

**NORTHERN IRELAND AUTHORITY FOR  
UTILITY REGULATION**

**ANNUAL REPORT  
AND ACCOUNTS**

**Accounts for the year ended 31 March 2020**



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## **ANNUAL REPORT AND ACCOUNTS**

**For the year ended 31 March 2020**

*Laid before the Northern Ireland Assembly by the  
Department of Finance under section 10(4) of the  
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*5 October 2020*

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# Northern Ireland Authority for Utility Regulation

## Annual Report and Accounts for the year ended 31 March 2020

### Contents

#### Performance Report

Overview	2
Performance Analysis	13

#### Accountability Report

<b>Corporate Governance Report</b>	21
Statement of Accounting Officer's Responsibilities	25
Governance Statement	26

#### Remuneration and Staff Report

Remuneration Report	35
Staff Report	43

#### Assembly Accountability Report

Statement of Assembly Supply	47
Certificate and Report of the Comptroller and Auditor General	54

Statement of Comprehensive Net Expenditure	57
--------------------------------------------	----

Statement of Financial Position	58
---------------------------------	----

Statement of Cash Flows	59
-------------------------	----

Statement of Changes in Taxpayers' Equity	60
-------------------------------------------	----

Notes to the Accounts	61
-----------------------	----

## PERFORMANCE REPORT

### OVERVIEW

This overview section explains the role of the Northern Ireland Authority for Utility Regulation (the Utility Regulator), providing detail on the organisation's legislative objectives and duties. It provides an understanding of how work is prioritised to meet these objectives, both through the Corporate Strategy and annual Forward Work Programme. The overview examines the key risks the organisation faces to the achievement of its objectives and work plans. The Chief Executive, Jenny Pyper, and the Chair of the Utility Regulator Board, Bill Emery, also provide an analysis of performance during the year.

#### **Chief Executive Review of Performance in the 2019-20 Financial Year**

'I am pleased to report that, at the end of the 2019-20 year we had made good progress against the objectives set out in our Corporate Strategy 2019-24.

The external context has had a significant impact on our work. Firstly we welcome the return of the NI Assembly and have been actively providing support to the new administration.

Brexit has required us to take steps to protect Northern Ireland consumers and we have focused on those areas of our work that are most affected, particularly in respect of the Single Electricity Market. We have worked closely with other government departments and industry to prepare extensively for the UK's departure from the EU. As well as seeking to engage with these stakeholders we have taken practical steps, such as on modifications to electricity and gas licences, to get ready for Brexit. Internally we have established a Brexit Co-ordination team and our Board has been provided with regular briefings on our preparations.

Our Corporate Strategy for 2019-24 places consumers at the centre and we have been advancing work to promote effective competition, informed choice and fair outcomes. In the first full year of the new SEM market (which went live in October 2018) we saw evidence of effective competition through a series of capacity auctions, more efficient interconnector flows and the impact of renewable generation placing downward pressure on market prices. Our determination to protect vulnerable customers was evident in our consumer protection programme. We have also taken further steps to better understand consumer preferences and this led to the development of our first consumer insight tracker. Finally we have, to protect consumers, actively undertaken enforcement activity on three separate energy companies during 2019-20 and this has led to a donation of £450,000 to local charities and a penalty of £228,000 being issued.

Of course consumers tell us that prices are their biggest concerns. We continue to exercise our regulatory oversight to ensure that the bills that consumers pay reflect the actual cost of supply. While regulated electricity prices increased in the Autumn, this was balanced by a number of significant gas price decreases during 2019-20.

Our strategy on networks is focused on the future needs of the NI energy system. In March 2020 we launched a consultation on the longer-term development of the transmission network. We also moved forward the critical price control review on NI Water which will set the funding requirement for water and sewerage services from 2021 onwards. Price control reviews were also completed for Power NI Power Procurement Business, SSE Airtricity Gas Supply and firmus Gas supply. As well as moving forward a price control review for SONI, we also commissioned a call for evidence as part of a review of the company's governance arrangements.

Our track record of achievement on the development of the natural gas network reached a new milestone in 2019-20. The Gas to the West pipeline project was commissioned and major industries in the area have already converted to gas. The ongoing development of the distribution network will provide the opportunity for more than 30,000 customers to connect to the natural gas network.

Delivering a low carbon future is also critical. We have worked in partnership with others, such as Ulster University and the Energy Institute in NI to promote discussion on the energy transition to a low carbon future. The Department for the Economy (DfE) has been developing a new energy strategy and we have supported the department by contributing to the call for evidence and taking part in working groups. We also facilitate investment in renewables in line with government policy and during 2019-20 the proportion of generation from renewables reached 43.7%. We also undertook a review of the NI Sustainable Development Programme and participated in the review of renewables and energy efficiency being led by DfE.

We worked closely with other government and statutory stakeholders to facilitate the development of EU exit arrangements. This included consideration of changes to regulated companies' licences and providing advice and support to stakeholders.

We continued to develop as an organisation focussed on delivering best practice regulation. Our focus on supporting our staff was evident through an extensive range of activities undertaken under our UR People Programme.

Towards the end of the business planning year, the Covid-19 outbreak was having an unprecedented impact on our work. Along with other parts of government we have been working to ensure that utility services to consumers continue. We have facilitated initiatives to support vulnerable consumers (such as on arrangements to top up pre-payment meters) and have introduced enhanced market monitoring to help with identifying any signs of customer or supplier distress during the pandemic. We have also established weekly senior leadership team meetings to oversee our response. This has included taking steps to ensure the effectiveness of our business continuity arrangements and we have successfully overseen the transition to remote working for all of our staff. We have undertaken an initial review of our Forward Work Programme for 2020-21 and while, at the time of writing, this shows that we are likely to largely deliver our projects as planned, this will be subject to further review. The Covid-19 outbreak has not had a significant impact on the delivery of 2019-20 FWP projects.

Finally, I am grateful for the commitment and professionalism of our staff throughout the year but particularly in the context of the Covid-19 pandemic. Our team deserve much credit for rising to the challenges of a fast moving and complex situation and ensuring that the organisation continues to operate effectively while working remotely.

## **Non-Executive Directors' report**

The 2019-20 year saw new challenges for the organisation and the Board. The publication of the Corporate Strategy 2019-24 in March 2019 set a new direction for the organisation with new performance objectives and indicators. Much of the Board's scrutiny during 2019-20 has been in the context of this new strategy and several significant external developments. The key external developments related to the UK's departure from the EU, the return of the NI Assembly and the Covid-19 outbreak.

Throughout the past year the Board has been regularly updated on preparations for the UK's departure from the EU and the steps being taken by the executive team to mitigate any risks for energy and water consumers and approve decisions (such as in respect of Brexit-related licence modifications). In order to give the Board a deeper oversight over preparations a Board Brexit Sub-Group was temporarily established to complement, and receive reports from, a Brexit Co-Ordination team convened by the Executive team. The return of the NI Assembly is welcome and we have stepped up our level of engagement with the devolved administration. The Board was regularly apprised of these developments. Finally, the Covid-19 pandemic represented an unparalleled challenge. This has required the Executive team to move quickly to engage with other parts of government and industry to protect energy and water consumers and the Board's focus has been on supporting this work.

The Board took an active role in the approach to, and development of, the new Corporate Strategy 2019-24 which was published, as scheduled, at the end of March 2019. During the past year the Board has focused on discussion and engagement of key aspects of the strategy, such as the range of issues associated with the energy transition.

Protecting consumers and promoting competition and choice continued to be a focus for the Board. This included approval for decisions in relation to electricity and gas supply price controls. We continued to implement our Consumer Protection Programme and practical initiatives to protect consumers, such as those for small business consumers and the Quick Check 101, were also considered by the Board. In order to enhance its understanding of the needs of vulnerable consumers, the Board also met with the Consumer Vulnerability Working Group which comprises a range of consumer representative organisations. The Board also considered ongoing briefings on regulated tariff reviews and wholesale and retail market monitoring reports.

A series of network price control decisions and issues was also a focus for the Board. This related to the NI Water, SONI and Gas distribution price controls. Supporting the ongoing development of the natural gas network was also a key feature of the Board's deliberations. The Gas to the West gas network was commissioned. Governance arrangements for SONI were also considered by the Board. Throughout the period the Board also met with the boards of NI Water, SONI and Mutual Energy.

As well as considering the broader energy transition agenda, the Board also supported practical approaches, such as around the maximum resale price as it relates to electric vehicles. The Board also received regular briefings on the EU's Clean Energy Package and the NI Renewables Obligation.

The Board's central role in ensuring appropriate governance processes were in place was evidenced by a continued focus on organisational risk. Workshops to discuss and reflect on organisational risk management arrangements, with an additional focus on risk appetite, took place.



The Board approved key governance documents in respect of the Forward Work Programme, the Budget and the Scheme of Delegation.

As ever, board members played an active role in meeting stakeholders and attending events to ensure that they were informed about current and relevant energy and water issues. Board members also engaged with staff on the UR People Programme and around living organisational values.

Finally, two new board members joined the Board on 1 May 2019. The Executive team delivered an induction programme to support the new board members.

## **Role of the Utility Regulator**

The Utility Regulator is a non-ministerial government department responsible for regulating Northern Ireland's electricity, gas, water and sewerage industries. The work of the Utility Regulator is based on duties set out in various pieces of legislation including the Energy (Northern Ireland) Order 2003 and the Water and Sewerage Services Order 2006. The Utility Regulator has a wide range of responsibilities in law, covering regulatory functions and competition powers, the latter of which are held jointly with the Competition and Markets Authority. The Utility Regulator Single Electricity Market (SEM) Committee is also responsible for the regulation of the SEM and does so in conjunction with the CRU. The work of the SEM Committee is under the Electricity (Single Wholesale Market) (Northern Ireland) Order 2007 (as amended at 31 March 2016).

The work of the Utility Regulator covers areas including the following:

- Issuing licences that allow gas, electricity and water companies to operate in Northern Ireland.
- Making sure licensed companies meet relevant legislation and licence obligations.
- Setting the minimum standards of service which regulated companies must provide to consumers in Northern Ireland.
- Making sure that consumers only pay what is necessary for the services they receive now and in the future.
- Challenging companies to make sure they operate more efficiently and deliver good value for consumers as well as shareholders.
- Working to provide greater choice and encourage competition in the gas and electricity markets.
- Having regard to the need for regulated companies to be able to finance their activities and innovate effectively.
- Acting as an adjudicator on individual complaints, disputes and appeals.
- Regulation of the SEM and development of the new Target Electricity Model as required by the Capacity Allocation and Congestion Management (EU 2015/1222).

## **Objectives and Duties**

### **Electricity**

In respect of electricity, the principal objective of the Utility Regulator is to protect the interests of consumers of electricity supplied by authorised suppliers, wherever appropriate, by promoting effective competition between persons engaged in, or commercial activities connected, with the generation, transmission or supply of electricity. The Utility Regulator, as a designated

regulatory authority, fulfils the objectives set out in Directive 2009/72/EC<sup>1</sup> concerning common rules for the internal market in electricity. In performing its duties the Utility Regulator must have regard to (amongst other things) the interests of:

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

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

## **Gas**

The principal objective of the Utility Regulator in respect of gas is to promote the development and maintenance of an efficient, economic and co-ordinated gas industry in Northern Ireland and to do so in a way that is consistent with the fulfilment by the Utility Regulator of its obligations as a designated national regulatory authority for Northern Ireland and pursuant to the objectives as set out in Directive 2009/73/EC<sup>1</sup>. The Utility Regulator must also have regard to (amongst other things) the interests of consumers of gas and the need to ensure that gas licence holders are able to finance their activities. The Utility Regulator must have regard to (amongst other things) the interests of:

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

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

## **Water**

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

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

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<sup>1</sup> This position will be maintained as we are in the transition period which is dealt with in Part IV of the Withdrawal Agreement and Articles 4(1) and 127(1) and (3), during the transition period EU law applies in, and in respect of, the UK as if it were a still an EU member state. This Directive will be repealed on 1 January 2021.

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.

### **Sustainability**

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

- promotes the efficient use of electricity, promotes efficiency and economy on the part of licence holders, secures 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 Networks (NIEN), such as the Sustainable Management of Assets and Renewable Technologies (SMART) programme which promotes 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 price controls and the Northern Ireland Sustainable Energy Programme (NISEP).

## **Strategic Direction**

During 2019-20, the Utility Regulator's work was guided by the overarching principle and strategic objectives outlined in its five-year Corporate Strategy covering the period 2019 to 2024. This sets out three strategic objectives aimed at achieving the duties and objectives assigned to the Utility Regulator in legislation while delivering on its overarching purpose to protect and empower all consumers. The Corporate Strategy sets out how the Utility Regulator will aim to meet its strategic objectives, the outcomes that will be achieved and the key success measures. The Corporate Strategy also details the achievements of the Utility Regulator in the period prior to its publication and highlights the main issues and challenges going forward. The Corporate Strategy was published in March 2019 and is available on the Utility Regulator's website <https://www.uregni.gov.uk/sites/uregni/files/media-files/Corporate%20Strategy%202019-24%20final%20for%20web.pdf>. The Utility Regulator also regulates within the context of the policy framework set out by government including the DfE's Strategic Energy Framework and the DfI's Social and Environmental Guidance.

In developing the Strategy, 8 key areas that will influence the work of the Utility Regulator over the period of the Strategy were identified:

- Energy transition;
- Future energy and water policy and strategies;
- Utility services and consumers;
- Competitive markets;
- Fairness and consumer outcomes;
- Supporting renewables;
- Security of supply; and
- Regulatory approach.

Table 1 below details the three main Corporate Strategy objectives along with the activities and outcomes associated with these.

