasury, currently 3.5% per cent (2008-09: 3.5 per cent), on the average carrying amount of all assets less liabilities, except for cash balances with the Office of the Paymaster General and amounts to be surrendered to the Consolidated Fund.

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 Government Accounting rules the Utility Regulator is required to surrender surpluses to the Consolidated Fund, these are reflected in the cash requirement for the following financial year. This is required because the respective licences make provision for a reduction in the licence fee collected to reflect any underspend in the previous year.

1.9 Value Added Tax

VAT is accounted for in accordance with IAS 12.

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

1.10 Foreign Exchange

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

1.11 Notional Costs

Since Resource Accounts are required to show the full cost of delivery of public services, the operating cost statement therefore includes certain notional items of expenditure.

1.12 Operating Leases

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

1.13 Pensions and Employee Benefits

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

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

1.14 Early Departure Costs

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

1.15 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37, the Utility Regulator discloses for parliamentary 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 NI Assembly in accordance with the requirements of Managing Public Money.

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 NI Assembly.

1.16 Financial Instruments

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

2 First-time adoption of IFRS

2.1 Reconciliation of UK GAAP reported taxpayers' equity to IFRS at the date of transition 1 April 2008

	General Fund	Revaluation Reserve
	£000	£000
Taxpayers' equity at 31 March 2008 under UK GAAP	(2,525)	2
Adjustments for: IAS 19 Employee Benefits - Accrued annual leave untaken	(9)	-
Taxpayers' equity at 1 April 2008 under IFRS	<u>(2,534)</u>	<u>2</u>

2.2 Reconciliation of UK GAAP reported taxpayers' equity to IFRS at the end of final UK GAAP reporting period 31 March 2009

	General Fund	Revaluation Reserve
	£000	£000
Taxpayers' equity at 31 March 2009 under UK GAAP	(2,618)	1
Adjustments for: IAS 19 Employee Benefits - Accrued annual leave untaken	(12)	-
Taxpayers' equity at 1 April 2009 under IFRS	<u>(2,630)</u>	<u>1</u>

2.3 Reconciliation of UK GAAP reported net operating costs to IFRS for year ended 31 March 2009

	£000
Net operating cost for 2008-09 under UK GAAP	288
Adjustments for: IAS 19 Employee Benefits - Movement in annual leave accrual	3
Net operating cost for 2008-09 under IFRS	<u>291</u>

3 Analysis of Net Resource Outturn by section

	2009-10						2008-09		
	Admin	Other Current	Grants	Gross Resource Expenditure	Accruing Resources	Outturn	Estimate Net total outturn compared with Estimate	Prior Year Outturn	
						Net total			
	£000	£000	£000	£000	£000	£000	£000	£000	
Request for Resources A:									
Departmental Expenditure in DEL:									
1. Administration	-	6,607	-	6,607	(6,342)	265	266	1	232
Non Budget									
2. IFRS Prior Period Adjustment	-	12	-	12	-	12	12	-	56
3. Notional Costs		28		28		28	65	37	
Resource Outturn	-	6,647	-	6,647	(6,342)	305	343	38	288

Analysis of outturn against estimate

Resource outturn was £1k lower than estimate. The majority of the net resource outturn under spend resulted from notional costs being lower than anticipated.

Key to Request for Resources

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

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

4a	Reconciliation of net resource outturn to net operating cost	Note	2009-10		2008-09	
			Outturn	Supply Estimate	Outturn compared with Estimate	
			£000	£000	£000	
	Net Resource Outturn	3	305	343	38	288
	IFRS Adjustment		(12)	(12)	-	3
	Net Operating Cost		293	331	38	291

4b	Outturn against final Administration Budget	2009-10*		2008-09
		Budget	Outturn	Outturn
		£'000	£'000	£'000
	Gross Administration Budget	-	-	-
	Income allowable against the Administration Budget	-	-	-
	Net outturn against final Administration Budget	-	-	-