Objective	This objective will be met by	This objective will be achieved when
Promoting markets that deliver effective competition, informed choice and fair outcomes	<ul style="list-style-type: none"> <li>• Providing regulation that balances competition with consumer protection.</li> <li>• Ensuring energy market design delivers maximum value for consumers.</li> <li>• Better informing consumers to help them participate in utility markets.</li> <li>• Making sure markets work for consumers through robust market monitoring and prompt action to tackle non-compliance.</li> <li>• Delivering a Consumer Protection Programme that protects vulnerable consumers.</li> <li>• Taking steps to protect the consumer interest following the UK’s departure from the EU.</li> </ul>	<ul style="list-style-type: none"> <li>• Increased customer satisfaction with their utility provider and consumer protection measures.</li> <li>• Increased protection for vulnerable customers.</li> <li>• New and enhanced energy market monitoring and reporting arrangements.</li> <li>• SEM delivers increased efficiencies through market interconnection.</li> <li>• SEM optimises market participation of all available services and technologies.</li> </ul>
Enabling 21st century networks	<ul style="list-style-type: none"> <li>• Carrying out price control reviews to make sure that network costs are efficient.</li> <li>• Benchmarking utility company performance with the best in UK and Ireland.</li> <li>• Promoting customer focused service standards.</li> <li>• Ensuring network companies robustly manage assets and ensure resilience.</li> <li>• Making sure our regulatory framework facilitates innovation and development by network utility companies.</li> </ul>	<ul style="list-style-type: none"> <li>• Future facing network utilities that plan for the future and manage asset systems to deliver optimal service and the appropriate level of resilience.</li> <li>• Improvement in network utilities costs versus comparators.</li> <li>• Improvement in overall network utilities performance versus comparators.</li> <li>• Network utilities that innovate to benefit consumers.</li> <li>• Greater customer focus for all network utilities.</li> </ul>
Enabling security of supply and a low carbon future	<ul style="list-style-type: none"> <li>• Working with government and industry to make sure that consumers enjoy a secure energy and water supply.</li> <li>• Using our price control reviews to facilitate investment to support government decarbonisation targets.</li> <li>• Working with others to implement EU Clean Energy package requirements.</li> </ul>	<ul style="list-style-type: none"> <li>• The SEM facilitates a reliable power supply to homes and businesses.</li> <li>• Secure continued access to GB gas supplies.</li> <li>• Our PC21 price control review ensures delivery of NI Water’s contribution to the Long-Term Water Strategy.</li> <li>• Efficient investment supporting government decarbonisation targets.</li> <li>• The electricity network is able to efficiently accommodate more renewable generation.</li> <li>• The promotion of energy efficiency and renewable technologies arising from the Clean Energy package.</li> </ul>

## **Forward Work Programme**

In each year covered by the Corporate Strategy, the Utility Regulator publishes a Forward Work Programme (FWP) detailing projects, other than those comprising routine activities in the exercise of its functions, which it plans to undertake during the year. The requirement to publish the FWP, before the 1 April in each year, is set out in Article 6 of the Energy Order and Article 4 of the Water and Sewerage Order. However before doing so it must consult on a draft FWP in time to allow it to consider any representations made. Article 6 (4) of the Water and Sewerage Order specifically enables the Utility Regulator to prepare a combined FWP covering its energy and water and sewerage functions.

A FWP for 2019-20 was consulted on and published and can be accessed from the Utility Regulator's website at:

<https://www.uregni.gov.uk/sites/uregni/files/media-files/FWP%20201920%20final.pdf>

It described the Utility Regulator's objectives, identified the main priorities for meeting those objectives and outlined the specific non-routine projects which the organisation planned to undertake in the year commencing 1 April 2019. It also included an estimate of the overall expenditure which the Utility Regulator expected to incur during the year.

## **Risk Management within the Utility Regulator**

The Utility Regulator has a robust risk management process in place aligned to best practice. The risk management strategy was reviewed during 2019-20. The key risks for the Utility Regulator are largely around failure to achieve its objectives and regulate effectively. There is a strong reputational element to the Utility Regulator's risks. Risk management processes are designed to operate in a manner to minimise the Utility Regulator's risk exposure and/or the risk impact recognising that, in the absence of these processes there is always a risk of failing to deliver legislative requirements on time and as required. The Utility Regulator makes decisions that impact on regulated companies and is therefore always at risk of challenge either by reference of disputed licence modifications to the Competition and Markets Authority or judicial review. The Utility Regulator is also working with government and other regulators in regard to the potential implications of Brexit and the management of such matters.

## **Performance Summary**

Further detail of performance against the Corporate Strategy indicators and FWP targets is provided in the following performance analysis section. This also provides details of achievements that contribute to these key duties and objectives.

In summary, there has been progress against all of the Corporate Strategy 2019-24 objectives although this is the first year of the five-year strategy. Key outcomes against Corporate Strategy objectives are identified at Table 1 (above).

In total 81% of the non-routine projects in the FWP 2019-20 are either achieved or partially achieved. Significant projects were progressed during 2019-20 including: the completion of the SSE Gas Supply and firmus gas supply price controls, the progression of the SONI and the NI Water PC21 price control reviews, continuing to develop new ancillary services to enable more electricity to be generated from renewable sources under the DS3 initiative and implementation of Consumer Protection Strategy projects.

In terms of financial performance, in 2019-20 the Utility Regulator is reporting a net resource outturn position of £220k. The net expenditure includes a small amount of the public expenditure funding, as the majority of income comes from electricity, gas and water licence holders. In terms of gross expenditure in 2019-20, the Utility Regulator outturn is also within the DoF approved budget position. Further detail on financial performance is contained within the financial review section of the performance analysis.

Following a period of staff consultation, an action plan has been developed to implement actions arising from the office's accreditation for Investors in People (IiP). A delivery team has been put in place comprising representatives from all directorates. IiP implementation forms a key part of the HR Strategy ("UR People"), key performance indicators for which are on track. During the year, the programme of activity focussed on team building, encouraging an awareness of corporate social responsibility and providing access for staff to a range of advice on physical and mental health well-being issues. The office has continued to work with Business in the Community (BiTC) to develop opportunities for staff to use and develop their skills through third sector volunteering. There has also been fruitful involvement with BiTC's learning network as a means of developing opportunities for networking, benchmarking and training.

More detail on the FWP projects are set out in the Annual Report which is published on the Utility Regulator website, [www.uregni.gov.uk](http://www.uregni.gov.uk).



## PERFORMANCE ANALYSIS

This section provides an analysis of how performance is monitored and measured within the Utility Regulator and gives a detailed assessment of performance during 2019-20.

### Measuring Performance

An organisational framework is in place to measure Utility Regulator performance.

At the strategic level, progress against Corporate Strategy objectives is assessed through reporting on key performance indicators. The FWP contributes to the achievement of Corporate Strategy objectives and progress against each FWP project is also monitored and reported. Financial and operational performance is monitored at directorate level, by the Senior Management Team (SMT), by the Audit and Risk Committee and by the Utility Regulator Board.

### Reporting Against Performance

Under the Energy Order the Utility Regulator is required to produce a separate Annual Report providing a comprehensive review of performance during the 2019-20 year. This report should therefore be read in conjunction with the Utility Regulator Annual Report for 2019-20 which can be downloaded free from the Utility Regulator's website [www.uregni.gov.uk](http://www.uregni.gov.uk). Alternatively a printed copy of the Annual Report can be obtained by contacting the Utility Regulator by phone on 028 90311575 or by writing to the Corporate Services Branch, the Utility Regulator, Queens House, 14 Queen Street, Belfast, BT1 6ED.

Performance is also assessed on an ongoing basis throughout the year. Specifically, performance is monitored regularly and reported through finance and performance papers to each meeting of the Board and the Audit and Risk Committee. The Senior Management Team also regularly reviews performance against targets and these form part of individual discussions and periodic formal reviews between the CEO and individual directors. During 2019-20 performance against the PROGRESS scorecard, monitoring targets across four key areas – process, results, organisation and growth and engaging with stakeholders – also continued to be assessed as part of the formal reviews carried out three times per year between the CEO and individual directors. Work was also progressed in 2019-20 to enhance the PROGRESS scorecard and that will be implemented for reporting in 2020-21.

The Utility Regulator monitors its financial position on an ongoing basis to ensure that it operates within board and Department of Finance (DoF) approved limits.

A summary of organisational performance against Corporate Strategy indicators and FWP targets is detailed below, together with a financial review and reporting against sustainability.

### Progress against Corporate Strategy Objectives

*Corporate Strategy Objective 1: Promoting markets that deliver effective competition, informed choice and fair outcomes*

- Following a review, there was a 6.1% increase in regulated electricity tariffs for Power NI, which was announced in August 2019.

- A review of SSE Airtricity's regulated gas tariffs led to a price decrease for consumers in the Greater Belfast area. The review, which concluded in March 2020, resulted in an 18.7% decrease. Firmus energy also concluded two reviews of gas tariffs in the Ten Towns gas distribution area and this led a decrease of 9% in October 2019 and a further 21.1% reduction in March 2020.
- Price control reviews were completed for SSE Gas supply and firmus energy supply and Power NI's Power Procurement Business.
- The enhanced Single Electricity Market completed its first full year of operation during 2019-20.
- A review of our Consumer Protection Programme was completed in April 2020. As part of the focused work programme a call of evidence was launched to assess the current interventions for vulnerable domestic consumers in NI and the identification of any potential gaps.
- Following a review of backbilling in the retail energy market, a decision was published in March 2020 which limits – to a 13 month period – the collection of billing arrears. A review of the allocation exit fees for small business customers was completed with the decision published in October 2019. An update and clarifications on the marketing code of practice for business customers was published in January 2020.
- The first domestic Consumer Insight Tracker (CIT), which sampled over 1500 domestic consumers, was published in April 2019. This will assist with the monitoring, and understanding, of how domestic energy consumer experiences, attitudes and engagement with the energy markets change over time.
- Following enforcement activity, close to £700,000 of penalties and charitable donations were secured from three separate licensed companies.

*Corporate Strategy Objective 2: Enabling 21st century networks*

- Price control reviews for NI Water and SONI were progressed.
- A consultation was launched on SONI's draft ten-year Transmission Development Plan in March 2020.
- The Gas to the West natural gas network was commissioned.
- A decision on the maximum resale price for electricity as it relates to electric vehicles was published in March 2020.
- There continued to be work to complete the Gas Transportation Agreement.
- A call for evidence in respect of SONI Governance was launched.

*Corporate Strategy Objective 3: Enabling security of supply and a low carbon future*

- There was a continued facilitation of investment in renewables and, in March 2020, it was announced that there had been 43.7% of energy generated from renewables.
- A series of SEM generation capacity auctions took place and sufficient capacity was secured to meet projected demand.
- Following on from a commitment in our Forward Work Programme we completed a call for evidence exercise on the Northern Ireland Energy Efficiency Provision project. A discussion paper on the way forward was published by us in August.
- We assisted, and contributed to, the Department for the Economy's work to develop a new energy strategy.
- We partnered with several organisations, including the Energy Institute and Ulster University, to promote awareness and dialogue on the energy transition to a low carbon future.

**Performance Against Forward Work Programme (FWP) Targets**

Of the time limited tasks identified in the FWP, overall the Utility Regulator achieved or partially achieved 81% of the time limited projects listed to be completed within the 2019-20 year. Of the 26 projects identified, the progress report at 31 March 2020 is as follows:

Achieved tasks	7	(27%)
Partially achieved tasks	14	(54%)
Revised	5	(19%)
Not achieved	-	(0%)

**Utility Regulator Financial Review****Funding of the Utility Regulator**

As a non-ministerial government department, the Utility Regulator is required to prepare a Supply Estimate each financial year. This is the means by which authority is sought from the NI Assembly for spending each year. Funds voted by the NI Assembly are accounted for on an annual basis in the Resource Accounts and the Utility Regulator is required to operate within the expenditure and income approved limits and related controls.

The Utility Regulator is largely funded by annual licence fees paid by the electricity and gas licensees and water and sewerage undertakers and expenditure is primarily therefore offset by receipts. Previously receipts collected from the electricity and gas licence fees were paid directly into the Northern Ireland Consolidated Fund. However the Utility Regulator has been allowed to retain these following a Treasury direction, using powers under the 1920 Treasury Act, and DfE nomination of the Utility Regulator (previously Director General of Electricity Supply and Director General of Gas) to collect receipts on its behalf. The licence issued by the DfI to NI Water in respect of water and sewerage services provides for licence fees under that licence to be paid to the Utility Regulator.

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 2019-20 was £7.958m. This is compared with £8.120m in 2018-19.

The Utility Regulator recovers and retains the cost of administering the Northern Ireland Renewables Obligation (NIRO) scheme from a buy-out fund. This is funded by electricity suppliers that elect to meet their NIRO obligations by paying a buy-out fee. The suppliers pay in at a rate per megawatt hour. In 2019-20 the total cost of administering the NIRO and recovered from the buy-out fund was £1,184k. This was compared to £891k in 2018-19. The primary reason for the increase in costs is due to a large scale re-development of the system used to administer the renewable obligation scheme. That project is ongoing.

For consistency with the allocation of costs for the purposes of recovering them through licence fees, expenditure is reported with reference to the duties and objectives as set out in legislation, rather than those included within the Corporate Strategy. In 2019-20, gross expenditure as detailed in the *Statement of Operating Costs by Operating Segments*, was as follows:

- Segment 1 (Electricity) – £6,404,000 (£6,852,000 in 2018-19)
- Segment 2 (Gas) – £2,019,000 (£1,780,000 in 2018-19)
- Segment 3 (Water) – £939,000 (£814,000 in 2018-19)

Our most significant cost is salary costs which in 2019-20 made up 64% of total costs compared with 60% in 2018-19. This increase in percentage is as a result of a reduction in external support costs in 2019-20 compared with 2018-19. The Statement of Comprehensive Net Expenditure shows that salary costs increased from the previous year (£5,651,000 for 2018-19 against £5,986,000 for 2019-20). This reflected an increase in employers' pension contributions, additional staff to resource key work streams and annual pay increments.

Other current expenditure has decreased from £3,795k in 2018-19 to £3,376k in 2019-20. This is primarily as a result of a reduction in external support costs in year.

The net resource outturn was £220k against an Estimate of £263k resulting in a saving against estimate of £43k. Overall against estimate, external and other professional costs were lower than expected and income was lower as a consequence. The net resource outturn should reflect the cost borne by Central Government in respect of work undertaken by us which was not recoverable from licence holders. This normally includes the cost of administering renewable schemes, excluding the NIRO, and the notional costs charged to the Utility Regulator.

## Long Term Expenditure Trends

The following table illustrates the net and gross outturn position over the previous four financial years.