*See Note 1.7

5 Reconciliation of net resources outturn to net cash requirement

	Note	2009-10			2008-09
		Estimate	Outturn	Net Total Outturn compared with Estimate savings/ (excess)	
		£000	£000	£000	£000
Resource Outturn	3	343	305	38	288
Capital :					
Aquisition of property, plant and equipment	13 & 14	33	41	(8)	22
Non-operating Accruing Resources:					
Proceeds of asset disposal	13 & 14	-	-	-	-
Accruals adjustments :					
Non-cash items	11	(48)	2	(50)	(14)
Changes in working capital other than cash*	17 & 19	1,500	929	571	(207)
Use of provision	20	-	-	-	135
IFRS adjustment - Prior period adjustment		(12)	(12)	-	3
Net Cash Requirement		1,816	1,265	551	227

Explanation for the variance between Estimate and Outturn

The main reason for the £551k variance between Estimates and Outturn is due to lower than anticipated reduction in creditors.

6 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 2009-10		Outturn 2009-10	
		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	8	-	-	-	-
Other non-operating income and receipts not classified as Accruing Resources	9	-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund		-	-	-	-
Excess cash surrenderable to the Consolidated Fund	5	-	-	-	-
Total income payable to the Consolidated Fund		-	-	-	-

7 Reconciliation of income recorded within the Operating Cost Statement to operating income payable to the Consolidated Fund

		2009-10	2008-09
	Note	£'000	£'000
Operating income	12	6,342	6,122
Income authorised to be treated as Accruing Resources		(6,342)	(6,122)
Operating income payable to the Consolidated Fund	6	-	-

8 Non-operating income - Excess Accruing Resources

	2009-10	2008-09
	£'000	£'000
Non-operating income - excess Accruing Resources	-	-
	-	-

9 Non-operating income not classified as Accruing Resources

	2009-10	2008-09
	Income	Receipts
	£'000	£'000
Non-operating income not classified as Accruing Resources	-	-
	-	-

10 Staff numbers and related costs

10a Staff costs comprise of:

	2009-10					2008-09
	Total	Permanently employed staff	Other	Ministers	£'000 Special Advisers	£'000 Total
Wages and Salaries	3,364	2,996	368	-	-	2,922
Social Security Costs	300	277	23	-	-	243
Other Pension Costs	437	385	52	-	-	380
Sub Total	4,101	3,658	443	-	-	3,545
Less recoveries in respect of outward secondments	-	-	-	-	-	-
TOTAL NET STAFF COSTS	4,101	3,658	443	-	-	3,545

Figures for 2008/09 have been restated in line with IFRS

The Principal Civil Service Pension Scheme in NI (PCSPS (NI)), of which most of the Utility Regulator's staff are members, is an unfunded defined benefit scheme which produces its own resource accounts, 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 2003 and details of this valuation are available in the PCSPS(NI) resource accounts.

For 2009-10, employers' contributions of £436,503.67 were payable to the PCSPS (NI) (2008-09 - £379,588.77) at one of four rates in the range 16.5 to 23.5 per cent of pensionable pay, based on salary bands. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Nil employers' contributions (2008-09 £nil) were paid to a stakeholder pension provider. Employer contributions are age-related and range from 3 to 12.5 percent (2008-09 : 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 (2008-09 £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 balance sheet date were £nil (2008-09 £nil). Contributions prepaid at that date were £nil (2008-09 £nil).

No persons (2008-09:0 persons) retired early on ill health grounds; the total additional accrued pension liabilities in the year amounted to £nil (2008-09;£nil).

At the balance sheet date there were no contributions due to any partnership pension provider. There were no early retirements on ill-health grounds.

Average number of persons employed

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

	2009-10				2008-09
	Total	Permanent staff	Other	Ministers	£'000 Special Advisers
Objective A:					
To promote competition in the generation and supply of Electricity and to protect the interest of electricity consumers with regard to price and quality of service	28.2	23.9	4.3		23
Objective B:					
To promote the development and maintenance of an efficient, economic and co-ordinated gas industry and to protect the interests of gas consumers with regard to price and quality of service	18.4	16.2	2.2		19
Objective C:					
To protect the interests of consumers of water and sewerage services, where appropriate by the promotion of effective competition	21.4	18.4	3.0		20.6
Total	68.0	58.5	9.5		62.6

11 Other non-staff costs

	Note	2009-10		2008-09	
		£'000	£'000	£'000	£'000
Rentals under operating leases:					
Property rentals		125		169	
Hire of office equipment		10		17	
			135		186
Non-cash items:					
Depreciation on property, plant and equipment	11	39		40	
Amortisation on intangible assets		3		4	
Impairment of property, plant and equipment		3		2	
Cost of capital charge (credit)		(75)		(88)	
Auditors' remuneration and expenses		18		15	
Other notional costs		10		41	
Total non-cash items			(2)		14
Other Expenditure					
Consultancy		1,648		1,756	
Management of Renewable Outputs Certificate Scheme		172		132	
Research		15		-	
Property service charges		49		68	
Contracted Services		13		59	
Publicity		126		185	
Hospitality		10		13	
Travel and Subsistence		81		95	
Rates		37		82	
Training		73		88	
Utilities		32		47	
Exchange (Gains)/Losses		-		8	
Miscellaneous expenditure		145		135	
			2,401		2,668
Total			2,534		2,868

12 Income

	Note	2009-10	2008-09
		Total £000	Total £000
Electricity Licence Fees		2,973	2,641
Gas Licence Fees		1,469	1,454
Water Licence Fees		1,900	2,027
	7	<u>6,342</u>	<u>6,122</u>

13 Property, plant and equipment

13a	Leasehold improvements	Information Technology	Office Equipment	Furniture & Fittings	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2009	39	67	34	60	200
Additions	17	21	-	3	41
Disposals	-	-	-	-	-
Impairments	(4)	-	-	-	(4)
Revaluations	-	9	-	1	10
At 31 March 2010	52	97	34	64	247
Depreciation					
At 1 April 2009	6	52	25	31	114
Charged in year	6	16	5	12	39
Disposals	-	-	-	-	-
Impairments	(1)	-	-	-	(1)
Revaluations	-	7	1	-	8
At 31 March 2010	11	75	31	43	160
Net book value at 31 March 2010	41	22	3	21	87
Net book value at 31 March 2009	33	15	9	29	86
Asset financing:					
Owned	41	22	3	21	87
Net book value at 31 March 2010	41	22	3	21	87

13b	Leasehold improvements	Information Technology	Office Equipment	Furniture & Fittings	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2008	29	68	33	54	184
Additions	11	1	-	10	22
Disposals	-	-	-	-	-
Impairments	(1)	(2)	-	(4)	(7)
Revaluations	-	-	1	-	1
At 31 March 2009	39	67	34	60	200
Depreciation					
At 1 April 2008	1	35	20	21	77
Charged in year	5	18	5	12	40
Disposals	-	-	-	-	-
Impairments	-	(1)	-	(2)	(3)
Revaluations	-	-	-	-	-
At 31 March 2009	6	52	25	31	114
Net book value at 31 March 2009	33	15	9	29	86
Net book value at 31 March 2008	28	33	13	33	107
Asset financing:					
Owned	33	15	9	29	86
Net book value at 31 March 2009	33	15	9	29	86

14 Intangible assets

Intangible assets comprise software licences

14a	2009-10
	£'000
Cost or valuation	
At 1 April 2009	29
Additions	-
Disposals	-
Revaluation	1
At 31 March 2010	30
Amortisation	
At 1 April 2009	19
Charged in year	3
Disposals	-
Revaluation	-
At 31 March 2010	22
Net book value at 31 March 2010	8
Net book value at 31 March 2009	10
14b	2008-09
	£'000
Cost or valuation	
At 1 April 2008	29
Additions	-
Disposals	-
Revaluation	-
At 31 March 2009	29
Amortisation	
At 1 April 2008	15
Charged in year	4
Disposals	-
Revaluation	-
At 31 March 2009	19
Net book value at 31 March 2009	10
Net book value at 31 March 2008	14

15 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.

16 Impairments

The full amount of the impairment charge, £3,221, on leasehold improvements has been directly to the Operating Cost Statement (OCS). There was no opening balance on the leasehold improvements revaluation reserve to offset the impairment charge.