	Gross outturn £'000	Income £'000	Net outturn £'000
2015-16	8,254	8,001	253
2016-17	10,219	9,955	264
2017-18	11,032	10,750	282
2018-19	9,446	9,141	305
2019-20	9,362	9,142	220

The above table reflects resource expenditure and income only. Utility Regulator expenditure on capital is minimal (between £3k and £18k in the years illustrated) and covered routine office requirements only. As almost all IT services are provided by IT Assist there are only minimal capital requirements in that respect. Up until 2017-18, resource expenditure has been increasing as a result of the delivery of the I-SEM project, extensive price control work and the defence of referrals to the CMA.

## Reporting against Sustainability

The Utility Regulator has responsibility for the Northern Ireland Renewables Obligation and through this scheme Northern Ireland Renewable Obligation Certificates (NIROCs) are issued to renewable generators. Following scheme closure in March 2017, it has only been possible to gain accreditation if particular grace period criteria are met, below is a summary of the grace period and closure dates:

	Category	Closure Date
<b>NIRO Closure dates</b>	All, except onshore wind	31/03/2017
	Onshore wind ≤5MW	30/06/2016
	Onshore wind >5MW	31/03/2016
<b>Grace period closure dates</b>	All, except onshore wind	31/03/2018
	Onshore wind ≤5MW	31/03/2019
	Onshore wind >5MW	31/12/2018

Due to closure a reduction in newly accredited capacity was expected, however due to the increased criteria for accreditation an increase in complex cases is also expected.

As expected there has been a reduction in newly accredited capacity during 2018-19 which fell from 219MW in 2017-18 to 83MW in 2018-19. However total NIRO generation in Northern Ireland rose in 2018-19, with generation rising by 11.53% and ROC issue by 13.57% compared to 2017-18. By the end of 2018-19 there were 23,682 NIRO accredited generating stations with a capacity of 2,120 MW and a total of 5,716,567 NIROCs were issued to accredited stations.

A total of 9 electricity suppliers in Northern Ireland are required to present a total of 1,433,328 ROCs.

Ofgem administer the NIRO on behalf of the Utility Regulator and during 2018-19 they audited 84 Micro-generators, 1 agent and 1 rent a roof company, and 88 other generators.

In the Budget 2015 the Government announced its intention to withdraw the exemption from the Climate Change Levy for renewable electricity from 1 August 2015. This change meant that the Utility Regulator does not issue Levy Exemption Certificates (LECs) for electricity generated by renewable technology stations after 31 July 2015. Generators can still request LECs for electricity generated before this date and electricity utilities can continue to use LECs to apply the exemption.

Electricity suppliers are required to specify in billing information and promotional materials the contribution of each energy source to the overall fuel mix of the supplier over the previous year. In addition, suppliers are required to provide information on the environmental impact of their electricity. We work with colleagues in CRU and SEMO to ensure suppliers provide fuel mix information to their customers.

In order to optimise the accommodation of wind in the electricity network, the Utility Regulator has been progressing the DS3 programme with CRU. The objective of DS3 is to facilitate increased levels of renewables and effectively decrease the levels of curtailment. This will facilitate the operation of increased levels of non-synchronous generation on the network.

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

The Utility Regulator's NISEP (NI Sustainable Energy Programme) provides funding, collected from all electricity customers, for energy efficiency schemes. The schemes cover the installation of energy efficiency measures in both domestic and commercial/business properties but 80% of the funding is ring-fenced for schemes targeted at domestic customers at risk of fuel poverty. During 2019-20, a total of just under £8.1 million was made available to support schemes (this figure included under spend rolled forward from 2018-19). In the previous year, 2018-19, the funding spent on schemes amounted to just over £8 million. NISEP has also now been extended until 2022 and a review of NISEP and energy efficiency provision in NI is currently being undertaken.

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

## **Other Matters to Report**

### **Employee Involvement**

The Utility Regulator recognises the benefit of keeping all employees regularly informed about progress towards achieving its aims and objectives. Consultation with staff on matters related to terms and conditions is through trade union and non-trade union staff representatives. A Joint Negotiating and Consultative Committee, established under a Recognition Agreement signed with the Northern Ireland Public Service Alliance, is the formal vehicle for the conduct of industrial relations in the Utility Regulator.

Steps have been taken to enhance internal communications. The Senior Management Team originally approved an Internal Communications Strategy. During 2018-19 it was agreed that the



work being advanced under UR People should encompass internal communications to ensure that this was being progressed in a joined up way. The Chief Executive continues to hold bi-monthly all-staff meetings to keep staff informed of key developments and writes a regular blog. Further changes to improve the intranet and promote staff engagement were also implemented.

The Utility Regulator, as a member of BiTC facilitates staff volunteering which provides opportunities for staff to contribute their skills to, and receive development from, third sector bodies. Opportunities were taken to foster relationships with voluntary, community and environmental groups within the local community as part of BiTC and an ongoing commitment to corporate social responsibility. Christmas charity fundraising resulted in cash and other donations being made to nominated charities and staff volunteered in partnership with BiTC initiatives. Significant emphasis is placed on health and wellbeing of our staff and special events and information sessions are held to support the mental and physical wellbeing with significant benefits to the individual and to the office. A number of staff have completed an accredited mental health first aid course to equip them in providing initial help to someone developing a mental health problem or who is in mental crisis until appropriate professional treatment is received or until the crisis is resolved.

The Utility Regulator was accredited by Investors in People in February 2018 following an assessment process comprising a staff survey, interviews and a review of human resource policies. The assessment is for three years and the second year checkpoint was held in February 2020. The detailed action plan developed following extensive consultation with staff is being taken forward through a cross directorate working group, along with a number of sub groups, under the banner of “UR People” reflecting the intention to deliver meaningful improvements to organisation’s ways of working and not just deliver a further IiP accreditation.

The COVID19 epidemic has forced a virtual shutdown of all but essential services across the economy save for those which can be facilitated by homeworking. The Utility Regulator decided, in light of government guidance, that it was no longer tenable to require staff to routinely travel to the office after Monday 23 March 2020. This decision was taken on staff welfare grounds but in full knowledge that it would present significant, operational challenges. The Senior Leadership Team had already instigated daily meetings in order to manage these challenges and a programme of work was initiated to look at options to maximise connectivity, share information and keep teams and individuals involved, particularly where they did not have any means of connecting to the NI Civil Service network.

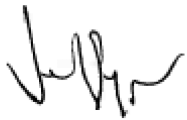
### **Payment to Suppliers**

The Utility Regulator is committed to the prompt payment of bills for goods and services received in accordance with the Late Payment of Commercial Debts Regulations 2013 and British Standard BS 7890 – Achieving Good Payment Performance in Commercial Transactions. Unless otherwise stated in the contract, payment is due within 30 days of the receipt of the goods or services, or on presentation of a valid or undisputed invoice or similar demand, whichever is later. During the year, 99.9% (2018-19 99.9%) of undisputed invoices were paid within this standard. In line with other NI departments and following Dear Accounting Officer (DAO) 12/08 guidance, the Utility Regulator has aimed to promptly pay invoices within a 10 day target. In the past year 96.9% (2018-19 96.9%) 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). Following a consultation in August 2018, the Utility Regulator published its equality scheme and disability action plan for 2018-2023. The equality scheme sets out how it proposes to fulfil the duties imposed on it by section 75 of the Act. The scheme was approved by the Equality Commission and is available in either paper or electronic format. It will also be available on request in a variety of alternative formats.

The Audit and Risk Committee received a paper on equality compliance at its September 2019 meeting. A key aspect of this paper was the Annual Progress Report (in relation to Section 75 obligations), which was approved by the Audit and Risk Committee and Board for submission to the Equality Commission. This paper also offers the opportunity to provide assurance to the Committee that equality related obligations to the Equality Commission and DoF have been met.



Jenny Pyper  
Accounting Officer  
14 September 2020



## **ACCOUNTABILITY REPORT**

This Accountability Report as required under the 2019-20 Government Financial Reporting Manual issued by the DoF, sets out the Corporate Governance Report, the Remuneration and Staff Report and Assembly Accountability and Audit report.

## **CORPORATE GOVERNANCE REPORT**

### **DIRECTORS REPORT**

The Governance Statement on pages 26 to 34 sets out the Utility Regulator's governance, risk management and control arrangements. The main components of the governance arrangements in 2019-20 are stated below.

#### **The Board of the Utility Regulator**

The Board provides corporate leadership and directs the Utility Regulator's strategic planning. It assists the Chief Executive in meeting corporate governance responsibilities as Accounting Officer.

At the end of 2019-20, the Board comprised one executive member (the Chief Executive, Jenny Pyper) and six non-executive members as follows:

Dr William Emery (Chair) – appointed to the Board 1 July 2012 for a period of five years with a variation of appointment to 30 June 2018. Re-appointment for a period of five years to 30 June 2023.

Teresa Perchard – appointed to the Board on 1 September 2013 for a period of five years. Re-appointed 1 September 2018 for a further term of five years.

Alex Wiseman – appointed to the Board on 1 November 2015 for a period of five years.

Jon Carlton – appointed to the Board on 1 November 2015 for a period of five years.

Claire Williams – appointed to the Board on 1 May 2019 for a period of seven years.

David de Casseres – appointed to the Board on 1 May 2019 for a period of seven years.

William Cargo was a member of the Board until 30 June 2019, having completed his term of appointment at that date.

During the period, the Chief Executive, Jenny Pyper, announced that she intended to retire from her post later in 2020 and a recruitment competition will be launched to appoint a successor during 2020-21.

#### **Board Committees**

##### **The Audit and Risk Committee**

The Audit and Risk Committee provides independent and objective assurance to the Board and Accounting Officer on any matters affecting the Utility Regulator's financial health, probity or

external reputation. It supports the Accounting Officer in monitoring the corporate governance and control systems, including financial reporting.

Until 30 September 2012 membership of the Audit and Risk Committee was drawn exclusively from non-executive board members. On 1 November 2012 Jim Oatridge was appointed as its independent Chair. Prior to that, he was its Chair during his term as a board member. Alex Wiseman served as a member during 2019-20 and Claire Williams was appointed to the Committee with effect from 5 July 2019. The Chief Executive and Director of Corporate Affairs attend meetings and the Chair of the Board also attends periodically.

### The Remuneration Committee

The Remuneration Committee determines pay, terms and conditions of senior staff (Chief Executive and directors), advises on the Utility Regulator's human resource strategy and contributes to wider pay and reward policy issues affecting all staff.

William Cargo was Chair of the Remuneration Committee until his term of appointment ended on 30 June 2019, at which point he was replaced as Chair by Teresa Perchard who was an existing member of the Committee. Jon Carlton continued to serve on the Committee and David de Casseres was appointed to the Committee with effect from 5 July 2019. The Chief Executive and Director of Corporate Affairs also attend Remuneration Committee meetings and the Chair of the Board also attends periodically.

### **Other Committees**

#### Board Advisory Forum

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

### **Statutory Committees**

#### Single Electricity Market (SEM) Committee

The SEM Committee was established on 1 November 2007 to regulate the all island wholesale electricity market. Membership comprises an independent member and a deputy independent member and up to three persons each from the Utility Regulator and CRU.

Mr Odd Hakon Hoelsaeter was appointed as the independent member of the SEM Committee and Professor David Newbery was appointed deputy independent member from 1 November 2012. These appointments were made for an initial term of five years and both were re-appointed in 2017-18 for a further period of five years up to October 2022. The Utility Regulator and CRU each pay 50% of the costs of the independent members and other costs incurred by the SEM Committee.

Jenny Pyper also serves on the SEM Committee, following her appointment as Chief Executive on 1 November 2013. Dr William Emery was appointed to the SEM Committee for a five year

term from 1 March 2013 and re-appointed for a further five year term to 28 February 2023. Jon Carlton was appointed to the SEM Committee with effect from 1 April 2016.

Details of the remuneration of Utility Regulator non-executive board members are provided on pages 36 to 37.

### **The Senior Management Team**

The Senior Management Team comprises the Chief Executive and the following Directors:

Director of Corporate Affairs – Donald Henry

Director of Networks – Tanya Hedley

Director of Wholesale Markets – Colin Broomfield

Director of Retail Markets – Kevin Shiels

Three Head of Function roles are also in place to support the Directors – Head of Legal, Head of Network Operations and Head of Network Price Regulation. The Board Secretary acts as a secretariat to the Senior Management Team which meets weekly and considers matters relevant to the day-to-day running of the office, facilitates information sharing, co-ordination on policy issues and the development of good practice.

### **Register of Interests**

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

### **Personal Data**

The nature of the Utility Regulator's business only requires it to hold a limited amount of personal data mostly in connection with staff. A suite of policies has been put in place, and privacy notices updated, to address the requirements of the General Data Protection Regulation. The Information Management Committee is keeping compliance with these requirements under regular review and the Board received its first annual compliance report in May 2019. There have been no breaches relating to this personal data for the year to the 31 March 2020 and up to the date of the signing of the accounts.

### **Audit arrangements**

Under section 10 of the Government Resources and Accounts Act (Northern Ireland) 2001, the Comptroller and Auditor General for Northern Ireland (NIAO) is the statutory auditor for the Utility Regulator. The notional charge for this audit service as disclosed in these accounts is £27.5k (£23.5k in 2018-19). There was no auditor remuneration, actual or notional, for non-audit work in 2019-20. In 2018-19, £1k was paid to the NIAO for work associated with the National Fraud Initiative (NFI) 2018-19 exercise.

Ernst & Young continued to act as the internal auditors for the Utility Regulator and further detail on their work can be found in the Governance Statement.

### **Departmental Accounting Boundary**

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

### **Relationships with Arms Length Bodies**

The Utility Regulator has no arms length bodies.

### **Complaints Handling**

Where someone is dissatisfied with the Utility Regulator's procedures or the way in which the Utility Regulator has operated them, a complaints procedure is in place. The complaints procedure is published on the website, [www.ureg.ni.gov.uk/customerinformation/complaints](http://www.ureg.ni.gov.uk/customerinformation/complaints). The procedure provides for both formal and informal approaches and includes information about our process for dealing with complaints. During 2019-20 the Utility Regulator received one complaint. As a result of this complaint a full review of Utility Regulator administrative processes and procedures with regard to complaints that are made to the Utility Regulator by energy consumers, particularly domestic consumers, in respect of complaints against their energy supplier, will be undertaken. The Utility Regulator also intends to ensure that, where and as required, the Policy is updated to reflect any changes that are recommended as a result of the review.