17 Trade receivables and other current assets

a) Analysis by type	2009-10	2008-09	2007-08
	£'000	£'000	£'000
Amounts falling due within one year:			
Trade receivables	5	22	154
VAT receivable	85	155	93
Other receivables			
Prepayments and Accrued Income	89	48	15
Payroll debtor	12	3	-
	191	228	262
Amounts falling due after more than one year:			
Trade receivables	-	-	5
	191	228	267

b) Intra-government balances	2009-10	2008-09	2007-08
	£'000	£'000	£'000
	Balances with other central government bodies	121	185
Balances with local authorities	-	-	-
Balances with NHS Trusts	-	-	-
Balances with public corporations and trading funds	-	-	-
Subtotal: Intra-government balances	121	185	93
Balances with other bodies external to government	70	43	174
Total Receivables at 31 March	191	228	267

18 Cash and cash equivalents

	2009-10	2008-09	2007-08
	£'000	£'000	£'000
Balance at 1 April	773	1,378	865
Net change in cash and cash equivalent balances	(305)	(605)	513
Balance at 31 March	468	773	1,378

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

19 Trade payables and other current liabilities

a) Amounts falling due within one year	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>
	£'000s	£'000s	£'000s
Trade payables	121	108	1,083
Accruals and deferred income	1,864	2,845	1,702
Other payables	2		
Amounts issued from the Consolidated Fund for supply but not spent at year end	468	773	1,378
	<u>2,455</u>	<u>3,726</u>	<u>4,163</u>

Figures for 2007/08 and 2008/09 have been restated in line with IFRS

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

b) Intra-government balances

	<u>2009-10</u>	<u>2008-09</u>	Restated <u>2007-08</u>
	£'000s	£'000s	£'000s
Balances with other central government bodies	949	1,299	1,690
Balances with local authorities		-	-
Balances with NHS Trusts	-	-	-
Balances with public corporations and trading funds	-	-	-
Subtotal: Intra-government balances	<u>949</u>	<u>1,299</u>	<u>1,690</u>
Balances with other bodies external to government	1,506	2,427	2,473
Total Payables at 31 March	<u>2,455</u>	<u>3,726</u>	<u>4,163</u>

20 Provisions for liabilities and charges

	2009-10	2008-09	2007-08
	£'000s	£'000s	£'000s
Balance at 1 April 2009	-	135	-
Provided in the year	-	-	250
Provisions not required written back	-	-	-
Provisions utilised in the year	-	(135)	(115)
Unwinding of discount	-	-	-
Balance at 31 March 2010	-	-	135

21 Notes to the Statement of Operating Costs by Departmental Strategic Objectives

Programme grants and other current expenditures have been allocated as follows:

	2009-10	2008-09
	£'000s	£'000s
To promote competition in the generation and supply of Electricity and to protect the interest of electricity consumers with regard to price and quality of service	3,089	2,765
To promote the development and maintenance of an efficient, economic and co-ordinated gas industry and to protect the interest of gas consumers with regard to price and quality of service	1,551	1,538
To protect the interests of consumers of water and sewerage services, where appropriate by the promotion of effective competition	1,995	2,110

22 Capital Commitments

There were no contracted capital commitments at 31 March 2010, (Nil, at 31 March 2009).

23 Commitments under leases

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

	2009-10	2008-09
	£'000s	£'000s
Obligations under operating leases comprise		
Land and Buildings		
Not later than one year	244	244
Later than one year and not later than five years	977	977
Later than five years	107	351
	<u>1,328</u>	<u>1,572</u>
Other		
Not later than one year	12	12
Later than one year and not later than five years	22	34
Later than five years	-	-
	<u>34</u>	<u>46</u>

24 Other Commitments

The Utility Regulator has not entered into any non-cancellable contracts (which are not operating leases) as at 31 March 2010, (Nil, at 31 March 2009).

25 Losses and Special Payments

There were no losses and special payments requiring disclosure in the 2009/10 financial year.

26 Contingent Liabilities

There were no contingent liabilities existing as at 31 March 2010.

27 Related-Party Transactions

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

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

28 Events after the reporting period

There were no material events post the Statement of Financial Position for the year ended 31st March 2010.



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