### **Health and Safety**

The Utility Regulator is committed to applying all existing health and safety at work legislation and regulations to ensure that staff and visitors enjoy the benefits of a safe environment. The Utility Regulator's Health and Safety Committee is responsible for overseeing the safe and healthy working environment. It keeps the Utility Regulator's Health and Safety Policy Statement under review for best practice in the public sector. Along with associated organisational arrangements, it is made available to all staff through the intranet. No health and safety incidents were reported to the Health and Safety Committee during 2019-20.

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

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

## STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Government Resources and Accounts Act (NI) 2001, the DoF 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 Utility Regulator 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 income and expenditure, Statement of Financial Position 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 DoF 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;
- prepare the accounts on a going concern basis; and
- confirm that the Annual Report and Accounts, as a whole, is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

DoF 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 Managing Public Money Northern Ireland published by the DoF.

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

## GOVERNANCE STATEMENT

### Governance Framework

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

### The Board

Under Schedule 1 of the Energy (Northern Ireland) Order 2003 (as amended by the Water and Sewerage Services (Northern Ireland) Order 2006), the Utility Regulator Board (the Board) is required to have a minimum of four members. The Board Members are appointed by the DoF Minister. The Board operates in accordance with its Rules of Procedure. The Board provides corporate leadership and directs the Utility Regulator's strategic planning. It assists the Chief Executive in meeting her corporate governance responsibilities as Accounting Officer. A governance manual has been developed which sets out relevant guidelines for board members. This manual covers such areas as Board and Board Committee Terms of Reference, Board Schedule of Business, Scheme of Delegation, Whistleblowing Guide, Bribery Act, confidentiality, the Seven Principles of Public Life, fraud, gifts and hospitality, information governance, risk management strategy and members' interest statement. The governance manual is reviewed and where necessary updated at least on an annual basis.

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

The Utility Regulator is required to comply with The Code and in particular its focus on the role of the Board. Subject to the comments which follow the Utility Regulator considers that it is compliant with the requirements of The Code. The Code references the accountability of the Minister in charge of the department. However the Utility Regulator is an independent non-ministerial government department. Questions from Assembly members may be addressed to, and answered directly by, the Utility Regulator. As a non-ministerial government department the Utility Regulator does not receive any ministerial directions. The Audit and Risk Committee is chaired by an independent member who has finance and accounting skills but is not currently a board member. However, he has served two terms on the Board and may attend board meetings to brief the Board on the work of the Audit and Risk Committee and provides an annual report to the Board summarising its work programme and providing assurance on the Utility Regulator's compliance with public sector financial and governance requirements. DoF is aware of this arrangement which is kept under review in light of the evolving balance of board skills. The Utility Regulator recognises also that a professionally qualified finance director is not a member of the Board. However the Utility Regulator Director of Corporate Affairs is both a member of the Senior Management Team and a professionally qualified accountant who attends each board



meeting and his duties include fulfilling the finance director role. A formal review of board effectiveness is undertaken every three years. However the skills and balance of knowledge are considered annually as part of the Board appraisal process.

### Board Members Interests

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

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

### Matters considered by the Board during the period

The Board exercised its oversight of several key governance issues. It considered a draft Forward Work Programme and a final version, following a public consultation, was approved at its March 2020 meeting. At the same meeting the Board also approved for the Budget for 2020-21. This was in addition to the approval of amendments to governance documents, such as the statutory committee terms of reference, throughout the year. Finally the Board also focused on risk and this included a workshop with the executive team on risk strategy.

Regulatory price controls continued to be a significant feature of board business. This included approval of price control reviews in respect of SSE Airtricity gas supply and firmus energy. Board discussions also took place on key aspects of the NI Water and SONI price controls.

Developments in respect of the Covid-19 outbreak and the return of the NI Assembly came into prominence towards the end of the financial year. The most significant external issue over the year for the Board however, continued to be that of Brexit. As well as a Board Brexit Sub-Group, chaired by Jon Carlton, Brexit was a standing item for much of the year on the Board's agenda. The Board received regular briefings and approved Brexit-related licence modifications.

The Board received briefings and held meetings in respect of Single Electricity Market-related matters, such as around security of supply considerations arising from capacity auctions and market monitoring reports. Overall, this provided the Board with an opportunity to provide comments, as required, to members of the Utility Regulator SEM Committee.

The ongoing development of the natural gas network was another notable area of focus for board discussions and decisions. Decisions were made in respect of the developing networks in East Down and the Gas to the West area. The Board also conducted strategic discussions on the future development of the natural gas area, particularly in the context of those areas that were more difficult to connect or which would be potentially uneconomic to develop.

Various reviews were also considered by the Board. This included on SONI governance, the review of NISEP and the audit and updates of the work undertaken in respect of the administration of the NI Renewables Obligation.

The Board also endorsed a course of action on the future of the retail IT system between Northern Ireland and the Republic of Ireland. As well as considering opportunities to protect consumers in energy markets, such as around the issue of backfilling, the Board was also apprised of developments in relation to enforcement action. As well as endorsing a new Consumer Protection Programme, the Board received regular updates and also met with the Consumer Vulnerability Working Group.

The Board also continued to engage with a range of stakeholders throughout the year. This included meetings with boards from other organisations – such as NI Water, SONI and Mutual Energy. Board members also participated in stakeholder events including a NISEP review event and an event jointly hosted with the Energy Institute on the energy transition.

## **Board Committees**

### **Standing Committees**

#### Audit and Risk Committee

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

The Audit and Risk Committee met four times during 2019-20. As part of its programme of work, it scrutinises the draft budget and corporate risk register before approval is sought for each from the Board. It has been involved in year in the review of the organisation's risk management strategy and in particular development of the risk appetite position. It reviews the draft annual accounts and receives in year finance and performance reports. It oversees the work of internal audit and receives all reports for review of recommendations and management responses. It also monitors performance in the timely implementation of audit recommendations which is regarded as a high priority.

In addition, it reviews governance related policies in accordance with a timetable of business. In support of this role, the Audit and Risk Committee Chair presented a report to the Board in June 2019 on conclusions drawn from its work programme in 2018-19. Matters to be referenced in its report to the Board in respect of 2019-20 include GDPR and cyber and physical security updates, arrangements for business continuity planning and testing, review of bribery and corruption risks, the outcome of the National Audit Office self-assessment on the Audit and Risk Committee effectiveness (including follow up of previous actions), consideration of cross-directorate licence compliance and a review of the board and staff Interests statements. Other relevant matters have included an extensive review of the governance manual contents, the Annual Progress Report on Equality for the Equality Commission for Northern Ireland, finance and performance reports and risk registers and a number of updates to procurement procedures, terms of reference and other



governance related policies. The Audit and Risk Committee also contributed to the consideration of the revised risk management strategy.

The Committee also received regular reports and updates regarding the NIAO review of the Northern Ireland Renewables Obligation Scheme and related issues. The NIRO is administered by Ofgem on behalf of the Utility Regulator and the Department for the Economy is responsible for NIRO policy and legislation.

### Remuneration Committee

The Board is further supported by the Remuneration Committee. The Remuneration Committee considers and approves any recommendations regarding senior remuneration and also has responsibility for contributing to wider pay and reward policy issues affecting all staff in light of the annual pay remit guidance issued by DoF. The Remuneration Committee met three times during 2019-20.

### **Attendance at Board and Other Committees**

Attendance at the Board and board committees was as follows:

	<b>Board</b>	<b>Audit and Risk Committee</b>	<b>Remuneration Committee</b>
William Emery*	8/8	-	-
Jim Oatridge	-	4/4	-
William Cargo	1/2	-	1/1
Teresa Perchard	8/8	-	3/3
Alex Wiseman	8/8	4/4	-
Jon Carlton	8/8	-	3/3
Jenny Pyper	8/8	4/4	-
Claire Williams	7/7	3/3	-
David de Casseres	6/7	-	1/2

\*William Emery is not a member of the Audit and Risk Committee or Remuneration Committee but has the right to attend all meetings

### **Statutory Committees**

#### Single Electricity Market Committee (SEMC)

The SEM Committee, which is a statutory committee of the Utility Regulator and the CRU, was established on the 1 November 2007. The Committee was established following amendments made to the Electricity Regulation Act 1991 and the Electricity Single Wholesale Market (Northern Ireland) Order 2007 in respect of the functions, powers and duties in relation to the regulation of the SEM. The principal objective of the SEM Committee is to protect the interests of electricity consumers by promoting, when appropriate, effective competition in relation to the sale and purchase of electricity within the SEM. The SEMC regulates the wholesale electricity market and takes decisions on those matters which are considered to be SEM related; in order to be a SEM matter this has to have a material impact on the wholesale electricity market.

The membership of the SEM Committee comprises an independent member and a deputy independent member and up to three persons (who must either be a member of the Utility Regulator Board or staff) appointed by the DfE after consultation with the Utility Regulator and with the approval of the Minister of Communications, Energy and Natural Resources (being a Minister of the Government of Ireland), ‘the Irish Minister’, and up to three persons (who must be members of the CRU) appointed by the Irish Minister with the approval of DfE.

During 2019-20, the SEM Committee met 11 times.

## **Other Committees**

### Board Advisory Forum

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

Attendance during the year at the Board Advisory Forum by the Chair and the non-executives was as follows:

### **Board Advisory Forum**

William Emery	4/4
William Cargo	1/1
Teresa Perchard	3/4
Alex Wiseman	4/4
Jon Carlton	4/4
Jenny Pyper	4/4
Claire Williams	3/3
David de Casseres	3/3

### **Enforcement Committee**

The Board establishes Enforcement Committees to deal with specific enforcement matters as required. An Enforcement Committee, comprising Jenny Pyper and John Mills, was established on 20 February 2019. That Committee met once during 2019-20 and is now concluded.

### **Board Effectiveness**

The implementation of the board effectiveness review, from 2017-18, was completed. The review considered all aspects of the Board’s operation including an assessment of the effectiveness of board meetings. The review also sought comments on the conduct of board meetings generally, the agendas and quality of the information and data received. There was no evidence to indicate any significant issues requiring attention however the review did lead to improved layout of the board papers and the completion of a trial on using software for board papers.

A workshop took place in March 2019, involving both the Board and the Senior Management Team, to discuss how the organisational leadership could best promote values. This led to a

series of options to enhance how board meetings are conducted and the organisation of board business.

During 2019-20 the Board has continued to draw on the learnings from the previous effectiveness review. This has included engagement with staff on promoting organisational values and board members attended a staff away day in September 2019 which considered how to promote organisational values. The appointment of new board members in May 2019 also enabled learning, in respect of providing induction information, to be implemented.

In order to give the necessary priority, in governance terms, to the Brexit issue, the Board established a Brexit Board Sub-Group.

In terms of external engagement, there was extensive board-level engagement with other stakeholders and, in particular, meetings with regulated utility boards.

## **Executive Team and Audit Arrangements**

### The Senior Management Team

The composition of the Senior Management Team is outlined in the Directors Report. During the 2018-19 year, the Director of Wholesale Markets tendered her resignation in order to take up a post with the System Operator for Northern Ireland (SONI). That position commenced in May 2019. In order to manage the potential conflicts with the SONI position a number of measures were taken including restricted access to files, physical relocation and recusal from relevant board and senior management discussions and decisions as well as a cooling-off period. A temporary successor was appointed internally with effect from March 2019 to manage the responsibilities of the Director post and that individual was also successful in the permanent appointment, taking up post on 23 May 2019.

### Internal Audit Arrangements

The Accounting Officer and Audit and Risk Committee are independently advised by an internal audit service provider, Ernst and Young, a practice which operates in accordance with Public Sector Internal Audit Standards. The contract was issued for tender during 2018-19 and Ernst and Young was re-appointed from 1 April 2019 for a 2 year term with the option to extend for 2 separate one year periods.

The primary objective of internal audit is to provide the Accounting Officer and the Audit and Risk Committee with an independent and objective opinion on risk management, control and governance by measuring and evaluating these measures' effectiveness in achieving the Utility Regulator's objectives. The work of internal audit is undertaken to the Public Sector Internal Audit Standards and informed by an analysis of the risks to which the organisation is exposed. The Head of Internal Audit has a standing invitation to attend the Audit and Risk Committee and presents a draft internal audit plan for its approval. This takes account of the analysis of risks faced by the Utility Regulator and, in addition to reviews of corporate functions, provides a focus on operational aspects.

The Chair of the Audit and Risk Committee aims to meet senior representatives from internal audit and Northern Ireland Audit Office twice annually without members of the Senior Management Team present.

In 2019-20, the overall internal audit assurance for the Utility Regulator was Satisfactory Assurance.

### Risk Management

The Risk Management Strategy (the Strategy), which was revised during 2019-20, sets out the Utility Regulator's approach to the management of risk. The strategy draws on the Northern Ireland Audit Office report on Good Practice in Risk Management (June 2011), Her Majesty's Treasury Guide on Good Practice in Central Government Departments and the Audit Committee Handbook. 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 which allows risks to be identified, managed and escalated as appropriate.

The strategy sets out the roles and responsibilities in respect of risk management. The Board is responsible for establishing and overseeing risk management procedures within the organisation. The Board ensures that significant risks are being managed by the Senior Management Team and challenges the risk management process to ensure that all key risks have been identified. The Audit and Risk Committee supports the Board and Chief Executive by reviewing the risk control processes and periodically reviews risk registers, providing a challenge and advisory role as necessary. The Audit and Risk Committee receives assurances from the Head of Internal Audit on the effectiveness of risk management and undertakes periodic review of directorate level registers not normally subject to its or the Board's approval.

### **Risk Environment**

The Utility Regulator is operating at a time of change at European Union level. The Utility Regulator feeds into the Agency for the Co-operation of Energy Regulators which co-ordinates energy policy at a pan-European level. At a national level, the Utility Regulator is a member of the UK Regulatory Network and the UK Competition Network, formed to develop common understanding of best practice, facilitate consistency and provide a platform for skills and knowledge transfer in the exercise of sector regulatory functions and competition respectively. The Utility Regulator was jointly tasked, with CRU, to implement an integrated single electricity market (I-SEM) to be compliant with the European Target Model and that went live in 2018. At local level, energy policy falls within the remit of the Department for Economy.

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

The Utility Regulator's intention is to reflect good practice in risk management, as it forms an integral part of the work carried out. As a result, the Senior Management Team, Audit and Risk Committee and Board keep the top risks under review.

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

- Failure to protect consumers in the absence of an effective new SEM framework.
- The potential for disputes or challenges arising from regulatory decisions.

- Failure to adequately protect consumers through price controls and market regulation.
- Implications resulting from security of supply related issues.
- The impact of the UK exit from the EU and the implications for the regulatory framework.

In addition to these key risks a further risk was included in respect of the NI Renewables Obligation scheme and the perception that this will not facilitate good value for money. In the latter part of the year the risks associated with Covid 19 were also considered.

Risks continued to be identified and managed in line with the Risk Management Strategy. The Utility Regulator internal auditors, Ernst and Young, undertook a review of risk in 2018-19, in addition to the audit plan for the year. This focused on reviewing the risk strategy against best practice, how the risk management process was embedded within directorates, the crystallisation of 2017-18 and 2018-19 corporate risks and key events that arose in those periods and how those were recorded on the risk registers. The outcome of the review was presented at a board workshop that Ernst and Young facilitated and further work was progressed in year in developing the strategy in terms of risk appetite. The updated UR risk strategy was approved by the Board in January 2020. All staff training courses on risk were held in March 2020 and will continue to be facilitated in 2020-21.

### Information Security

The Utility Regulator continues to develop its information management and governance agenda. The Utility Regulator's business only requires it to hold a limited amount of personal data. A register of information assets across the organisation has been developed and updated policies on information handling include guidance for asset owners in understanding how to classify them. Information awareness sessions are periodically held and staff induction includes an information management briefing. The Information Management Committee, which is a cross directorate internal group of staff that oversees related governance issues, keeps policies under review and considers actions arising should a breach of one of the policies occur. This group has delegated authority to make decisions and is responsible to the Senior Management Team. In particular, the Utility Regulator's continued compliance with the requirements of the General Data Protection Regulation has included maintenance of registers cataloguing personal data held, as defined by GDPR, who holds it, where it's held, for how long, on what authority and with what purpose in mind. Revised privacy policies are also in place. There were no information breaches that the Information Management Committee considered to represent a security concern.

### Fraud

Fraud is a regular item on the Audit and Risk Committee agenda. A specific fraud risk is identified and managed at directorate level. The Utility Regulator undertook a self-assessment on the management of fraud and bribery risk using a Northern Ireland Audit Office good practice guide in February 2018. An update on the actions arising from the assessment was provided to the May 2018 meeting and the fraud policy was reviewed in December 2018. There were no reported cases of fraud in 2019-20.

### Budget position and Authority

The Assembly passed the Budget Act (Northern Ireland) 2020 in March 2020 which authorised the cash and use of resources for all departments for the 2019-20 year, based on the Executive's final expenditure plans for the year. The Budget Act (Northern Ireland) 2020 also authorised a Vote on Account to authorise departments' access to cash and use of resources for the early months of the 2020-21 financial year. While it would be normal for this to be followed by the 2020-21 Main Estimates and the associated Budget (No. 2) Bill before the summer recess, the Covid-19 emergency and the unprecedented level of allocations which the Executive has agreed in response, has necessitated that the Budget (No. 2) Bill is instead authorising a further Vote on Account to ensure departments have access to the cash and resources through to the end of October 2020, when the Main Estimates will be brought to the Assembly and the public expenditure position is more stable.

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

As the Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, the work of the Audit and Risk Committee and its independent Chair, members of the Senior Management Team, managers who have responsibility for developing and maintaining the internal control framework and comments from external auditors in their reports. Directors have provided me with quarterly Assurance Statements commenting on the adequacy and effectiveness of the control environment, including the regularity and propriety of expenditure. I have been advised on the adequacy of the system of internal control by the Audit and Risk Committee and plans to address weaknesses and ensure continuous improvement of the system, are in place.

The governance system described in this statement has been in place for the whole of the year ended 31 March 2020 and up to the date of approval of the Annual Report and Accounts and accords with DoF guidance. No significant problems with the governance system arose during the period covered by this statement.



## REMUNERATION AND STAFF REPORT

The purpose of the remuneration and staff report is to set out the Utility Regulator's remuneration policy for senior management, how this policy has been implemented and what amounts have been paid to senior management. This report also provides other information on remuneration and staff numbers for the financial year.

### Remuneration Policy

The non-executive Chair and non-executive board members of the Utility Regulator are appointed by DoF (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 DoF. The remuneration for the Chief Executive post and that payable to Directors is approved by the Utility Regulator's Remuneration Committee. Further information on the Remuneration Committee can be found in the Directors Report, page 22. The non-executive members of the Utility Regulator are appointed to the SEM Committee by the DfE and the salary level and terms for this post are also set by DfE.

The Utility Regulator also operates within the context of the public sector pay remit, normally determined by the Minister of Finance. In the absence of an Executive the DoF Permanent Secretary set the 2019-20 NI public sector pay policy (October 2019) in line with the overarching HMT parameters and in a manner consistent with the approach taken by the previous Finance Minister in 2016-17. In 2019-20, the pay award for senior managers comprised a base pay uplift of 1% in line with the remit guidance. The pay award for staff up to and including manager grade for 2019-20 has been finalised. Spine points have been revalorised by 2% with effect from 1 April 2019 and that may impact on the final value of award for senior managers. There were no non-consolidated bonuses payable to any senior managers in respect of the 2019-20 year.

### Service Contracts

The Civil Service Commissioners (NI) Order 1999 required Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Code published by the Civil Service Commissioners for Northern Ireland specifies the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report hold appointments that are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Non-executive board members hold fixed term appointments as detailed in the Directors Report, page 21.

DoF 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.

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

**Salary and pension entitlements (audited)**

The following sections provide details of the remuneration and pension interests of the Utility Regulator Board and Senior Management Team.

**Remuneration (including salary) and pension entitlements**

Single total figure of remuneration	Salary (£'000)		Benefits in kind (to nearest £100)		Pension benefits (to nearest £1,000) <sup>2</sup>			Total	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	
	<b>Non-executive board members</b>								
Dr William Emery (Non-executive Chair)	45-50*	40-45*	11,900	13,200	-	-	55-60	55-60	
Mrs Teresa Perchard (Non-executive Director)	10-15	5-10	2,800	3,300	-	-	10-15	10-15	
Mr Alex Wiseman (Non-executive Director)	10-15	5-10	6,400	4,700	-	-	15-20	10-15	
Mr Jon Carlton (Non-executive Director)	20-25*	15-20*	15,900	18,400	-	-	35-40	35-40	
Mrs Claire Williams (Non-executive Director) (Appointed 1st May 2019)	5-10	-	7,300	-	-	-	15-20	-	
Mr David de Casseres (Non-executive Director) (Appointed 1st May 2019)	5-10	-	1,100	-	-	-	10-15	-	

<sup>2</sup> The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation and any increase or decrease due to a transfer of pension rights.



Single total figure of remuneration									
	Salary (£'000)		Benefits in kind (to nearest £100)		Pension benefits (to nearest £1,000) <sup>2</sup>		Total		
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	
<b>Non-executive board members</b>									
Mr Richard Rodgers (Non-executive Director) (Resigned 31st March 2019)	0-5	5-10	-	400	-	-	0-5	10-15	
Mr William Cargo (Non-executive Director) (Appointment ended 30th June 2019)	0-5	5-10	-	400	-	-	0-5	10-15	
<b>Other</b>									
Mr Jim Oatridge (Independent Chair of Audit and Risk Committee)	5-10	0-5	2,300	2,200	-	-	5-10	5-10	
<b>Senior Executives</b>									
Mrs Jenny Pyper Chief Executive	145-150	145-150	-	-	22,000	12,000	165-170	155-160	
Mr Donald Henry (Director of Corporate Affairs)	100-105	100-105	-	-	37,000	37,000	135-140	135-140	
Ms Tanya Hedley (Director of Compliance and Network Operations)	85-90	80-85	-	-	33,000	43,000	115-120	125-130	
Mr Kevin Shiels (Director of Retail)	85-90	80-85	-	-	29,000	28,000	110-115	110-115	

Single total figure of remuneration	Salary (£'000)		Benefits in kind (to nearest £100)		Pension benefits (to nearest £1,000) <sup>2</sup>			Total	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	
	80-85	0-5 (full year equivalent 70-75)	-	-	32,000	-	110-115	0-5	
Mr Colin Broomfield (Director of Wholesale) (Appointed on temporary promotion from 18th March and permanently from 23rd May 2019)	-	40-45 (full year equivalent 65-70)	-	-	23,000	-	60-65		
Mrs Roisin McLaughlin (Director of Finance and Network Assets) (Appointed on temporary promotion from 1st February 2018 to 31st October 2018)	10-15 (full year equivalent 95-100)	95-100	-	-	33,000	10-15	130-135		
Mrs Jo Aston (Director of Wholesale) (Resigned 12th May 2019)	145-150	-	-	-	145-150	-	-		
<b>Band of Highest Paid Director's Total Remuneration**</b>	<b>44,087</b>	-	-	-	<b>46,470</b>	-	-		
<b>Ratio</b>	<b>3.35</b>	-	-	-	<b>3.17</b>	-	-		

During 2019-20 basic remuneration for the Chair was £35k-£40k (2018-19 £30k-£35k) and for the non-executive board members was £10k-£15k (2018-19 £5k-£10k).

Remuneration ranged from £15,000 to £148,000 (2018-19 £14,000 to £148,000).

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

\*\* Total remuneration includes salary payments only. Non-consolidated performance-related pay and benefits-in-kind would be included if those had been paid in year. It does not include severance payments, employer pension contributions, uplift in lieu of pension and the cash equivalent transfer value of pensions.

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

### Salary and pension entitlements (audited)

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

	Accrued pension at pension age as at 31/03/20 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/20	CETV at 31/03/19	Real increase in CETV
	£000	£000	£000	£000	£000
Mrs Jenny Pyper Chief Executive	60-65 190-195	0-2.5 2.5-5	1,438	1,351	21
Mr Donald Henry (Director of Corporate Affairs)	30-35 55-60	0-2.5 -	477	435	17
Mr Kevin Shiels (Director of Retail)	35-40 80-85	0-2.5 -	675	628	15
Ms Tanya Hedley (Director of Compliance and Network Operations)	20-25 -	0-2.5 -	284	249	18
Mr Colin Broomfield (Acting Director of Wholesale)	10-15 -	0-2.5 -	98	78	11
Mrs Jo Aston (Director of Wholesale)	50-55 -	0-2.5 -	1,044	1,016	25

There were no employer contributions to a partnership pension account in respect of the Senior Management Team.

## **Salary**

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

## **Benefits in kind**

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

## **Performance Awards**

Performance awards are based on performance levels attained and are made as part of the appraisal process. Performance awards relate to the performance in the year in which they become payable to the individual. No performance awards were payable to any of the Senior Management Team in respect of the 2019-20 financial year.

## **Northern Ireland Civil Service (NICS) Pension arrangements**

Pension benefits are provided through the Northern Ireland Civil Service pension schemes which are administered by Civil Service Pensions (CSP), for employees who have joined the scheme. Although no directors have elected to do so, Utility Regulator employees may opt out of the pension arrangements and receive an uplift in lieu of employer pension contributions of 18.5% of base salary. Following auto-enrolment, any new employees will be automatically enrolled in PCSPS (NI) however if those employees opt out of the pension scheme they will not receive an uplift in lieu of pension.

The alpha pension scheme was introduced for new entrants from 1 April 2015. The alpha scheme and all previous scheme arrangements are unfunded with the cost of benefits met by monies voted each year. The majority of existing members of the classic, premium, classic plus and nuvos pension arrangements also moved to alpha from that date. Members who on 1 April 2012 were within 10 years of their normal pension age did not move to alpha and those who were within 13.5 years and 10 years of their normal pension age were given a choice between moving to alpha on 1 April 2015 or at a later date determined by their age. Alpha is a ‘Career Average Revalued Earnings’ (CARE) arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The rate is 2.32%.

New entrants joining can choose between membership of alpha or joining a ‘money purchase’ stakeholder arrangement with a significant employer contribution (partnership pension account).

New entrants joining on or after 30 July 2007 were eligible for membership of the nuvos arrangement or they could have opted for a partnership pension account. Nuvos is also a CARE arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The current rate is 2.3%.

Staff in post prior to 30 July 2007 may be in one of three statutory based ‘final salary’ defined benefit arrangements (classic, premium, and classic plus). From April 2011, pensions payable under classic, premium and classic plus are reviewed annually in line with changes in the cost of living. New entrants joining on or after 1 October 2002 and before 30 July 2007 could choose between membership of premium or joining the partnership pension account.

All pension benefits are reviewed annually in line with changes in the cost of living. Any applicable increases are applied from April and are determined by the Consumer Prices Index (CPI) figure for the preceding September. The CPI in September 2019 was 1.7% and HM Treasury has announced that public service pensions will be increased accordingly from April 2020.

Employee contributions rates for all members for the period covering 1 April 2020 – 31 March 2021 are as follows:

### Scheme Year 1 April 2020 to 31 March 2021

Annualised Rate of Pensionable Earnings (Salary Bands)		Contribution rates – All members
From	To	From 01 April 2020 to 31 March 2021
£0	£23,999.99	4.6%
£24,000.00	£55,499.99	5.45%
£55,500.00	£152,499.99	7.35%
£152,500.00 and above		8.05%

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

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (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 0.5% 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 their scheme pension age, or immediately on ceasing to be an active member of the scheme if they are at or over pension age. Scheme Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos. The normal scheme pension age in alpha is linked to the member’s State Pension Age but cannot be before age 65. Further details about the NICS pension arrangements can be found at the website <https://www.finance-ni.gov.uk/civilservicepensions-ni>.

## **Cash Equivalent Transfer Values**

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the NICS pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2015 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. However, the real increase calculation uses common actuarial factors at the start and end of the period so that it disregards the effect of any changes in factors and focuses only on the increase that is funded by the employer.

## STAFF REPORT

### Staff Costs (audited)

Staff costs comprise:				2019-20	2018-19
				£'000	£'000
	Permanently employed staff	Others	Ministers	Total	Total
Wages and Salaries	4,081	276	-	4,357	4,295
Social Security Costs	461	30	-	491	482
Other Pension Costs	1,054	84	-	1,138	874
<b>Sub Total</b>	<b>5,596</b>	<b>390</b>	<b>-</b>	<b>5,986</b>	<b>5,651</b>
Less recoveries in respect of outward secondments	-	-	-	-	-
<b>Total net costs*</b>	<b>5,596</b>	<b>390</b>	<b>-</b>	<b>5,986</b>	<b>5,651</b>

### Of which:

	Charged to Administration	Charged to Programme	Total
<b>Department</b>	-	5,986	5,986
	-	<b>5,986</b>	<b>5,986</b>

\*Of which £nil has been charged to capital.

The Northern Ireland Civil Service main pension schemes, of which most of the Utility Regulator's staff are members, are unfunded multi-employer defined benefit schemes, but the Utility Regulator is unable to identify its share of the underlying assets and liabilities. The Government Actuary's Department (GAD) is responsible for carrying out scheme valuations. The Actuary reviews employer contributions every four years following the scheme valuation. The 2016 scheme valuation was completed by GAD in March 2019. The outcome of this valuation was used to set the level of contributions for employers from 1 April 2019 to 31 March 2021.

For 2019-20, employers' contributions of £1,138,130 were payable to the NICS pension arrangements (2018-19 - £873,686.36) at one of three rates in the range 28.7% to 34.2% of pensionable pay, based on salary bands.

This change is primarily due to the reduction in the SCAPE discount rate (as announced at Budget 2018) to 2.4% per annum above CPI. The contribution rates are set to meet the cost of the benefits accruing during 2019-20 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £12,782.28 (2018-19 £13,694.15) were paid

to one of the panel of two appointed stakeholder pension providers. Employer contributions are age related and range from 8% to 14.75% (2018-19: 8% to 14.75%) of pensionable pay.

The partnership pension account offers the member the opportunity of having a 'free' pension. The employer will pay the age-related contribution and if the member does contribute, the employer will pay an additional amount to match member contributions up to 3% of pensionable earnings.

Employer contributions of £439.36, 0.5% (2018-19 £473.60, 0.5%) of pensionable pay, were payable to the NICS Pension schemes 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 reporting period date were £nil (2018-19 £nil). Contributions prepaid at that date were £nil (2018-19 £nil).

Employees who joined before the pension auto enrolment may opt out of the pension arrangements and receive an uplift in lieu of employer contributions of 18.5% of base salary. In 2019-20 an average of 9.25 (2018-19: 8) staff opted out of the pension arrangements. No employer pension costs are paid for those staff but the uplift in lieu of employer pension amounted to £79,419 (2018-19: £68,404). These costs are included in wages and salaries above. Following auto-enrolment, any new employees will be automatically enrolled in PCSPS (NI) however if those employees opt out of the pension scheme they will not receive an uplift in lieu of pension.

No persons (2018-19: nil) retired early on ill health grounds; the total additional accrued pension liabilities in the year amounted to £nil (2018-19: £nil).

### Average number of persons employed (audited)

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

					2019-20	2018-19
	Permanently employed Staff	Others	Ministers	Special Advisers	Total	
<b>Segment 1</b>	46.0	2.8	-	-	48.8	54.4
To protect the interests of consumers of electricity supplied by authorised suppliers, wherever appropriate by promoting effective competition between persons engaged in, or in commercial activities connected with, the generation, transmission or supply of electricity						
<b>Segment 2</b>	20.3	1.4	-	-	21.7	20.0
To promote the development and maintenance of an efficient, economic and co-ordinated gas industry in Northern Ireland						
<b>Segment 3</b>	8.5	0.8	-	-	9.3	8.8
To protect the interests of consumers of water and sewerage services, where appropriate, by the promotion of effective competition						
<b>Total</b>	74.8	5.0	-	-	79.8	83.2



## Reporting of Civil Service and other compensation schemes – exit packages (audited)

There were no exit packages awarded in the 2019-20 financial year (2018-19 – None).

## Number of Senior Civil Service Staff by band

The Utility Regulator has its own staff grades and bands however Directors and the CEO would be the equivalent of Senior Civil Service staff. The Directors would be considered to be broadly in line with the grade 5 level in the Civil Service and the CEO broadly at the grade 2 level.

## Composition of Utility Regulator staff

Details of the Utility Regulator Board and Senior Management Team are included in the Directors' report. However, within the context of the Staff Report the Utility Regulator is required to disclose the gender of the Board, Senior Management Team and employees of the Utility Regulator. At the 31 March 2020, the split was as follows:

	Male	Female	Total
Non-executive board members	4	2	6
Senior Management Team	3	2	5
Employees excluding Senior Management Team	46	38	84

## Sickness absence data

The overall absence rate (the number of days of absence as a percentage of the total available workings days) was 2.43% (2018-19: 2.07%) for the year ended 31 March 2020. The average number of working days lost in 2019-20 per person was 5.3 (2018-19: 4.6) and was significantly impacted by a very small number of longer term sickness absences. Excluding long term absence the absence rate was 1.36% (2018-19: 1.43%). Sickness absence in 2019-20 was not materially impacted by Covid related illness.

## Staff Policies applied during the year

### 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. In recruitment and promotion terms, applicant packs and information are available in accessible formats and assistance provided at

assessment and interview in line with an applicant's requirements. Reasonable adjustments are made as a matter of policy to assist staff with disabilities in work.

### **Off Payroll Arrangements**

The Utility Regulator is required to disclose details of any off-payroll arrangements at a cost of over £245 per day, lasting longer than six months that were in place during 2019-20. All off-payroll arrangements are now assessed in line with IR35 requirements. In 2019-20, the Utility Regulator had no such arrangements in place.

### **Spending on consultancy and temporary staff**

In 2019-20 the Utility Regulator spent £3k (2018-19: £22k) on external consultancy. This amount is disclosed in note 3 to the accounts and related to pay analysis work undertaken in year. Consultancy costs in 2018-19 related to the cost associated with a review of the NI Sustainable Energy Programme and SMT leadership and development support.

There were no agency arrangements in place during 2019-20 or 2018-19.

## Statement of Assembly Supply (audited)

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FRm) requires the Utility Regulator to prepare a Statement of Assembly Supply (SoAS) and supporting notes.

The SoAS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the Northern Ireland Assembly.

The SoAS is a key accountability statement that shows, in detail, how an entity has spent against their Supply Estimate. Supply is the monetary provision for resource and cash (drawn primarily from the Consolidated Fund), that the Assembly gives statutory authority for entities to utilise. The Estimate details Supply and is voted on by the Assembly at the start of the financial year and is then normally revised by a Supplementary Estimate at the end of the financial year. It is the final Estimate, normally the Spring Supplementary Estimate, which forms the basis of the SoAS.

Should an entity exceed the limits set by their Supply Estimate, called control limits, their accounts will receive a qualified opinion.

The format of the SoAS mirrors the Supply Estimate to enable comparability between what the Assembly approves and the final outturn. The Supply Estimates are voted by the Assembly and published on the DoF website.

The supporting notes detail the following: Outturn detailed by Estimate line, providing a more detailed breakdown (note 1); a reconciliation of outturn to net operating expenditure in the SoCNE, to tie the SoAS to the financial statements (note 2); a reconciliation of net resource outturn to net cash requirement (note 3); an analysis of income payable to the Consolidated Fund (note 4), a reconciliation of income recorded within the Statement of Comprehensive Net Expenditure (note 5); and detail on non-operating income – excess Accruing Resources (note 6).

## Summary tables

### Summary table, 2019-20, all figures presented in £000

Type of spend	Note	Outturn			Estimate			Outturn vs Estimate, saving/ (excess)	Prior Year Outturn Total 2018-19
		Gross Expenditure	Accruing Resources	Net Total	Gross Expenditure	Accruing Resources	Net Total		
Request for resources A	SoAS1	9,362	(9,142)	220	10,383	(10,120)	263	43	305
Total resources	SoAS2	<b>9,362</b>	<b>(9,142)</b>	<b>220</b>	<b>10,383</b>	<b>(10,120)</b>	<b>263</b>	<b>43</b>	<b>305</b>
Non-operating cost Accruing resources		-	-	-	-	-	-	-	-

### Net cash requirement 2019-20, all figures presented in £000

Item	Note	Outturn	Estimate	Outturn vs Estimate, saving/ (excess)	Prior Year Outturn Total 2018-19
<b>Net cash requirement</b>	SoAS3	-	1,366	1,366	-

### Summary of income payable to the Consolidated Fund

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

	Note	Forecast 2019-20		Outturn 2019-20	
		Income	<i>Receipts</i>	Income	<i>Receipts</i>
<b>Total amount payable to the Consolidated Fund</b>	SoAS 4	-	-	106	106

The notes on pages 61 to 77 form part of these accounts.

**Notes to the Statement of Assembly Supply, 2019-20 (£000)****SoAS1 Note 1. Outturn detail by Estimate line**

Type of spend	Resource outturn						Estimate			Outturn vs Estimate (inc virements), saving/ (excess)	Prior Year Outturn Total 2018-19
	Admin	Other Current	Grants	Gross expenditure	Accruing Resources	Net Total	Net Total	Virements*	Net total inc. virements		
Request for Resources A:											
Utility Regulation	-	9,224	-	9,224	(9,142)	82	83	-	1	1	144
Non-Budget											
Notional Costs	-	138	-	138	-	138	180	-	42	42	161
Resource Outturn	-	9,362	-	9,362	(9,142)	220	263	-	43	43	305

\* Virements are the reallocation of provision in the Estimates that do not require Assembly authority (because the Assembly does not vote to that level of detail and delegates to DoF). Further information on virements are provided in the Supply Estimates in Northern Ireland Guidance Manual, available on the DoF website.

**Analysis of outturn against estimate**

Expenditure is lower than the Main Estimate position as a result of external support costs to support key projects being lower than expected.

**Key to Request for Resources and Functions**

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

The notes on pages 61 to 77 form part of these accounts.

**SoAS note 2. Reconciliation of outturn to net operating expenditure**

<b>Item</b>	<b>Note</b>	<b>Outturn</b>	<b>Supply Estimate</b>	<b>Outturn compared with Estimate</b>	<b>Prior Year Outturn Total, 2018-19</b>
Net Resource Outturn	SoAS1	220	263	43	305
Non-supply income (CFERs)	SoAS4	-	-	-	-
Net Operating Expenditure in Consolidated Statement of Comprehensive Net Expenditure	SoCNE	220	263	43	305

As noted in the introduction to the SoAS above, outturn and the Estimates are compiled against the budgeting framework, which is similar to, but different from, IFRS. Therefore, this note reconciles the resource outturn to net operating expenditure, linking the SoAS to the financial statements.

**SoAS note 3. Reconciliation of net resource outturn to net cash requirement**

<b>Item</b>	<b>Note</b>	<b>Outturn total</b>	<b>Estimate</b>	<b>Outturn vs Estimate, Saving/ (excess)</b>
<b>Resource Outturn</b>	SoAS 1	220	263	43
<b>Capital:</b>				
Acquisition of property, plant and equipment		6	15	9
<b>Non-operating Accruing Resources</b>				
NBV of asset disposals		-	-	-
<b>Accruals to cash adjustments</b>				
<i>Adjustments to remove non-cash items:</i>	3,4			
Depreciation		(13)	(14)	(1)
New provisions and adjustments to previous provisions		(197)	-	197
Other non-cash items		(138)	(180)	(42)
<b>Adjustments to reflect movements in working balances</b>				
Increase/(decrease) in receivables		(183)	1,000	1,183
(Increase)/Decrease in payables due within one year		(1)	-	1
Use of provision	17	200	282	82
Excess cash surrenderable to the Consolidated Fund	SoAS 4	106	-	(106)
<b>Net cash requirement</b>		-	1,366	1,366

As noted in the introduction to the SoAS above, outturn and the Estimates are compiled against the budgeting framework, not on a cash basis. This reconciliation bridges the resource outturn to the net cash requirement.



**SoAS note 4. Amounts of income to the Consolidated Fund****SoAS 4.1, Analysis of income payable to the Consolidated Fund**

In addition to income retained by the department, the following income is payable to the Consolidated Fund (cash receipts being shown in italics)

Item	Note	Forecast 2019-20		Outturn 2019-20	
		Income	<i>Receipts</i>	Income	<i>Receipts</i>
Operating income and receipts – excess Accruing Resources		-	-	-	-
Other operating income and receipts not classified as Accruing Resources		-	-	-	-
Non-operating income and receipts – excess Accruing Resources	SoAS 6	-	-	-	-
Amounts collected on behalf of the Consolidated Fund	SoAS 4.2	-	-	-	-
Excess cash surrenderable to the Consolidated Fund	SoAS 3	-	-	106	106
<b>Total income payable to the Consolidated Fund</b>		-	-	106	106

**SoAS 4.2 Consolidated Fund Income**

Consolidated fund income shown in note SoAS 4.1 above does not include any amounts collected by the department where it was acting as agent for the Consolidated Fund rather than as principal. The amounts collected as agent for the Consolidated Fund (which are otherwise excluded from these financial statements) were:

Item	Outturn Total	Prior Year Outturn Total 2018-19
Fines and Penalties	228	25
Amount payable to the Consolidated Fund	228	25
Balance held at the start of the year	25	-
Payments into the Consolidated Fund	-	-
<b>Balances held on trust at the end of the year</b>	253	25

The notes on pages 61 to 77 form part of these accounts.

## SoAS note 5. Reconciliation of income recorded within the Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund

Item	Note	2019-20 £000	2018-19 £000
Operating income	4	9,142	9,141
Income authorised to be Accruing Resources		(9,142)	(9,141)
Operating income payable to the Consolidated Fund	SoAS 4.1	-	-

## SoAS 6 note 6. Non-operating income – Excess Accruing Resources

Item	2019-20 £000	2018-19 £000
Non-operating income – excess Accruing Resources	-	-
	-	-

## Other Assembly Accountability Disclosures

### i. Losses and special payments (audited)

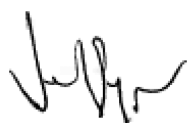
There were no losses and special payments requiring disclosure in the 2019-20 financial year.

### ii. Fees and charges (audited)

The majority of Utility Regulator income comes from electricity, gas and water licence holders. An analysis of income is provided in note 4 to the accounts and split by operating segment in note 2 to the accounts. This also allocates the cost by segment. Total money actually received from licence holders in year was £8.571m resulting in a deferred income balance of £615k and £38k for electricity and gas respectively. There was an under recovery of £39k from water licence holders that is included within the accrued income balance in these accounts.

### iii. Remote Contingent Liabilities (audited)

In addition to contingent liabilities reported within the meaning of IAS 37, the Utility Regulator also reports liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of a contingent liability. The Utility Regulator had no such liabilities at 31 March 2020.



Jenny Pyper  
Accounting Officer  
14 September 2020

The notes on pages 61 to 77 form part of these accounts.

## **Northern Ireland Authority for Utility Regulation**

### **THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY**

#### **Opinion on financial statements**

I certify that I have audited the financial statements of the Northern Ireland Authority for Utility Regulation for the year ended 31 March 2020 under the Government Resources and Accounts Act (Northern Ireland) 2001. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

I have also audited the Statement of Assembly Supply, and the related notes, and the information in the Accountability Report that is described in that report as having been audited.

In my opinion the financial statements:

- give a true and fair view of the state of the Department's affairs as at 31 March 2020 and of its net operating expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance directions issued thereunder.

#### **Opinion on regularity**

In my opinion, in all material respects:

- the Statement of Assembly Supply properly presents the outturn against voted Assembly control totals for the year ended 31 March 2020 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

#### **Basis of opinions**

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of this certificate. My staff and I are independent of Northern Ireland Authority for Utility Regulation in accordance with the ethical requirements of the Financial Reporting Council's Revised Ethical Standard 2016, and have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinions.

#### **Conclusions relating to going concern**

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Northern Ireland Authority for Utility Regulation's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the Northern Ireland Authority for Utility Regulation have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Northern Ireland Authority for Utility Regulation's ability to continue to adopt the going concern basis.

### **Other Information**

The Accounting Officer is responsible for the other information. The other information comprises the information included in the annual report other than the financial statements, the parts of the Accountability Report described in the report as having been audited, and my audit certificate and report. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### **Opinion on other matters**

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Department of Finance directions made under the Government Resources and Accounts Act (Northern Ireland) 2001; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Responsibilities of the Accounting Officer for the financial statements**

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.

### **Auditor's responsibilities for the audit of the financial statements**

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001.

My objectives are to obtain 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my certificate.

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

**Matters on which I report by exception**

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

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

**Report**

I have no observations to make on these financial statements.



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

*25 September 2020*

## Statement of Comprehensive Net Expenditure for the year ended 31 March 2020

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

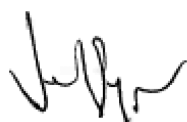
		2019-20	2018-19
	Note	£000	£000
Revenue from contracts with customers	4	7,958	8,120
Other operating income	4	1,184	1,021
<b>Total operating income</b>		<u>9,142</u>	<u>9,141</u>
Staff Costs	3	5,986	5,651
Purchase of goods and services	3	2,748	3,144
Depreciation and impairment charge	3	13	11
Provision expense	3	197	211
Other Operating Expenditure	3	418	429
<b>Total Operating Expenditure</b>		<u>9,362</u>	<u>9,446</u>
<b>Net Operating Expenditure</b>		220	305
<b>Other Comprehensive Net Expenditure</b>			
<b>Items that will not be classified to net operating expenditure</b>			
Net (gain)/loss on revaluation of Property, Plant and Equipment		-	(1)
Net (gain)/loss on revaluation of Intangible Assets		-	-
<b>Items that may be classified to net operating expenditure:</b>			
Net gain/(loss) on revaluation of investments		-	-
<b>Comprehensive net expenditure for the year</b>		<u>220</u>	<u>304</u>

The notes on pages 61 to 77 form part of these accounts.

## Statement of Financial Position as at 31 March 2020

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

	Note	31 March 2020		31 March 2019	
		£000	£000	£000	£000
<b>Non-current assets:</b>					
Property, plant and equipment	5	26		33	
Intangible assets	6	-		-	
Trade and other receivables	10	-		-	
<b>Total non-current assets</b>			26		33
<b>Current assets:</b>					
Trade and other receivables	10	349		532	
Cash and cash equivalents	9	406		2,443	
<b>Total current assets</b>			755		2,975
<b>Total assets</b>			781		3,008
<b>Current Liabilities:</b>					
Trade and other payables	11	(2,801)		(4,837)	
Provisions	12	(279)		(282)	
<b>Total current liabilities</b>			(3,080)		(5,119)
<b>Total assets less current liabilities</b>			(2,299)		(2,111)
<b>Non-current liabilities</b>					
Provisions	12	-		-	
<b>Total non-current liabilities</b>			-		-
<b>Total assets less total liabilities</b>			(2,299)		(2,111)
<b>Taxpayers' equity and other reserves</b>					
General Fund			(2,300)		(2,112)
Revaluation reserve			1		1
<b>Total equity</b>			(2,299)		(2,111)



Jenny Pyper  
Accounting Officer  
14 September 2020

The notes on pages 61 to 77 form part of these accounts.



## Statement of Cash Flows for the year ended 31 March 2020

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

	Note	<u>2019-20</u> <u>£000</u>	<u>2018-19</u> <u>£000</u>
<b>Cashflows from operating activities</b>			
Net operating expenditure	SoAS2	(220)	(305)
Adjustments for non-cash transactions	3	348	383
(Increase)/Decrease in trade and other receivables	10	183	1,711
<i>Less movements in receivables relating to items not passing through the Statement of Comprehensive net expenditure</i>		-	-
- <i>Supply amounts due to the Consolidated Fund</i>	10	-	-
Increase/(Decrease) in trade and other payables	11	(2,036)	1,141
<i>Less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>			
- <i>Supply amounts due to the Consolidated Fund</i>	11	252	949
- <i>Capital accruals</i>		-	1
- <i>CFER amounts due to the Consolidated Fund</i>	11	1,785	(1,891)
Use of provisions	12	(200)	(84)
<b>Net cash inflow/(outflow) from operating activities</b>		<u>112</u>	<u>1,905</u>
<b>Cashflows from investing activities</b>			
Purchase of property, plant and equipment	5	(6)	(14)
Purchase of intangible assets	6	-	-
<b>Net cash inflow/(outflow) from investing activities</b>		<u>(6)</u>	<u>(14)</u>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (Supply) – current year		300	552
From the Consolidated Fund (Supply) – prior year		-	-
Advances from the Consolidated Fund		-	-
Repayments of advances from the Consolidated Fund		-	-
<b>Net financing</b>		<u>300</u>	<u>552</u>
<b>Net increase/(decrease) in cash and cash equivalents in the period before adjustment for payments to the Consolidated Fund</b>		406	2,443
Payments of amounts due to the Consolidated Fund		(2,443)	(1,501)
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for payments to the Consolidated Fund</b>		<u>(2,037)</u>	<u>942</u>
<b>Cash and cash equivalents at the beginning of the period</b>	9	2,443	1,501
<b>Cash and cash equivalents at the end of the period</b>	9	406	2,443

The notes on pages 61 to 77 form part of these accounts.

## Statement of Changes in Taxpayers' Equity for the year ended 31 March 2020

This statement shows the movement in the year on the different reserves held by the Utility Regulator, analysed into 'general fund reserves' (i.e. those reserves that reflect a contribution from the Consolidated Fund). The Revaluation Reserve reflects the change in asset values that have not been recognised as income or expenditure. The General Fund represents the total assets less liabilities of a department, to the extent that the total is not represented by other reserves and financing items.

Note	General Fund £000	Revaluation Reserve £000	Taxpayers' Equity £000
<b>Balance at 31 March 2018</b>	(77)	-	(77)
Net Assembly Funding	552	-	552
Supply (payable)/receivable adjustment	(552)	-	(552)
CFERs payable to the Consolidated Fund	(1,891)	-	(1,891)
Comprehensive Net Expenditure for the Year	(305)	1	(304)
<b>Non-cash adjustments</b>			
Non-cash charges – auditor's remuneration	23	-	23
Non-cash charges – other	138	-	138
<b>Movements in reserves</b>			
Transfer between reserves	-	-	-
<b>Balance at 31 March 2019</b>	(2,112)	1	(2,111)
Net Assembly Funding – drawn down	300	-	300
Supply (payable)/receivable adjustment	(300)	-	(300)
CFERs payable to the Consolidated Fund	(106)	-	(106)
Comprehensive Expenditure for the Year	(220)	-	(220)
<b>Non-cash adjustments</b>			
Non-cash charges – auditors remuneration	28	-	28
Non-cash charges – other	110	-	110
<b>Movements in reserves</b>			
Transfers between reserves	-	-	-
<b>Balance at 31 March 2020</b>	(2,300)	1	(2,299)

The notes on pages 61 to 77 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 2019-20 Government Financial Reporting Manual (FReM) issued by the DoF. 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 the most appropriate to the particular circumstances of the Utility Regulator for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Utility Regulator are described below. These have been applied consistently in dealing with items that are considered material to the accounts.

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

#### 1.1 Accounting Convention

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

#### 1.2 Property, plant and equipment

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

The following asset categories existed at the start of the year, namely IT equipment, office equipment, furniture and fittings and leasehold improvements. Asset additions have been valued at purchase price. Existing assets are revalued annually by reference to revaluation indices obtained from the Office for National Statistics and the Land and Property Services.

#### 1.3 Intangible Assets

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

#### 1.4 Depreciation and Amortisation

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

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

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

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

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

## **1.6 Cost Apportionment**

Utility Regulator total costs in 2019-20 were apportioned on the basis of each directorates directly identifiable costs plus a percentage allocation of common costs based on either the relationship of divisional staff numbers to total Utility Regulator staff numbers or the estimated allocation of staff time to a particular division.

## **1.7 Revenue Recognition**

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

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

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

In the year following payment of licence fees, the Utility Regulator adjusts the new licence fees by the amount of over/under recovery of actual costs arising in the previous licence year. Since

licence fees are based on estimated costs, any over-recovery is treated as Deferred Income within Payables and any under-recovery as Accrued Income within Receivables.

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

In addition, the cost of the Consumer Council in dealing with electricity consumer issues was recovered from electricity supply licence holders, on the basis of volumes supplied. The cost of gas consumer issues was recovered from conveyance licence holders who participate in distribution activities, on the basis of their share of the total forecast gas volumes to be distributed in the year. The water and sewerage consumer cost was recovered from the water and sewerage licence holder. For 2019-20 the Utility Regulator collected and passed on to the Consumer Council an amount of £714,080 of which £223,323 was in respect of its electricity functions, £168,472 in respect of its gas functions and £322,285 in respect of its water functions. These licence fees are accounted for in the accounts of the Consumer Council.

### **1.8 Administration and Programme Expenditure**

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

### **1.9 Net Liabilities**

The negative value of total net assets arises because the funds owed to Electricity, Gas and Water and Sewerage licencees are correctly shown as a liability. However under Managing Public Money Northern Ireland rules the Utility Regulator is required to surrender surpluses to the Consolidated Fund and 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.

The Statement of Financial Position as at 31 March 2020 shows net liabilities of £2,299k, reflecting liabilities due in future years. It is considered appropriate to adopt a going concern basis for the preparation of the financial statements as the department is supply financed and draws its funding from the Consolidated Fund. Therefore there is no liquidity risk in respect of the liabilities due in future years.

### **1.10 Value Added Tax**

VAT is accounted for in accordance with IAS 12.

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

### **1.11 Foreign Exchange**

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

### **1.12 Notional Costs**

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

### **1.13 Operating Leases**

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

### **1.14 Pensions and Employee Benefits**

Past and present employees, including directly recruited Utility Regulator employees (who take up this facility), are covered by the provisions of the PCSPS (NI) which is a defined benefit scheme and is unfunded. 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 April 2015, civil servants may choose between membership of the PCSPS (NI) Alpha scheme 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 and Staff Report.

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

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

### **1.15 Early Departure Costs**

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

### **1.16 Contingent Liabilities**

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

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

### **1.17 Financial Instruments**

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

### **1.18 Impending application of newly issued accounting standards not yet effective**

Management has reviewed new accounting standards that have been issued but are not yet effective, nor adopted early for these accounts.

IFRS 16 Leases replaces IAS 17 Leases and is effective with EU adoption from 1 January 2019. In line with the requirements of the FReM, IFRS 16 will be implemented, as interpreted and adapted for the public sector, with effect from 1 April 2021. This will impact the building lease held by the Utility Regulator which is currently classified as an operating lease and recognised only on the Statement of Comprehensive Net Expenditure. Following implementation, the future payments under the building lease will be recognised on the Statement of Financial Position as a right of use asset with a corresponding lease liability.

Management consider that the remaining standards that have been issued but are not yet effective are unlikely to have a significant impact on the accounts in the period.



## 2. Statement of Operating Expenditure by Operating Segment

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

	2019-20				2018-19			
	Reportable Segment 1	Reportable Segment 2	Reportable Segment 3	Total	Reportable Segment 1	Reportable Segment 2	Reportable Segment 3	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Gross Expenditure</b>	6,404	2,019	939	9,362	6,852	1,780	814	9,446
<b>Income</b>	6,264	1,962	916	9,142	6,654	1,705	782	9,141
<b>Net Expenditure</b>	140	57	23	220	198	75	32	305

### Description of Segments

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

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

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

### 2.1 Reconciliation between Operating Segments and SoCNE

	2019-20	2018-19
	£000	£000
Total net expenditure reported for operating segments	220	305
Reconciling items:		
Income	-	-
Expenditure	-	-
Total net expenditure per Statement of Comprehensive Net Expenditure	220	305

### 3. Other Programme Expenditure

	2019-20		2018-19	
	£000	£000	£000	£000
<b>Staff Costs<sup>3</sup>:</b>				
Wages and Salaries	4,357		4,295	
Social Security Costs	491		482	
Other Pension Costs	1,138		874	
		5,986		5,651
<b>Rentals under operating leases:</b>				
Property rentals	153		152	
Hire of office equipment	5		5	
		158		157
<b>Non-cash items</b>				
Depreciation of property, plant and equipment	13		11	
Auditors' remuneration and expenses	28		23	
Provision provided in year	197		282	
Provisions not required written back	-		(71)	
Other notional costs	110		138	
<b>Total non-cash items</b>		348		383
<b>Other expenditure:</b>				
Consultancy	3		22	
Management of Renewable Outputs Certificate Scheme	1,135		929	
Property service charges	80		93	
Managed services	1,190		1,721	
Communications and Advertising	21		22	
Hospitality	4		4	
Travel and Subsistence	35		52	
Rates	87		86	
Training	39		46	
Utilities	40		38	
IT costs	14		17	
Exchange losses	-		1	
Procurement charges	21		13	
Regulatory costs	15		12	
Miscellaneous expenditure	186		199	
		2,870		3,255
<b>Total</b>		<u>9,362</u>		<u>9,446</u>

There were no non-audit services purchased from the NIAO during 2019-20. During 2018-19, £1k was paid to the Northern Ireland Audit Office (NIAO) for work associated with the National Fraud Initiative (NFI) 2018-19 exercise.

<sup>3</sup> Further analysis of staff costs is located in the Staff Report on page 43.

## 4. Income

### 4.1 Other Operating Income

	2019-20	2018-19
	£000	£000
Electricity Licence Fees	5,079	5,633
Gas Licence Fees	1,963	1,705
Water Licence Fees	916	782
Miscellaneous Income	1,184	1,021
<b>Total</b>	9,142	9,141

Licence fee income included in note 4.1 above is considered to meet the definition of a contract under IFRS 15. As a condition of holding the licence, electricity, gas and water licence holders must pay an annual fee which is a portion of the Utility Regulator costs of regulation, split between licence holders on the basis of agreed and published methodologies. That fee is payable within 30 days of issue. Further detail on how Utility Regulator costs are allocated between licence holders is outlined in note 1.7. Licences are not reviewed annually but are held until such times as the Utility Regulator revokes the licence through a breach of a licence condition or the licence holder makes an application to revoke the licence. Non-payment of an annual fee would result in the Utility Regulator taking action to revoke the licence. No adjustments are required in respect of the recognition of licence fee income under IFRS 15. Income is recognised in line with Utility Regulator costs and any under/over recovery of income is shown as accrued/deferred income respectively.

## 5. Property, plant and equipment

2019-20	Leasehold improvements	Information Technology Equipment	Office Equipment	Furniture & Fittings	Total
	£000	£000	£000	£000	£000
<b>Cost or valuation</b>					
At 1 April 2019	80	15	50	80	225
Additions	-	1	-	5	6
Disposals	-	-	-	-	-
Impairments	-	-	-	-	-
Revaluations	1	-	-	-	1
<b>At 31 March 2020</b>	<b>81</b>	<b>16</b>	<b>50</b>	<b>85</b>	<b>232</b>
<b>Depreciation</b>					
At 1 April 2019	71	7	46	68	192
Charged in year	6	2	3	2	13
Disposals	-	-	-	-	-
Impairments	-	-	-	-	-
Revaluations	1	-	-	-	1
<b>At 31 March 2020</b>	<b>78</b>	<b>9</b>	<b>49</b>	<b>70</b>	<b>206</b>
<b>Carrying amount at 31 March 2020</b>	<b>3</b>	<b>7</b>	<b>1</b>	<b>15</b>	<b>26</b>
Carrying amount at 31 March 2019	9	8	4	12	33
Asset financing:					
Owned	3	7	1	15	26
<b>Carrying amount at 31 March 2020</b>	<b>3</b>	<b>7</b>	<b>1</b>	<b>15</b>	<b>26</b>

**5. Property, plant and equipment (continued)**

2018-19	Leasehold improvements £000	Information Technology Equipment £000	Office Equipment £000	Furniture & Fittings £000	Total £000
<b>Cost or valuation</b>					
At 1 April 2018	71	10	50	80	211
Additions	8	5	-	-	13
Disposals	-	-	-	-	-
Impairments	-	-	-	-	-
Revaluations	1	-	-	-	1
<b>At 31 March 2019</b>	<b>80</b>	<b>15</b>	<b>50</b>	<b>80</b>	<b>225</b>
<b>Depreciation</b>					
At 1 April 2018	67	6	42	66	181
Charged in year	4	1	4	2	11
Disposals	-	-	-	-	-
Impairments	-	-	-	-	-
Revaluations	-	-	-	-	-
<b>At 31 March 2019</b>	<b>71</b>	<b>7</b>	<b>46</b>	<b>68</b>	<b>192</b>
<b>Carrying amount at 31 March 2019</b>	<b>9</b>	<b>8</b>	<b>4</b>	<b>12</b>	<b>33</b>
Carrying amount at 31 March 2018	4	4	8	14	30
Asset financing:					
Owned	9	8	4	12	33
<b>Carrying amount at 31 March 2019</b>	<b>9</b>	<b>8</b>	<b>4</b>	<b>12</b>	<b>33</b>

**6. Intangible assets****2019-20**

£000

**Cost or valuation**

At 1 April 2019	16
Additions	-
Disposals	-
Impairments	-
Revaluations	-
<b>At 31 March 2020</b>	<b>16</b>

**Amortisation**

At 1 April 2019	16
Charged in year	-
Disposals	-
Impairments	-
Revaluation	-
At 31 March 2020	16

**Carrying amount at 31 March 2020**

Carrying amount at 31 March 2019	-
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## Asset financing:

Owned	-
<b>Carrying amount at 31 March 2020</b>	<b>-</b>

**6. Intangible assets (continued)**

2018-19

£000

**Cost or valuation**

At 1 April 2018	16
Additions	-
Disposals	-
Impairments	-
Revaluations	-
<b>At 31 March 2019</b>	<b>16</b>

**Amortisation**

At 1 April 2018	16
Charged in year	-
Disposals	-
Impairments	-
Revaluation	-
<b>At 31 March 2019</b>	<b>16</b>

**Carrying amount at 31 March 2019**

Carrying amount at 31 March 2018

Asset financing:

Owned	-
<b>Carrying amount at 31 March 2019</b>	<b>-</b>

**7. Capital and other commitments****7.1 Capital Commitments**

There were no contracted capital commitments at 31 March 2020 (£Nil, at 31 March 2019).

## 7.2 Commitments under leases

£158k (£157k 2018-19) was included as an expense on operating leases in the Statement of Comprehensive Net Expenditure

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

	2019-20	2018-19
	£000	£000
<b>Obligations under operating leases comprise</b>		
Land and Buildings		
Not later than one year	173	143
Later than one year and not later than five years	777	71
Later than five years	139	-
	1,089	214
<b>Other</b>		
Not later than one year	2	3
Later than one year and not later than five years	-	2
Later than five years	-	-
	2	5

## 7.3 Other financial commitments

The Utility Regulator has not entered into any non-cancellable contracts (which are not operating leases) as at 31 March 2020 (£Nil, at 31 March 2019).

## 8. 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 and managing 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 Utility Regulator's expected purchase and usage requirements and the Utility Regulator is therefore exposed to little credit, liquidity or market risk.



**9. Cash and cash equivalents**

	<b>2019-20</b>	<b>2018-19</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April	2,443	1,501
Net change in cash and cash equivalent balances	(2,037)	942
<b>Balance at 31 March</b>	<u>406</u>	<u>2,443</u>

The following balances at 31 March were held at:

Commercial banks and cash in hand	<u>406</u>	<u>2,443</u>
<b>Balance at 31 March</b>	<u>406</u>	<u>2,443</u>

**10. Trade receivables, financial and other assets**

	<b>2019-20</b>	<b>2018-19</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year:</b>		
Trade receivables	87	88
VAT receivable	76	82
Prepayments and Accrued Income	186	362
Amounts due from the Consolidated Fund in respect of supply	-	-
	<u>349</u>	<u>532</u>

There are no receivables falling due after more than one year

**11. Trade payables, financial and other liabilities**

	<b>2019-20</b>	<b>2018-19</b>
<b>Amounts falling due within one year</b>	<b>£000</b>	<b>£000</b>
Trade payables	31	2
Other taxation and social security	-	137
Accruals and deferred income	1,609	1,500
Amounts issued from the Consolidated Fund for supply but not spent at year end	300	552
Consolidated Fund extra receipts due to be paid to the Consolidated Fund - received	861	2,646
Consolidated Fund extra receipts due to be paid to the Consolidated Fund - receivable	-	-
	<u>2,801</u>	<u>4,837</u>

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

**12. Provisions for liabilities and charges**

	<b>2019-20</b>	<b>2018-19</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April	282	155
Provided in the year	197	282
Utilised during the year	(200)	(84)
Provisions not required written back	-	(71)
<b>Balance at 31 March</b>	<u>279</u>	<u>282</u>

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

**Analysis of expected timing of discounted flows**

	<b>2019-20</b>	<b>2018-19</b>
	<b>£000</b>	<b>£000</b>
Not later than one year	279	282
Later than one year and not later than five years	-	-
Later than five years	-	-
<b>Balance at 31 March</b>	<u>279</u>	<u>282</u>

### **13. Contingent liabilities**

The accounts make provision for the costs of defending litigation proceedings. The Utility Regulator is disputing liability in these cases. It is possible these proceedings could lead to losses in the form of compensation and the applicants' legal costs if the judgments are in favour of the applicants. However it is not possible at this stage to estimate the level of third party costs and/or damages that may be borne by the Utility Regulator. As the cases are at an early stage and the outcome is uncertain, it has not been considered appropriate to make a provision under the criteria set out in IAS 37.

### **14. Financial Guarantees, Indemnities and Letter of Comfort**

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

### **15. Related-Party Transactions**

The Utility Regulator has had a number of transactions with other Government departments and Central Government bodies. These include the DfE, DfI and DoF.

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

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

Jenny Pyper is a Pro Chancellor and Chair of Council for the Ulster University (from July 2019). This has been declared to the Utility Regulator and there are no identified conflicts with this unremunerated role.

Teresa Perchard is a member of the Utility Regulator Board and from March 2020 was a member of the Scottish Power Energy Networks Customer Engagement Group. Scottish Power Energy Networks have no identified connection with any licenced companies in NI and it is unlikely that any conflicts exist with this role. This will continued to be monitored on an ongoing basis.

From April 2016 until March 2020 Teresa Perchard was Chair of the Affinity Water Customer Scrutiny Group. Affinity Water is a water supply company based in England. As the Utility Regulator regulates the only NI water supply company, NIW, no conflicts with this role arose.

Until April 2018, Teresa Perchard was also Consumer Champion for the Cavity Insulation Guarantee Agency, an independent body that provides guarantees for cavity wall insulation fitted by registered installers in the UK. Cavity wall insulation may be provided under the NISEP scheme that the Utility Regulator administers. The Board would not normally have any role in the approval of NISEP schemes. Teresa Perchard disclosed this role to the Utility Regulator.

Alex Wiseman is a member of the Utility Regulator Board and is also a Director of Alex Wiseman Associates Ltd, a consultancy company specialising in utility related matters. Alex Wiseman undertakes work for POYRY in a sub-contracting arrangement. POYRY are engaged in some contracts with the Utility Regulator however Alex Wiseman will not be involved in any consultancy contracts with the Utility Regulator or any regulated company either in a direct or sub-contract capacity.

Until 26 September 2019 Alex Wiseman was also a Director at Bristol Energy Ltd, a national gas and electricity supplier in GB. This company does not operate in NI. With effect from 18 September 2019 Alex Wiseman was appointed non-executive Director and Audit Committee Chair of Bristol Holdings Ltd, the parent company of Bristol Energy.

Jon Carlton is a member of the Utility Regulator Board and is also Chairman and Director of the National Grid Electricity Group Trustee Limited, part of the UK and US based company responsible for consumer energy connections. This company does not operate in NI.

Jon Carlton is also owner and Director of Guille Carlton Solutions Limited, an energy consultancy business. Jon has declared this role to the Utility Regulator and will not be involved in any consultancy contracts with the Utility Regulator in either a direct or sub-contract capacity.

Claire Williams is a member of the Utility Regulator Board and is also Legal Director and Company Secretary for Low Carbon Contracts Company Limited. This is a private limited company owned by BEIS, a government department in Great Britain. This role has been disclosed to the Utility Regulator and any potential conflicts will be managed as they arise.

David Newbery is the deputy independent member of the SEMC and is a non-executive director of CEPA, a firm providing consultancy support to the Utility Regulator. CEPA were engaged during 2019-20 and in total payments of £113,618 (2018-19 £184,989) were made to them in this financial year (of which £nil (2018-19 £nil) related to matters under the auspices of the SEMC). David Newbery is not involved in any decisions to appoint CEPA, or any other consultants engaged on this project, and does not participate directly in any work undertaken by them on behalf of the Utility Regulator. David has declared this role to the SEMC.

Tanya Hedley, Director of Compliance and Network Operations, holds a pension with NIE Pensions Scheme. Tanya Hedley disclosed this pension to the Utility Regulator and has not participated in the preparation or clearance of advice, proposals or papers and has absented herself from any pension related discussions.

Tanya Hedley was also project collaborator for the University of Ulster and University College Dublin Investigator Programme 'Energy storage and demand-side flexibility within future electricity markets'. Tanya declared this role to the Utility Regulator and there were no perceived conflicts with her participation.

Donald Henry, Director of Corporate Affairs, was also a member of the EnergyWise project board although work on EnergyWise has been postponed pending re-appointment of a Minister. The EnergyWise project board has not met again since the restoration of devolution. Donald has declared this role and any conflicts will be managed as they arise.

Donald Henry is also a member of the Department of Agriculture, Environment and Rural Affairs Audit and Risk Committee. This role has been disclosed to the Utility Regulator and any potential conflicts will be managed on an ongoing basis.

Richard Rodgers, was a member of the Utility Regulator Board during 2018-19 and from 12 November 2018 was seconded from the Strategic Investment Board, where he held the position of Strategic Advisor (Energy Wise and other energy matters), to DfE as Deputy Secretary, Head of Energy. From 10 July 2017 until 11 November 2018 Richard was seconded to Head of Renewable Heat Incentive Task Force at the DfE. Richard Rodgers has declared these roles to the Utility Regulator and considered with the Chair any possible conflicts as they arose.

## **16. Events after the reporting period**

The Working Time (Coronavirus) (Amendment) Regulations (Northern Ireland) 2020 came into operation on 24 April 2020 and allows those workers who are unable to take annual leave as a result of the pandemic to carry over up to four weeks' annual leave into the next two leave years. Any exemption will apply only to circumstances where workers are unable to take their leave as a result of the outbreak, and carry over of annual leave will be limited to the next two leave years. The change in regulations may lead to an increase in the value of accrued annual leave carried over in the next two years by the department. It is not possible for the department to give a reasonable estimate of the impact at this time.

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

The Accounting Officer authorised the issue of these financial statements on 25th September 2020.





